US Multinationals and Human Resource Management: Evidence on HR Practices in European Subsidiaries

*Jeanette N. Cleveland, Patrick Gunnigle, Noreen Heraty, Michael Morley and Kevin R. Murphy**

Introduction

An important issue confronting multinational corporations (MNCs) in the human resource management (HRM) sphere is the extent to which the HR policies and practices implemented in their foreign subsidiaries conform to those pertaining in their "home" country, or alternatively, the extent to which they are adapted to fit "host" country norms and traditions. In the European Union (EU), this debate is most pointed when one considers the HR practices of subsidiaries of US-owned MNCs. At a general level, we have seen in the past decade or more that significant changes in organisation structure and HR practice combined with the sluggish performance of a number of the EU's major economies, particularly Germany, has sparked increasing debate on optimal approaches or "systems" of HRM and industrial relations. For example, it is sometimes argued that the EU's preferred "social market" approach, characterised by comparatively high levels of labour regulation and strong trade unions, has served to impede competitiveness and employment creation (Grubb and Wells, 1993; Sadowski et al., 1995; Sparrow and Hiltrop, 1994). In contrast, the US "free market" approach, which — apparently — affords employers greater autonomy, is often portrayed as a more "effective"

---

* Jeanette Cleveland and Kevin Murphy work in the Department of Psychology, Colorado State University. Patrick Gunnigle, Noreen Heraty and Michael Morley work in the Department of Personnel and Employment Relations, University of Limerick.

alternative in this respect, most particularly in terms of its capacity for employment creation. Chandler (1990) labels the US model "competitive managerial capitalism" and contrasts it with German "co-operative managerial capitalism". An important and particular manifestation of this debate relates to the HR practices of MNCs, especially US MNCs in Europe. It is often argued that US MNCs have been to the fore in promoting more free market/low labour regulation approaches and are often seen as the "future" which MNCs of other countries are likely to gravitate towards (see, for example, Dunning, 1993; Sparrow and Hiltrop, 1994).

Looking specifically at organisation level, it is therefore interesting to examine US MNCs in Europe to assess the extent to which they seek to implement home country HR practices or whether, either as a result of deliberate choice or because of "institutional pressures", they utilise approaches which conform more closely to host country norms and traditions (see, for example, Barlett and Ghoshal, 1989; Gooderham et al., 1998; Ferner and Quintanilla, 1998). Important areas of difference in national business systems which exert an important influence on HR practice at organisational level include the national industrial relations system, the historical pattern of industrialisation, the political system and traditions, the framework of corporate governance, labour, product and capital market profile and regulation, education and training systems and the legal framework (see, for example, Ferner, 1997; Ferner and Quintanilla, 1998; Muller, 1999; Sparrow and Hiltrop, 1994). These broad differences can give rise to different business and management traditions, and also lead to the development of distinctive management cultures and value systems.

In evaluating HRM practice in MNC subsidiaries, it is widely argued that the actual practices used will closely reflect underlying managerial values associated with country of ownership (Beaumont, 1985; Karier, 1995). This line of argument is particularly pertinent when applied to the preferred industrial relations approaches of US subsidiaries in Europe. It is widely argued that managerial opposition to pluralism, and particularly to trade union recognition, is characteristic of the value system of US managers, and HRM practices which emphasise trade union avoidance (via trade union substitution or suppression), contingent rewards and direct management–employee communications are very much in line with this value system (Guest, 1989, 1990; Gooderham et al., 1998).

This debate is currently very significant in the European Union (EU) for a number of reasons. Firstly, recent years have witnessed a huge growth in both US direct foreign investment and US stimulated

merger, acquisition and strategic alliance activity (see Cooke and Noble, 1998; Sparrow and Hiltrop, 1994). Indeed, as many commentators suggest, the sheer weight of MNC investment abroad justifies consideration of their impact on management practice: US subsidiaries currently employ over seven million workers worldwide, including approximately two-and-a-half million in Europe (Barrell and Pain, 1997; UNCTAD, 1996; also see Ferner, 1997; Ferner and Quintanilla, 1998). Secondly, as noted above, we are currently witnessing considerable debate on optimal approaches or "systems" of HRM and industrial relations, particularly in regard to the relative merits of a "social market" *vis-à-vis* a more "free market" approach. Information on the HR practices of US subsidiaries in Europe should provide important insights on how this debate is panning out at organisation level.

Home or Host Country Practice in US-owned Subsidiaries in Europe?

In reviewing the extant literature on HRM in MNCs, it is widely argued that US firms have distinctive HR practices (Gunnigle, 1995; Gooderham et al., 1998). It is therefore interesting to address empirical evidence on whether US-owned firms impose uniform and distinctive HR practices in their European subsidiaries or, alternatively, adapt their HR approaches to conform more closely with the traditions and prevailing practices in the host country. Before addressing the research evidence, we should add the caveat that it is critical to appreciate the impact of national institutional arrangements and traditions in explaining differences in the extent to which MNCs impose home country practice or conform to host country norms. In particular, it is plausible to suggest that US-owned subsidiaries operating in Ireland or the UK are likely to experience considerably less "institutional pressures" to significantly adapt their "home country" HR practices to comply with local norms than subsidiaries operating in Germany or Scandinavia, where it is likely that local norms will differ substantially from practice in the US (see, for example, Lane, 1989; Muller, 1999). This contrast stems substantially from differences in the extent of regulation in areas such as works councils, employee participation and employment rights, which is generally less developed in Ireland and the UK than in countries such as Germany. Looking specifically at Ireland, we also find that foreign-owned MNCs account for a much higher proportion of economic activity than in, for example, Germany. In Ireland, employment in MNCs accounts for roughly one-third of the industrial workforce while these foreign-owned companies ac-

count for 55 per cent of manufactured output and some 70 per cent of industrial exports (Tansey, 1998). The US is by far the largest source of direct foreign investment (DFI) in Ireland, accounting for over 400 firms and employing in excess of 50,000 people. In 1997, *The Economist* estimated that almost one-quarter (24 per cent) of all available US manufacturing investments and 14 per cent of all DFI projects in Europe had located in Ireland (*The Economist*, 1997). The UK also attracts a large inflow of US direct foreign investment. We might therefore argue that US firms may find it easier to implement home country HR practice in the UK and Ireland because of their less regulated labour market regimes and the greater impact of US MNCs on local HR practice. In contrast, the regulatory environments and HR traditions of certain other EU countries, such as Germany or Sweden, may force US MNCs to adopt sets of HRM practices which are quite distinct from those prevailing in the US.

Measures of HRM

Literature on cross-national differences in HRM often focuses on specific practices, such as the use of pay-for-performance systems, or recognition of trade unions. While research conducted at this level has contributed valuable insights, it does not provide an adequate test of the hypothesis that MNCs either adopt broadly similar patterns of HRM practice across national borders, or that they adapt their pattern of HRM activity to match local norms. Broader assessments of the range of constructs that underlie human resource management are needed for this purpose.

One example of broad-based constructs that can be used to characterise HRM practices and strategies, particularly with regard to differences between the US and Western Europe, is drawn from research on industrial relations. The contemporary literature identifies an increased management emphasis on an individualist orientation in management–employee relations as one of the most important developments in industrial relations in the past decade (Beaumont, 1985, 1992; Beaumont and Townley, 1985a and b; Kochan et al., 1986; Guest, 1989; Bacon and Storey, 1993). However, beyond Purcell's (1987) and Bacon and Storey's (1993) attempts to explore the discrete components of individualism, it remains quite an amorphous concept. The most popular conception of high individualism identified in the literature incorporates a strong "human capital" perspective, whereby workers are seen as a critical resource (Beer et al., 1984; Walton, 1985). It is argued that managements pursuing this style will seek to

develop this "critical resource" through a combination of "individualist" human resource management (HRM) policies in areas such as training and development, job/work organisation and reward systems (Gunnigle, Morley and Turner, 1997; Kochan et al., 1986; Purcell, 1987; Beaumont, 1992; Beaumont and Harris, 1994). Critical manifestations of higher individualism include the use of performance-related pay systems linked to formal appraisals of individual performance and increased direct management–employee communications.

The counterpart of individualism in HRM is the collectivist orientation, in which there is a strong emphasis on trade union recognition and collective bargaining. Collectivist models are considered characteristic of industrial relations in many Western European countries (Brewster and Hegewisch, 1994; Roche and Turner, 1994; Sparrow and Hiltrop, 1994). A number of commentators have pointed to the utility of the individualism versus collectivism perspective for understanding important aspects of human resource management (see, for example, Bacon and Storey, 1993; Gunnigle et al., 1997).

Although individualism–collectivism represents a useful continuum for understanding many aspects of human resource management, it does not necessarily provide a broad basis for characterising HRM practices. Research on individualism–collectivism has focused strongly on variables such as the locus of pay determination and the level of managerial autonomy in making human resource decisions, and has had relatively less to say about a number of important HRM activities (e.g. recruitment and selection, training and development).

An alternate approach to developing a comprehensive list of HRM constructs is to consider those activities that typically fall under the heading of HRM. For example, Hall and Goodale's (1986) description of what HRM entails focuses on activities in the areas of staffing, training and development, performance appraisal, career development, compensation, communication with employees, labour–management relations. Similarly, Wagner and Hollenbeck (1995) describe HRM in terms of appraisal, pay structures, training, career development. In the absence of "coherent theoretical basis for classifying HRM policy and practice" (Guest, 1997: 266), we reviewed a number of HRM texts and concluded that the core activities involved in HRM fell into six categories: (1) bringing people into the organisation (e.g. recruitment, staffing); (2) evaluating their performance and success; (3) compensation; (4) developing employees' abilities and skills (e.g. training and developmental assignments); (5) communicating with employees; and (6) making decisions about work practices and methods.

Research Questions

This paper examines the HRM practices and behaviour of US-owned MNCs operating in Europe, using data from the 1995 Euronet Cranfield Study. We test the hypothesis that US-owned MNCs can be distinguished from their European counterparts in terms of their HRM practices. We also test the hypothesis that US-owned MNCs are least likely to adopt host country practice in countries with low levels of regulation (e.g. UK and Ireland), most likely to adopt host country norms in countries with extensive levels of regulation (e.g. Germany, Sweden), and that they would show consistently different patterns of accommodation in other countries (e.g. France, Denmark). In evaluating patterns of HRM practice, we have chosen to look at selected European countries which differ in terms of their HR traditions on dimensions such as legal regulation, trade union penetration and profile of industrial development. Germany is seen as an example of highly regulated (legalistic) approach, particularly with respect to union recognition and co-determination; Sweden and Denmark are seen as representative of a joint decision-making/consultative model; Ireland and the United Kingdom as representative of market-driven/low labour market regulation model; and France as representative of a mixed model (for a detailed contextual analysis, see Ferner and Hyman, 1998; Brunstein, 1995).

Methodology

Data from the 1995 Euronet Cranfield Survey was used to examine patterns of HRM activity for American- and European-owned MNCs. This survey, which includes questions about the organisation's use of a wide range of HRM practices, including methods of staffing, training and development, compensation, labour relations, etc., was administered to over 6,300 mid-sized and large public and private-sector organisations in 15 European countries. All six of the core HRM activities described above are included in the Euronet Cranfield survey.

In testing imposition versus accommodation hypotheses, we used information about HR practices to discriminate among organisations both in terms of country of ownership (imposition) and the country in which each organisation operated (accommodation).

Organisations that met the following criteria were selected for analysis: (1) they were headquarters, subsidiaries or divisions of a multinational corporation operating in Europe; (2) the organisation operated in the UK, France, Germany, Denmark, Sweden, or Ireland;

and (3) the corporate headquarters were located in the USA, UK, France, Germany, Denmark, Sweden, or Ireland. In all, there were 1,022 organisations that met these criteria; 453 of these organisations were subsidiaries of MNCs that operated in a different country than the country in which their corporate headquarters were located. A breakdown of organisations in terms of country of ownership and country of operation is presented in Table 1.

TABLE 1: ORGANISATIONS INCLUDED IN ANALYSIS

Corporate HQ in:	**Organisation Operates in:**					
	UK	*France*	*Germany*	*Sweden*	*Denmark*	*Ireland*
Denmark	6	1	2	7	91	0
France	28	50	9	1	2	6
Germany	18	10	112	2	1	7
Ireland	4	0	0	0	0	19
UK	255	10	9	7	9	19
Sweden	13	3	2	42	12	2
USA	108	26	24	9	18	68

Scales based on critical HRM practices (e.g. training and development, performance appraisal and reward) were developed. This approach attempts to define the core practices that comprise the HRM approach, and to measure the extent to which organisations put these practices in place. Thirteen multi-item scales were developed to reflect six major constructs that underlie the practice of Human Resource Management, specifically: (1) Training and Development; (2) Systematic Staffing; (3) Flexible Work Practices; (4) Performance Appraisal and Reward; (5) Communication with Employees; and (6) Labour Relations. The scales and internal consistency reliability estimates (coefficient alpha) are described in Table 2.

We used confirmatory factor analysis to test the hypothesis that the measures in Table 2 could be sensibly grouped into these six composites. The analysis was conducted using LISREL 8; fit was assessed using goodness of fit and standardised root mean squared residual indices. The six-factor model (with correlated factors) fit the data well (GFI = .922, standardised root mean square residual = .06) which suggests that the six-factor structure laid out in Table 2 is a reasonable way to summarise these data. We formed unit-weighted composites to represent each of the six constructs described in Table 2. Correlations among these were generally in the .20–.30 range.

TABLE 2: PRACTICE-BASED SCALES

Construct	Scale
Training and Development	*Training Needs Analysis* coefficient alpha = .92: five-item scale in which high scores indicate systematic analysis of training needs in a wide range of areas *Training Evaluation* coefficient alpha = .90: five-item scale in which high scores indicate systematic evaluation of training effectiveness *Career Development* coefficient alpha = .62: six-item scale in which high scores indicate use of a wide range of career development methods (e.g. succession plans) *Training Methods* coefficient alpha = .84: ten-item scale in which high scores indicate use of a wide array of training methods
Systematic Staffing	*Selection Practices* coefficient alpha = .52: eight-item scale in which high scores indicate use of a wide array of systematic selection practices (e.g., aptitude tests, assessment centres) *Management Selection* coefficient alpha = .66: twelve-item scale in which high scores indicate widespread use of systematic external recruitment and selection practices for managers (e.g. advertising in international newspapers)
Flexible Work Practices	*Flexible Arrangements* coefficient alpha = .84: twelve-item scale in which high scores indicate use of a wide array of flexible work arrangements (e.g. job sharing, annual hours contracts) *Non-traditional Contracts* coefficient alpha = .71: seven-item scale in which high scores indicate use of a wide array of alternative to full-time employment contracts (e.g. part-time work, teleworking)
Performance Appraisal and Reward	*Appraisal Systems* coefficient alpha = .87: four-item scale in which high scores indicate widespread use of performance appraisal *Participation in Appraisal* coefficient alpha = .69: six-item scale in which high scores indicate a wide range of individuals (e.g. supervisors, peers) are involved in performance appraisal *Merit Pay* coefficient alpha = .85: four-item scale in which high scores indicate widespread use of pay-for-performance schemes

Construct	Scale
Communication with Employees	*Employee Briefing* coefficient alpha = .80: eight-item score in which high scores indicate formal briefing of all levels of the organisation regarding its strategy and performance *Employee Communication* coefficient alpha = .68: six-item scale in which high scores indicate use of wide range of methods for communicating major issues to employees
Labour Relations	A three-item scale (coefficient alpha = .59) was constructed to measure labour relations orientation. This scale included an item measuring whether trade unions recognised for the purpose of collective bargaining, an item measuring the proportion of workforce who are members of trade unions, and an item measuring whether there is a joint consultative committee or works council.

The research question examined here was whether human resource practices that reflect the country of ownership (i.e. the country where corporate headquarters for the MNC is located) are imposed on MNCs operating in Europe. For example, do subsidiaries of US-owned corporations operating in Europe follow distinctly American patterns of HRM activity (imposition), or are their HRM practices largely consistent with those of the country in which they operate? We examined the hypothesis that HRM practices would substantially reflect the country of ownership by attempting to use measures of key HRM constructs to discriminate among organisations in terms of the country of corporate ownership. In particular, we used discriminant function analysis to create linear composites of practice-based HRM scales that would optimally predict the country in which each MNC had its corporate headquarters. If the imposition hypothesis is correct, it should be possible to distinguish between US-owned and European-owned MNCs on the basis of measures of their HRM policies. More generally, it should be possible to distinguish UK-owned from French-owned, German-owned from Irish-owned organisations, etc.

For many European-owned MNCs, the country of ownership is identical to the country of operation. For example, a number of the MNCs included in this sample operate in the UK and have their corporate headquarters in the UK, which could create a potential confound

in our analysis. For these organisations, the concept of imposition of foreign HRM constructs is not a meaningful one. To determine the possible effects of such confounds, all analyses were performed in both the total sample of organisations and again in a sub-sample of foreign-owned organisations — i.e., organisations in which the country of ownership was different from the country of operation.

Findings

We first present descriptive data for MNCs, broken down by country of ownership, then present tests of the hypothesis that information about HRM practices can be used to distinguish US-owned from European-owned MNCs, to distinguish among European-owned MNCs in terms of country of ownership, etc. Next, we present descriptive data for MNCs broken down by the countries in which these organisations operate, followed by tests of the hypothesis that US-owned MNCs accommodate their HRM practices to match those of the country in which they operate. As we note below, the dataset does not contain enough European-owned foreign subsidiaries to allow us to carry out tests of the hypothesis that European-owned organisations also accommodate their HRM practices to fit local norms and regulations.

Differences in HRM Practices across Countries of Ownership

Scores on the six HRM practice scales were expressed in terms of standard scores (z scores); for ease of interpretation, these scores were transformed into T-scores (i.e. standard scores with a mean of 50 and a standard deviation of 10). The advantage of T-scores is that scores range effectively from 0 to 100, with scores over 50 indicating that a country is above average in its use of a particular HR practice. Mean T-scores for each of the seven countries of ownership are shown in Table 3. For example, UK-owned organisations were the most likely to use training and development (mean = 52.6), whereas Danish-owned organisations were the least likely to use training and development (mean = 43.9). Swedish-owned organisations were most likely to use flexible work practices (mean = 54.4), whereas US-owned organisations were least likely to use flexible work practices (mean = 47.8). Differences across countries were statistically significant for five of the six practice-based scales; differences in the use of communication with employees as a function of country of ownership were not significant.

TABLE 3: MEAN T-SCORES ON PRACTICE-BASED SCALES BY COUNTRY OF OWNERSHIP

Country	Training and Development	Systematic Staffing	Flexible Work Practice	PA and Reward	Communication with Employees	Labour Relations
Denmark	43.9	47.2	48.3	42.0	50.4	49.7
France	50.8	50.0	50.0	51.3	49.6	52.5
Germany	47.7	47.8	51.0	47.9	48.6	59.0
Ireland	49.1	49.1	46.2	45.4	46.3	43.4
UK	52.6	53.4	51.1	52.6	50.5	45.7
Sweden	49.9	49.6	54.4	44.9	50.4	56.6
USA	50.6	48.7	47.8	52.8	50.3	47.5
F	*13.05**	*10.25**	*6.92**	*28.35**	*1.39*	*56.00**
eta squared	*.07*	*.06*	*.04*	*.14*	*.01*	*.25*

** $p < .01$

Using HRM Practices to Predict Country of Ownership

We used the six practice-based scales described in Table 2 to predict country of ownership, both for the total sample of 1,022 organisations and for the sub-sample of 453 foreign-owned MNCs. We performed analysis using country of ownership as a criterion (there were six scales and seven countries, making it possible to create six canonical discriminant functions), and also performed parallel analyses using a dichotomous criterion (i.e. distinguishing US-owned from European-owned MNCs).

All analyses were evaluated in terms of both the canonical correlations associated with each discriminant function and in terms of the proportion of correct classifications (i.e. proportion of cases in which country of ownership can be correctly predicted on the basis of practice-based scales). Because of substantial differences in the sample sizes for the various countries included in our analyses, we conducted classification analyses using both prior probabilities of group mem-

bership based on group size (i.e. for each organisation, the prior probability that they are US-owned is the largest and the prior probability that they are Irish-owned is the smallest) and uniform prior probabilities. A comparison of these analyses makes it possible to determine the effects of differences in group sizes on classification accuracy.

Total Sample

Using six scales to predict membership in seven groups (countries of ownership), it is possible to create six distinct discriminant functions (the number of potential discriminant functions is the lesser of the number of scales or the number of groups). The canonical correlations associated with the first three of these discriminant functions were statistically significant ($p < .05$; the canonical r values were .51, .35 and .24, respectively); the remaining squared canonical correlations were all less than .01.

Approximately two-fifths of these organisations could be correctly classified in terms of country of ownership (per cent of correct classifications was .40 using uniform priors and .43 using prior probabilities of group membership proportional to group size).

We also found a significant canonical correlation (.27) between the six HRM practice scales and the dichotomous (US vs. Europe) criterion. Nearly two-thirds of all organisations could be correctly classified as US-owned or European-owned on the basis of these five scales (per cent of correct classifications was .63 using uniform priors and .76 using prior probabilities of group membership proportional to group size).

Accommodation in US MNCs

A third set of analyses examined the extent to which MNCs would accommodate their human resource practices to the specific norms and conditions of the countries they operated in. This data set included a large number of US MNCs (N=235) operating in all of the countries included in this sample. We focused our analysis on US MNCs (there were too few European-owned foreign subsidiaries to provide powerful tests of the hypothesis that European-owned MNCs accommodate their HRM practices to local norms) and asked whether it was possible to determine the country in which US corporations operated on the basis of information about human resource practices. If US corporations tend to impose uniform HRM systems, regardless of the countries in which they operate, it should not be possible to determine the country in which US corporations operated on the basis of information about HR practices.

Table 4 shows mean T-scores of US-owned MNCs for the six HRM practice factors, as a function of the country in which the company operates. This table also shows mean T-scores for domestic operations in each country (e.g. Danish-owned organisations operating in Denmark), as well as mean T-scores for all US-owned MNCs combined. As explained below, these mean scores can be used to provide direct tests of the hypothesis that US MNCs accommodate their HR practices to resemble those of the country in which they are operating.

Analyses of variance comparing HR practice scores as a function of the country of operation showed that there were significant differences in five of the six HRM practice scales (differences in communicating with employees were too small to reach statistical significance). We used discriminant analysis to test whether information about HR practices could be used to predict the country in which US MNCs operated.

Three of the five discriminant functions yielded significant correlations (canonical correlations were .87, .35, and .32, respectively); classification accuracy was relatively high, with 55 per cent the organisations correctly identified using uniform prior probabilities and 66 per cent using priors based on sample sizes. Standardised discriminant function coefficients showed that "labour relations" is the most important variable in the first discriminant function, "flexible work practices" and "systematic staffing" the most important in the second, and "performance appraisal and reward" the most important in the third. Again, these results are largely consistent with the univariate ANOVAs presented in Table 4.

A direct test of the hypothesis that US-owned MNCs accommodate their HR practices to more closely match those of the country in which they operate is provided by calculating the correlation between patterns of HRM practice in each country and comparing the HRM practices of US-owned MNCs to those of the country of operation. If the accommodation hypothesis is correct, US-owned MNCs operating in, say, Denmark, should look more like Danish-owned organisations than like the average US-owned MNC.

TABLE 4: MEAN T-SCORES ON PRACTICE-BASED SCALES FOR MNCS BY COUNTRY OF OPERATION

Country	Training and Development	Systematic Staffing	Flexible Work Practice	PA and Reward	Communication with Employees	Labour Relations
All US MNCs	50.6	49.7	47.8	52.8	50.3	47.2
US MNCs in						
Denmark	44.6	47.0	47.9	42.5	51.8	50.5
France	48.4	50.5	49.8	51.6	48.1	58.6
Germany	46.8	43.5	55.9	44.8	52.3	61.9
Ireland	50.8	48.1	44.9	45.6	47.9	43.4
UK	51.5	53.0	51.3	51.4	50.7	45.0
Sweden	49.3	50.5	61.2	39.9	52.7	61.5
F	*2.37**	*5.36***	*10.01***	*7.86*	*1.52*	*88.86***
eta squared	*.05*	*.10*	*.17*	*.14*	*.03*	*.64*
Domestic Operations[a]						
Denmark	42.3	45.7	46.9	41.2	50.1	47.2
France	50.9	49.0	48.8	53.4	48.0	55.6
Germany	46.6	45.5	51.0	48.3	49.1	61.2
Ireland	48.5	47.2	44.6	46.2	44.8	42.5
UK	53.6	54.2	50.5	54.4	49.1	43.1
Sweden	51.3	48.6	55.0	44.6	51.2	61.1
F	*20.80***	*20.26***	*5.66***	*37.62***	*2.18*	*234.09***
eta squared	*.16*	*.15*	*.05*	*.25*	*.02*	*.68*

a = Danish corporations operating in Denmark, French corporations operating in France, etc.

* $p < .05$ ** $p < .01$

To test this hypothesis, correlations were computed between the mean standard scores on the six practice-based scales for all pairs of Danish, French, German, Irish, UK, and Swedish domestic operations, all US-owned MNCs, and US-owned MNCs operating in Denmark, France, Germany, Ireland, UK, and Sweden, respectively. The correlations between HRM practices of domestic operations and of US-owned MNCs operating in each country are .97, .85, .96, .77, .96, and .94 for Denmark, France, Germany, Ireland, the UK and Sweden, respectively. In every case, the correlation between the practices of US MNCs and domestic operations in that country is substantially larger than the correlation between American MNCs in that country and the average of all US MNCs (correlations of –.60, .05, –.53, .52., .65 and –.81 for companies operating in Denmark, France, Germany, Ireland, the UK and Sweden, respectively). As predicted, US-owned corporations accommodate extensively in Denmark, Germany and Sweden. For all three countries, HRM practices are highly similar to those of the domestic operations, and highly dissimilar to US-owned MNCs in general. Accommodation is much less dramatic in Ireland and the UK, where US-owned MNCs are at least somewhat similar to US-owned MNCs in general (correlations of .52 and .65, respectively). This is in part a reflection of the fact that HRM practices in Ireland and the UK are relatively similar to those in US-owned MNCs, meaning that there is less need for accommodation.

Discussion

The results presented here show clear evidence of *both* conformity and divergence with respect to the HR practices of the subsidiaries of US MNCs in Europe. First, it is possible to distinguish US-owned from European-owned MNCs on the basis of HR practices. Depending on the specific analysis you examine (e.g. dichotomous vs. seven-nation criterion), the proportion of organisations that can be successfully identified varied, but across all of the analyses presented here, there is unmistakable evidence that US-owned MNCs engage in HRM practices that are distinctly "North American" (also see Gooderham et al., 1998). On the other hand, there is also considerable evidence that US MNCs adapt their HR approach extensively, in such a way that their HRM practices in each of the countries studied here look more like those of local organisations than like those of the prototypic US MNC.

Thus, while US-owned MNCs do retain a distinctly American "flavour" to their patterns of HRM activity, they clearly do not impose a uniform set of HRM activities in all of their foreign subsidiaries.

Rather, they retain some distinctly US characteristics, but nevertheless manage to adapt their approach to "fit" local norms and regulatory environments.

Adaptation of HR practices is most striking among US-owned MNCs operating in Germany, Denmark and Sweden. In all three cases, patterns of HRM practice are quite dissimilar to those of the "typical" US-owned MNC (i.e., all of these correlations are negative) and are quite similar to those of the host country (i.e., all of the correlations are large and positive). This pattern of findings is consistent with our hypothesis that accommodation would be strongest in countries with strong regulatory environments. This finding is similar to that of Gooderham et al. (1998), whose study of the HR practices of US MNCs in three locations (Britain, Ireland and Denmark/Norway) found support for the premise that US subsidiaries "bring with them their own, nationally idiosyncratic, repertoire of human resource management practices", while at the same time they are "responsive to non-amenable local institutional conditions, in the sense that their use of calculative HRM practices is markedly lower in settings where the use of such practices by domestic firms is relatively low" (Gooderham et al., 1998: 62). Based on this evidence, Gooderham et al. (1998: 63) concluded "both a partial immunity effect and a partial host country specific, mimetic effect exist side by side".

However, caution must be observed in interpreting our results. The extent of adaptation of HR practices to accommodate host country norms is most apparent in Germany, Denmark and Sweden because their own patterns of HR practice are so distinct from those of the average US-owned MNC. There is less compelling evidence of adaptation in the UK and Ireland, for example, but this is in part because the HRM practices in these countries are already similar to those of the typical US-owned MNC. Thus there is likely to be less need to accommodate in the UK or Ireland than in Germany, Denmark or Sweden. Probably the most important thing to keep in mind is that HR practices of American-owned MNCs resemble those of the host country, no matter where the company is located.

In summary, there is evidence that US-owned MNCs impose somewhat distinct patterns of HRM practice on their European subsidiaries, but that European-owned MNCs do not. It is possible that different patterns would emerge if there were stronger differences between countries of ownership and countries of operation (i.e. it is probably easier to distinguish European-owned MNCs operating in Asia from other MNCs), but the current analysis is consistent with the widespread perception that imposition is more likely when corporate

headquarters are in the US than when they are in another European country. Nevertheless, there is also clear and consistent evidence of accommodation. Although imposition does occur, it is clear that American-owned MNCs do not follow a single set of HRM activities, regardless of the country in which they operate. Rather, they appear to accommodate extensively to local norms and customs, while retaining a distinctly "North American" flavour.

References

Bacon, N. and Storey, J. (1993), "Individualization of the Employment Relationship and the Implications for Trade Unions", *Employee Relations*, Vol. 15, No. 1, pp. 5–17.

Barrell, R. and Pain, N. (1997), "The Growth of Foreign Direct Investment in Europe", *National Institute Economic Review*, No. 160, February, pp. 63–75.

Bartlett, C. and Ghoshal, S. (1989), *Managing Across Borders*, London: Hutchinson.

Beaumont, P.B. (1985), "New Plant Work Practices", *Personnel Review*, Vol. 14, No. 5, pp. 15–19.

Beaumont, P.B. (1986), "Management Opposition to Union Organisation: Researching the Indicators", *Employee Relations*, Vol. 8, No. 5, pp. 31–38.

Beaumont, P.B. (1992), "The US Human Resource Management Literature: A Review", in Salaman, G. (ed.) *Human Resource Strategies*, London: Open University/Sage.

Beaumont, P. and Townley, B. (1985), "Non-union American Plants in Britain", *Relations Industrielles*, Vol. 40, No.4, pp. 810–824.

Beaumont, P.B. and Townley, B. (1985), "Greenfield Sites, New Plants and Work Practices", in V. Hammond (ed.) *Current Research in Management*, London: Frances Pinter.

Beaumont, P.B. and Harris, R.I.D. (1994), "Opposition to Unions in the Non-union Sector in Britain", *International Journal of Human Resource Management*, Vol. 5, No. 2, pp. 457–471.

Beer, M., Spector, B., Lawrence, P., Mills, Q. and Walton, R. (1984), *Human Resource Management: A General Manager's Perspective,* New York: The Free Press.

Brewster, C. and Hegewisch, A. (1994), *Policy and Practice in European Human Resource Management: The Price Waterhouse Cranfield Survey,* London: Routledge.

Brunstein, I. (1995), (ed.) *Human Resource Management in Western Europe*, Berlin and New York: De Gruyter.

Chandler, A. (1990), *Scale and Scope*, Cambridge, MA: Harvard University Press.

Cooke, W. and Noble, D. (1998), "Industrial Relations Systems and US Foreign Direct Investment Abroad, *British Journal of Industrial Relations*, Vol. 36, No. 4, 581–609.

Coutrot, T. (1998), "How do Institutional Frameworks Affect Industrial Relations Outcomes? A Micro-statistical Comparison of France and Britain", *European Journal of Industrial Relations*, Vol. 4, No. 2, pp. 177–205.

Dunning, J. (1993), *Multinational Enterprises and the Global Economy*, New York: Addison-Wesley.

Economist, The (1997), "Green is Good: Advantages of Ireland as a Host for FDI", 17 May, Vol. 343, No. 8017, pp. 21–24.

Ferner, A. (1997), "Country of Origin Effects and HRM in Multinational Companies", *Human Resource Management Journal*, Vol. 7, No. 1, pp. 19–36.

Ferner, A. and Hyman, R. (1998), *Changing Industrial Relations in Europe*, Oxford: Blackwell.

Ferner, A. and Quintanilla, J. (1998), "Multinationals, National Business Systems and HRM: the Enduring Influence of National Identity or a Process of 'Anglo-Saxonization'?" *International Journal of Human Resource Management*, Vol. 9, No. 4, pp. 710–731.

Gooderham, P., Nordhaug, O. and Ringdal, K. (1998), "When in Rome, Do They Do as the Romans? HRM Practices of US Subsidiaries in Europe" *Management International Review*, Vol. 38, No. 2, pp. 47–64.

Grubb, D. and Wells, W. (1993), "Employment Regulation and Patterns of Work in EC Countries", *OECD Economic Studies*, Vol.21: pp. 7–58.

Guest, D. (1989), "Human Resource Management: Its Implications for Industrial Relations and Trade Unions", in Storey, J. (ed.) *New Perspectives on Human Resource Management*, London: Routledge.

Guest, D. (1990), "Human Resource Management and the American Dream", *Journal of Management Studies*, Vol. 27, No. 4, pp, 503–523.

Guest, D. (1997), "Human Resource Management and Performance", *The International Journal of Human Resource Management*, Vol. 8, No. 3, pp. 263–276.

Gunnigle, P. (1995), "Collectivism and the Management of Industrial Relations in Greenfield Sites", *Human Resource Management Journal*, Vol. 5, No. 3, pp. 24–40.

Gunnigle, P., Morley, M. and Turner, T. (1997), "Challenging Collectivist Traditions: Individualism and the Management of Industrial Relations in Greenfield Sites", *Economic and Social Review*, Vol. 28, No. 2, pp. 105–134.

Hall, D.T. and Goodale, J.G. (1986), *Human Resource Management: Strategy, Design and Implementation*, Glenview, IL: Scott, Foresman and Co.

Karier, T. (1995), "US Foreign Production and Unions", *Industrial Relations*, Vol. 34, pp. 107–117.

Kochan, T.A., Katz, H.C. and McKersie, R.B. (1986), *The Transformation of American Industrial Relations*. New York: Basic Books.

Lane, C. (1989), *Management and Labour in Europe: The Industrial Enterprise in Germany, Britain and France*, Worchester: Billing and Dons.

Morley, M., Brewster, C., Gunnigle, P. and Mayrhofer, W. (1996), "Evaluating Change in European Industrial Relations: Research Evidence on Trends at Organisational Level", *International Journal of Human Resource Management*, Vol. 7, No.3, pp. 640–657.

Muller, M. (1999), "Human Resource Management under Institutional Constraints: The Case of Germany", *British Journal of Management*, Vol. 10, pp. 31–44.

Purcell, J. (1987), "Mapping Management Styles in Employee Relations", *Journal of Management Studies*, Vol. 24, No. 5, pp. 533–548.

Roche, W.K. and Turner, T. (1994), "Testing Alternative Models of Human Resource Policy Effects on Trade Union Recognition in the Republic of Ireland", *International Journal of Human Resource Management*, Vol. 5, No. 3, pp. 721–753.

Sadowski, D., Backes-Gellener, U. and Frick, B. (1995), "Works Councils: Barriers or Boosts for the Competitiveness of German Firms", *British Journal of Industrial Relations*, Vol. 33, No. 3, pp. 493–513.

Sparrow, P. and Hiltrop, J.-M. (1994), *European Human Resource Management in Transition*, Hemel Hempstead: Prentice Hall.

Tansey, P. (1998), *Ireland at Work:: Economic Growth and the Labour Market, 1987–1997*, Dublin: Oak Tree Press.

UNCTAD (1996), *World Investment Report 1996, Investment, Trade and International Policy Arrangements*, New York/Geneva: United Nations.

Wagner, J.A. and Hollenbeck, J.R. (1995), *Management of Organizational Behavior*, 2nd Edition, Englewood Cliffs, NJ: Prentice Hall.

Walton, R.E. (1985), "From Control to Commitment in the Workplace", *Harvard Business Review*, March–April, pp. 77–84.