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**Multinational Companies: multi-level control and the role of the  
corporate HR function**

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### **Abstract**

This paper presents preliminary findings from an on-going large scale survey of MNC employment practices. Here we draw on survey data from 512 overseas owned MNCs operating in the UK to examine the role of the corporate HR function in setting subsidiary level HR policy. Logistic analysis is used to examine the relative impact of HR organisational structures and country of origin on corporate HR's involvement in setting subsidiary level HR policy. It is argued in the paper that HR structures mediate the impact of country of origin. The results support a mediation effect: the effects of country of origin on corporate HR's role are mediated by HR structures for US companies but not Japanese companies. The findings suggest that the salience of HR structures as mechanisms for influencing subsidiary level HR policy is not universal across all MNCs.

## **INTRODUCTION**

In this paper we consider the overseas MNC as an actor in globalisation at the national level. Multinationals can act as conduits for the transfer of the 'incumbent' rules of the home national business system by controlling subsidiary level policy and practice. This paper considers the extent to which the structural characteristics of corporate HR act at the micro-organisational level to influence the role of the corporate HR function in setting HR policy at the subsidiary level.

### **Multi-level actors: the debate**

When we consider the management of human capital in organisations, the MNC is arguably an important rule maker (Streeck and Thelen, 2005; Djelic and Quack, 2003) promoting norms deemed to be consistent with high performance. However, the source of such norms is debatable and the role of the MNC as a player is unclear.

One line of thinking within the globalisation literature has suggested that organisations are moving toward the adoption of common practices in line with a 'dominant' logic of economic organisation, often seen as a US model. Theoretical developments on MNC strategy and structure have tended to be dominated by US-based research (e.g. Bartlett and Ghoshal, 1990) and as a consequence the strategy and structures of the MNC are often seen as universally important mechanisms in establishing and diffusing operating norms (Kostova, 1999). However such perspectives have come under increasing criticism for their determinist conceptualisation of the process of globalisation.

In contrast the divergent or comparative institutional theorists have tended to focus on the differences in economic organisation looking to the socio-political context of the national business systems for explanation. More recently the institutional literature has begun to move beyond static conceptualisations of business systems to consider how these evolve and change. This shift has highlighted the importance of multi-level players at, for example, the national level (e.g. individuals, companies, unions, state, professional bodies) and transnational level (e.g. EU institutions, WTO, World Bank). Multinational organisations can operate across these levels. Equally, by taking a multi-level perspective it brings into focus the opportunity for organisational action to change and evolve from level to level.

Traditionally, the national business system perspective focuses on the institutional context within national borders and argues that economic activity is embedded within institutional arrangements at the national level. The path dependencies between national level institutional structures creates nationally distinctive business systems that are defined by, for example, how capital and labour is managed, how skill is developed, the extent and nature of economic state intervention. These structural characteristics are seen as a means of

constraining organisational action and particularly powerful are the coercive or regulatory systems (Hall and Soskice, 2001). However, in considering multinational companies the institutional context moves beyond national borders and it is important to address the path dependencies between multi-level actors in shaping the institutional context and defining the regulatory frameworks.

Another area of work that sheds light on economic organisation is that of the US-based 'new institutionalists'. From this perspective the cognitive frames of reference adopted by multi-level actors, and the social construction of norms created through dialogue and interaction (DiMaggio and Powell, 1983; Scott 2001) diffuse common models of organisation. For example, DiMaggio and Powell (1983) focus on explaining how institutions reproduce various templates for organizing. They define institutionalization as "the social process by which individuals come to accept a shared definition of social reality" (Scott, 1987:496). This perspective takes greater account of the socio-political context in shaping economic organization and vice versa. Organizations gain legitimacy through the adoption of practices that are deemed to be valid, proper or effective (Scott and Meyer, 1983). The three pillars of institutions are identified as regulative, normative and cognitive institutions (Scott, 2001). Regulative relates to 'rule-setting' or 'sanctioning' activities (Scott, 2001) as such coercive mechanisms are used to ensure consistency or conformity to the regulatory system. Normative institutions have been described as 'rules-of-thumb', standards, operating procedures, occupational standards and educational curricula' (Hoffman, 1999). They capture values, prescriptions and evaluative elements of institutional systems. Professional bodies or consultancies can be a powerful force in shaping standardised practices across organisations as was illustrated by McKenna, Djelic and Ainamo's (2003) study of consulting firms in France and Finland. The cognitive pillar refers to shared mental models or cognitive frameworks for understanding the social world. The cognitive element is often encapsulated in the 'taken for granted' aspect of organisational routines (Scott, 2001). From this perspective it is argued that organisational behaviour is shaped by regulative, normative or cognitive isomorphic forces, creating consistency within organisational fields. When examining HR practices in multinational companies it could be argued that aside from legislation, normative pressures are important sources of influence promoted via dominant management models and professional bodies at both the host and home country level.

In sum, one dimension of the globalisation debate is the role of multinationals in exerting their influence on host countries through control structures that perpetuate the 'rules of the game' from the home country.

### **Multinationals and employment practice: sources of influence**

Multinational companies operate across national business systems and the organisational field captures institutions at multiple levels, including the national and the transnational. Multinationals face what Kostova and Roth (2002) refer to as 'institutional duality' where the rules of institutions born of different or competing logics meet. Djelic and Quack (2003) argue that the collision of institutional systems underpins institutional change and raises

questions regarding the interplay of actors promoting 'incumbent rules' i.e. nationally embedded rules operating *inside* the country they originate from and 'challenger rules' i.e. rules embedded within an institutional system *outside* of the country they are being applied within. When MNCs operate in countries overseas they may attempt to take their home 'incumbent' rules of operating with them in which case these would become challenger rules within the host institutional system. When we consider how people are managed in organisations the tensions between the incumbent rules of the host country and the challenger rules of the multinational are particularly pertinent.

Arguably the multinational organisation can operate as an institutional rule maker, exerting, for example, coercive pressure through its control of resources, cognitive pressure through the organisational culture and use of transnational decision making networks, and normative pressure through the adoption of organisational structures and employment practices seen as legitimate for competitive advantage. There is evidence that despite the diversity in host country environments, the parent company attempts to promote practices that are consistent with the institutional rules of their home country (Child et al 1997; Ferner, Quintanilla and Varul, 2001). Subsidiaries may be able to push against this pressure enabling the host country rules on employment practice to dominate; alternatively practices may evolve that reflect a hybridisation of incumbent and challenger rules.

Multinationals are also increasingly subject to regulatory demands at the transnational level with a move toward more standardised and legalistic frameworks of transnational governance (Braithwaite and Drahos, 2000; Whitley, 2003). These transnational pressures for consistency in the accounting and governance conventions of multinationals may permeate the HR function in multinationals reflected in a demand for standardised or integrated financial controls on human capital investments and costs.

### **This study**

In this paper MNC survey data are used to examine the impact of country of origin and HR structures as sources of influence in defining the role of the corporate HR function in policy making at the subsidiary level. The argument set out above suggests that multinationals may attempt to introduce HR practices that originate in the home country. However, it also highlights the importance of understanding that multi-level sources of influence are at work in translating the macro level (e.g. national) institutional rules of the game to the micro level (e.g. organisation). We suggest here that HR organisational structures may be important micro level sources of influence when these also reflect the incumbent rules of the parent's home country.

In the case of US companies strong control from the HQ has been previously identified as an important characteristic of these companies (Ferner et al 2004). The organisational structure of the HR function and the inclusion of HR issues at strategy decision making forums are often seen as key. Much of the American based academic theory in this field (Taylor et al, 1996; Athanassiou

and Nigh, 2000) promotes the adoption of formal control structures which arguably reinforces an American model of organisation. Through HR organisational structures the corporate HR function can exercise coercive, normative or cognitive pressures to enable the transfer of HR practices that are based on incumbent rules. As such the organisational structures become important mechanisms for transferring the rules of the home country within US owned MNCs and are likely to be used to give the parent greater control over subsidiary HR policy. In other words organisational structures can act as the source of US institutional influence. These relationships are set out in the following propositions:

Proposition 1a: The effect of country of origin for US subsidiaries on corporate HR's involvement in setting subsidiary level HR policy will be mediated by the structural features of the corporate HR function.

Proposition 1b: The structural features of the corporate HR function in US companies will be associated with corporate HR's involvement in subsidiary level HR policy.

In contrast studies of Japanese MNCs have highlighted the importance of control through expatriate managers and socialisation processes. Organisational structures may be less important as a means of exerting control. Equally the corporate HR function's role in setting subsidiary level HR policy may be lessened. Therefore where Japanese companies attempt to diffuse HR practices associated with the home country the sources of influence are likely to differ to those adopted by US companies. In deed the use of HR organisational structures are unlikely to be critical factors. This would lead us to test the following propositions:

Proposition 2a: There will be no mediating effect for Japanese companies i.e. country of origin will have a direct effect on whether or not corporate HR are involved in setting subsidiary level HR policy.

Proposition 2b: The corporate HR function in Japanese companies is less likely to play a role in subsidiary level HR policy.

The section below sets out the details of the survey method and measures adopted. Following this a profile of the corporate HR function in the survey companies is presented drawing upon a descriptive analysis of the data. Finally, the results relating to the propositions outlined above are presented. The paper concludes with a discussion of the findings in the context of wider debates.

## Methodology

This paper draws on data from 512 overseas owned companies operating in the UK, with 500 or more employees worldwide and 100 or more in the UK. The data drawn upon in this paper come from a wider survey based research project investigating employment practices of home and overseas owned MNCs operating in the UK. This three-year project is still on-going and involved the construction of a sampling frame, a screening survey and finally a main survey. Due to the inadequacies of databases holding company details the research team set out to develop its own sampling frame for home and overseas MNCs operating in the UK. Fully details of the construction of the sampling frame are reported in Edwards, Edwards, Ferner, Marginson and Tregaskis (2006). The process resulted in the construction of two populations:

1. *All subsidiaries of foreign-owned firms operating in the UK, with 500 or more employees world-wide and 100 or more in the UK.*
2. *All UK-owned international companies with 500 or more employees world-wide and at least 100 overseas.*

A telephone screening survey was undertaken with two functions. First, to establish the accuracy of the sampling framework information and to validate the inclusion of companies within it. Second, to collect information on a few key structural aspects of the role of the HR function and other policy areas in these companies. This paper draws on data collected through the screening survey.

The final stage of the project involved a 70-80 minute questionnaire administered in a face-to-face interview. Currently interviews have been conducted with over 200 companies and it is anticipated this should rise to between 250 and 300 by the close of fieldwork in July 2006. The main survey explores the structure of the organisation, its international HR function and four substantive areas of HRM: pay and performance, organisational learning and employee development, employee involvement and communication, and employee consultation.

The telephone screening and the face-to-face survey were both undertaken by a pool of trained interviewers with significant previous experience, under the administration of an internationally reputed survey organisation, NOP (now GfK/NOP). The questionnaires at each stage of fieldwork have been piloted by NOP. In addition, the research team have an advisory panel of academics and practitioners that have provided feedback on the questionnaire.

## Screening Survey

A total of 914 questionnaires were returned giving a response rate of 48% (see table 1 for details). Of the 914 returns, 41 were unusable either because the answers did not make sense according to the logic checks used or because the interview was terminated before completion. In addition, two versions of the screening questionnaire were designed: a short and a long

version. The long version of the questionnaire was designed for HR directors and asked some limited questions about the structures and policies of the company in addition to verifying company size, sector and ownership details. The short version of the questionnaire was designed for instances where it was not possible to speak with a senior HR manager and asked questions aimed only at verifying the size, sector and ownership of the company. For the purposes we have drawn on the data from the 635 companies completing the long version of the questionnaire and within this we have focused only on the data from overseas owned companies (n=512) and excluded those from home owned companies.

## **Survey Measures**

For the purposes of this paper a series of questions asked in the screening survey are used to explore the role of the corporate HR function in overseas owned multinationals operating in the UK; and the relative impact of corporate HR structures and country of origin on corporate HR influence. The measures used are summarised below.

### Role of corporate HR in subsidiary-level policy

The role of the corporate function was explored through 3 questions:

- Overall policy: companies were asked if the corporate HR function had a role to play in setting overall HR policy at the subsidiary level. This was dummy coded as 0=no corporate role and 1=yes a corporate role.
- Career development policy for managers: of those indicating corporate HQ had an influence on overall HR policy, they were asked about their role in relation to setting career development policy for managers: 1=sets detailed policy that the UK operations are required to adopt 2=sets a policy framework that the UK operations are required to adopt, but within which they are free to develop detailed policy, 3=sets policy that UK operations are encouraged or advised to adopt, 4=UK operations set policy subject to approval from a higher organisational level. For logistic regression analysis categories 1-3 were coded as 1=corporate HR led on policy and category 4 was coded as 0=subsidiary HR led on policy.
- Employee involvement policy: of those indicating corporate HQ had an influence on overall HR policy, they were asked about their role in relation to setting employee involvement policy: 1=sets detailed policy that the UK operations are required to adopt 2=sets a policy framework that the UK operations are required to adopt, but within which they are free to develop detailed policy, 3=sets policy that UK operations are encouraged or advised to adopt, 4=UK operations set policy subject to approval from a higher organisational level. For logistic regression analysis categories 1-3 were coded as 1=corporate HR led on policy and category 4 was coded as 0=subsidiary HR led on policy.

### HR structure

During the screening survey a number of questions were asked relating to issues of HR structure. The main survey contains additional measures of control. However for the purposes of these preliminary analyses the following measure were adopted:

- Source of corporate influence: of those indicating a higher organisational level had a role to play they were asked what level was the most important: global HQ, an international HQ covering all overseas operations, geographical region, HQ for an international business unit, other. For logistic regression analysis this was coded into 1=global HQ, 0=other and 1=regional HQ, 0=other.
- Board membership: respondents were asked to indicate the proportion of the ultimate controlling company main board that were nationals of the parent country. Responses were grouped for analysis purposes into 0=up to three-quarter and 1=three-quarters or more.
- HR representation at board level: respondents were asked if someone on the main board had responsibility for HR issues. This was coded as 0=no and 1=yes.
- Thick black line reporting relationships between HR: respondents were asked if there was a thick black line reporting relationship from HR in the UK operations to HR at a higher organisational level. This was coded as 1=yes HR thick black line, 0=no HR thick black line.

#### Country of origin

- Country of origin: the country of origin of the ultimate holding company was identified. Where a 'tax haven' was listed, the interviewer explored further in order to track down the country of origin of the operational headquarters. For analysis purposes these have been dummy coded into Europe, US, Japan and Rest of the world.

#### Controls

Size and sector data were used at a descriptive level to examine differences in company HR structures they were also used as controls in testing the research propositions.

- Sector: organisations were asked to indicate the primary sector of their activity in terms of manufacturing, services, utilities, or extraction/agriculture/forestry. Companies were allowed to multi-code, although few did. For regression purposes these were dummy coded into manufacturing/other, services/other, utilities/extraction/agriculture/forestry and other.
- Size: respondents were asked to indicate the number of employees they had in the UK operations. As these data were positively skewed they were logged for analysis purposes.

#### **Analysis**

The analysis for this paper was conducted in two phases. First, the data from the survey were used at a descriptive level to build a profile of the role of the corporate HR function and its role in overseas operations. Companies were compared in terms of their country of origin, size and sector details, using logistical regression. Because some of the questions were only asked of sub-sections of the sample this first stage analysis enabled a wider examination of the data.

In the second stage of the analysis, logistic regression was used to examine the relative impact of country of origin and HR structure on the role of corporate HR at the subsidiary level; and test for mediating effects. Thus the second stage focused on exploring the two research propositions. The role of

corporate HR in setting subsidiary level **overall HR policy** was used as the dependent variable. To test for mediation effects hierarchical entry was used following the procedures outlined by Baron and Kenny (1986). In this procedure the controls (size and sector) were entered as the first block. The second block entered contained the independent variables for country of origin: Europe, Japan and the US. The third and final block entered the mediators, namely the HR structure variables: board membership, HR representation on the board, HR thick black line. If a mediation effect exists we would expect the independent variables to be significant when they are first entered but become non-significant when the mediators are entered. If this is the case then each of the mediators should be regressed on each of the independent variables to establish if significant mediation is present.

## Results

The first stage of the analysis examining the profile of the corporate HR function indicated that the global HQ HR level remains the most influential higher organisational level in terms of shaping local HR policies. However, regional structures were also important and used more widely when compared to international structures. The role of these higher organisational levels varied depending on the HR issue: management career development policy was subject to much greater control when compared with employee involvement policy where the subsidiaries were primarily responsible for drawing this up. This pattern of control was consistent across the companies irrespective of their size, sector or country of origin. Board membership for over two-thirds of the companies was dominated by home country nationals. In nearly 80% of the companies HR issues were represented at board level. The corporate function also had structural controls over subsidiaries with 38% of the subsidiaries reporting a 'thick black line' reporting relationship directly to HR at a higher organisational level.

The size of the subsidiary only differentiated between the profiles of the corporate HR function in a few areas. Specially, larger subsidiaries were more likely to experience corporate HQ HR involvement in local policy; have an internationally diverse board with less than three-quarters of board members being home nationals; and have HR issues represented at board level. There were no sector differences across the companies. However, while the results were not significant ( $p < .05$  two-tailed) manufacturing subsidiaries appeared to experience more freedom from the corporate HR function when setting policy on employee involvement.

Country of origin played an important role in the profile of the corporate HR function. Corporate HR functions tended to be less influential in setting subsidiary level overall HR policy if they were Japanese, whilst US subsidiaries experience much greater corporate HR involvement. Domination of board membership by parent country nationals was more common in US companies and the results were nearing significance for Japanese companies. Japanese and US companies diverged in their representation of HR issues at board level, with this being more common in US than Japanese companies. Finally, US companies were more likely than any other country of

origin group to use ‘thick black line’ reporting relationships between the HR functions at the subsidiary and corporate level.

In the second stage of the analysis a logistic regression model was built to examine the two research propositions. It was proposed that country of origin effects on corporate HR control over subsidiary level HR policy would be mediated by organisational factors in the case of US companies, but not in the case of Japanese companies; and that HR structures would be associated with the involvement of corporate HR in subsidiary level HR policy setting. The results confirm this. Full details of the findings are reported below.

### **Profile of the corporate HR function**

In this first stage of the analysis the survey data is examined to build a profile of corporate HR functions in overseas owned MNCs operating in the UK.

#### The role of corporate HR in local HR policy

Over half of the sample of overseas companies indicated that they had total autonomy in setting overall policy on HR issues within their UK operations. This figure seemed quite large and we would suggest some caution in its interpretation. During the main study the issue of subsidiary autonomy is examined in greater detail allowing the team to cross check answers in the screener survey and the main survey. Of the 47% of companies indicating that a higher organisational level had an influence on setting HR policy the most influential level was identified as the global HQ (table 2.1). Regional HQ was also important with just over a third of organisations indicating they had an influence. International level control structures, however, appeared more minimal. While companies may experience influence from more than one higher organisational level, the companies were asked only to indicate the most important level the results of which are detailed in table 2.1. Logistic regression examining the relative impact of sector, size and country of origin found smaller organisations and Japanese owned companies were more likely to have autonomy in setting overall HR policy (See appendix table A1). The results for US owned companies were nearing significance and indicated that influence by a higher organisational level in setting overall HR policy was more likely when compared with non-US companies.

**Table 2.1: Influence of higher organisational levels in setting overall HR policy in the UK operations**

	N= 241 %
Global HQ	50.8
Regional HQ	31.4
International HQ covering all overseas operations	7.4
International HQ for a business unit or line	7.4
Other	2.9

In terms of the type of role undertaken by higher level functions this tended to vary depending on the HR issue. For example, career development policy for senior managers tended to be controlled by higher organisational levels to a greater degree with only 25.6% of subsidiaries setting their own career policy subject to higher level approval. In contrast 41% of subsidiaries set their own employee development policy, subject to higher level approval.

**Table 2.2: Role of higher organisational levels in setting career policy and employee involvement policy in the UK operations**

Role of higher organisational levels	Career Development policy % n=241	Employee Involvement policy % n=238
Sets a detailed policy that the subsidiary is obliged to adopt	11.6	8.8
Sets a mandatory framework for policy in the subsidiary	52.5	38.1
Sets policy that the subsidiary is advised or encouraged to adopt	10.3	11.7
Subsidiary sets policy that the higher organisational level approves	25.6	41.4

The results of the logistic regression indicated that in terms of the role played by a higher organisational level in setting specific policies such as career development and employee involvement there were no significant differences between the companies with respect to their size, sector or country of origin (Appendix, tables A2 and A3).

#### Nationality of Board Membership

Representation of home country nationals on the board was high with just over 69% of companies indicating that at least half of the board of the ultimate controlling company was made up of parent country nationals. Nationality of the board is often used as an indication of the global mindset of the senior management cadre. Ethnocentric firms are typically argued to exert their influence by filling board positions with members from the home country as opposed to drawing talent from across the global organisation. There were also a large proportion of companies that indicated that they did not know the nationality of board members.

Logistic regression (excluding don't knows) indicated that smaller companies were more likely to have less than half of the board represented by home country nationals. No significant differences were reported for sector or country of origin (Appendix: table A4).

Table 2.3: What proportion of the ultimate controlling company main board are nationals of the country of origin.

Proportion of on the board	N=512
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None	2.1
Up to a quarter	5.3
More than a quarter and up to half	3.3
More than half but less than three quarters	6.8
Three quarters or more	25.6
All staff	36.5
Don't know	20.3

#### HR representation at board level

Representation of HR issues at board level was high with 79% of companies indicating this was the case. Logistic regression indicated that US companies and large companies were more likely to have HR board representation. Japanese companies were less likely to have HR issues represented at board level. However, there were no differences across sectors. (See appendix table A.5).

#### Thick black line reporting relationships

Reporting relationships were examined in terms of the HR functions reporting relationships to an HR manager at a higher organisational level. Overall, 38% of HR functions in overseas companies indicated that they had a 'thick black line' reporting relationship to HR at a higher level.

The logistic analysis suggests that the reporting relationships between HR at subsidiary and corporate levels is influenced by country of origin factors, but not the size and sector of the company (Appendix: table A6), with US companies more likely to have thick black line relationships between UK subsidiaries and higher level HR managers.

### **Testing the research propositions: Impact of country of origin and HR structure on the role of corporate HR**

To examine the impact of country of origin and HR organisation structures on corporate HR's role in policy making at the subsidiary level, logistic regression was adopted. The role of the corporate HR function was defined in terms of whether it played a role in setting overall HR policy at the UK subsidiary level or not. The measures for HR structures were limited in the screener survey but included representation of HR issues at board level, presence of reporting relationships to higher organisational levels and parent country dominance of the board (descriptive statistics represented in the Appendix table A7). The following relationships were proposed:

Proposition 1a: The effect of country of origin for US subsidiaries on corporate HR's involvement in setting subsidiary level HR policy will be mediated by the structural features of the corporate HR function.

Proposition 1b: The structural features of the corporate HR function in US companies will be associated with corporate HR's involvement in subsidiary level HR policy.

Proposition 2a: There will be no mediating effect for Japanese companies i.e. country of origin will have a direct effect on whether or not corporate HR are involved in setting subsidiary level HR policy.

Proposition 2b: The corporate HR function in Japanese companies is less likely to play a role in subsidiary level HR policy.

In the first step of the model size and sector were entered, as these are important control variables in organisational research of this nature. In step two the independent variables for country of origin were entered and finally the mediators in step three (i.e. HR representation, thick black HR reporting relationships, nationality of board membership). Overall, the results show that these factors have a significant combined impact on corporate HR's role in setting subsidiary level HR policy (chi-square 87.535, df=9, p.000). The model is deemed to be a good fit (Hosmer and Lemeshow test, chi-square 6.448, df 8, p .597) and predicts 69% of the cases correctly (table 2.4).

Examination of the R squared change shows the relative importance of each set of variables as they are entered into the model. The Nagelkerke R square value at step one where size and sector are included is .018. The addition of country of origin increases this by a further 8%. The inclusion of the organisational variables at step three increases the variance explained by an additional 12%. Thus the overall solution accounts for 22% of the variance. The chi-square statistic also confirms the significant impact of the independent variables at step 2 (chi-square 29.618, df=3, p .000) and the mediators at step 3 (chi-square 51.461, df=3, p .000).

The results for the impact of the HR variables shows that the odds of subsidiaries with a thick black line reporting relationship to a higher organisational level having corporate HR involvement in setting HR policy is over 3 times higher compared to those with no thick black line relationship. A similar level of magnitude is illustrated for those subsidiaries where HR is represented at board level (odds ratio 2.68).

In terms of the impact of country of origin the result show that the odds of corporate HR involvement locally increases for US companies, falls for European and falls even further for Japanese companies, compared to the companies from the rest of the world. The results for European companies were not significant. This suggests that perhaps a more detailed breakdown of this European grouping is required as the diversity within this group is being masked.

The research propositions also predicted a mediation effect. If, as predicted in the proposition, country of origin effects are mediate for US companies but not for Japanese companies, we would expect to see Japan as a significant predictor in the final model. In contrast we could expect to see the impact of US ownership move from significance at step two to non-significance at step three. This is in fact the case. In addition, we see that the effect of size also changes from significance in steps one and two to non-significance in step three. This suggests that the effects of size are also mediated by

organisational variables, which would be consistent with other organisational research. Logistic regression tested for significant relationships between the mediators and independent variables. The results confirmed the presence of a thick black line reporting relationship had a significant mediation effect for US companies (wald 4.492, df=1, p .032, Exp(B) 2.080); representation of HR issues at board level had a significant mediation effect on size (wald 11.710, df=1, p .001, Exp(B) 2.490). One other finding worth reporting was a significant relationship between Japanese companies and HR representation (wald 5.221, df=1, p 022, Exp(B) .320). This finding does not change the mediation findings however it indicates that Japanese companies were much less likely than other companies, include US companies, to represent HR issues at board level.

**Table 2.4– Logistic Regression Model: Corporate HR involvement in local HR policy**

Independent Variables	Odds Ratios (Model 1)	Beta Co- efficients (SEs) (Model 1)	Odds Ratios (Model 2)	Beta Co- efficients (SEs) (Model 2)	Odds Ratios (Model 3)	Beta Co- efficients (SEs) (Model 3)
Constant	.324*	-1.128 (.647)*	.340	-1.080(.714)	.199**	-1.615 (.769)**
<b>Sector –</b> <i>Production (non- manufacturing)</i> Services Manufacturing	.811 .846	-.210(.442) -.167	.695 .772	-3.64(.455) -.259(.453)	.562 .639	-.577(.486) -.448(.482)
UK emp size (Log)	1.555**	.441(.179)**	1.548**	.437(.183)**	1.338	.291(.192)
<b>Origin</b> <i>Rest of World</i> US Japan Rest of Europe			1.730** .283** .769	.548(.333)** -1.261(.521)** -.263(.342)	1.402 .357** .850	.338(.355) -1.030(.552)** -.163(.361)
<i>No thick black line reporting relationship</i> Presence of a thick black line reporting relationship					3.235***	1.174(.213)***
<i>No HR rep on main board</i> HR rep on Main Board					2.680***	.986(.281)***
<i>Less than ¾ of main board home nationals</i> ¾ or more of the board home nationals					.904	-.101(.224)

N		483		483		483
Model Chi-square						
Step Chi-square						
Nagelkerke R <sup>2</sup>						
-2LLR		.018		.096		.221

The reference categories are in italics

Levels of significance denoted by stars: \* = 10% level, \*\* = 5% level, \*\*\* = 1% level

In summary, the analysis suggests that country of origin and HR structure variables are significant predictors of corporate HR involvement at subsidiary level. Specifically, Japanese companies are less likely to have corporate HR involvement in setting subsidiary level HR policy in its UK operations. Mediation effects were confirmed whereby the effects of US ownership, and company size, on corporate HR's involvement in setting local HR policy are mediated by facets of the HR structure: the presence of a thick black line reporting relationship between the HR function at multiple levels increased the odds of corporate HR involvement in local HR policy, as did the representation of HR issues at board level.

## Discussion

This paper presented preliminary analysis of data from overseas MNCs operating in the UK. The purpose of the analysis was twofold. First, to explore the profile of the corporate HR among overseas owned companies operating in the UK. Second, to examine the impact of country of origin and HR structures on corporate HR involvement in local HR policy setting and consider the role of mediation effects.

The analysis of the *profile of the corporate HR function* of overseas MNCs operating in the UK showed that this tended to differ for US and Japanese companies. US corporate functions tended to have some level of influence on subsidiary level HR policy in contrast Japanese corporate functions were less likely to play a role. However, among the subsidiaries that indicated some form of influence from a higher level HR function on local HR policy, there was a common pattern of behaviour. In these cases the corporate HR functions whether operating at the global, regional or international level, tended to retain tighter control over policy issues relating to the career development of senior managers, whilst allowing the subsidiary greater autonomy in setting policy around employee involvement issues. One explanation of these findings from the resource-based perspective is that the corporate function retains tighter control over the resources it identifies as scarce and of high value to the company such as senior management capability (Taylor et al 1996). In terms of the HR structures again there was a high element of commonality across organisations. For example, the nationality of the main board tended to be dominated by parent country nationals, in around 80% of companies HR issues were represented at board level, an indication of their prevalence within the wider business strategy of the company. Just under 40% of the companies indicated the presence of a 'thick black line' reporting relationship between the HR function at multiple levels. The importance of reporting relationships re-emerged when the research propositions were examined.

The analysis undertaken to test the research propositions showed that the profile of the corporate HR function varied considerably when comparisons were drawn between HR functions that played a role in setting local HR policy and those that did not. Significant HR structures included the presence of a thick black line reporting relationship between HR at multiple levels, and representation of HR issues on the board. Both were associated with a role for the corporate HR function in subsidiary level HR policy. Board member nationality had no impact on the role of the corporate HR function. This is at first a little surprising in that we might have expected more ethnocentric firms with a domination of parent country nationals on the board to have favoured stronger control over subsidiary level issues. However, the results may reflect the fact that the control relationship between the parent and its subsidiaries is complex and there are a range of lower level control mechanisms that are used that have a closer and more direct impact, such as reporting relationships. The results may also reflect a commonality or convergence across companies in terms of the constitution of their board membership and as such be a poor discriminator of lower level strategy or practice.

The analysis also suggested that HR structures mediated the impact of country of origin in the case of US companies. It could thus be argued that these HR structures reflect the incumbent rules of the US business system in terms of what US companies see as optimum ways of organising, particularly to achieve integration. In the case of Japanese companies there was no mediation effect, in other words there were factors other than HR structures that predicted the lack of corporate HR involvement in local HR policy setting. Evidence from previous work would suggest that Japanese companies tend to favour strong but informal control through their network of expatriates (Bird et al 1998). At the same time they are likely to give subsidiaries a high degree of autonomy because they are perceived to have peripheral status (Farndale and Paauwe, 2005). Therefore in the case of Japanese companies the HR structures, investigated in these preliminary analyses, were not used to control subsidiary level HR policy.

The discrepancy between US and Japanese companies would suggest that MNCs are not pursuing a common global logic in terms of the purpose of HR structures, at least in the UK host environment. HR structures which are often seen as a primary feature of the international HRM literature identified as a means of achieving integration and co-ordination (Taylor et al 1996; Schuler et al 1993) are not being adopted universally for the same purpose. Therefore while US MNCs may be bringing their rules for organising corporate HR functions into the UK as a specific means of achieving HR integration there is little evidence that other MNCs operating in the UK are using the same structures for the same purposes.

The findings also raise questions about whether these structures would have a similar impact in different host country contexts. It may be that the presence of HR structures acts as an integration tool in some settings but not others.

The analyses presented here are preliminary and involve companies that have taken part in the first stage of a two-staged survey process. We have already noted that some caution needs to be used in interpreting the data on subsidiary autonomy as a large proportion of companies claimed to have total autonomy in HR policy decision making. The main survey will allow us to explore this issue further and to cross check the responses given at the two stages of the survey. In addition, our measures of HR structural control were limited. There may be alternative and more important forms of HR control that play a role in influencing the role of the corporate HR function at the subsidiary level, particularly in the case of European companies and Japanese companies. Therefore, these findings and the ideas put forward reflect the preliminary stages of analysis which will be advanced through the examination of the data from the main study.

In conclusion, the findings suggest that country of origin and HR structures are important predictors of corporate HR involvement in subsidiary level HR policy. There is little evidence to suggest that overseas owned companies operating in the UK have adopted common global ways of managing their overseas operations. Instead there are distinct differences across companies arising from their country of origin. In addition, the evidence of mediation effects indicate that US companies exert control through HR structures which in turn increase corporate HR's involvement in local HR policy. In contrast, corporate HR functions in Japanese companies did not undertake a similar role. This is not to say that local HR policy was not influenced by the parent, but that this influence was not primarily exerted through a corporate HR function or the HR structures observed in this analysis.

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## Appendix: Logistic Regression Results

Table A1: Corporate HR influence in setting overall HR policy

Group: 0 = subsidiary sets policy n=254  
 1= higher organisational level sets policy n=229

Chi-square (final step) 34.819, df 3, p .000  
 Nagelkerke R square (final step) .093

### Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1(a)	Japan	-1.261	.521	5.849	1	.016	.283
	US	.548	.333	2.714	1	.099	1.730
	Europe	-.263	.342	.593	1	.441	.769
	Services	-.364	.455	.638	1	.424	.695
	Manufacturing	-.259	.453	.326	1	.568	.772
	size	.437	.183	5.724	1	.017	1.548
	Constant	-1.080	.714	2.285	1	.131	.340
Step 2(a)	Japan	-1.272	.521	5.962	1	.015	.280
	US	.541	.332	2.656	1	.103	1.718
	Europe	-.260	.341	.579	1	.447	.771
	Services	-.128	.192	.445	1	.505	.880
	size	.441	.183	5.823	1	.016	1.554
	Constant	-1.322	.575	5.295	1	.021	.267
Step 3(a)	Japan	-1.235	.518	5.694	1	.017	.291
	US	.559	.331	2.852	1	.091	1.749
	Europe	-.236	.339	.485	1	.486	.790
	size	.428	.181	5.566	1	.018	1.534
	Constant	-1.366	.571	5.724	1	.017	.255
Step 4(a)	Japan	-1.048	.443	5.599	1	.018	.351
	US	.746	.194	14.812	1	.000	2.109
	size	.423	.181	5.438	1	.020	1.526
	Constant	-1.538	.515	8.913	1	.003	.215

a Variable(s) entered on step 1: Japan, US, Europe, Services, Manufacturing, size.

Table A2: Corporate HR influence in setting career development policy for senior managers

Group: 0 = subsidiary sets policy n=59  
 1= higher organisational level role n=171  
 Chi-square (final step) -1.821 df 1, p .177  
 Nagelkerke R square .000

**Variables in the Equation**

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1(a)	Japan	1.152	1.185	.946	1	.331	3.166
	US	.209	.537	.152	1	.697	1.233
	Europe	.455	.584	.608	1	.436	1.577
	Services	.265	.728	.133	1	.715	1.304
	Manufacturing	-.195	.712	.075	1	.784	.823
	size	.113	.299	.143	1	.705	1.120
	Constant	.452	1.086	.173	1	.677	1.571
Step 2(a)	Japan	1.141	1.184	.929	1	.335	3.130
	US	.202	.536	.142	1	.707	1.224
	Europe	.466	.583	.638	1	.424	1.593
	Services	.444	.317	1.970	1	.160	1.559
	size	.107	.298	.129	1	.719	1.113
	Constant	.293	.913	.103	1	.748	1.340
Step 3(a)	Japan	1.177	1.180	.994	1	.319	3.245
	US	.225	.532	.179	1	.672	1.252
	Europe	.500	.575	.755	1	.385	1.648
	Services	.455	.315	2.084	1	.149	1.576
	Constant	.561	.527	1.133	1	.287	1.752
Step 4(a)	Japan	.982	1.087	.815	1	.367	2.669
	Europe	.303	.341	.790	1	.374	1.354
	Services	.439	.312	1.978	1	.160	1.552
	Constant	.763	.227	11.327	1	.001	2.144
Step 5(a)	Japan	.890	1.082	.676	1	.411	2.435
	Services	.411	.310	1.752	1	.186	1.508
	Constant	.866	.197	19.394	1	.000	2.378
Step 6(a)	Services	.415	.310	1.791	1	.181	1.514
	Constant	.889	.195	20.718	1	.000	2.432
Step 7(a)	Constant	1.064	.151	49.671	1	.000	2.898

a Variable(s) entered on step 1: Japan, US, Europe, Services, Manufacturing, size.

Table A3: Corporate HR influence in setting employee involvement policy

Group: 0 = subsidiary sets policy n=94  
 1= higher organisational level role n=133

Nagelkerke R square .019

Omnibus test of significance chi-square 3.192, df=1, p=.074

**Variables in the Equation**

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1(a)	Japan	.619	.953	.422	1	.516	1.857
	US	-.332	.511	.423	1	.516	.717
	Europe	.001	.548	.000	1	.998	1.001
	Services	-.456	.713	.409	1	.523	.634
	Manufacturing	-.892	.704	1.607	1	.205	.410
	size	-.078	.266	.086	1	.770	.925
	Constant	1.390	1.025	1.840	1	.175	4.015
Step 2(a)	Japan	.618	.852	.526	1	.468	1.855
	US	-.333	.287	1.348	1	.246	.717
	Services	-.456	.709	.414	1	.520	.634
	Manufacturing	-.892	.703	1.611	1	.204	.410
	size	-.078	.262	.088	1	.766	.925
	Constant	1.391	.965	2.079	1	.149	4.018
Step 3(a)	Japan	.613	.851	.519	1	.471	1.846
	US	-.329	.286	1.321	1	.250	.719
	Services	-.474	.706	.450	1	.502	.623
	Manufacturing	-.904	.702	1.660	1	.198	.405
	Constant	1.186	.673	3.107	1	.078	3.274
Step 4(a)	Japan	.575	.850	.457	1	.499	1.776
	US	-.359	.283	1.609	1	.205	.698
	Manufacturing	-.474	.273	3.014	1	.083	.622
	Constant	.775	.259	8.976	1	.003	2.171
Step 5(a)	US	-.402	.277	2.110	1	.146	.669
	Manufacturing	-.471	.273	2.982	1	.084	.624
	Constant	.817	.253	10.454	1	.001	2.263
Step 6(a)	Manufacturing	-.483	.272	3.168	1	.075	.617
	Constant	.590	.195	9.199	1	.002	1.805

a Variable(s) entered on step 1: Japan, US, Europe, Services, Manufacturing, size.

**Table A4: Nationality of Board membership**

Group: 0 = less than three-quarters with home country nationals n=85  
 1= more than three-quarters board membership with home country  
 nationals n=301

**Model Summary**

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	387.524(a)	.049	.075
2	387.538(a)	.049	.075
3	387.617(a)	.049	.075
4	390.076(a)	.043	.066

a Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

Omnibus test of significance (final step) chi-square 16.899, df=3, p=.001  
 79% of cases correctly classified.

**Variables in the Equation**

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1(a)	Japan	.986	.681	2.095	1	.148	2.681
	US	.628	.461	1.855	1	.173	1.874
	Europe	-.121	.461	.068	1	.794	.886
	Services	.076	.621	.015	1	.903	1.079
	Manufacturing	-.331	.605	.300	1	.584	.718
	size	-.644	.233	7.635	1	.006	.525
	Constant	2.904	.952	9.296	1	.002	18.245
Step 2(a)	Japan	.982	.681	2.084	1	.149	2.671
	US	.625	.460	1.843	1	.175	1.868
	Europe	-.127	.458	.077	1	.781	.881
	Manufacturing	-.398	.260	2.348	1	.125	.672
	size	-.642	.233	7.623	1	.006	.526
	Constant	2.971	.780	14.494	1	.000	19.508
Step 3(a)	Japan	1.087	.565	3.698	1	.054	2.966
	US	.729	.262	7.749	1	.005	2.074
	Manufacturing	-.403	.259	2.421	1	.120	.668
	size	-.646	.232	7.730	1	.005	.524
	Constant	2.879	.706	16.647	1	.000	17.802
Step 4(a)	Japan	1.043	.563	3.432	1	.064	2.837
	US	.733	.261	7.880	1	.005	2.081
	size	-.600	.229	6.893	1	.009	.549
	Constant	2.527	.661	14.636	1	.000	12.519

a Variable(s) entered on step 1: Japan, US, Europe, Services, Manufacturing, size.

Table A5: HR presentation at board level

Group: 0 = HR issues not represented at board n=99  
 1= HR issues represented at board level n=384

Omnibus test of significance chi-square 32.683, df=3, p=.000  
 79.5% of cases correctly classified.

**Model Summary**

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	455.850(a)	.068	.107
2	455.884(a)	.068	.107
3	457.011(a)	.066	.103
4	457.285(a)	.065	.103

a Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

**Variables in the Equation**

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1(a)	Japan	-1.140	.499	5.221	1	.022	.320
	US	.528	.413	1.635	1	.201	1.696
	Europe	-.075	.408	.034	1	.854	.928
	Services	.542	.507	1.142	1	.285	1.720
	Manufacturing	.609	.503	1.466	1	.226	1.839
	size	.912	.267	11.710	1	.001	2.490
	Constant	-1.681	.917	3.361	1	.067	.186
Step 2(a)	Japan	-1.080	.376	8.259	1	.004	.340
	US	.588	.255	5.322	1	.021	1.800
	Services	.550	.505	1.187	1	.276	1.734
	Manufacturing	.613	.503	1.486	1	.223	1.845
	size	.912	.267	11.682	1	.001	2.488
	Constant	-1.745	.850	4.216	1	.040	.175
Step 3(a)	Japan	-1.065	.375	8.060	1	.005	.345
	US	.606	.254	5.697	1	.017	1.833
	Manufacturing	.124	.236	.274	1	.600	1.132
	size	.912	.267	11.694	1	.001	2.490
	Constant	-1.267	.726	3.042	1	.081	.282
Step 4(a)	Japan	-1.044	.372	7.862	1	.005	.352
	US	.609	.254	5.757	1	.016	1.839
	size	.901	.266	11.480	1	.001	2.461
	Constant	-1.177	.705	2.783	1	.095	.308

a Variable(s) entered on step 1: Japan, US, Europe, Services, Manufacturing, size.

**Table A6: Thick black reporting relationships between HR at subsidiary and higher levels**

Group: 0 = No thick black line reporting relationship n=322

1= Yes, thick black line reporting relationship n=181

**Model Summary**

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	600.337(a)	.077	.105
2	600.405(a)	.077	.105
3	600.460(a)	.077	.104
4	601.253(a)	.075	.102
5	602.305(a)	.073	.100
6	604.373(a)	.069	.094

a Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.

Omnibus test of significance chi-square 34.569, df=1, p=.000

64% of cases correctly classified

**Variables in the Equation**

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1(a)	Japan	-.432	.501	.744	1	.388	.649
	US	.732	.345	4.492	1	.034	2.080
	Europe	-.490	.365	1.801	1	.180	.613
	Services	.164	.493	.110	1	.740	1.178
	Manufacturing	.128	.492	.067	1	.795	1.136
	size	.276	.187	2.171	1	.141	1.317
	Constant	-1.573	.755	4.343	1	.037	.207
Step 2(a)	Japan	-.427	.501	.727	1	.394	.653
	US	.736	.345	4.541	1	.033	2.087
	Europe	-.491	.365	1.809	1	.179	.612
	Services	.047	.199	.055	1	.814	1.048
	size	.274	.187	2.147	1	.143	1.315
	Constant	-1.453	.596	5.954	1	.015	.234
Step 3(a)	Japan	-.440	.497	.781	1	.377	.644
	US	.729	.344	4.490	1	.034	2.073
	Europe	-.499	.363	1.888	1	.169	.607
	size	.278	.186	2.232	1	.135	1.320
	Constant	-1.436	.591	5.906	1	.015	.238
Step 4(a)	US	.917	.278	10.909	1	.001	2.503
	Europe	-.311	.301	1.066	1	.302	.733
	size	.279	.186	2.243	1	.134	1.321
	Constant	-1.626	.555	8.598	1	.003	.197
Step 5(a)	US	1.125	.196	33.003	1	.000	3.081
	size	.267	.185	2.081	1	.149	1.306
	Constant	-1.802	.528	11.637	1	.001	.165
Step 6(a)	US	1.127	.195	33.225	1	.000	3.085
	Constant	-1.073	.143	56.628	1	.000	.342

a Variable(s) entered on step 1: Japan, US, Europe, Services, Manufacturing, size.

**Table A7: Descriptive Statistics for the variables used in the Logistic regression model: corporate HR involvement locally**

	N	Minimum	Maximum	Mean	Std. Deviation
man	512	.00	1.00	.4980	.50049
serv	512	.00	2.00	.9141	.99727
non_pro	512	.00	3.00	.1348	.62201
UK employees (log)	483	2.00	5.23	2.7247	.52383
Japan2	512	.00	1.00	.0742	.26238
USA2	512	.00	1.00	.4609	.49896
Europe2	512	.00	1.00	.3750	.48460
RoWorld2	512	.00	1.00	.0234	.15144
A22_1:Is there a thick black line reporting relationship from HR managers in the UK to an HR manager/director at the next organisational level?	512	.00	1.00	.3672	.48251
HR prepresntation on the board	512	.00	1.00	.7930	.40557
hi_board_os	512	.00	1.00	.6895	.46317
Valid N (listwise)	483				