

## **AN INVESTIGATION INTO DIVERSE USE SYSTEMS OF GLOBAL HRM INTEGRATION**

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### **Abstract**

This study intends to study a variety of Systems can be used to integrate Human Resource management ( HRM) practices in foreign subsidiaries including financial compensation, performance appraisal, training and development, and recruitment and selection. Research findings indicate systematic differences in the use of integration Systems using HRM practices. Further, using integration Systems comes beneficial in headquarters control, and coordination, as well as meeting the individuals' needs seeking to HRM practices.

**Keywords:** Integration Systems, Human Resource, Global Integration, HRM practices

### **Introduction**

This research goes through examining the Systems used by multinational corporations (MNCs) aiming at integrating a variety of different human resource management (HRM) practices in the foreign subsidiaries as mentioned the very financial compensation, performance appraisal, training and development, and recruitment and selection. Despite a huge literature on the entry mode choices of multinational companies (MNCs) in isolation, a comprehensive account which details the mechanisms through which host country corruption impacts on MNCs' entry modes is lacking, yet the studies on the whole indicate that when in presence of markets with high levels of corruption, MNCs prefer low equity (that is, joint-ventures with local partners) or non-equity (namely exports and contracting) entry mode choices (Evans and Pucik, 2011). However, large discussions on HRM in foreign subsidiaries has been provided, here an emphasis is just on the relationships subsidiary HRM practices than to the organizational Systems so that MNC can be used to integrate the practices (Hannon, Huang, 1995; Nohria, 1994). Just a little research carried out regarding the mechanisms of HRM integration in MNCs where on case studies have been only applied to get the study fulfilled(Edwards, 1996; Almond, 2005); further, an emphasis on internal benchmarking or expatriation as of the integration mechanisms has been put (Hetrick, 2002). Furthermore, how HRM can be integrated and the approaches used have been both discussed here. The rapid rise of multinational Corporations (MNCs) from emerging economies has led to greater interest and urgency in developing a better understanding of the deployment and diffusion of managerial strategies (Engardio, 2008). Research on MNCs has focused on developed countries establishing subsidiaries either in other developed economies or into developing economies (Glover & Wilkinson, 2007).

It is essential to remind all the audience of the fact that human resource is the most important asset for any organization and it is the source of achieving competitive advantage. Managing human resources is very challenging as compared to managing technology or capital and for its effective management, organization requires effective HRM system. HRM system should be backed up by sound HRM practices. HRM practices refer to organizational activities directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfillment of organizational goals. An understanding of HRM Practices and to examine the unique HRM practices implemented by different companies aimed in all the studies conducted to date (Hannon et al., 1995; Rosenzweig, 1994). Variance in the local adaptation of individual HRM practices has been shown in different studies. to take into account the desired degree of HRM practice adaptation required to use of integration Systems. Currently, only an image of how individual HRM practices can be integrated in foreign subsidiaries has been represented. Hypotheses on the use of centralization-, formalization-, and people-based global integration mechanisms by MNCs in integrating four HRM practices – financial compensation, performance appraisal, training and development, and recruitment and selection have been tested in this study (Kim, & Prescott, 2003). Regard that certain Systems can be used most in integrating certain individual HRM practices based on control and coordination and needing to local adaptation. This study intended to discuss why integration mechanisms are used in HRM practices, sought to the field of HRM in MNCs. This study also aims to notify the addressees on how European MNCs are confronting the HRM integration challenge in Chinese subsidiaries. the literature on the global integration of foreign subsidiaries in MNCs in general and HRM in particular has been proposed in this study; also arguments on why certain integration Systems are more or less capable than others in achieving the two main goals of global integration, and in allowing for local adaptation have been proposed in upcoming section. Hypotheses on the HRM practice integrated through each mechanism type have been proposed later. Sample of 76 European-owned subsidiaries located in Iran and describes the quantitative and qualitative data that we collected from HR and general managers has been represented in method of research. The quantitative survey data used to test hypotheses and complete the statistical results using findings from our interviews with subsidiary managers in a subsample of 29 units have been proposed in the section for results. To sum up, discussion on what all done through the study especially the method has been proposed.

### **Literature review**

This is a new era which is often referred to as a new geography of investments that most MNCs come from the world's top five economies, a growing number are from developing and newer industrialized economies. Previous research on MNCs had identified dual pressures for the need to conform to home country and host country institutional environments when adopting HRM strategies and practices, yet very little understanding exists on how these pressures influence HRM strategies and practices at subsidiary level of MNCs from emerging economies. While previous comparative research on HRM in the Asia Pacific region has identified the national origin of firms including its national institutions and culture as the key shapers of HRM practices in the region, these studies do not address how cultural and institutional differences affect the dissemination of HRM strategies and practices by MNCs from emerging economies operating in a developed economy. The successful integration of HRM practices will often require some degree of local adaptation to account for host-country

contextual differences in addition to two goals of global integration. Better compatibility with and therefore greater legitimacy amongst host country regulatory, normative, and cognitive institutions would be resulted that also the this render the practice easier to comprehend (Jensen & Szulanski, 2004). Management practices and local values, beliefs, and norms may also be associated with superior performance (Newman & Nollen, 1996). Local adaptation of practices is also somehow likely to contribute to moving beyond surface-level implementation of home company HRM practices toward deeper internalization of the practices.

Research on HRM in subsidiaries of multinational companies has widely examined subsidiary HRM practices within the integration-responsiveness framework, where on a focus on global standardization and local adaptation of practices, i.e. the extent to which subsidiary HRM practices resemble MNC home country practices and/or local host country practices unit (Kostova & Roth, 2002). HRM practices tend to require a lot of local adaptation whilst in MNCs there is a need for some consistency in practices across foreign subsidiaries regarding issues like performance appraisal and compensation of global workforce. Previous study on HRM has studies the process of transferring practices from MNC headquarters and integrating them in the subsidiaries, as HRM practices discussed previously. An emphasis has been on the extent to which a variety of HRM practices in various subsidiaries of the MNC adapted and standardized and transferred across borders, yet without regarding how this can be possible. Most studies aim to address how and why HRM practices exist in MNC subsidiaries, that are asked to which extent subsidiary HRM practices resemble home MNC and host country practices, and how this can be changed over the time. Further, this question comes to mind that how HRM practices can be integrated into MNC subsidiaries and why integration mechanisms are used, considering the fact that how getting involved in internal and external social networks influence subsidiary HRM capabilities, that going beyond it is asked which factors influence the strategic role of the subsidiary HR.

HRM and MNC are two terms intertwined with each other, that both sufficiently discussed in any of studies; on the basis of HRM defined as routines embedded in the tacit and implicit knowledge of members of an organization functioning to acquire, develop, deploy and redeploy human resources in a dynamic, competitive environment. It has been suggested that HRM capabilities belonging to a company consist of skill-based and behavioral capabilities, and the ability to generate the stock of knowledge and collective learning that enable it to provide core services through people. Another definition focuses on capability of HRM not just the term HRM; Kim et al. (2003) conceptualize HRM capabilities at the level of individual HR professionals, stated that capabilities consist of three different knowledge areas, knowledge of business, functional expertise, and change management. The concept of capabilities associated to HRM on a more general level has been discussed, e.g. two HRM-based capabilities termed integrative and creative capabilities. Addressed the knowledge-based view, it is argued that such two capabilities are required in MNC to be able to develop new HRM practices and integrate these practices across its various subsidiaries. In contrary to the concept of HRM capabilities conceptualized, creative and integrative capabilities assumed as of an enabling nature rather than being directly linked to the content of the actual HRM practices. National origin of MNCs is seen as a major influence in determining this balance. A variety of studies across HRM have highlighted the existence of differences across individual HRM practices, emphasizing the need for more research which examine HRM practices rather than an aggregate level. One of the key challenges facing the MNCs is how to balance

between the need for global integration and local adaptation. It is examined that the issues dealing with how MNCs manage their foreign subsidiaries and concluded that the main influence on the MNCs effort to have a degree of control over their subsidiaries was their country of origin. Supporting this view, stated that although multinationals are highly internationalized, their organizational coordination and control practices at the international level tend to be explained by their country of origin. Scholars at the field of HRM have applied a multitude of perspectives from organizational theory so as to study HRM in MNCs, classifying them on dimensions such as strategic and non-strategic, micro and macro and exogenous and endogenous. Some have suggested that the potential for HRM to provide a sustainable competitive advantage for the MNC lies primarily in the people, that are, having a highly skilled and motivated workforce, whereas others have emphasized the role of HRM function and the unique and interdependent systems of HRM practices. It was found out that agency problems such as asymmetry of information influenced the design of compensation strategies in MNC subsidiaries. Empirical evidence suggests that almost all MNCs have a trace of their country of origin within them. It could be choices influenced by the cultural and institutional characteristics of the country of origin of the MNC or it could be transferred through the people who work in the organization. The key advantages for these MNCs are access to the most dynamic growth markets in the world with a vast pool of low cost resources like production workers, engineers and natural resources. MNCs from emerging economies enter developed economies for exploration and other emerging economies for exploitation. Although in absolute terms the MNCs from emerging economies are not very large, they are gaining importance and many companies are now globally diversified. Most of the emerging markets MNCs are in their early stage of internationalization with limited international experience associated to HRM. The MNCs from the emerging economies, organizational culture, decision making and control on subsidiaries can be noticeably different as compared to their counterparts in developed markets due to national culture and economic differences. Note that organizations adopt certain structures and ways of operating in order to obtain legitimacy in their environment, where MNC subsidiaries are considered to exist under conditions of institutional duality meant that they have experience pressure to obtain both internal legitimacy from MNC and external legitimacy from their external local networks. In a study by Almond, P., Edwards, et al. (2005), stated that organizations adopt different practices through three different processes where on institutional theory has been extensively used in research grounded on HRM, addressing HRM practices existing in MNC subsidiaries. Institutional theory is used to examine changes in MNC subsidiary HRM practices. Furthermore, HRM links with the strategic management processes of the MNCs in emerging economies and emphasizes coordination or congruence among the various HRM practices. According to Taylor et al, there exists a growing consensus that a key differentiator between the corporate winners and losers in the 21<sup>st</sup> century will be the effectiveness of the human organization' and it is particularly critical in the emerging markets. In the context of IHRM, Ngo, Turban, Lau and Liu found strong support for the hypothesis that country of origin influences the firm's HRM practices. Taylor et al.'s model of IHRM considers that the transfer of HRM policies and practices 'can go in any direction', not just from home to host countries. Similarly, American and European HRM systems influence and are influenced by East Asian HRM systems. Empirical studies on the diffusion of HRM practices by MNCs across their subsidiaries indicate that they predominantly adopt hybrid methods, combining both push force for control from headquarters and pull factors for conformity to host country,

to suit the markets they are serving. Global, national and internal pressures play a role in influencing HR strategic recipes and delivery Systems. Edwards & Rothbard contrast different approaches to the transfer of employment practices in MNCs and argue for an integrated approach that focuses on interrelationships between markets and institutions on the one hand and the material interests of actors on the other.

### **Research Hypotheses**

A discussion on importance of different integration mechanisms regarding the main goals of global integration and being responsive to local adaptation has been provided in this study. Therefore, specific integration Systems are better choice where used extensively in integrating specific HRM practices. To build hypotheses, a study on overviews provided for HRM with a focus on HRM practices regarding integration of HRM practices has been used to go through this. Decisions regarding financial compensation for professionals and managers are utmost likely to be emerged at controlled-based manner, letting MNC headquarters to use output-based control to manage subsidiary operations (O'Donnell, 2000). Also argued that MNCs intend to supervise HRM practices centered at funding affairs (Farley, & Yang, 2004). Almond et al. (2005) considers pressure on integration to pay and act comes to realize where on desire not just creates an internal labor market and international mobility, more importantly creates a strong foundation through which controlling subsidiary functioning fulfills. Research states that bonus and compensation are HRM practices influenced by social culture. Hence, the criteria and methods for deciding on bonuses and other rewards require less local adaptation as the level of financial compensation for professionals and low- to mid-level managers is likely to be a function of local labor market rates. MNC headquarters use the performance appraisal system to strive that appropriate goals and expectations lead to influence the way performance evaluates. The processes and criteria used to set financial rewards mainly aimed to be used to integrate aspects of performance appraisal systems, reporting that the degree of centralization is almost high. Performance management such as the management of talent in Chinese subsidiaries mostly remains the responsibility of senior subsidiary managers rather than that of MNC headquarters (Hartmann et al., 2010). Both training and development and recruitment and selection than Centralization are comparatively much more susceptible to local adaptation. Cross-national differences in the skills possessed by job applicants in the local labor market have been shown to be key drivers of locally adapted practices regarding training and development (Heraty, & Morley, 2001). The host-country of this study is Iran; the country's significant socio-economic transition over the past two decades as well as its increasingly important role in the world business context makes Iran an interesting setting for the study. From an HRM point of view, Iran is especially interesting since the on-going changes in environment have influenced HRM in local companies as well as MNCs operating in the country as the western concept of HRM has become more well-established. A perceived need to adapt how the training and development is delivered, has been revealed regarding analyses of MNC internal training and development programs (Björkman & Lu, 1999). A variety of arguments on why recruitment and selection tend to be adapted to the local context has been provided, that first mentioned the labor markets are predominately local in nature so that a wide range of institutional factors influence the supply of candidates (Hartmann et al., 2010). Furthermore, interdisciplinary studies have shown differences in the recruitment and selection practices totally in consistent with the national culture and social behaviors (Mirza, 2004; Zhu & Dowling, 2002).

According to what mentioned above, this lead us to assume that MNC headquarters engage in limited efforts at centralizing recruitment and selection, and training and development activities rather than delegating most decisions. Regarding the importance of taking all the control over compensation and the viability of centralization for achieving this goal by headquarters, hypotheses as follows are addressed:

- First Hypothesis: Centralization-based mechanisms will be most extensively used in integrating financial compensation compared to performance appraisal, training and development, and recruitment and selection.

Regarding formalization-based integration of HRM practices, it can say that Formalization-based Systems found effective ways for MNC headquarters to influence HRM practices in overseas units. Formalization offers a simplistic vehicle for MNC headquarters to ascertain at least a 'ceremonial' (Kostova & Roth, 2002) integration of HRM throughout their global operations Especially when corporate strategies are embedded in codified HRM tools that overseas units are required to use without a significant need for local adaptation. The Most desirable and thus most extensively used for integrating performance appraisals compared to the other HRM practices is the very formalization-based integration. previous research nevertheless indicates that employee performance appraisal systems only to a relatively limited extent tend to be locally adapted to the Chinese host-country environment compared to training and development, and recruitment and selection, a lack of adaptation in behavioral indicators to fit the local culture has been cited as an area where MNCs could improve international performance appraisals in Iran though (Björkman et al., 2008).

a way of realizing behavioral and process control over how subsidiaries carry out appraisals is the very formalization of performance appraisals. since there are typically more detailed tasks and larger responsibilities for employees and line managers in this process, formalization-based integration of HRM practices is likely to be more desirable for appraisals than, for example financial compensation. The interknit coordination that it creates when the performance of units and individuals are appraised with similar procedures and criteria is important goal for MNCs. MNCs are allowed to manage and compare the performance of not only their foreign units, but also individual managers and professionals using Formal standardized performance appraisal systems. MNC-internal collaboration as the performance criteria are likely to be similar across different subsidiaries can be enhanced using Standardized performance appraisal systems (Evans et al., 2011).

The next hypothesis is as following:

- Second hypothesis: Formalization-based mechanisms will be most extensively used in integrating performance appraisal compared to financial compensation, training and development, and recruitment and selection.

On the basis of People-based integration of HRM practices, argued earlier that whilst people-based Systems of integration best lie in the attainment of control and coordination, that are more capable than centralization and formalization in responding to strong pressures for local adaptation because they provide opportunities for discussions of the local appropriateness of MNC practices.

According to first Hypothesis, argued that recruitment and selection and training and development than the other two HRM practices are comparatively more susceptible to pressures for local adaptation.

Research has found recruitment and selection to exhibit a particularly high degree of local adaptation in the context of foreign subsidiaries in Iran, (e.g. Bjo`rkman et al., 2008). A range of institutional factors influence not just the supply of candidates with the required competencies—among others as an outcome of large differences in the quality of the educational system of different countries—but also how recruitment and selection activities are carried out (Myloni et al., 2004) to centralize decision-making on issues related to recruitment and selection (Tayeb, 1998). Further, poorer quality candidates can be resulted from the cross-cultural validity problems associated with globally standardized selection procedures and tools, like socio-psychological selection and assessment tests (Braun & Warner, 2002). Faced strong cultural and institutional pressures for local adaptation, expected that people-based mechanisms to be used most extensively to integrate recruitment and selection practices.

Third Hypothesis is as follow:

- Third Hypothesis. People-based mechanisms will be most extensively used in integrating recruitment and selection compared to financial compensation, performance appraisal, and training and development.

### **Research Methodology**

In this study, Quantitative data collection and sample have been used where on data on the use of integration Systems were collected using a pre-tested questionnaire survey administered through fully structured interviews with the most senior persons responsible for HR in Chinese subsidiaries of European MNCs. Iran as it serves as a good empirical setting in which to study the effects of socio-cultural and institutional factors on the use of HRM integration mechanisms was selected as a location. The interviews were carried out in English due to a lack of Chinese language skills on behalf of the interviewers. The HR managers who had a good written and spoken knowledge of English chosen as respondents for the study. The Chinese HR managers may have influenced their ability to express themselves as could not be offered the possibility to speak their mother tongue. According to Marschan-Piekkari and Reis (2004) such a situation is likely to have had an effect on the dynamics of the interview situation. Structured Face-to-face interviews were used to adjust the Chinese cultural preference for face-to-face relations and to help mitigate potential misunderstandings amongst respondents (Fowler, 2002). Data collection mainly was used in the study, began with compiling lists of European-owned subsidiaries in Iran from national Chambers of Commerce and other similar foreign investment bodies. The use of existing contacts and through the snowballing method comes effective in these lists. In most cases, the project was described and confidentiality emphasized where on subsidiary presidents were contacted via email. Emails were followed up by telephone to schedule interviews. 87 Of the 311 subsidiaries contacted agreed to participate. The current study is based on the remaining sample of 76 units, resulting in a response rate of 24%. Face-to-face except in two cases where telephone interviews were used, regarded as the interviews carried out. 83% and 95% Of the HR

manager respondents were female and host-country nationals, respectively. A summary on this has been proposed in table 1.

Table 1- Subsidiary Sample Profile

N=76	Category	%
Industry	Industrial equipment	21.1
	Chemicals and pharmaceuticals	9.2
	Wood, pulp and paper	5.3
	Precision instruments	5.3
	Electrical equipment	14.5
	Food, tobacco and textiles	5.3
	Metal, rubber, stone, glass and leather	5.3
	Others (e.g. services, information technology, telecommunications)	34.0
Size (no. employees)	<100	31.6
	100-500	43.4
	501-1000	5.3
	>1000	19.7
Length of establishment (in the MNC)	<2 years	9.2
	2-5 years	38.2
	>5 years	52.6
Mode of establishment	Starting from scratch	69.8
	Partly continuing ongoing operations (e.g. some employees)	11.8
	Continuing ongoing operations	18.4
Joint venture	Yes	19.7
	No	80.3
Scope of operations	Manufacturing	67.1
	Sales	75.0
	Service	71.1
	Research and development	36.8

## Measures

The three different types of integration Systems adapted with measurements at study by Kim et al. (2003) were used as leading measurement. Concerning the use of the different Systems in integrating home HRM practices into subsidiary, HR managers were asked to state their level of agreement. Each mechanism consists of three-items; measured on seven-point Likert scales with the scale 1 and 7, meant do not agree and entirely agree, respectively. The Systems were brought as follows. On the basis of Centralization-based mechanisms, stated that since function-specific scales in the operational of centralization-based Systems was used, a scale based on classifications of HRM practices in earlier studies was developed (Rosenzweig & Nohria, 1994). The three questions related to each of the four HRM practices, and the extent to which headquarters rather than the subsidiary decided on these issues were answered by respondents. The questions regarding the methods used to recruit local managers and professionals are decided by headquarters rather than by the subsidiary, The amount of training that managers and professionals receive is decided by headquarters rather than by the subsidiary, the importance of financial bonuses (as a percentage of total compensation) is decided by headquarters rather than by the subsidiary, and The methods for employee appraisal are decided by headquarters rather than by the subsidiary. the following coefficient alpha values found in the constructs: recruitment and selection  $\alpha = 0.75$ , training and development  $\alpha = 0.93$ , compensation  $\alpha = 0.92$ , and performance appraisal  $\alpha = 0.85$ .

on the basis of Formalization-based mechanisms so as to operational formalization-based Systems, respondents were asked to respond the three following questions with regard to four

HRM practices, i.e. monitoring is used to ensure that internationally common rules, policies, and procedures concerning are not violated, There exist well-specified worldwide standard operating procedures and common manuals concerning, and There exist well-specified worldwide common rules and policies concerning. The coefficient alpha values for these constructs were  $\alpha = 0.85$ ,  $\alpha = 0.90$ ,  $\alpha = 0.91$ , and  $\alpha = 0.89$  for recruitment, training, compensation and performance appraisal, respectively.

On the basis of People-based mechanisms regarding the operational by Kim et al. (2003), people-based mechanisms by asking the respondents were measured, indicating the extent to which HRM practices are discussed with colleagues from headquarters regarding business-related meetings, personal contact, and in committees and/or task forces including headquarters and subsidiary representatives. The questions were answered for each of HRM practices. The coefficient alpha values were  $\alpha = 0.79$ ,  $\alpha = 0.85$ ,  $\alpha = 0.85$ ,  $\alpha = 0.85$  for recruitment, training, compensation and performance appraisal, respectively.

On the basis of Qualitative data collection, The qualitative data was collected via personal interviews with 58 general managers and HR managers in 29 of the 76 units from which we obtained the quantitative data, yet 25 of the 29 general managers were expatriates, all HR managers were host-country nationals. Access to different insights, allowed for a comparison of responses through collecting data from two sources per unit came to realize. Enhancing the validity of qualitative research via informant triangulation in this way (Denzin, 1978) is regarded as especially important when using expatriates or as sources of data about MNCs (Marschan- Piekkari, Welch, Penttinen, & Tahvanainen, 2004). The interviews lasted between twenty and sixty minutes, and were all recorded and transcribed were conducted in English. Questions relating to the types of mechanisms used to integrate corporate HRM practices into the respondents' unit using Kim et al.'s (2003) classification were asked in interview. questions are as follows why the respondents believed that certain methods of integrating HRM were used and which factors they considered important in decisions to use such methods. The qualitative data categorized into groups relating to the three integration mechanism types, using the content analysis. Further analysis enabled a more detailed identification of the mechanism usage, as well as clarification of factors seemed to affect them. Citations of the data are used to support the interpretations made.

## **Results**

Table 2 indicates descriptive statistics on the Systems through which individual HRM practices were integrated, that paired-sample t-tests to determine if the mean usage of a certain mechanism to integrate a certain individual HRM practice differed significantly from that used to integrate the other three HRM practices analyzed in our study, conducted. Refer to table 3 for this. The results of the t-tests have been proposed, and it has been paid attention to qualitative data to address findings concerning the use of different mechanism in integrating individual HRM practices.

According to the first Hypothesis, it has been suggested that centralization-based Systems will be most extensively used in integrating financial compensation compared to the other three HRM practices. The results of the t-tests guarantee this hypothesis. Centralization-based Systems were used to integrate financial compensation than performance appraisal ( $t = 3.628$ ,  $p < 0.01$ ), recruitment and selection ( $t = 7.902$ ,  $p < 0.001$ ), and training and development ( $t =$

8.010,  $p < 0.001$ ), respectively. Further support for this hypothesis by highlighting the inclination of headquarters to try to exercise centralized control over financial compensation practices came to realize by the qualitative interviews. Overall, centralization-based Systems used means to integrate HRM practices. This was the case for recruitment and selection as well as training and development, emerged from the qualitative data. centralization was extensively utilized for certain aspects of performance appraisals. The data shows that headquarters play an important role in deciding about the methods and criteria used to appraise the performance of subsidiary managers and professionals. MNC headquarters was involved only in decisions concerning the outcomes of performance appraisals.

On the basis of Formalization, the second hypothesis stated that formalization-based mechanisms will be most used in integrating performance appraisal compared to the other three HRM practices. t-tests indicated that performance appraisal was most commonly integrated in this way providing support for this hypothesis. Formalization was used significantly to integrate this HRM practice than recruitment and selection ( $t = 2.272$ ,  $p < 0.05$ ), training and development ( $t = 3.050$ ,  $p < 0.01$ ), and compensation ( $t = 2.773$ ,  $p < 0.01$ ). The interviews revealed that most of the MNCs either already had or were in the process of implementing formalized global performance appraisal systems. Formal corporate policies and standardized procedures with web-based tools to a higher extent than for the other HRM practices, made formalization an efficient mechanism for diffusing MNC appraisal systems to the Chinese units.

Use of formalization-based mechanisms was particularly high for performance appraisal, also high for the other HRM practices. In fact, formalization was most extensively utilized for integrating HRM practices in subsidiaries. Interviews indicated that the extensive use of formalization reflects a general increase in the transfer of corporate HRM practices to Chinese subsidiaries from the early , with formalization being used fairly extensively across HRM practices, driven by the introduction of corporate-wide electronic HRM systems and tools.

On the basis of People-based, it can state that given the third hypothesis, argued that people-based Systems will be used in integrating recruitment and selection compared to financial compensation, performance appraisal, and training and development. Yet, results indicated that the use of people-based mechanisms appears not to vary greatly across the individual HRM practices that are illustrated by the results from the t-tests, showing no significant differences between groups. People-based Systems were not used to integrate recruitment than training and development ( $t = -1.920$ ,  $p > 0.05$ ), compensation ( $t = -1.874$ ,  $p > 0.05$ ), or performance appraisal ( $t = -1.049$ ,  $p > 0.05$ ).Table 2 showing descriptive data indicated that people-based Systems overall were used extensively for integrating all HRM practices.

Table 2- Usage of Global Integration Systems

	Financial compensation	Performance appraisal	Training and development	Recruitment and selection	Average (mean)
Centralization-based	3.95 (1.97)	3.22 (1.84)	2.26 (1.28)	2.24 (1.22)	2.92 (1.24)
Decisions made by headquarters regarding...	Importance of bonus 3.99 (2.12)	Appraisal methods 3.70 (2.28)	Amount of training 2.18 (1.32)	Recruit. methods 2.12 (1.43)	
	Bonus criteria 3.92 (2.06)	Appraisal criteria 3.47 (2.22)	Content of training 2.36 (1.41)	Selection criteria 2.37 (1.54)	
	Bonus process 3.92 (2.11)	Appraisal outcomes 2.45 (1.63)	Delivery of training 2.25 (1.36)	Selection tools 2.22 (1.47)	
Formalization-based	3.86 (1.84)	4.31 (1.82)	3.82 (1.65)	3.97 (1.70)	4.00 (1.54)
Fairly well specified, global standard procedures and manuals	3.72 (1.94)	4.38 (2.06)	3.80 (1.80)	3.92 (1.90)	
Fairly well specified, global common rules and policies	3.79 (1.96)	4.49 (2.04)	3.89 (1.76)	3.97 (1.93)	
Monitoring that globally common rules, policies and procedures are not violated	4.07 (2.09)	4.08 (1.92)	3.75 (1.90)	4.03 (1.99)	
People-based	3.70 (1.83)	3.56 (1.78)	3.61 (1.64)	3.41 (1.57)	3.57 (1.53)
Meetings with colleagues from HQ	3.97 (2.07)	3.74 (2.00)	3.82 (1.85)	3.37 (1.87)	
Personal contact with colleagues from HQ	3.43 (2.11)	3.30 (1.98)	3.47 (1.82)	3.32 (1.87)	
Committees or task forces including HQ and subsidiary representatives	3.68 (2.08)	3.63 (2.07)	3.54 (1.93)	3.54 (1.88)	
Average (mean)	3.83 (1.55)	3.69 (1.54)	3.23 (1.23)	3.21 (1.24)	

<sup>a</sup> Values are mean scores with standard deviations in parentheses regarding the use of mechanisms to integrate HRM practices (1 = do not agree...7 = entirely agree).

Table 3- Paired –Sample t-test for HRM

Pair	df	t	Sig. (2-tailed)	Mean difference
FC centralization–PA centralization	75	3.628**	0.001	0.719
FC centralization–RS centralization	75	7.902***	0.000	1.704
FC centralization–TD centralization	75	8.010***	0.000	1.684
RS centralization–TD centralization	75	-0.157	0.876	-0.020
RS centralization–PA centralization	75	-5.018***	0.000	-0.985
TD centralization–PA centralization	75	-5.308***	0.000	-0.965
PA formalization–RS formalization	75	2.272*	0.026	0.338
PA formalization–TD formalization	75	3.050**	0.003	0.496
PA formalization–FC formalization	75	2.773**	0.007	0.452
RS formalization–TD formalization	75	1.150	0.254	0.158
RS formalization–FC formalization	75	0.682	0.497	0.114
TD formalization–FC formalization	75	-0.279	0.781	-0.044
RS people–TD people	75	-1920	0.059	-0.202
RS people–FC people	75	-1.874	0.065	-0.289
RS people–PA people	75	-1.049	0.298	-0.149
TD people–FC people	75	-0.572	0.569	-0.088
TD people–PA people	75	0.390	0.698	0.526
FC people–PA people	75	0.917	0.362	0.140

RS, recruitment and selection; TD, training and development; FC, financial compensation; PA, performance appraisal.

\*\*\* P < 0.001.

\*\* P < 0.01.

\* P < 0.05.

## Conclusion

Overall, the results suggest that scholars should go beyond an HRM system approach when conducting research on HRM in MNCs. The findings of the present study suggest that the usage of integration mechanisms is contingent on the main purposes of global integration as well as on the need for local adaptation of each of the HRM practice being integrated. A

practical implication of the study's findings is that corporate HR practitioners need to consider the specific purpose behind the global integration of each individual HRM practice, and tailor the use of integration mechanisms accordingly. In this sense, the global integration of HRM requires corporate HR (ideally in collaboration with subsidiary HR) to draw up a range of integration systems that will most effectively achieve the various HRM integration purposes. We stress that different systems are needed since, as has been shown in this study, one size does not appear to fit all in terms of individual HRM practices.

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