

The Determinants of Top Management Internalisation of HRM Practices in MNC

Subsidiaries

Abstract

In spite of the importance attached to the roles played by line managers in the HRM literature, little theoretical and empirical research exists on factors influencing how line managers perceive HRM. In this study we investigated factors that influence the extent to which subsidiary top managers internalise HRM practices. Based on data collected from top managers and HR managers in 117 subsidiaries within 12 Nordic multinational corporations, we tested whether the level of internalisation was influenced by two sets of factors, the first related to the professional credibility of the subsidiary HR managers and the HR function, and the second set dealing with the interpersonal similarity (homophily) between the subsidiary top manager and the HR manager. The findings support most of the hypotheses relating to credibility since the work experience of subsidiary HR managers both within and outside of HR, as well as the perceived strategic HRM capabilities of the subsidiary HR department, were related to higher levels of general manager internalisation. The hypotheses relating to homophily were not supported, the data instead showing a negative relationship between gender-based homophily and internalisation.

Keywords Internalisation; top management; multinational corporation (MNC); human resource management (HRM)

Introduction

In the light of contentious and inconclusive findings from studies on HRM's link with performance, research attention in the field of HRM has started to shift from corporate-level HRM policies and practices reported by the corporate HR function to how managers *de facto* implement HRM strategies and policies (Wright and Nishi 2007; Khilji and Wang 2006). An important recent development in the inquiry into HRM implementation is the process perspective developed by Bowen and Ostroff (2004). A central feature of this perspective is the influence of both line managers and HR professionals on the signals sent by the HRM system concerning the kind of employee behaviour that is expected and rewarded. This emerging stream of research still begs the question of how line managers form their perceptions of HRM in general, and specific HRM practices in particular. This question is important since line managers'

perceptions are likely to be reflected in not only how they handle and talk about HRM issues on a day-to-day basis, and thus the distinctiveness and the consistency of the HRM system (cf. Bowen and Ostroff 2004). However, in spite of the importance attached to the roles played by line managers in the HRM literature (see also Purcell and Hutchinson 2007), little theoretical and empirical research exists on factors influencing how line managers perceive HRM. This paper will examine this issue in the context of subsidiaries of multinational corporations (MNCs).

Several studies have been carried out on HRM in the context of MNC subsidiaries. Most of these are attempts to explain variations in the extent to which HRM practices found in subsidiaries resemble those of the parent (indicating transfer from the parent organisation) as opposed to those of local firms (see e.g., Rosenzweig and Nohria 1994; Björkman and Lu 2001; Myloni, Harzing and Mirza 2004), typically set against the associated global-local dilemma (for a review see Edwards and Kuruvilla 2005). Due to both conceptual and methodological limitations, measures of resemblance in these studies rarely examine with sufficient rigour the existence of HRM practices beyond their surface-level adoption (Khilji and Wang 2006). Kostova (1999) argues that the successful transfer of an organisational practice is best defined in terms of its institutionalisation, i.e. the extent to which recipient employees have both implemented and internalised the practice. According to Kostova, whereas ‘implementation’ refers to the adoption of formal rules, ‘internalisation’ means attaching symbolic meaning and value to the practice. In the context of MNC subsidiaries, a relevant question is therefore to what extent do line managers internalise HRM practices such as performance management, compensation and rewards, and training and development?

In this study we examine factors that influence subsidiary top managers' internalisation of HRM practices. We hypothesise that the level of internalisation is influenced by two sets of factors, the first related to the professional credibility of the subsidiary HR managers as well as the HR function, the second set dealing with the interpersonal similarity (homophily) between the subsidiary top manager and the HR manager. The hypotheses are tested on a sample of 117 subsidiaries within 12 Nordic MNCs. The data is based on structured interviews with the subsidiary general manager/president (referred to hereafter as 'general manager', GM) and the most senior person responsible for HR in each subsidiary (referred to hereafter as 'HR manager'). In the concluding part of the paper we discuss the study's findings and outline some of the key implications for HRM research.

Hypotheses

While some previous research exists on the attitudes of managers towards HRM (see e.g. Kulik and Perry 2008), no previous conceptual or empirical research seems to exist on the attitudes of subsidiary managers towards HRM. The hypotheses developed in the following two sections are developed based on work within the general HRM literature on the roles, capabilities, and credibility of HR managers and HR functions, and research on homophily in both domestic and cross-national settings.

Credibility of subsidiary HR

The credibility of HR managers has in the more popular management literature been viewed as a key element of HRM's influence on organisational performance (Ulrich and Brockbank 2005). While top and line management are important stakeholders for the

HR function and its credibility, it is generally acknowledged that developing and sustaining a positive reputation of the HR function among those managers is a considerable challenge (Caldwell 2003; Kulik and Perry 2008; Truss, Gratton, Hope-Hailey, Stiles and Zaleska 2002). However, there is little empirical evidence on the influence of the characteristics of HR managers and HR functions on perceptions of HRM among top and line managers.

In this study we suggest that the work experience and education of HR managers increase their competence and thus their credibility in the eyes of top managers. More specifically, we argue that a high level of formal education and extensive functional and cross-functional work experience will augment HR managers' ability to develop appropriate HRM practices. We also propose that these factors will improve their ability to communicate with and influence general managers concerning the importance of HRM. This, in turn, should influence top managers' internalisation of the HRM practices in the focal unit.

The human capital of HR managers is likely to influence their credibility in the eyes of top and line managers. The HR manager's formal education may not only provide a knowledge and skills base that is important for how they carry out their work; their level of education may also be used by subsidiary general managers as an indication of their level of HRM knowledge. The perceptions that top managers hold of HR managers' competencies may, in turn, impact on the HRM practices of the unit.

We will therefore test the following hypothesis:

Hypothesis 1a: The subsidiary HR manager's level of formal education will be positively related to the subsidiary general manager's internalisation of the subsidiary's HRM practices.

Managers learn to a significant extent through their own experience, and most HR managers progress to their positions through mobility within the HR function (Kelly and Gennard 2000). The experience of HR managers within the function is likely to enhance their competence development and influence line managers' appreciation of their capabilities. HR managers who possess deep functional knowledge and experience are arguably in a better position to shape the attitudes of subsidiary managers towards HRM. Indirect support is offered by Sumelius, Björkman and Smale (2008) who in a study of Chinese subsidiaries of European MNCs, found that when the subsidiary HR manager had been recruited from a local Chinese company, school or university, the subsidiary general manager's perceptions of the department's technical and strategic HRM capabilities were more negative than when they had been recruited internally or from another MNC. While Sumelius et al. (2008) only examined the effects of the most recent employment of the HR managers in their sample, we surmise that functional experience in its entirety will help HR managers to convince subsidiary general managers about the value of the unit's HRM practices.

Therefore, we put forth the following hypothesis:

Hypothesis 1b: The subsidiary HR manager's amount of work experience within HR will be positively related to the subsidiary general manager's internalisation of the subsidiary's HRM practices.

HR managers are often, due to a perceived inability to understand the business and the realities of line managers, viewed to concentrate on the wrong things (Guest and King 2004). Despite the new roles that international HR professionals are expected to play as a pure country focus is starting to be replaced with an emphasis on cross-country issues and satisfying various lines of business (Sparrow, Brewster, and Harris 2004), HR professionals are argued to have only partly adjusted to the changing HRM agenda

with most HR professionals “unable to break out of their inward looking occupational paradigm” (Caldwell 2004: 197). People in HR who have worked in other functions or in general management positions may have a better understanding of the “user” perspective on HRM and possess more clout with line managers. Cross-functional experience has been argued to be important ingredients of the competence development of top HR managers (Evans, Pucik and Björkman in press), and HR directors have often worked outside the function before being promoted to their positions (Kelly and Gennard 2000). The advantages of experience outside of the HR function were summarised by an HR director as follows: “[My work] as a general business manager... improved my understanding of and credibility with line managers” (Kelly and Gennard 2000: 33). The following hypothesis is thus tested:

Hypothesis 1c: The subsidiary HR manager’s amount of work experience outside of HR will be positively related to the subsidiary general manager’s internalisation of the subsidiary’s HRM practices.

The notion of strategic HRM is defined as the alignment of HRM practices with the strategic goals of the organisation (Buyens and de Voss 2001). In an attempt to understand the influence of different HRM capabilities on technical and strategic HRM effectiveness Huselid et al. (1997) found that professional HRM capabilities (including a broad array of capabilities, among those the HR function’s ability to anticipate internal and external change) were the most important for both perceived technical and strategic HRM effectiveness. More recently, Mitsuhashi, Park, Wright, and Chua (2000) provide evidence that (host-country) HR managers and (expatriate) line managers tend to view the contributions of HR very differently. In the present study we suggest that subsidiary top managers’ perceptions of the strategic capabilities of the HR function should

influence top managers' perceptions of the credibility of the HR function and thus the value (cf. Buyens and de Voss, 2001) of unit HRM practices.

Therefore, we advance the following hypothesis:

Hypothesis 2: The perceived strategic capabilities of the subsidiary HR department will be positively related to the subsidiary general manager's internalisation of the subsidiary's HRM practices.

Homophily

Unit top management internalisation of HRM may also be a function of the top manager's more general attitudes towards the unit HR manager. We propose that such attitudes may in part be homophily or similarity based.

There is a large body of literature suggesting that the more demographically, culturally, linguistically or socially similar people are, the more favourable their attitudes to one another are likely to be (McPherson and Smith-Lovin 1987; McPherson, Smith-Lovin, and Cook 2001; Tajfel 1982; Tajfel and Turner 1986; Watts 1999). For example, the more similar individuals are the more their relationship tends to be characterized by mutual trust and understanding (Ruef, Aldrich and Carter 2003). In line with this there is evidence of a relationship between a common language and perceived trustworthiness (Barner-Rasmussen and Björkman 2007; Marschan-Piekkari, Welch and Welch 1999) and the influence of culturally- and linguistically-based homophily between individuals on knowledge flows within MNCs (Mäkelä, Kalla and Piekkari 2007). There is also evidence indicating that subordinates who are more similar to their superiors tend to receive more positive performance ratings (Tsui, Porter and Egan 2002; Roberson, Galvin and Charles 2007) and more promotions (Wakabayashi, Graen and Graen 1988).

Based on the above we argue that similarities between unit top managers and HR managers are likely to increase the formers' attention to, trust in and respect for the perspectives and agendas of unit HR managers, and thus top managers' internalisation of the unit's HRM practices. Although many kinds of similarity may have an influence, we focus here on gender and nationality and suggest that gender- and nationality-based homophily can influence top management internalisation of HRM practices.

We thus put forward the following hypotheses:

Hypothesis 3: Nationality-based homophily between the subsidiary general manager and HR manager will be positively related to the subsidiary general manager's internalisation of the subsidiary's HRM practices.

Hypothesis 4: Gender-based homophily between the subsidiary general manager and HR manager will be positively related to the subsidiary general manager's internalisation of the subsidiary's HRM practices.

Method

Data collection

This study is based on data collected within a large-scale research project on global HRM in 12 Nordic MNCs. The data used in this paper was gathered between April and September 2009. Structured interviews were conducted with both the general manager and the HR manager in 117 units belonging to these MNCs.

The first phase in the data collection process was to identify the largest Finnish MNCs in terms of number of employees. We also checked that the scope of their international operations was suitable for the purpose of the project. Our aim was to gain access to at least 10 subsidiaries (one home-country and nine foreign units, excluding

representative offices) in each MNC by asking the corporate HR representative to select those units that fit these criteria. The result was that eight MNCs chose to participate contributing a total of 86 subsidiaries. In the second phase, we targeted additional Swedish and Norwegian MNCs of similar size to increase comparability, resulting in one Swedish and three Norwegian MNCs joining the project. The resulting 12 Nordic MNCs represent a variety of industries, ranging in size from 2,500 to 60,000 employees and have units in an average of 30 different countries. Summary characteristics of the 117 participating units and 234 respondents are provided in Table 1.

- Insert Table 1 about here -

The interviews were fully structured and conducted over the telephone using two different questionnaires: one was used for the subsidiary general manager, and one for the person identified as responsible for HRM issues in the unit (the 'HR manager'). The respondents were identified by a corporate HR representative who acted as the main contact person during the project. The questionnaires were developed through multiple rounds of iterations based on an extensive literature review, and pre-tested and debated both within the six-person research team participating in the larger project and in pilot interviews with two external managers in equivalent positions to the respondents. Based on these pilot interviews no major changes were made to the questionnaires except for the rewording of a few questions.

The questionnaire language was English, and interviews were structured so that the interviewer and respondent went through the questionnaire together over the telephone. The interviewer filled in the responses to the questionnaire whilst the

respondent had the questionnaire in front of him/her to ease the process, which took between 20 to 60 minutes. The language used during the interviews was primarily English, with Finnish, Russian, Spanish and Swedish used in some cases for the purposes of clarification.

The main advantages of collecting data in this way are that fewer questions are left unanswered and the interviewer is able to clarify possible queries that the respondent may have (Webster 1997). Furthermore, the procedure served to ensure that the questions were answered by the intended respondent. One limitation of this approach in the context of the current study is that seven people were involved in conducting the interviews which lends itself to potential inter-interviewer bias (Fowler 1988). To alleviate this potential problem, extensive efforts were made to ensure consistency between the interviewers. For instance, at the beginning of the data collection process extensive discussions were held and notes taken in order to ensure the same interpretation of terms and definitions. This was followed up throughout the data collection process with weekly discussions on emerging issues.

Measures

Dependent Variable

Internalisation of HRM practices. In line with the operationalisation of practice internalisation in other empirical studies in MNC subsidiary settings (Kostova and Roth 2002; Lervik 2005), we used measures adapted from Mowday, Steers and Porter's (1979) instrument on organisational commitment. Similarly, therefore, internalisation is conceptualised here as the degree of commitment to the unit's HRM practices. The specific HRM practices included in this study were performance management,

compensation and rewards, and training and development. For each of the three HRM practices the unit general manager was asked to state their level of agreement on the following three statements: *(i) the potential benefits of the [HRM practice] for the company are clearly worth the investment in time and resources, (ii) I am convinced we need the current [HRM practice] in our unit, and (iii) I often find it difficult to agree with what the current [HRM practice] suggests* (reverse-scored). The questions were answered on a seven-point Likert scale where 1 = “do not agree” and 7 = “agree entirely”. In the analyses, internalisation was calculated as the sum of the nine items. The construct had a Cronbach’s alpha value of 0.82.

Independent Variables

HR experience. Subsidiary HR managers were asked for the total length (in years) of their work experience within HR with their current and other employers.

Non-HR experience. Subsidiary HR managers were asked for the total length (in years) of their work experience outside of HR with their current and other employers.

Formal education. This was measured by asking the subsidiary HR managers to indicate their highest academic qualification from (i) diploma, (ii) bachelor’s degree, (iii) master’s degree, to (iv) doctoral degree, where “diploma” = 1, “bachelor’s degree” = 2, etc.

Perceived strategic HRM capabilities. The operationalisation of perceived strategic HRM capabilities was adapted from previous research (Becker and Huselid 1998; Huselid et al. 1997; Mitsuhashi et al. 2000). General managers were asked to rate the current capabilities of the HR department in *i) analysing the environment and its impact on subsidiary HRM making an explicit effort to align business and HRM*

strategies, ii) developing HRM initiatives that contribute to achieving current and future business goals, and iii) performing ongoing evaluations of the alignment of HRM practices and the business strategies of the unit. The questions were answered on a 7-point Likert scale where 1 = “poor” and 7 = “excellent”. The Cronbach’s alpha value for this construct was 0.87.

Nationality (homophily). A dummy was created to indicate nationality-based homophily between the subsidiary general manager and the corresponding subsidiary HR manager. Same nationality was coded 1, and different nationality was coded 0.

Gender (homophily). Similar to the above, a dummy was created whereby same gender was coded 1 and different gender was coded 0.

Control Variables

Six control variables were included in the study. Firstly, the *relative size of the HR department* was included. This was measured as the number of people identified as spending at least 50% of their time on HRM issues for the subsidiary divided by the total number of subsidiary employees. One would expect that units with relatively larger HR departments have more resources dedicated to the development, implementation and delivery of HRM practices, including greater potential for playing a more strategic role. Taken together these would be conducive to more positive general manager attitudes towards the HRM practices.

The *tenures* of the GM and HR manager in their current positions (measured in years) were introduced as controls. The longer the general manager’s tenure the more likely it is that they will be familiar with the unit’s HRM practices and hence had greater time to influence and internalise the practices. A longer tenure for subsidiary HR

managers on the one hand is likely to lead to positive perceptions about their degree of competence and the value of the HRM practices they helped to develop. On the other hand, this may also lead to less internalisation to the extent that longer tenure means that the HRM practices are perceived to be built upon a lack of up-to-date knowledge and experience.

Headquarters HR influence was controlled for, since pressure from corporate headquarters to adopt certain HRM practices (and therefore low levels of subsidiary autonomy) may lead to lower internalisation of those practices in a subsidiary due to feelings that the practices have been forced upon them (Björkman and Lervik 2007). Headquarters HR influence comprised the two control mechanisms of formalisation and centralisation, the measures for which were originally developed by Martinez and Jarillo (1991). Adapted to fit the HR context of this study, headquarters HR influence consisted of five items and had a Cronbach alpha of 0.72.

Lastly, *general manager nationality* controlled for whether the general manager respondent was a foreign national, i.e. an expatriate (coded 0) or a host-country national (coded 1). General managers from the parent or a third country may be less likely than managers from the host country to shape subsidiary practices in accordance with their views of effective HRM, which could mean that they do not fit the way these expatriates feel they should be done and what they have got used to elsewhere. This may result in some degree of frustration and a lack of subsidiary practice internalisation.

Results

The correlations and descriptive statistics of the different variables are presented in Table 2.

- Insert Table 2 about here -

Our unit-level data is nested within 12 MNCs. This nested structure, and the consequent potential statistical interdependence of our observations, is taken into account through multilevel modelling (see e.g. Hoffman 1997; Hitt, Beamish, Jackson, and Mathieu 2007). This allows for the slope of the predictor variables to vary across the nested units in the MNCs (Hoffmann 1997). We conducted the multilevel analysis using general linear regression in SPSS 16.0.

Table 3 presents the results of the regression model with the subsidiary general managers' internalisation of the subsidiary's HRM practices as the dependent variable. The null model is synonymous with a one-way ANOVA where GM internalisation is the dependent variable and MNC membership of the unit is the only independent variable (Gentry, Kuhnert, Mondore and Page 2007). This model including only the MNC was insignificant, indicating that none of the variance in the data is explained by the MNCs to which the respondents in the units belong. However, even though the null model itself was not significant, a couple of the MNC variables were significant which shows that for these MNCs some of the variance in GM internalisation can be explained by the corporation to which the general managers' units belong. The controls model shows that our control variables did not explain any of the variance in GM internalisation.

- Insert Table 3 about here -

Proceeding to the full model and taking each of the hypotheses in turn, Hypothesis 1a predicted a positive relationship between the HR experience of the

subsidiary HR manager and general manager internalisation of HRM practices. This hypothesis was supported since the HR managers' length of work experience within HR had a positive and significant effect ($p < 0.001$). Hypothesis 1b was also supported since the HR managers' amount of work experience outside of HR was also positively related to internalisation ($p < 0.05$). Hypothesis 2 and the impact of the HR manager's level of formal education was not supported by the empirical data ($p > 0.10$). The last hypothesis related to the credibility of subsidiary HR, Hypothesis 3, was that the HR department's perceived HRM capabilities would be positively related to the internalisation of the subsidiary's HRM practices by the general manager and it was strongly supported ($p < 0.001$).

With regards to the two hypotheses relating to the impact of homophily between the subsidiary general and HR managers, Hypothesis 4 suggested a positive relationship between nationality-based homophily and GM internalisation. Our results do not support this hypothesis ($p > 0.10$). Gender-based homophily (Hypothesis 5), on the other hand, was statistically significant but in the opposite direction ($p < 0.05$). Therefore, Hypothesis 5 was rejected.

In the full model, the tenure of the HR manager was the only control variable that was shown to affect significantly the internalisation of HRM practices by general managers and exhibited a negative relationship ($p < 0.05$).

Discussion and Conclusion

In this study we investigated factors that influence the extent to which subsidiary top managers internalise HRM practices. Based on data collected from a sample of general managers and HR managers in 117 subsidiaries within 12 Nordic MNCs, we tested

whether the level of internalisation was influenced by two sets of factors, the first related to the professional credibility of the subsidiary HR managers as well as the HR function, the second set dealing with the degree of interpersonal similarity (homophily) between the subsidiary general manager and the HR manager.

We found positive relationships between the HR and non-HR work experience of the subsidiary HR manager and the level of general manager internalisation. Since our hypothesis concerning the effect of the HR manager's formal education was not supported, our results suggest that it is practical work experience that drives the credibility of the HR manager and, in turn, the impact that HR managers have on the attitudes of subsidiary top managers towards HRM. While work experience outside the HR function can lead to general manager internalisation, our data suggests that it is the function-specific professional experience of the HR manager that has the stronger impact on the attitudes of general managers. These results are interesting in view of corporate practice to occasionally appoint non-HR professionals directly to senior positions in HR (Kelly and Gennard 2000) and calls for HR managers to gain experience outside the function before they are promoted to senior positions in HR (Evans et al. in press).

Although HR and non-HR work experience allows the HR manager to influence in a positive way the attitudes of subsidiary top managers towards HRM, this does not extend to the tenure of HR managers in their current positions, which was negatively related to internalisation in our study. One possible explanation for this is that HR managers who have been in the same position for an extensive period of time might lack the requisite up-to-date HRM knowledge, capabilities and experience to develop and implement value-adding HRM practices. In the face of changing roles and associated

skill sets for HR professionals brought about by internal and external pressures to lower costs, enhance quality, facilitate change and create stronger links to the business (Ulrich 1997), those who have remained in the same position for a long time may not be best equipped to step into these new roles and make a positive impression on top management. This skills gap that comes with being too long in the same position is likely to be exacerbated in an MNC subsidiary setting, where country HR managers are in addition being asked to “think in terms of global line of business processes while being able to become the ‘care-takers of national culture’ ” (Sparrow et al. 2004: 83).

The suggested positive impacts of nationality- and gender-based homophily between the subsidiary general and HR managers on HRM practice internalisation were not supported by our data. As we might have expected, the clear majority of HR managers in our study were host-country nationals. This essentially means, therefore, that the value attributed to subsidiary HRM practices did not differ significantly in situations where the general manager was an expatriate as opposed to a host-country national. This can also be seen from the non-significant relationship between the control variable of general manager nationality and HRM practice internalisation. That general managers’ attitudes towards HRM are more heavily influenced by an HR manager’s prior work experience and the implicit business and HRM competencies that come with it, rather than whether they share certain cultural similarities, may again be an indicator of the shift in subsidiary HR roles from being purely country-focused (where nationality-based homophily might be more important) to focusing on cross-country issues and serving global lines of business.

Gender-based homophily was significantly but negatively related to internalisation. Given the expectedly high percentage of female HR managers in the

study (63%), this finding is both surprising and somewhat reassuring in view of the gender issues that have been cited in explanations for HR's traditionally low status in organisations and the comparative contributions of male and female HR professionals (e.g., Monks 1993; Galang and Ferris 1997). An alternative explanation for this finding is that being a female-dominated profession, female HR managers are likely to have had more HR work experience than male HR managers, which in this study was the strongest predictor of internalisation. However, further research is needed to investigate the mechanisms that lead to this unexpected relationship.

Like all research this study is not without its limitations, which if addressed can also be seen as presenting interesting avenues of future research. Firstly, although for most of the variables data was collected from two different respondents (general and HR managers) it is conceivable that the relationship found between the perceived strategic HRM capabilities of the subsidiary HR department and general manager HRM internalisation is produced in part by common method problems. Secondly, since the study involved a non-randomised sample of MNCs from three Nordic countries, the generalisability of the findings to corporations from other parts of the world is only possible through further research. Similarly, the location of the subsidiaries was not used in the analyses. In line with Kostova and Roth's (2002) findings on the different country institutional profiles concerning quality management and their effect on the transfer and internalisation of quality management practices, future research could apply this approach to HRM and the effects of the host-country institutional HRM profile on the internalisation of HRM practices by subsidiary general and HR managers. Building on the premise that line and HR managers' perceptions about HRM can differ significantly (Gerhart, Wright, McMahan, and Snell 2000) and that these perceptions

are also likely to reflect the status and role of HRM in a given country (Mitsuhashi et al. 2000), more cross-national research is needed in order to arrive at a more nuanced understanding of how different institutional contexts shape the perceptions of and relationships between these two key actors.

Thirdly, the variables included in the present mostly focus on the effects of certain manager characteristics (i.e. who they are and what they have in common), which could in future studies be complemented with behavioural variables (i.e. what they do) in order to produce a more complete picture of HRM processes as well as the nature of HR and line manager relationships. Fourthly, whilst the present study sheds light on how certain management characteristics and perceptions influence subsidiary managers' attitudes towards HRM, the study might still be criticized for not relating these attitudes to certain outcome variables. In addition to the kind of data presented here, collecting data from subsidiary employees on how they perceive HRM practices (cf. Bowen and Ostroff 2004), on their work-related attitudes, and on subsidiary-level measures such as work climate, would be a constructive way to take this work further. In this regard, we hope that this study inspires other scholars to study the attitudes of line managers towards HRM as we believe that this is a promising avenue for augmenting our understanding of not only how people are managed in MNC subsidiaries, but also the effects of HRM practices on employee and organisational outcomes.

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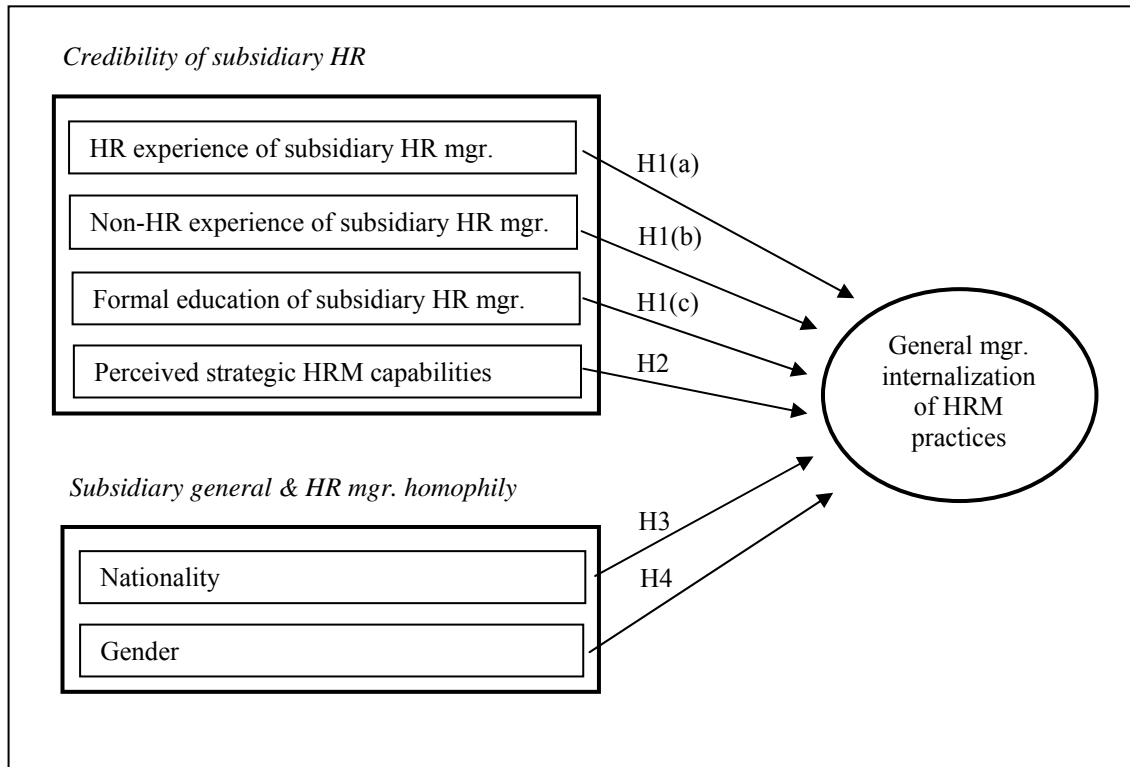


Figure 1. Hypothesized model on the determinants of subsidiary general manager internalization of HRM practices

Table 1. Sample characteristics (N = 117)

Item	Category	%
Subsidiary size (no. employees)	<100	18.3
	100-500	43.3
	501-1000	20.8
	>1000	17.5
Joint venture (parent ownership \leq 80%)	Yes	2.5
	No	97.5
Size of the subsidiary HR dept. (no. people)	1	23.3
	2-5	41.7
	6-10	19.2
	>10	15.8
<i>Nationality</i>		
Subsidiary general manager	Host country	70.0
	Parent country	15.8
	Third country	14.2
Subsidiary HR manager	Host country	85.0
	Parent country	7.5
	Third country	7.5
<i>Gender</i>		
Subsidiary general manager	Male	94.2
	Female	5.8
Subsidiary HR manager	Male	36.7
	Female	63.3
Formal Education (HR manager)	Diploma or no formal qualification	21.7
	Bachelor's degree	31.7
	Master's degree	45.8
	Doctoral degree	0.8

Table 2. Means, standard deviations and Pearson correlations

Variables	Mean	sd	1	2	3	4	5	6	7	8	9	10	11	12
Means														
sd														
1. GM internalisation of HRM practices	16.00	2.51	-											
2. HR experience of subsidiary HR mgr.	12.79	7.78	.25**	-										
3. Non-HR experience of subsidiary HR mgr.	7.88	7.72	-.09	-.37**	-									
4. Formal education of subsidiary HR mgr.	2.24	0.84	.04	-.07	-.14	-								
5. Perceived strategic HRM capabilities	4.68	1.18	.43**	.11	-.26**	.10	-							
6. Homophily: nationality (0=different,1=same)	0.65	0.48	.12	-.05	.10	-.04	-.00	-						
7. Homophily: gender (0=different,1=same)	0.39	0.49	-.08	.03	.16	.07	-.06	.05	-					
8. Relative size of HR dept.	0.02	0.03	-.05	-.16	.12	-.02	.01	.00	-.15	-				
9. Tenure in position (GM)	3.91	3.82	.07	-.06	.09	-.06	-.08	.12	-.08	-.06	-			
10. Tenure in position (HR manager)	4.01	4.54	.04	.47**	.13	-.09	.06	.13	-.02	-.08	.07	-		
11. HQ HR influence	4.33	1.04	.03	.00	.02	.10	.05	.07	.21*	.04	-.09	.18*	-	
12. GM nationality (expat=0, HCN=1)	0.70	0.47	-.09	.07	-.11	.10	.08	.76**	.03	.02	-.06	-.03	-.07	-

All two-tailed tests. * $p < 0.05$, ** $p < 0.01$

Table 3. General linear modelling results

<i>Dependent variable: General manager internalisation of HRM practices</i>						
	Null model		Controls model		Full model	
	B	Std. error	B	Std. error	B	Std. error
Intercept	14.82***	0.83	14.81***	1.43	7.90***	1.81
<i>Control variables</i>						
Relative size of HR dept			-3.10	8.43	-5.87	7.49
Tenure in position (GM)			0.02	0.07	0.06	0.06
Tenure in position (HR mgr.)			0.03	0.06	-0.13*	0.06
HQ HR influence			-0.06	0.28	0.13	0.24
GM nationality (expat=0, HCN=1)			0.04	0.55	0.32	0.72
<i>Independent variables</i>						
HR experience of subsidiary HR mgr.					0.13***	0.04
Non-HR experience of subsidiary HR mgr.					0.07*	0.04
Formal education of subsidiary HR mgr.					0.23	0.26
Perceived strategic HRM capabilities					0.91***	0.19
Homophily: nationality (0=different, 1=same)					0.60	0.72
Homophily: gender (0=different, 1=same)					-1.26*	0.50
Adjusted R ²	0.03		0.00		0.27	
F	1.35		0.92		2.96***	
N	117		117		117	

All two-tailed tests. *p < 0.05, **p < 0.01, ***p < 0.001