



An Integrative Framework of Strategic International Human Resource Management

Randall S. Schuler
New York University

Peter J. Dowling
Monash University

Helen De Cieri
Monash University

The globalization of business is making it more important than ever to understand how multinational enterprises (MNEs) can operate more effectively. A major component of this understanding appears to be the field of human resource management, and in particular, the field of international human resource management (Brewster, 1991; Hendry, 1992; Desatnick & Bennett, 1978; Dowling, 1986; Dowling & Schuler, 1990; Evans, 1986; Laurent, 1986; Tung, 1984). The trend over the past few years has been to identify the linkage of human resource management with strategy and offer an understanding of how single country or domestic human resource management can facilitate organizational understanding and effectiveness (Wright and McMahan, 1992). In this article we attempt to extend this line of work into the international arena. We do this by offering a framework of strategic international human resource management (SIHRM). Anchoring SIHRM in the strategic components of MNEs, namely their interunit linkages and internal operations, strategic aspects of international human resource management are described. Using several theoretical bases, numerous propositions are offered. These propositions reflect the single and multiple influence of the strategic components of MNEs and several exogenous and endogenous factors on SIHRM. The intention is to offer a framework that can serve both academics and practitioners in furthering our understanding of strategic international human resource management.

The world has become more competitive, dynamic, uncertain and volatile than ever (Kanter, 1991; Kobrin, 1992). To be successful, many firms have to

Direct all correspondence to: Randall S. Schuler, New York University, Leonard Stern School of Business, 7-11 Tisch Hall, 40 West 4th Street, New York, NY 10012-1118.

compete on the global playing field because the costs associated with the development and marketing of new products are too great to be amortized only over one market, even a large one such as the United States or Europe (Bartlett & Ghoshal, 1991). Yet there are some products and services that demand accommodation to location customs, tastes, habits and regulations. Thus for many multinational enterprises (MNEs), the likelihood of operating in diverse environments has never been greater. While these scenarios suggest paths that multinational enterprises have indeed taken to being internationally competitive, they are being superseded by the need to manage globally, as if the world were one vast market, *and* simultaneously to manage locally, as if the world were a vast number of separate and loosely connected markets (Bartlett & Ghoshal, 1991). The trend is creating a great deal of challenge and opportunity in understanding and conceptualizing exactly how multinational enterprises can compete effectively.

Thus there is a significant desire to seek models, frameworks and perhaps solutions in the management of MNEs, particularly with respect to human resource management. While the temptation exists to extrapolate from existing and less global management practice, the requirements of managing global businesses are different and require unique solutions (Bartlett & Ghoshal, 1991; 1992; Adler & Bartholomew, 1992; Casson, 1982; Hennart, 1982; Kogut, 1989; Toyne, 1989; Teece, 1983; Williamson, 1985; Buckley & Casson, 1976; Black, Gregersen & Mendenhall, 1992). Differences also exist at theoretical and conceptual levels: MNEs do appear to have characteristics that are unique or substantially different from domestic organizations (Sundaram and Black, 1992). This is reflected in Sundaram and Black's (1992) definition of an MNE as:

any enterprise that carries out transactions in or between two sovereign entities, operating under a system of decisions making that permits influence over resources and capabilities, where the transactions are subject to influence by factors exogenous to the home country environment of the enterprise (p.733).

Thus the competitive arena for MNEs is that of the world. However, the competition can be carried out in different forms, with different strategic and organizational responses and organizations often have latitude in selecting the form to use in the competition. According to Bartlett and Ghoshal (1991):

Even within particular industries, worldwide companies have developed very different strategic and organizational responses to changes in their environment (p.37).

Bartlett and Ghoshal (1991) then go on and describe the arena in which these different strategic and organizational responses are played out. Their basic premise is that MNEs are represented by units spread throughout the world that need to be coordinated or integrated in some form and to some degree.

The differentiation and integration of units (Lawrence & Lorsch, 1967) needs to be done with some attention paid to being globally competitive, efficient, responsive and flexible to local needs and conditions and being able to transfer their learning across units. In essence, MNEs are firms that need to be global and local (multidomestic) at the same time. There are, however, varying levels of globalness and localness that MNEs need to achieve. And there are varying ways to attain similar levels of globalness and localness (Bartlett, 1992).

With the concern for being global and the concern about the transfer of learning and being multidomestic and, therefore, sensitive to local conditions simultaneously, several strategic concerns relevant to international human resource management arise. For example, can and how do MNEs link their globally dispersed units through human resource policies and practices? Can and how do MNEs facilitate a multidomestic response that is simultaneously consistent with the need for global coordination and the transfer of learning and innovation across units through human resource policies and practices?

Thus for strategic international human resource management these characterizations of some possible issues facing multinational enterprises imply several things (Kochan, Batt, & Dyer, 1992). They imply that MNE generally confront several strategic international human resource management decisions. Yet they may also confront several other strategic international human resource decisions that vary depending upon specific characteristics of the MNE. And they also imply the *importance* of strategic international human resource management (SIHRM) for MNEs. As such, the aims of this article are:

- To offer a definition of the field of strategic international human resource management (SIHRM) and to present an integrative framework for this new field of practice and research which identifies key factors and characteristics and their inter-relationships.
- To present testable propositions suggested by the framework.
- To suggest some implications of this framework for academics and practitioners working in the field of SIHRM.

Definition of SIHRM

As the area of human resource management has expanded and become more linked with the strategic needs of the business, it has taken on the characterization of *strategic* human resource management (Schuler, 1992; Lengnick-Hall & Lengnick-Hall, 1988; Wright & McMahan, 1992). We are witnessing a similar phenomenon in the area of international human resource management as well, viz., the linkage of international human resource management with the strategic needs of the business (Galbraith & Kazanjian, 1986; Bartlett & Ghoshal, 1991); and thus the development of strategic international human resource management (Bartlett & Ghoshal, 1992; Adler & Bartholomew, 1992; Black et al., 1992). This linkage is having a substantial impact on identifying and defining what is to be included in strategic international human resource management. Developed more in the discussion

of our integrative framework are these three major components of SIHRM: *issues*; *functions*; and *policies and practices*. All three are included here because they are influenced by an MNE's strategic activities and because they in turn influence the concerns and goals of an MNE.

Reasons for the development of strategic international human resource management include the recognition: a) that human resource management at any level is important to strategy implementation (Hamel & Prahalad, 1986; Hambrick & Snow, 1989); b) that major strategic components of multinational enterprises have a major influence on international management issues; functions; and policies and practices (Edstrom & Galbraith, 1977); c) that many of these characteristics of SIHRM can influence the attainment of the concerns and goals of MNEs (Kobrin, 1992); and d) that there are a wide variety of factors that make the relationship between MNEs and SIHRM complex, thereby making the study of SIHRM challenging as well as important (Bartlett & Ghoshal, 1991; Evans, 1992).

Consistent with Schuler (1992) and Wright and McMahan (1992) who define *strategic* human resource management, and thus distinguish it from human resource management, we define strategic international human resource management as:

human resource management issues, functions, and policies and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises.

While this definition is certainly consistent with the definition of human resource management presented within a single country or domestic context (e.g., Schuler & Huber, 1993; Boam & Sparrow, 1992), it greatly expands the coverage of what is to be included in a discussion of strategic international human resource management. It also facilitates the inclusion of a significant number of factors discussed in the international literature, both in the areas of international management and business and international human resource management (Punnett & Ricks, 1992; Dowling & Schuler, 1990; Phatak, 1992). These factors and the definition of SIHRM are melded together and described next in the section presenting the Integrative Framework of SIHRM.

Overview of The Integrative Framework of SIHRM

To address the issues associated with strategic international human resource management, it is most useful to consider utilizing a framework that enables us to integrate the aspects most relevant to our understanding SIHRM. The proposed framework is illustrated in Figure 1. The inspiration for a framework to encompass our thoughts on SIHRM and then to offer some testable propositions was provided by several recent and notable works in the field including Gregersen and Black (1992); Naumann (1992); Begin (1992); Adler and Ghader (1990); and Sundaram and Black (1992). These sources also stimulated the specification of propositions that might be testable and thereby

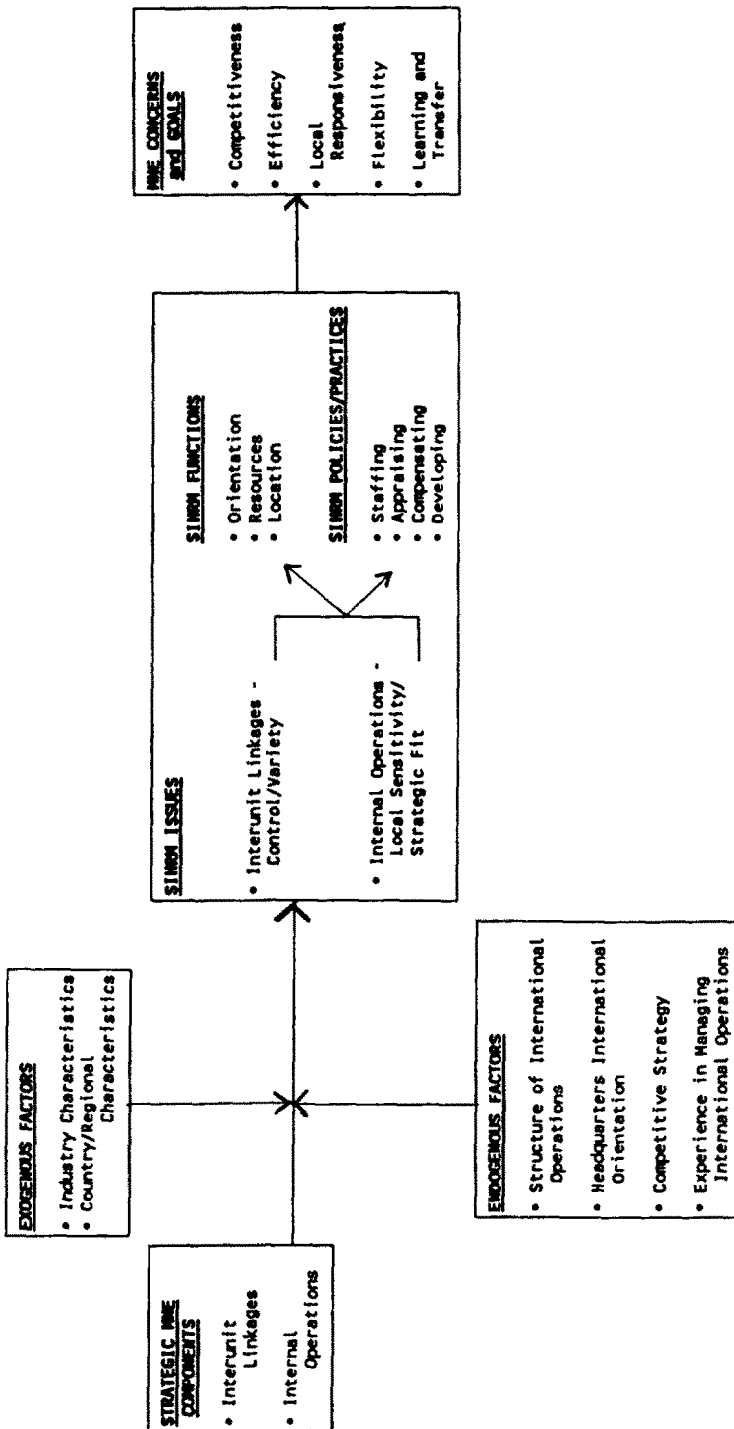


Figure 1. Integrative Framework of Strategic International Human Resource Management in MNE.

offer revisions to what is suggested here. These and a great many other sources provide the support and guidance via discussions of theory in the human resource management, organizational behavior, sociology, psychology, economics and organizational theory literatures. Because this article is meant to focus more on developing a conceptual framework than offering a theoretical perspective (cf. Wright & McMahan, 1992), the utilization of theory is intended to offer suggestions and guidance to others who might wish to develop the theoretical base further (Dubin, 1976).

All the aspects of our integrative framework are described in this section. The following sections then describe their relationships and offer propositions applicable to SIHRM.

Strategic MNE Components

There are two major strategic components of MNEs that give rise to and influence strategic international human resource management. These are the interunit linkages and internal operations (Hennart, 1982; Phatak, 1992).

Interunit Linkages. Multinational enterprises are concerned with operating effectively in several different countries. Consequently, MNEs are continually discussing how to manage their various operating units. In particular, they are interested in how these units are to be differentiated and then how they are to be integrated, controlled and coordinated (Punnett & Ricks, 1992; Ghoshal, 1987; Galbraith, 1992). Differentiation and integration questions are important because they influence the effectiveness of the firm (Lawrence & Lorsch, 1967). In addition to this importance, is the challenge that tends to be associated with selecting from among the several choices and alternatives that exist in differentiating and integrating an MNE (Phatak, 1992; Vernon & Wells, 1991; Prahalad & Doz, 1987). Because of this importance and the challenge associated with them, general questions about differentiating and integrating the units of the firm are regarded as strategic ones (Hambrick & Snow, 1989). Thus, for international human resource management they are also strategic. In fact, for SIHRM, the issues associated with differentiating and integrating the units of an MNE represent a major influence on SIHRM issues, functions and policies and practices (Schuler, Fulkerson, & Dowling, 1991; Fulkerson & Schuler, 1992). Depicted in Figure 1, issues and questions associated with differentiation and integration are covered by the term "Interunit Linkages" under the general heading "SIHRM Issues."

Internal Operations. MNEs are also concerned about strategic issues other than those dealing with the linkage of the units. They are concerned about the internal operations of those units. In addition to working together, each unit has to work within the confines of its local environment, its laws, politics, culture, economy and society. Each unit also has to be operated as effectively as possible relative to the competitive strategy of the MNE and the unit itself. Thus for MNEs, these concerns regarding the internal operations of units are also strategic (Prahalad & Doz, 1987). They can influence the level of effectiveness of the MNE in significant ways. And for our integrative framework, they also influence SIHRM in significant ways. Consequently, the

internal operations are also included in Figure 1 under the heading "SIHRM Issues." More precisely, how these internal operations and the interunit linkages of MNEs are expected to influence SIHRM will be suggested after the remaining discussion of the integrative framework of SIHRM.

SIHRM Issues

SIHRM issues address an MNE's interunit and within unit and needs and challenges. Although the MNE is separated across several nations it is a single enterprise. It needs to consider how to balance the needs for differentiation and integration (Lawrence & Lorsch, 1967; Galbraith, 1987). As an MNE it needs to be aware of how much autonomy it can and needs to grant to local units. It needs to decide how much to control and how to coordinate those units. As an MNE, it needs to decide how much control it will exert over the internal operations of the local unit, particularly how much sensitivity to the local environment is needed. Because these issues of differentiation and integration are often facilitated by human resource management activities, they represent a critical component in our framework.

SIHRM Functions

SIHRM functions represent three areas: the MNE's human resource orientation; the time, energy and financial resources devoted to operating the human resource organization in the MNE; and the location of those resources and the human resource organization. In managing its human resources, the MNE elects to manage in one of several ways. As discussed later, this can range from allowing the units to manage independently to deciding that the units will be managed the same as they are at the center (i.e., the headquarters) of the MNE.

MNEs can devote considerable time, energy and financial resources towards managing their human resources. The center can staff a rather extensive Human Resource department that is exclusively devoted to SIHRM decisions, such as deciding how to select and repatriate expatriates and how to compensate these employees. It can also hire a staff of individuals devoted to management training and development, largely to develop a global management cadre. Of course, many of these activities could be rather minimal if the number of expatriates is small and the units are given a great deal of autonomy (these alternatives are sometimes discussed under the labels of centralization and decentralization). Thus, the location of these activities can vary, from the center all the way out to the local units. Thus, the resources devoted to and the location of SIHRM operations can be expected to vary considerably across MNEs.

SIHRM Policies and Practices

SIHRM policies and practices represent the last component of SIHRM. This involves the development of general guidelines on how individuals will be managed and the development of specific practices. For example, an MNE might have an HR policy that indicates that performance will be rewarded. Given that this is a rather general statement, each MNE unit could be free to

develop specific practices that are simultaneously consistent with local conditions and the general policy. For example, under the above policy, one local unit might develop an individual incentive plan for the general manager tied to the sales of the local operation while another unit might develop a group incentive plan for the entire top management team tied to the sales of the local operation (Fulkerson & Schuler, 1992).

SIHRM policies and practices that are most relevant to the strategic needs of MNEs include those related to staffing, appraising, compensating, and training and developing (Dowling & Schuler, 1990). Only general statements, however, are made about them in the presentation of the propositions here. While potentially significant, the reference of labor-management, employee rights and safety and health practices are not treated in this article.

Exogenous and Endogenous Factors

While these three components of SIHRM are critical to our framework, they are only part of the whole. As suggested, these components, while representing an important part of the framework of SIHRM, are also influenced by factors inside and outside the MNE. As shown in Figure 1, these factors are identified as exogenous (outside the MNE) and endogenous (within the MNE).

The exogenous factors include industry characteristics and country/regional characteristics. Industry characteristics include: a) type of business and technology available; b) nature of the competitors; and c) extent of change. The country/regional characteristics include: a) political conditions; b) economic conditions; c) legal requirements; and d) socio-cultural conditions.

The endogenous factors include: a) structure of international operations; b) the MNE's headquarters international orientation; c) competitive strategy being used; and d) the MNE's experience in managing international operations. The nature of the impact of these exogenous and endogenous factors will be predicted in specific propositions after the discussion of the framework.

Support for inclusion of these factors is offered by Kobrin (1991; 1992); Evans (1992); Porter (1980; 1986; 1990); Bartlett and Ghoshal (1987; 1988; 1991; 1992); Punnett and Ricks (1992); and Phatak (1992); and Miller, Beechler, Bhatt, and Nath (1986). Essentially all these factors impinge upon the MNE's management of its human resources and its effort to be locally responsive and adaptable and globally coordinated and controlled (Edstrom & Galbraith, 1977; Egelhoff, 1988; Galbraith & Kazanjian, 1986). Other factors that could be included in a more extended version of this framework include industry maturity, history, national industrial policy and extent of unionization (Kochan et al., 1992).

As will be developed in this article, the factors are proposed to influence SIHRM in rather specific ways. And while the theoretical base in the SIHRM literature is still evolving, we will attempt to draw upon a variety of theoretical viewpoints to support our propositions (cf. Gregersen & Black, 1992). This utilizes and extends the suggestions of Wright and McMahan (1992) in describing several theoretical bases for strategic human resource management (Kobrin, 1992).

The framework in Figure 1 obviously oversimplifies the reality of the MNE and the factors that influence SIHRM in MNEs, e.g., the type of business and the structure of international operations may be related. It might be reasonably argued that in fact, the type of business could be an antecedent of the structure of international operations (Phatak, 1992; Heenan & Perlmutter, 1979). However, because the exact nature of the possible relationships among these factors can be debated, we offer them here as independent factors subject to empirical investigation (Kobrin, 1992).

Concerns and Goals

The last portion of our integrative framework of SIHRM is "MNE Concerns and Goals." The five concerns and goals shown in Figure 1 are: a) global competitiveness; b) efficiency; c) local responsiveness (sensitivity); d) flexibility; and e) organizational learning (and transfer of information) (Bartlett & Ghoshal, 1991). As Bartlett and Ghoshal (1991) suggest, while these concerns and goals are important to MNEs, their degree of importance and the nature of how the importance is constructed may vary with the specific MNE. Being globally competitive for an MNE that is really in a global industry has implications for competitive behavior that are different from an MNE that is in a multidomestic industry (Porter, 1986, 1990). Nevertheless, for survival, all MNEs need to be concerned with global competitiveness.

They also need to be concerned with being efficient, with having and utilizing the most appropriate methods and processes to make and deliver their products and services worldwide. Also, because of the intense global competitiveness, MNEs are seeking to identify the methods and processes that are most appropriate. They are realizing that every possible source of competitive advantage must be identified and utilized. And as they are searching, particularly firms pursuing total quality management, they are realizing that a systematic approach to developing human resource policies and practices may, in fact, give competitive advantage (Galbraith, 1992). Furthermore, these MNEs are also realizing that SIHRM policies and practices may indeed travel well, i.e., they may actually transfer across cultures more easily than once assumed (Wickens, 1987). Of course, this application of human resource practices across environments is typically done with recognition for local conditions. Local conditions such as laws and culture make it imperative for MNEs to be aware of the need to adapt their human resource practices. Thus, an MNE's SIHRM policies and practices need to be locally responsive and globally competitive at the same time (Bartlett & Ghoshal, 1991).

MNEs also need to be concerned with being flexible to changing conditions, whether from local conditions or from technology, strategy, or nature of the competition. These and other factors may require new human resource policies and practices in the MNE center and the MNE local units.

Lastly, a major goal of MNEs is facilitating learning and the transfer of this learning across units. As MNEs face more competition, their degrees of freedom, their slack, tends to be constrained. Consequently, they must encourage new learning, and ultimately the development of new products and

services. In addition to encouraging new learning, MNEs must encourage and facilitate the transfer and sharing of this new knowledge. It is in this way that the synergies of being one company can be seized (Prahalad & Doz, 1987; Bartlett & Ghoshal, 1991).

These five concerns and goals of MNEs are not necessarily the only ones on which MNEs focus, but they appear to be some of the most important. They are also ones that can be influenced by SIHRM (Evans, 1992; Walker, 1992; Dowling & Schuler, 1990). Thus, they are an integral component of our integrative framework shown in Figure 1.

Development of the Integrative Framework

With this integrative framework as our brief guide for what is included in SIHRM, we will now expand on the descriptions of each part. In so doing, propositions will be offered that represent our understanding of the field. They certainly are not intended to represent all the propositions that one could generate, but we would hope that they represent many of critical ones.

The presentation of these propositions reflects the integrative framework in Figure 1. Because a central premise of the framework is that the SIHRM *issues* are the major drivers in SIHRM, i.e., they really are the focal point and help determine the characteristics of the SIHRM *functions* and SIHRM *policies and practices*, they are used as major organizers of the discussion. The interunit linkages and internal operations however, serve as the first two primary headings. Within these discussions, SIHRM issues and relevant HR policies and practices are identified, based upon the literature (cf. Sundaram & Black, 1992). Exogenous and endogenous factors that appear to have a rather direct and immediate impact upon these interunit linkages and internal operations are also presented here. After the discussion of them under the first two primary headings, further discussion of the possible impact of the exogenous and endogenous factors is presented. Throughout, propositions most relevant to the immediate discussions are offered.

Interunit Linkages in SIHRM

Within our framework of SIHRM, the interunit linkages have been a traditional focal point for the discussion of international human resource management (Pucik & Katz, 1986; Pucik, 1988; Phatak, 1992; Bartlett & Ghoshal, 1991). These discussions have typically been around the themes such as, control of variety, in particular how to recognize the variety of several worldwide units and yet how to control and coordinate that variety (Doz & Prahalad, 1986; Edstrom & Galbraith, 1977). In some respects, these are part of the classic organizational design issues of differentiation and integration, yet they are far more complex when set in a complex global context.

In relation to SIHRM, discussions regarding interunit linkages have included: a) single SIHRM practice attention, e.g., what is the best way to prepare expatriates for foreign assignments (Black et al., 1992); b) elaborate

contingency frameworks using information characteristics and forms of control along with SIHRM practices (Pucik & Katz, 1986; Galbraith, 1992); c) alternative organizational structures for global operation, their linkages and their human resource implications (Galbraith & Kazanjian, 1986); and whether or not to export people or export the HR function (Fisher, 1989).

The key objective in interunit linkages appears to be balancing the needs of variety (diversity), coordination, and control for purposes of global competitiveness, flexibility and organizational learning (Bartlett & Ghoshal, 1991). Of course, the nature of this balance is expected to vary depending on the characteristics of the MNE. As described below, this objective becomes most challenging in Bartlett and Ghoshal's transnational MNE. Here there may be several units within a global business that need to be coordinated for the success of that business. The units of separate businesses (and/or those within separate regions) need to be coordinated for the total MNE to reap advantages of the synergies of cooperation. Yet, the units need to be given the autonomy to make the best decisions for the local conditions, and they need the autonomy for motivation. Still the headquarters of the MNE may wish to utilize more global, companywide criteria (Roth, Schweiger, & Morrison, 1991). These relationships and the tensions that can arise are directly played out in HR policies and practices. The efforts by units for autonomy are often resistance to policies or, at most, acceptance of some general guidelines that allow for local discretion. This result of some general HR policies (guidelines), however, can enable the balance to be achieved (Prahalad & Doz, 1981; 1987).

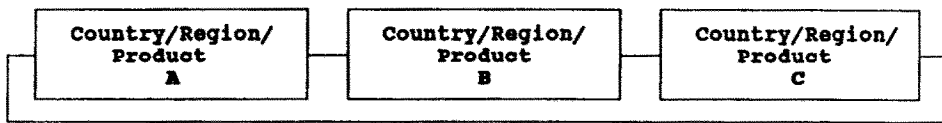
Balancing the needs and demands of coordination, control and autonomy is a fundamental objective for MNEs. Following Bartlett and Ghoshal (1991, pp. 59-71) results in the following fundamental assumption in SIHRM:

Balancing the needs of coordination, control and autonomy and maintaining the appropriate balance are critical to the success of the MNE in being globally competitive, efficient, sensitive to the local environment, flexible and capable of creating an organization in which learning and the transfer of knowledge are feasible.

This fundamental objective for MNEs and the corresponding fundamental assumption in SIHRM identifies the major objectives in interunit linkages for SIHRM:

Balancing the needs of autonomy (thereby facilitating variety and diversity), coordination, and control for the purpose of global competitiveness, flexibility and learning through the use of the relevant SIHRM policies and practices.

This objective, along with the relevant SIHRM policies and practices directly influenced, is shown in Figure 2.



OBJECTIVE

Balancing the needs of autonomy, coordination, and control for the purpose of global competitiveness, flexibility and learning through the use of the relevant SIHRM policies and practices.

Relevant SIHRM Policies and Practices

- Maintaining an appropriate mix and flow of PCNs, TCNs, HCNs
- Systematically Developing HR Policies and Practices
- Using Management Development as Glue

Figure 2. SIHRM Issue: Focus on Interunit Linkages

SIHRM Policies and Practices

Addressing the major objective shown in Figure 2 engages three SIHRM policies and practices rather specifically. Also impacted here are the SIHRM functions. The SIHRM policies and practices that appear to be most directly associated with interunit linkages in SIHRM include: a) determining and maintaining staffing levels that are an appropriate mix and flow of parent country nationals (PCNs), third country nationals (TCNs), and host country or local nationals (HCNs) (increasingly these three groups are being labelled "international assignees" but we use the three groups for purposes of distinguishing staffing sources); b) developing HR policies and practices that link units but also allow local adaptation; and c) using management development to create shared visions and mindsets to cohere interunit linkages.

Strategic International Human Resource Staffing: The Mix of PCNs, TCNs, and HCNs. Staffing is a major SIHR practice that MNEs have used to help coordinate and control their far-flung global operations (Pucik & Katz, 1986; Zeira & Banai, 1981; Hendry, 1992; Dowling & Schuler, 1990). Traditionally MNEs have sent parent country national or expatriates abroad to ensure that the policies and procedures of the home office were being carried out to the letter in foreign operations (Punnett & Ricks, 1992; Hailey, 1992). As costs became prohibitive and career issues made these assignments less attractive, MNEs turned to third country nationals and host country nationals to satisfy international staffing needs (Heenan & Perlmutter, 1979).

While this approach may have solved the staffing need, it raised the concern about its ability to help with the needs for coordination and control (Ouchi

& MacGuire, 1975; Hailey, 1992). As Pucik and Katz (1986) argued, firms' reactions (to the need for coordination and control) could be classified by : a) establishing rules and procedures for HCNs or TCNs to carry out; or b) socializing the HCNs or TCNs to think and behave like expatriates. Of course these pure archetypes might not be found as MNEs seek to find the most appropriate solution to fit the circumstances. For example, under conditions of rapid change, high uncertainty and the need for social information to be gathered and utilized, MNEs would more likely be found socializing employees (Van Maanen & Schein, 1979). Under conditions of stability, certainty and the need for technical information to be utilized, firms would more likely be found establishing rules and procedures for employees to carry out (Banai, 1992). But MNEs rarely ever found either one set of conditions or another. So combinations of the two approaches were common. But because socializing has a tendency to reflect the culture and norms of the parent firm, this process tends to be biased (Pucik and Katz, 1986). Thus the ability of the firm to maximize the benefits of variety can be compromised. This may be diminished, however, if an MNE engages more third country nationals and host country nationals in preference to expatriates, individuals who would be expected to have been previously socialized (Cappelli & McElrath, 1992).

Resulting from this discussion is our first proposition:

P1(a). *As a means for control and coordination, MNEs will initially attempt to utilize PCNs in preference to HCNs or TCNs; however resource considerations will give way to facilitating the utilization of HCNs and TCNs by MNEs to control and coordinate their global operations.*

P1(b). *As MNEs increase their reliance upon HCNs and TCNs to control and coordinate their global operations, they will devote more resources to socializing these employees and to developing policies and procedures that might be used to guide local decision making, while still allowing some local discretion.*

These propositions are based upon and consistent with the theoretical positions and rationale of agency theory (Jones, 1984), and resource dependence theory (Pfeffer & Salancik, 1978) as presented by Wright and McMahan (1992) in their discussions of strategic human resource management.

Systematically Linking Regions/Countries with HR Policies and Practices. While appropriate staffing mixes can be helpful in integrating and coordinating the various units of the MNE, human resource policies and practices can also assist in this objective. In doing so they must also be consistent with the needs of the business to achieve competitiveness, be flexible and facilitate the transfer of learning across units. Because of the existence of a wide variety of human resource practices this must be done consciously and systematically.

Part of the challenge in developing human resource practices to facilitate interunit linkages is simultaneously allow for some flexibility. This flexibility enables changes and its enables adaptation to local conditions. This is attained

in part by ensuring that practices are not carved in stone (mentally or physically) and that the practices are formulated within a larger context. The larger context for human resource practice formulation is composed of human resource philosophy and human resource policies (Schuler, 1992).

Statements of human resource *philosophy*, while general, have the ability to proscribe limits on the actual treatment of individuals regardless of location. This is done through its top-down impact on HR policies and practices (Schuler, 1992). When the HR policies and practices are consciously and systematically linked to the strategic business needs of the MNE, they are regarded as strategic international human resource management activities. Armed with an HR philosophy, MNEs are able to further define how employees are to be treated: HR *policies* help to specify the meaning of the philosophy.

From these policies come more specific SIHRM *practices* to be implemented at the unit level. These are the human resource activities that directly have an impact on employees, e.g., types of compensation, staffing methods, appraisal methods and forms of training and development. There are many choices amongst the array of possible SIHRM practices. And because they, as the other SIHRM activities, influence the behaviors of individuals, they need to be systematically selected to be aligned with the other SIHRM activities (Begin, 1992).

Developing policies to be used as umbrellas for the practices within units, facilitates the attainment of the main objective of interunit linkage. This may be easier said than done, however, particularly if the units have dramatically different local environments and/or are pursuing different competitive strategies with different technologies. While this confounding may make the task more challenging, it does not make it impossible. Perhaps, however, it does require more resources "to get it right," i.e., to systematically develop the practices and ensure that they are linked with common human resource policies. Nonetheless, accomplishing the task enables the MNE to control the diversity of the operation while at the same time attaining the goals of competitiveness, flexibility and transfer of learning. Thus it is expected that MNEs will attempt to be systematic in developing their strategic international human resource policies and practices.

Based upon some of the rationale of behavioral theory (Jackson, Schuler & Rivero, 1989) and resource dependency theory (Pfeffer and Salancik, 1978), the following propositions are offered:

P1(c). *When the benefits from coordinating units are high, and local environments vary, MNEs will attempt to systematically develop their HR policies and practices to link with the needs of the business and accommodate to local conditions.*

P1(d). *For MNEs, linking units with systematically developed HR policies and practices will be more important and challenging to the extent the units are divergent and the benefit from coordination is high.*

Using Management Development as an Interunit Link. Although using the appropriate HR policies and practices is an important way to link regional units of the MNE, they also use management development. Evans (1992) describes management development in MNEs, as being the “glue” to bond together otherwise loose and separate entities. In MNEs that become structured to reflect the complexity of their global environments, they often decentralize operations by region, product or both. They may even become heterarchies (MNEs having multiple units with headquarters spread throughout the world). In their attempts to generate and benefit from some synergies of being a heterarchy or transnational, MNEs may try to create a pool of global managers (Bartlett & Ghoshal, 1992). This pool, through management development activities, is able to serve the MNE in any region or business. In order to operate this, the corporate or global headquarters’ operation houses the management development effort. The local, regional and business HR units cooperate with the corporate HR unit in their efforts to coordinate the management development programs in order to glue the interunits together (Evans, 1992; Scullion, 1992; Vanderbroeck, 1992; Tichy, 1992; Bartlett & Ghoshal, 1991; 1992). This results in the following proposition:

P1(e). *MNEs will increase their utilization of management development activities as their needs to coordinate the strategic activities of separate units increase and the utility of having a global pool of managers increases.*

Internal Operations in SIHRM

While these interunit linkages just discussed tend to be the traditional focus of strategic international human resource management, the internal operations require the same degree of attention. Both have an influence on the effectiveness of an MNE (Porter, 1990; Punnett & Ricks, 1992). Each local unit remains a part of the MNE, although the degree to which it needs to be tightly integrated varies. Nevertheless, it must fit in with the local environment. It must recognize and abide by local employment law, tradition and custom of the local area. Its human resource practices must reflect those aspects of the local environment. Thus the local units need to be given some autonomy to adapt to the local conditions. Yet, because they need to be coordinated with the rest of the MNE, e.g., to facilitate the selection transfer, appraisal and compensation of local managers, they need to share some common human resource policies.

Beyond fitting in with the local environment and fitting with the MNE, the local unit needs to fit with its competitive strategy. That is, the local unit needs to develop human resource practices that are not only consistent with the policies of the MNE, but also fit with the competitive strategy of the unit (Schuler & Jackson, 1987). Exactly how this fit might be obtained is suggested below, but the implication here is that the local unit needs to be fitting the local human resource practices with aspects beyond the local culture in order to be effective and yet still retain some responsiveness.

More specifically, the major objective of SIHRM regarding internal operations is:

being responsive to and effective in the local environment, yet being willing and ready to act in a coordinated fashion with the rest of the MNE units.

SIHRM Policies and Practices

This objective is executed through and reflected in three relevant SIHRM policies and practices. The first is matching and adapting HR practices with the competitive strategy of the unit and the local culture and legal system. The second is creating a *modus operandi* whereby these HR practices can be modified to fit changing conditions. And the third is creating a set of SIHRM policies at the MNE level that can encompass and legitimate the HR practices of the local units. These are illustrated in Figure 3.

Matching and Adapting HR Practices. In an attempt to satisfy the MNE's concerns and goals of being competitive, locally responsive and flexible, the local unit manager needs to develop human resource practices consistent with the needs of the local culture, legal system and tradition. To facilitate this the local manager (particularly an expatriate one), may staff the HR function with host country nationals. In fact, this is one of the positions that MNEs seem to insist upon filling with a host country national (Dowling & Schuler, 1990). To complement this fit, the local manager needs to inform the HR manager of the needs of the business, the competitive strategy in particular. Again, for the sake of striving for attainment of the MNE's concerns and goals, the local unit will seek to combine the knowledge of the local environment with the needs of the business (Bartlett, 1992).

As discussed above, this process of systematically aligning human resource practices, policies and philosophies with each other and with strategic needs of the business are similar for domestic corporations and MNEs. A major difference, however, appears to be in the need to balance the competitive strategy imperative (described more extensively under "Endogenous Factors") with the cultural imperative (Phatak, 1992; Punnett & Ricks, 1992; Adler, 1991).

The cultural imperative is an encompassing term that can include aspects of the local culture, economy, legal system, religious beliefs and education. The cultural imperative is important in SIHRM because of its impact upon acceptable, legitimate, and feasible practices and behaviors (Adler, 1991; Schneider, 1986; Laurant, 1986; Adler & Bartholomew, 1992). Acceptable in terms of "can we pay workers different rates, and thereby differentiate them, according to performance?" Legitimate in terms of "are there any legal statutes prohibiting us from not paying workers overtime for work on Saturday and Sunday?" Feasible in terms of "while the society is hierarchical, authoritarian and paternalistic, can we empower the workforce to make workplace decisions in order to facilitate our quality strategy?"

Local
Unit

OBJECTIVE

Being responsive to and effective in the local environment yet being willing and ready to act in a coordinated fashion with the rest of the MNE units.

Relevant SIHRM Policies and Practices

- Matching and adapting HR practices with the competitive strategy of the unit and the local culture and legal system.
- Creating a modus operandi whereby these HR practices can be modified to fit changing conditions.
- Developing Global HR Policies flexible enough to be adapted for local HR practice.

Figure 3. SIHRM Issue: Focus on Internal Operations

All three components of the culture imperative are important for MNEs to consider in decisions about where to locate and about which human resource practices to use and that can be used. Because questions about which human resource practices to use are also influenced by a competitive strategy imperative (Morrison & Roth, 1992; Wickens, 1987), the potential challenge emerges: Balancing the imperatives in shaping the final set of SIHRM practices to be used on the local level.

Combining the precepts from behavioral theory (Schuler & Jackson, 1987), and requisite variety thinking (Weick, 1969), results in the three propositions below:

P2(a). *Local unit HR practices will reflect the imperative of the competitive strategy of the local unit and the cultural imperative of the local environment. Thus, local units pursuing a competitive strategy will have HR practices that reflect and support that strategy and will have HR practices that reflect the local environment.*

In attempts to attain other MNE concerns and goals, the local unit will be ready to ensure that HR practices, once developed, can also be adapted to fit with the needs of the MNE, when necessary. For example, to accommodate potential staffing and transfer needs, the local unit might adapt some staffing and development practices more consistent with those of the MNE. This may, however, be done for a limited pool of potential individuals (e.g., individuals who could be global managers). Nevertheless, this might help the MNE be more competitive. The result of this is the following proposition:

P2(b). *Units within MNEs will develop HR practices that are reflective of local conditions, and simultaneously be ready to adapt some HR practices to coordinate activities with other units particularly as the needs for coordination increase.*

Creating a Modus Operandi. As local conditions and characteristics of the MNE change, it is important for HR policies and practices to reflect these changes. Inside the local unit, the manager must establish procedures for and recognize the legitimacy of changing human resource practices to fit new conditions (Brewster & Tyson, 1991). This will help ensure the needed flexibility that is a concern and goal of MNEs today. This results in the following proposition:

P2(c). *Under changing organizational and environmental conditions, MNEs will create mechanisms and policies that recognize and support the revision of HR practices in the local units.*

Developing Global HR Policies. The center has a responsibility and strategic interest in developing HR policies that are broad enough and appropriate enough for the several local units to adapt to their local environmental and competitive strategy needs.

This discussion complements the earlier discussion under "Interunit Linkages." There it was argued that policies have to be created to facilitate interunit linkage and transfer of learning, yet still recognize the needs of the local units. This discussion suggests that the local units need to systematically analyze their environmental needs and be responsible for and ensure that their needs are folded into the process whereby the global human resource policies are created. To the extent that the local units are more geographically dispersed, the more difficult it becomes to gather the necessary information. And to the extent that the local units have more dissimilar environments, the more difficult it will be to develop global HR policies that can incorporate (i.e., serve as umbrellas for) the appropriate practices within the units.

The propositions, based upon resource dependency and requisite variety precepts (Pfeffer & Salancik, 1978; Weick, 1969), that follow from our discussion include:

P2(d). *As the need for integration of units increases and the respect for local conditions remains, MNEs will create HR policies that can encompass [i.e., be consistent with] the variations in HR practices within the local units.*

P2(e). *As units become more geographically dispersed and more diverse, MNEs will devote more resources to developing HR policies and procedures as the need to coordinate these units increases.*

Summary of Interunit and Internal Operations

In this section the basic framework was established for describing the major impact of MNEs on SIHRM. Several propositions were suggested based upon the premise that the fundamental objective of MNEs is to establish separate units worldwide and then to identify the appropriate degrees of autonomy and variety, and methods of controlling and coordinating those units. The

propositions suggested are those that would seem to reflect the most direct relationship between the fundamental objective of the MNE (as discussed as interunit linkages and internal operations) and the associated SIHRM issues of control and autonomy and local sensitivity and strategic fit as illustrated in Figure 1. While these relationships are offered for empirical examination, the results may suggest a more parsimonious way of describing the relationships of SIHRM.

Also offered for empirical examination are the following sections on Exogenous Factors and Endogenous Factors. In these sections further SIHRM propositions are offered that reflect the influence that these factors might more specifically have on the relationship between the strategic MNE components and the SIHRM Issues shown in Figure 1. While the influence of some, e.g., culture and competitive strategy, has already been alluded to, more precise expectations of the influence of all these factors are suggested.

Exogenous Factors

The Exogenous Factors are classified into two groups—*Industry Characteristics* and *Country/Regional Characteristics*. Industry Characteristics include the following factors: a) type of business or industry; b) nature of the competitors; and c) the extent of change. Country/Regional Characteristics include: a) the political environment; b) the economic environment; c) the legal environment; and d) the socio-cultural environment.

Type of Business

This factor refers to the distinction drawn by Porter (1986) between global and multidomestic business. Porter suggests that the industry (or industries if the organization is a conglomerate) in which a firm is involved is of considerable importance because patterns of international competition vary widely from one industry to another. At one end of the continuum of international competition is the *global industry*, one in which the firm's competitive position in one country is significantly influenced by its position in other countries. Examples include commercial aircraft, semiconductors, and copiers. The other end of the continuum is the *multidomestic industry*, where competition in each country is essentially independent of competition in other countries. Traditional examples include retailing, distribution, and insurance. While conceptually different from the forms of MNEs offered by Bartlett and Ghoshal (1991), Porter's description of the strategic implications for MNEs in global versus the multidomestic industries is similar to that of the multinational and transnational forms:

The global industry is not merely a collection of domestic industries but a series of linked domestic industries in which the rivals compete against each other on a truly worldwide basis. . . . In a multidomestic industry, then, international strategy collapses to a series of domestic strategies. The issues that are uniquely international revolve around how to do business abroad, how to select good countries in which

to compete (or assess country risk), and mechanisms to achieve the one-time transfer of know-how. These are questions that are relatively well-developed in the literature. In a global industry, however, managing international activities like a portfolio will undermine the possibility of achieving competitive advantage. In a global industry, a firm must in some way integrate its activities on a worldwide basis to capture the linkages among countries (Porter, 1986, p.12).

Commenting on the relevant human resource implications, Dowling and Schuler (1990) note that in a multidomestic industry, the role of the HR department will most likely be more domestic in structure and orientation. At times, there may be considerable demand for international services from the HR department (e.g. when a new plant or office is established in a foreign location and the need for expatriate employees arises), but these activities would not be pivotal—indeed, many of these services may be provided by consultants and/or temporary employees. The main role for the HR function would be to support the primary activities of the firm in each domestic market to achieve competitive advantage through either cost/efficiency or differentiation (value added to products or services). If, however, the firm is in a global industry, the “imperative for coordination” described by Porter would require a HR function structured to deliver the international support required by primary activities of the firm. The need to develop coordination raises complex problems for any international firm. As Laurent (1986) has noted:

In order to build, maintain, and develop their corporate identity, multinational organizations need to strive for consistency in their ways of managing people on a worldwide basis. Yet, and in order to be effective locally, they also need to adapt those ways to the specific cultural requirements of different societies. While the global nature of the business may call for increased consistency, the nature of cultural environments may be calling for differentiation (p.97).

Thus the type of business is expected to be a major factor international HR policies and practices. This suggests the following propositions:

P3(a). *In comparison to multidomestic businesses, in global businesses the need for and benefits from coordinated interunit linkages is high, thus attention and resources devoted to developing HR policies and practices to facilitate interunit linkages are also high.*

In a recent paper, however, Kobrin (1992), drawing on the work of Prahalad and Doz (1987) and Bartlett and Ghoshal (1989), suggests that characterizing businesses as being either global or multidomestic may be oversimplifying.

Classifying businesses as either globally integrated or locally responsive can be misleading as very few fall unambiguously in either

category...although their relative intensity varies across industries, most multinationals respond to both sets of pressures *simultaneously* (p.2).

While recognizing the pitfalls of oversimplification, we offer several propositions associated with the integrative framework for strategic international human resource management:

P3(b). *MNEs whose dominant business is towards the global end of the industry continuum will have a HR function which is more international in orientation and will give more emphasis to the issue of international coordination and control.*

P3(c). *MNEs whose dominant business is towards the multidomestic end of the industry continuum will have a HR function which is less international in orientation and will give more emphasis to the issue of coordination and control at the national level.*

Theoretical and conceptual support for these propositions can be found in the early integration and differentiation arguments by Lawrence and Lorsch (1967) and later expanded upon by Galbraith (1973, 1987).

Competitors

This exogenous factor refers to the major competitors with which the MNE must contend in its various product or service markets. As Thompson and Strickland (1990) note, studying the actions and behavior of an organization's nearest competitors is essential. Unless careful attention is paid to what competitors are doing, an MNE's intended strategy may prove to be dysfunctional. Thompson and Strickland suggest a number of factors or headings under which the objectives and strategies of competitors may be categorized. The first is *competitive scope*, which refers to whether the competitor is operating on a global, multicountry, national, or regional basis. The second is the competitor's *strategic intent*—for example, to be the dominant leader, to be among the industry leaders, or to maintain position. The third factor is the competitor's *market share objective*—for example, aggressive expansion via both acquisition and internal growth, maintaining present market share by growing at a rate equal to the industry average, or giving up market share to achieve short-term profit objectives. The fourth factor is the competitor's overall *competitive strategy*—such as low-cost leadership, niche market focus, or a differentiation strategy (Porter, 1986,1990).

Other issues relevant to competitor analysis include evaluation of potential major players in the industry and attempting to predict future strategic moves by competitors. Generally as the competition becomes more intense and aggressive, greater attention is given to competing successfully. Consequently, the enterprises devote more attention and expertise to issues of linkage and internal operations and to the management of their resources, including human

resources (Wright & McMahan, 1992). And as this competition becomes more intense and global, the more strategic international human resource management issues become significant (Sundaram & Black, 1992; Kobrin, 1992). Propositions suggested by this discussion of competitors include:

P4(a). *MNEs facing competitors who operate more globally will devote more attention to strategic international human resource management issues.*

P4(b). *As competitors seek a more dominant market position globally, MNEs will devote more resources to strategic international human resource management issues. HR policies and practices to control and/or minimize risk will be implemented.*

P4(c). *The strategic behavior of competitors will impact the behavior of MNEs more as the competitors assume a more significant share of the market. HR policies and practices to gain competitive advantage will be implemented.*

These propositions are consistent with arguments based upon the resource-based view of the firm (Barney, 1991), particularly those focused on using human resource management as a way to gain competitive advantage (Wright & McMahan, 1992).

Extent of Change

This factor refers to the extent and speed of change which the MNE faces. Porter (1980) has identified a number of factors which drive the extent of change in various industries. These include: changes in the long-term industry growth rate, shifts in buyer composition and the emergence of new ways to use a product or service, extent of product innovation, extent of technological change, extent of marketing innovation, entry or exit of major firms, changes within nations, changes in regulatory influences, and changes in levels of uncertainty and business risk.

As change increases in pace and intensity, more attention is directed toward competing successfully (Porter, 1980). As such, enterprises devote resources ensuring that employees coordinate and cooperate their efforts. And as this change is played out on a global basis, the more that this coordination and cooperation occur in a global context and the more that strategic international human resource management issues become significant.

Rapid changes are likely to require faster and more understandable information exchange (Edstrom & Galbraith, 1977). The more rapid and intense the change in the industry and the relevant external environment, the more exchange of information among the units that may be necessary. This exchange typically needs to be more frequent and understandable. Time is of the essence. Human resource practices that facilitate this timeliness, flexibility and understandability are more likely to be found in MNEs that are in rapidly changing environments. This may be reflected in more frequent job rotations

among expatriates and TCNs. Frequent management development programs bringing people together to facilitate familiarity and understanding are more likely (Evans, 1992; Bartlett & Ghoshal, 1991).

Based upon the extent of change the following two propositions are offered:

P5(a). *The more rapid, intensive and global the change occurring within and around the industry, the more attention and resources MNEs will devote to strategic international human resource management issues in attempts to control and minimize risk and increase certainty and predictability.*

P5(b). *The more rapid and intense the change, the greater the need for coordination and communication between units, and thus there will be a greater need for more well-developed HR policies and practices to facilitate information flow and understanding.*

These propositions are based upon a rationale offered by Edstrom and Galbraith (1977) in their arguments related to the need for control, certainty and predictability in efficiently coordinating dispersed units. They are also consistent with agency theory (Jones, 1984) and resource dependency theory (Pfeffer & Salancik, 1978; Grant, 1991).

In addition to the impact of these Exogenous Factors of Industry Characteristics, are those Exogenous Factors of Country/Regional Characteristics. Because of similar impacts, a single proposition is offered for the political and economic factors and another is offered for the legal and socio-cultural.

Political

Building on Ferris and Judge (1991), who do an excellent job in describing the importance of political influence in human resource management, this factor includes various forms of risk associated with the political environment in a particular country or region. The most important aspect of this factor is the MNE's assessment of the overall political stability of a country or region. This may be particularly important in an MNE's initial decision to enter a market (Phatak, 1992; Vernon, 1990; Root, 1987; de la Torre & Neckar, 1990).

Robock and Simmonds (1989) define political risk as "the likelihood that political forces will cause drastic changes in a country's business environment that affect the profit and other goals of a particular business enterprise" (p.378).¹ Political risk conditions create an environment of uncertainty, of political exposure (Sundaram & Black, 1992). Needing to manage this uncertainty, MNEs may act to exert more apparent control over the situation by sending more home office employees (expatriates) and imposing policies and practice prescribed by headquarters (Pucik, Tichy & Barnett, 1992).

Economic

This factor relates to the basic economic position and extent of economic development of a country or countries in a region from the perspective of

investment by the MNE. Relevant economic indicators include: the economic size of a country as measured by its total gross domestic product (GDP); income level indicators, such as GDP per capita; overall growth trends; sectoral trends within a national economy; and the degree of economic integration with the global economy (ratio of exports to GDP) (Robock & Simmonds, 1989). More specific economic variables include: the ratio of foreign reserves to imports; current account balance on GDP; export growth rate; and the ratio of net foreign debt to exports (Cosset & Roy, 1991). These facets of the economy together create an overall level of economic exposure much greater than faced by domestic enterprises (Sundaram & Black, 1992; Rugman, 1980).

Consequently this represents a source of uncertainty and resource dependence that MNEs may seek to control. Engaging in complex financial transactions can be an effective response in attempting to minimize the downside risk. Another response might be to reduce the size of investment in a region by scaling back investment plans or moving operations. These moves would directly impact strategic international staffing divisions. They may also impact the political climate (and thus level of that uncertainty) in the region. Thus, based upon resource dependency and agency theory precepts, is the following proposition:

P6(a). *The higher the level of political and economic risk, the more likely the MNE is to monitor the activities of the units through SIHRM policies and practices.*

Legal

This factor refers to the basic legal code and/or legal structure of a particular country or countries which the MNE wishes to trade with and/or invest in. It is also relevant to note that some countries have dual civil and religious codes (e.g., some Muslim countries), and attitudes to the degree to which legal requirements (eg. legal contracts) are binding may vary considerably. These latter two points need to be taken into consideration in any analysis of the legal system of particular countries.

Legal issues which are of concern to MNEs include: 1) The right of establishment (the right to trade, invest, or establish and operate a business in a country); 2) Protection of intellectual property rights; 3) Taxation treaties; 4) Property protection in foreign jurisdictions; and 5) International arbitration and dispute settlement. Legal issues of importance to MNEs that impact human resource management include the varying employment and labor laws in countries throughout the world. For example, labor laws in some countries may make it mandatory for firms to provide a social plan along with their intentions to layoff employees or terminate operations. Stock option plans are not allowed as a form of compensation for employees in many countries. Of course immigration and income taxation treaties also influence staffing decisions, particularly with respect to the ability and cost of posting expatriates.

Dimensions of legal issues which may impact an MNE's strategic use of human resources include heterogeneity, complexity, relevancy, stability and predictability. While each of these dimensions has its own unique impact, generally the greater the heterogeneity, complexity and relevancy, and the less the stability and predictability, the more the need for a broader understanding of legal issues (Florkowski & Nath, 1993).² The more useful it is also likely to be for host country nationals to be employed in the MNE's local human resource positions.

Socio-cultural

This factor refers to the specific social and cultural norms of the host environment which the MNE must consider in assessing the business environment of a particular country. Such norms may be both pervasive and highly integrated with the other characteristics of the country or region (Hofstede, 1993; Adler, 1991). A useful concept in discussing socio-cultural issues is the emic-etic distinction (Triandis & Berry, 1980). Emic refers to culture-specific aspects of concepts or behavior, and etic refers to culture-common aspects.

It is essential for MNEs to be aware of which business practices in any particular country or region are regarded as etic (i.e., transferable to that particular country or region) or emic (i.e., non-transferable and likely to be regarded as dysfunctional and rejected). It is equally imperative for MNEs to be aware of which specific human resource and management practices are likely to transfer abroad. This may require an analysis of cultural values deemed critical in international management. Such values as the degree of individualism, informality, materialism, change and time orientation may likely impact human resource practices such as appraisal and compensation (Phatak, 1992; Ronen, 1986; Adler, 1991).

This is not to suggest, however, that socio-cultural values are neither subject to change nor applicable to only some individuals in a society, but that MNEs must systematically consider them in managing their local units. Indeed, it appears that some human resource practices, e.g., group-oriented job design, can even work well in cultures that may be typically classified as high on individualism (Wickens, 1987; IBM/Towers Perrin, 1992). Nevertheless, emic-etic differences may influence the success of an MNE (Punnett & Ricks, 1992).

Thus, MNEs can be expected to increase their chances of success by understanding the socio-cultural systems of the regions in which they operate and share this knowledge among their units, e.g., through expatriate assignment preparation (Adler, 1991; Schneider, 1986; Laurent, 1986; Early, 1987; Tung, 1981; Adler & Bartholomew, 1992).

This success, however, may be enhanced by considering the fact that the socio-cultural factor is likely to interact with other Country/Regional Characteristics. Clearly, these factors are inter-related with culture, and it may be difficult at times, to make this differentiation when analyzing very complex events for MNEs such as the dramatic changes in Eastern Europe following the collapse of the Berlin Wall in 1989. Nevertheless, MNEs will develop policies

which respond to these characteristics and enable them to operate as effectively as possible with regard to any national or regional environment. Of course adapting to local conditions is likely to produce more strains to the extent the units really need to coordinate their operations. Thus the likelihood of an MNE needing to devote more attention to SIHRM issues increases as the need for coordination increases across units that are unique. Consequently, we suggest, consistent with requisite variety precepts (Weick, 1969), the following propositions:

P6(b). *The greater the legal differences and socio-cultural differences, the more likely MNEs will permit the development of SIHRM practices that are unique and adapted to the local interests and diversity.*

P6(c). *The greater the legal differences and socio-cultural differences under conditions where MNEs benefit from coordinating their units, the greater will be the resources devoted to integrative HR policies, practices and functions.*

Endogenous Factors

Just as the Exogenous Factors are expected to have indirect and direct effects on SIHRM, so too are the Endogenous Factors. As illustrated in Figure 1, there are four Endogenous Factors that are thought to have a significant influence on SIHRM issues and the associated HR functions and policies and practices. These factors are: a) the structure of the international operations; b) the headquarter's international orientation of the MNE; c) the MNE's competitive strategy; and d) the MNE's experience in managing international operations.

Structure of International Operations

MNEs have several choices in structuring their international operations (Phatak, 1992; Bartlett & Ghoshal, 1991). Perhaps the most salient for SIHRM is captured in the distinction between the international *division* and a variation on the *global* form of organization (Phatak, 1992; Dowling & Schuler, 1990).⁴

International Division Structure. In the international division structure (design) the MNE basically adds on a unit to deal with international business concerns. The original organization structure is left intact. The international division becomes a unit that mirrors the domestic businesses of the MNE abroad (Punnett & Ricks, 1992). As suggested by Bartlett and Ghoshal (1991), the key business decisions are made at the international headquarters (typically also the headquarters of the MNE). Knowledge is also developed at the center and dispersed where needed. Sensitivity to local conditions may be only minimally facilitated in this type of operation, but local commitments are also minimal. Consequently, international human resource decisions may be primarily associated with selecting the head of international operation and then the expatriate who may be sent abroad to operate the international location. Of

course more human resource issues do arise for the expatriate in charge of this location, but they tend to be modest compared with similar issues faced by MNEs selecting a global form of organization.

Within the global *form* of organization there are several *structural* alternatives (Phatak, 1992; Bartlett & Ghoshal, 1991). These include the multinational structure, the global structure, the international structure, and the transnational structure.

Global Form. In the *multinational structure* the MNE is basically organized by geographical location and is very decentralized. This may range from several locations each serving single domestic markets to a few large regional locations each serving many markets (Roth, Schweiger, & Morrison, 1991). This structure has the ability to respond to local market needs, although perhaps at the loss of efficiency and economies of scale. It does facilitate the growth of the MNE as it does so through market place expansion. Strategic international human resource management needs thus become focused more on developing practices to local environments and staffing the local operations with local nationals (Dowling & Schuler, 1990; Bartlett & Ghoshal, 1991). The head of each operation, however, may be an expatriate but one with a considerable degree of autonomy. These local units tend to operate in a rather decentralized manner and can be relatively self-sufficient.

Two similar structures of MNEs described by Bartlett and Ghoshal (1991) are the global and the international. They differ in large part by the degree of centralization of decision making and the global scale of production. Whereas the *global structure* operates on a global scale in order to achieve economies of scale and to spread development costs over a larger area, the international MNE develops the ideas for operation and establishes local units, where needed, to implement them. In both cases, the major strategic decisions are made at the center, the corporate headquarters, and the local units carry out the directives. Whereas the *multinational structure* adapts well to sensing local market needs, the concerns of the global structure reflect a global agenda. This global agenda is driven by global economies of scale and is determined by the center. Strategic international human resource issues focus on operating the MNE as a singular global operation. Thus, the units tend to be coordinated by directives from the center. The local unit managers have modest levels of autonomy. Questions for strategic international human resource management that arise here include: How can the center ensure that the local employees will carry out the directives?; Does the center need to control the units with expatriate managers or will formalized policies and practices be sufficient?; and How can the MNE ensure that it gets (needed) sensitivity to local conditions?

The *transnational structure* basically seeks to obtain the advantages of both the multinational and global structures. It seeks economies of scale and local sensitivity. Bartlett and Ghoshal (1991) suggest that it even goes beyond this. They indicate that it seeks to facilitate global competitiveness, flexibility, and organizational learning. In doing so, the transnational MNE is actually more

concerned about obtaining these goals than reflecting a particular structure. In fact, Bartlett and Ghoshal submit that the transnational MNE is more a mentality than an organizational structure. As such, a transnational may be reflected in a matrix or mixed-structure form or by a heterarchy form where the MNE has several global headquarters dispersed around the world (Hedlund, 1986).

Effectively serving the several goals and concerns listed, the transnational requires individuals who are able to be concerned with local needs and global needs. The strategic international human resource issues are consequently more complex here than in the other structures:

In any complex organization, the main difficulty in obtaining individual commitment to an overall purpose is the limited perspectives and parochial interests of managers in key positions. Neither organization structure nor coordination systems can fully neutralize the typical hierarchy of managerial loyalties, which place local above global interests. Therefore, a fundamental prerequisite for the normative integration a transnational seeks is a sophisticated human resource management system. The transnational uses systems of recruitment, training and development, and career path management to help individuals cope with its diversity and complexity. (Bartlett & Ghoshal, 1991, pp. 70, 71)

The propositions resulting from this discussion are developed and supported by the theoretical insights of requisite variety and cybernetic systems (see Wright & Snell's, [1991] discussion of behavioral control and coordination) and uncertainty reduction (Galbraith, 1987; Sundaram & Black, 1992; Milliman, Von Glinow, & Nathan, 1991). They are based on the premises that: a) Different structures of international operation create different requirements for autonomy, localization and coordination, thus affecting the nature and extent of SIHRM policies and practices; and b) the structures of the international operations of the MNE will impact the need for coordination and flexibility on the part of the units, thereby impacting the need for the units to develop mechanisms to respond to local conditions and to develop a flexibility capability. The resulting propositions thus include:

P7(a). *MNEs with an international division structure will be concerned with a singular SIHRM issue, that of selecting the top manager.*

P7(b). *MNEs with a multinational structure will be concerned with SIHRM issues that primarily focus on the selection of managers who can operate units with sensitivity to local conditions under autonomous direction.*

P7(c). *MNEs with a global structure will be concerned with SIHRM issues that primarily focus on selection of managers who are concerned about global operations operating under centralized control and direction.*

P7(d). *MNEs with a transnational structures will be concerned with SIHRM issues that focus on the selection and development of managers who effectively balance the local and the global perspectives.*

Headquarter's International Orientation

The attitudes and values of top management at headquarters are likely to be significant influence on strategic international human resource management. Heenan and Perlmutter (1979) classified top management's attitudes and values into three orientations.

These three orientations can be briefly described in the following way:⁵

Ethnocentric: Few foreign subsidiaries have any autonomy, strategic decisions are made at headquarters, and key jobs at both domestic and foreign operations are held by headquarters management personnel. Subsidiaries, in other words, are managed by expatriates from the home country.

Polycentric: The MNE treats each subsidiary as a distinct national entity with some decision-making autonomy. Subsidiaries are usually managed by local nationals who are seldom promoted to positions at headquarters.

Geocentric: The organization ignores nationality in favor of ability. This approach to staffing without regard to nationality must be accompanied by a worldwide integrated business strategy to be successful. A subset of this orientation is referred to as *regiocentric*. This reflects the geographic strategy and structure of the MNE. Like the geocentric approach, it utilizes a wider pool of managers but in a limited way (personnel may move outside their countries but only within the particular geographic region). Regional managers may not be promoted to headquarters positions but enjoy a degree of regional autonomy in decision-making.

As these descriptions suggest, each orientation is likely to influence strategic international human resource management in a relatively specific way. For example, an MNE with an ethnocentric orientation would be likely, with regard to the management of local operations, to impose policies concerning staffing, compensation, performance appraisal, and management development which reflect parent country practice rather than sensitivity to the local environment (Banai, 1992; Phatak, 1992). Conversely, a polycentric orientation would lead to considerable autonomy with regard to HR decisions and activities in local operations. Thus, it would appear that headquarter's international orientation is an important factor which influences internal operations within MNE business units and the development and maintenance of HR policies and practices.

Perhaps as importantly, the headquarter's international orientation is likely to impact the nature of the relationships between the MNE center and the units. In some cases, e.g., the ethnocentric orientation, the center may construct a coordination through common HR policies. In other cases, e.g., the polycentric,

it may construct separation. If not really consistent with the differentiation and integration needs of the MNE, efficiencies, responsiveness and competitiveness may decline. Consequently, MNEs are likely to be more effective if they match their orientations, and thus their human resource practices with the needs of the business.

As Evans (1986) states:

The choice of a global geocentric or polycentric approach to human resource management is not dictated by product-market or industry logic; each approach represents a different way of coping with the different socio-cultural environments of a multinational company. ... Thus firms in worldwide industries where divisions and subsidiaries are interdependent would be advised to adopt global human resource strategies: the costs of such strategies would be outweighed by the potentially enormous returns of a successful global strategy. Firms where divisions and business elements can be discretely and independently defined would be advised to adopt cheaper polycentric human resource strategies. Some of the disadvantages of either extreme position can be counteracted by the use of subtle management processes (p.106).

Based upon the foregoing discussion and the premise that MNEs will attempt to match their orientations with the needs of the business, particularly those determined by the socio-cultural aspects of the environment, the following propositions emerge:

P8(a). *An MNE's headquarter's international orientation will impact the ease of interaction among units such that interaction will be easier in MNEs with common or geocentric orientations and will be more difficult in MNEs with unique or polycentric orientations.*

P8(b). *MNEs with a predominantly ethnocentric orientation will develop strategic IHR policies and practices regarding staffing, appraising, compensation and training which favor parent country employees.*

P8(c). *MNEs with a predominantly polycentric orientation will develop strategic IHR policies and practices regarding staffing, appraising, compensation and training which are oriented towards host country employees.*

P8(d). *MNEs with a predominantly geocentric orientation will develop strategic IHR policies and practices regarding staffing, appraising, compensation and training which do not differentiate between employees on the basis of nationality.*

MNE's Competitive Strategy

This factor, introduced earlier in this article, refers to the dominant competitive strategy which the MNE is using in each of its main product or service markets (cf. Morrison & Roth, 1992). The concept of competitive strategy is described by Porter (1985) as the essence of competitive advantage. Emerging from his discussion are three possible competitive strategies: innovation, quality enhancement, and cost reduction (Wright, 1987).

Briefly, the innovation strategy is used to develop products or services different from those of competitors; the primary focus here is on offering something new and different.⁶ Enhancing product and/or service quality is the primary focus of the quality enhancement strategy. In the cost reduction strategy, firms typically attempt to gain competitive advantage by being the lowest-cost producer. Although we have described these three competitive strategies as pure types applied to single business units, some overlap can obviously occur. That is, it is possible for large business units to pursue two or more competitive strategies simultaneously, for different product lines or services.

These competitive strategies are included here because of their impact on strategic human resource issues. Execution of competitive strategies depends upon employees behaving in ways consistent with the strategic requirements. Facilitating these behaviors are human resource practices that signal and reward the needed behaviors (Jackson et al., 1989).

Models linking competitive strategy and human resource management practices have been identified elsewhere (Schuler & Jackson, 1987). These models have developed typologies of human resource practices for different competitive strategies such as innovation, quality enhancement and cost reduction. The rationale for the specific human resource practices is based upon employee role behaviors necessary because of the competitive strategy. These models, however, have basically been applied to the domestic (i.e., U.S.) environment. MNEs, however, are faced with the need to apply human resource practices in several locations of the international environment.

There is some evidence to suggest a common approach to managing human resources as a function of the competitive strategy, i.e., the "competitive strategy imperative" described earlier. Case studies from England (Scullion, 1991; Wickens, 1987); Belgium (Hiltrop, 1992); Australia (Dunphy & Stace, 1991); Switzerland (Krulis-Randa, 1991); and Japan (Pucik, 1984, 1992), point to the existence of a common set of needed employee role characteristics for quality improvement and a common set of human resource practices for those characteristics.

If competitive strategies depend upon similar behaviors regardless of location of operation, then units pursuing similar strategies are likely to benefit by exchanging information on their HR policies and practices. In this situation, having some units serve as centers of excellence, i.e. creators of knowledge, and thus becoming benchmarks for the other units for specific practices, may serve to benefit all units (Pucik et al., 1992). Regardless of the specific competitive

strategy, however, MNEs can benefit by having their units exchange information, exchange learning, in order to enhance their competitive effectiveness (Bartlett & Ghoshal, 1991).

To the extent some human resource practices are more effective than others for a given competitive strategy, it may behoove MNEs to be systematic in selecting those practices. But being systematic takes time and experience. If this learning can be shared amongst dispersed units, this can facilitate local unit operating efficiency. Thus the impact of competitive strategy for strategic human resource management increases as the need for and benefit from learning and sharing across units increase.

The propositions resulting from this include:

P9(a). *The nature of a unit's competitive strategy will determine, in part, the nature of its HR policies and practices. For example, a unit pursuing a quality enhancement competitive strategy will be more likely than a unit pursuing a cost reduction strategy to have participative, egalitarian and team-oriented HR policies and practices.*

P9(b). *Units of MNEs that are pursuing the same competitive strategy will have HR policies and practices that are more similar than units of MNEs that are pursuing different competitive strategies.*

P9(c). *Units of MNEs that are pursuing the same competitive strategy will have more mechanisms to share and transfer their learning across units than units of MNEs that are pursuing different competitive strategies.*

These propositions are based largely upon a behavioral theory rationale presented by Schuler and Jackson (1987) and Wright and McMahan (1992).

Experience in Managing International Operations

This last endogenous variable in our integrative framework is that of *Experience in Managing International Operations*. This variable is concerned with the extent to which managers in an MNE are experienced in international operations. It is expected that this experience is likely to affect the nature of their decisions related to strategic international HR issues, functions and policies and practices.

For example, a study by Dowling (1989), which surveyed international HR directors, found that the length of time which firms had been involved in international operations was positively correlated with the structure of their international HR operations. Firms with more years of overseas experience had a more diverse set of HR practices than those with fewer years experience. One interpretation of this finding is that the longer firms operate internationally, the more likely they are to change their HR practices to accommodate local or regional demands if the situation deems it appropriate. They are also more likely to have acquired the expertise to deal with more complex organizational needs, such as those found in the transnational structure (Bartlett & Ghoshal, 1991).

The results reported by Dowling (1989) also suggest that the MNE with limited international experience will assume that one set of HR practices can work everywhere, thus it will have a predominantly ethnocentric IHR orientation. Propositions suggested by this discussion include:

P10(a). *MNEs with limited experience in managing international operations will be less likely to change their strategic international HR policies and practices to accommodate local or regional demands.*

P10(b). *MNEs with more experience will be more likely to be effective in operating a more complex organizational structure than MNEs with less experience.*

Contribution of The Integrative Framework

As had been outlined earlier in this article, the integrative framework presented shows the influences and interrelationships of the factors relevant to Strategic International Human Resource Management. Much of the existing research literature on international HRM has focused on expatriate assignments and the management of expatriates. The next task for researchers is to examine the influence of exogenous and endogenous factors on strategic international HRM and to consider the consequences of these influences and interrelationships. This framework attempts to offer a conceptual map which describes a number of interrelationships and influences and which offer a number of propositions for future research.

Our framework may also enable academics and HR professionals to identify, analyze and manage the factors involved in SIHRM. In this context we define strategic international human resource management as developing a fit between exogenous and endogenous factors and balancing the competing demands of global versus local requirements, and the needs of coordination, control, and autonomy (Adler and Ghadar, 1990).

Implications for Academics and HR Professionals

For Academics

As suggested by Sundaram and Black (1992), studying the multinational enterprise goes significantly beyond studying the domestic enterprise. While it can certainly benefit from knowledge of the domestic enterprise, the MNE is unique and does warrant separate attention and focus. We argued here that this applies equally as well to the study of strategic human resource management, particularly at a time when a current theme in human resource management practice is to "link to the needs of the business." Thus we offered an integrative framework for the study and understanding of strategic international human resource management. While this builds on the work of strategic human resource management (Wright & McMahan, 1992; Schuler, 1992), it incorporates several features unique to the international (global) context (Sundaram & Black, 1992; Adler & Bartholomew, 1992).

For academics, our framework of strategic international human resource management implies a need for multidisciplinary knowledge, e.g., political science, economics, law, strategic, management, sociology, anthropology, organizational theory, psychology and human resource management. And while specific research agendas are feasible without drawing upon all of these knowledge bases (e.g., in examining many of the propositions proposed here), a cross-disciplinary research effort may be most effective for a complete understanding of strategic international human resource management just as it is for the understanding of the MNE as an organizational form (Sundaram & Black, 1992; Gregersen & Black, 1992; Naumann, 1992).

Admittedly, multidisciplinary research is difficult at best, so to facilitate the study of strategic international human resource management, we offered several propositions, testable with a more delimited research design. This research, however, would still benefit by reflecting a multidisciplinary appreciation and understanding. The integrative framework shown in Figure 1 illustrates the numerous exogenous factors that are based upon several different disciplines. This, of course, is what, in part, differentiates strategic international human resource management from the study of strategic human resource management.

The study of strategic international human resource management, however, can benefit enormously by understanding and utilizing strategic (domestic) human resource management. For example, the propositions offered here reflect the theoretical perspectives of behavioral theory (Schuler & Jackson, 1987); agency/transaction cost theory (Jensen & Meckling, 1976; Jones & Hill, 1988); a resource view of the firm (Connor, 1991); open systems theory (Katz & Kahn, 1978); and resource dependency theory and institutional theory (Meyer & Rowan, 1977), applied so adroitly to strategic human resource management by (Wright & McMahan, 1992). Having available and using these multiple theoretical perspectives, can enable the strategic international human resource management researcher to get a better understanding of the phenomenon to be examined, thereby enabling a better design to investigate testable and theoretically-based propositions. This process also facilitates the process of explaining findings and revising the propositions, instrumentation and even the design itself. One result of this may be the improved practice of strategic international human resource management (Dubin, 1976).

For Professionals

The field of human resource management is becoming more linked to the needs of the business (Walker, 1992). In so doing, the focus of human resource management has moved to the strategic arena (Schuler, 1992). As the needs of the business have become more international and strategic, the field of human resource management has become extended to the field of strategic international human resource management. Along with the challenge that this development offers for human resource professionals, is the satisfaction of knowing that the contribution of human resource management to the business can be further improved. Indeed, some would argue that the success of global businesses

depends first and foremost on the quality of the MNE's human resources and how effectively the enterprise's human resources are managed and developed (Bartlett & Ghoshal, 1992).

Effectively managing an MNE's human resources is a complex task which is subject to a variety of exogenous and endogenous factors as illustrated in Figure 1. While the specific parts and propositions of the integrative framework shown in Figure 1 remain to be empirically investigated, practitioners have been operating in this reality in their attempts to manage their MNE's human resources. In many cases, guides for directions and answers to questions are elusive at best. There appear to be too many contingencies, too many uncontrollable factors and perhaps even too many unknown factors. Our attempt at an integrative framework is a partial response to this situation. By offering a framework, we hope to reduce the unknowns, narrow the relevant contingencies and make more manageable some of the uncontrollable factors. Our hope also is to convey to professionals the academic state of the field of strategic international human resource management so that this state can be revised, based in part on the experience of HR professionals.

Conclusion

The issues, challenges and propositions associated with MNEs are different from those of domestic firms (Sundaram & Black, 1992). This applies to all functional areas of managing an MNE, particularly human resource management.

MNEs confront many international human resource management issues and challenges. Those that are linked to the unique global strategic needs of these enterprises were designated in this article to be those of strategic international human resource management. Consistent with the increased recognition of the importance of strategic human resource management (Wright & McMahan, 1992), this article sought to present a framework for thinking about strategic international human resource management. Building upon some of the theoretical and conceptual arguments used by Wright and McMahan (1992) and Sundaram and Black (1992), we offered several testable propositions.

Because the field of strategic international human resource management is an emerging one, we utilized many sources of information and research, some academic and some applied, that could be fruitfully brought to bear upon our integrated framework. As suggested by Sundaram and Black (1992), approaching the study of MNEs requires a broad perspective and a set of multidisciplinary tools: e.g., business, psychology, sociology, anthropology, law and organizational theory. In approaching the area it is useful to identify and incorporate all the exogenous and endogenous factors that might be applicable to a specific issue or activity in strategic international human resource management. At this time, the propositions offered here might be best thought of as tentative, subject to revision and modification. While we have tried to incorporate as many relevant factors as possible, we may have omitted some. We may have also failed to generate all the appropriate and useful propositions

relevant to academic and professional use. Hopefully we have been able to convey some information, some perspectives and some propositions that might serve the interests of those studying and practicing strategic international human resource management.

Acknowledgment: The authors wish to thank David Ricks, Steve Kobrin, Stewart Black, Moshe Banai, Cal Reynolds, Susan Jackson, Gary Florkowski, Bob Kane, Steve Barnett and three anonymous reviewers for their comments and suggestions. This article is appearing simultaneously in the *International Journal of Human Resource Management*, by special permission of the editors, Ricky Griffin and Michael Poole.

Notes

1. For a detailed discussion of political risk for MNCs, see P.S. Ring, S.A. Lenway & M. Govekar, 1990. Management of the political imperative in international business. *Strategic Management Journal*, 11, 141-151. Also see J.D. Simon, (1984). A theoretical perspective on political risk. *Journal of International Business Studies*, (Winter), 123-143; and S.J. Kobrin, (1982), *Managing Political Risk Assessment*. Berkeley: University of California Press.

2. A more specific description of these legal dimensions is provided by G. Florkowski and R. Nath, (1993), MNC responses to the legal environment of international human resource management. *International Journal of Human Resource Management*, 4. Briefly they are defined as follows:

Regulatory heterogeneity: The degree of similarity in the legal systems that must be accommodated. Encompasses the amount of differentiation in employment rights and legal superstructures. Varies from homogeneous to heterogenous environments.

Regulatory complexity: The level of knowledge needed to ensure compliance with the prevailing set of employment laws. Includes the diversity of issues addressed as well as the extensiveness of the substantive and procedural requirements within each arena. Varies from simple environments that impose limited standards in a small number of areas to complex ones with cumbersome demands in numerous facets of employment.

Regulatory relevancy: The extent to which enforcement efforts will be directed against the MNE. Economic, social, or historical factors may influence the willingness of the controlling sovereignties to challenge noncomplying firms. Varies from environments where employment laws have a low enforcement priority to those where they have a high enforcement priority.

Regulatory stability: The likelihood that significant, employment-related changes (substantive or procedural) will occur in the governing legal systems. Affected by political, economic, and cultural trends within the home and host countries, as well as the amount of turbulence (the level and speed of interconnections between elements and trends in the environment). Varies from unstable to highly stable environments.

Regulatory predictability: The extent to which the MNE can accurately forecast material changes in the applicable employment laws. Affected by political, economic, and cultural trends within the home and host countries. Varies from unpredictable to highly predictable environments.

On this legal factor, also see Chapter 8, The legal environment, in S.H. Robock & K. Simmonds (Eds.), (1989). *International Business and Multinational Enterprises*, 4th ed. Homewood, IL: Irwin. and M. Litka, (1991). *International Dimensions of the Legal Environment of Business*. Boston: PWS-Kent.

3. There is a voluminous research literature which examines the topic of socio-cultural differences in international business. For example, see C. Geertz, (1973), *The Interpretation of Cultures*. New York: Basic Books; J.D. Child, (1981), Culture, contingency and capitalism in the cross-national study of organizations. In L.L. Cummings & B.M. Staw (Eds.), *Research in Organizational Behavior*, Vol. 3. Greenwich, CT: JAI; L. Kelly & R. Worthley, (1981), The role of culture in comparative management: A cross-cultural perspective. *Academy of Management Journal*, 24, 164-173; R.S. Bhagat & S.J. McQuaid, (1982), Role of subjective culture in organizations: A review and directions for future research. *Journal of Applied Psychology*, 67, 653-685; G. Hofstede, (1983), The cultural relativity of organizational practices and theories. *Journal of International Business*, 14(2), 75-89; and N.A. Boyacigiller & N.J. Adler, (1991), The parochial dinosaur: Organizational science in a global context. *Academy of Management Review*, 16(2), 262-290.

4. For a detailed review of the issue of internationalization, see S. Young, J. Hamill, C. Wheeler & J.R. Davies, (1989), *International market entry and development: Strategies and management*, Hemel

Hempstead, U.K.: Harvester Wheatsheaf -Prentice Hall. Note that we are not addressing the *stages* of internationalization specifically. While these tend to incorporate some of the structural alternatives described here, they also include a discussion of such issues as sales subsidiaries and export offices (Phatak, 1992) which, while having some effect on the fundamental objective of an MNEs, have only a modest impact on SIHRM. Similarly, this discussion does not include SIHRM issues that are associated with alliances and international joint ventures (IJVs) of MNEs (see Slocum & Lei, 1991). While having an impact on SIHRM, they are beyond the preview of this article. For a review of the SIHRM issues in IJVs see R. Schuler and E. Van Sluijs, (1992), Davidson -Marley BV: Establishing and Operating an International Joint Venture. *European Management Journal*, (December), 428-437; and Y. Zeira and O. Shenkar, (1990), Interactive and specific parent characteristic: Implications for management and human resources in international joint ventures. *Management International Review*, 30, 7-22. This discussion also does not include a discussion of the possible interaction effects between MNE structure (design) and strategy. For a review of this subject, however, see Roth, Schweiger and Morrison (1991).

5. This description is based on D.A. Ondrack (1985) International human resources management in European and North American firms, *International Studies of Management and Organization*, 15(1), 6-32. These descriptions are based upon the orientations of top management originally articulated by Perlmutter and then expanded upon Heenan and Reynolds (personal communication with Calvin Reynolds, 28 January 1993). In the subsequent expansion of these ideas, the relationship of compensation practices to these top management orientations was developed.

6. This description is drawn from R.S. Schuler and S.E. Jackson, (1987), Linking competitive strategies with human resource management practices. *Academy of Management Executive*, 1, 207-219.

References

- Adler, N.J. (1991). *International dimensions of organizational behavior*. Boston: PWS-Kent.
- Adler, N.J. & Bartholomew, S. (1992). Managing globally competent people. *Academy of Management Executive*, 6, 52-64.
- Adler, N.J. & Ghadar, F. (1990). Strategic human resource management: A global perspective. Pp. 235-260 in R. Pieper (Ed.), *Human Resource Management: An International Comparison*. New York: Walter de Gruyter.
- Banai, M. (1992). The ethnocentric staffing policy in multinational corporations: a self-fulfilling prophecy. *The International Journal of Human Resource Management*, 3, 451-472.
- Bartlett, C. (1992). Christopher Bartlett on transnationals: an interview. *European Management Journal*, (September), 271-276.
- Bartlett, C. & Ghoshal, S. (1987). Managing across borders: New organizational responses. *Sloan Management Review*, 29, 43-53.
- . (1988). Organizing for worldwide effectiveness: The transnational solution. *California Management Review*, 31, 54-74.
- . (1989). *Managing across borders: The transnational solution*. Cambridge, MA: Harvard Business School Press.
- . (1991). *Managing across borders: The transnational solution*. London: London Business School.
- . (1992). What is a global manager? *Harvard Business Review*, (September/October), 124-132.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17, 99-120.
- Begin, J.P. (1992). Comparative human resource management (HRM): A systems perspective. *International Journal of Human Resource Management*, 3, 379-408.
- Black, J.S., Gregersen, H.B., & Mendenhall. (1992). *Global assignments*. San Francisco: Jossey-Bass.
- Boam, R. & Sparrow, P. (1992). *Designing and achieving competency*. London: McGraw-Hill.
- Boyacigiller, N. (1990). The role of expatriates in the management of interdependence, complexity and risk in multinational corporations. *Journal of International Business Studies*, 21(3), 357-381.
- Brewster, C. (1991). *The management of expatriates*. London: Kogan Page.
- Brewster, C. & Tyson, S. (1991). *International comparisons in human resource management*. London: Pitman.
- Buckley, P.J. & Casson, M.C. (1976). *The future of the multinational enterprise*. London: Macmillan.
- Butler, J.E., Ferris, G.R., & Napier, N.K. (1991). *Strategy and human resources management*. Cincinnati, OH: South-Western.
- Cappelli, P. & McElrath, R. (1992). The transfer of employment practices through multinationals. Working paper, The Wharton School, Philadelphia.
- Casson, M.C. (1982). Transaction costs and the theory of the multinational enterprise. Pp. 24-43 in A.M. Rugman (Ed.), *New theories of the multinational enterprise*. New York: St. Martin's Press.

- Conner, K.R. (1991). A historical comparison of resource-based theory and five schools of thought within industrial organization economics: Do we have a new theory of the firm? *Journal of Management*, 17, 121-154.
- Cosset, J.-C. & Roy, J. (1991). The determinants of country risk ratings. *Journal of International Business Studies*, 22(1), 135-142.
- de la Torre, J. & Neckar, D. (1990). Forecasting political risk for international operations. Pp. 194-214 in H. Vernon-Wortzel & L.H. Wortzel (Eds.), *Global strategic management: The essentials*. New York: Wiley.
- Desatnick, R.L. & Bennett, M.L. (1978). *Human resource management in the multinational company*. New York: Nichols.
- Dowling, P.J. (1986). Human resource issues in international business. *Syracuse Journal of International Law and Commerce*, 13(2), 255-271.
- . (1988). International human resource management. In L.D. Dyer (Ed.), *Human resource management: Evolving roles and responsibilities*. Washington, DC: BNA Books.
- . (1989). Hot issues overseas. *Personnel Administrator*, 34(1), 66-72.
- Dowling, P.J. & Schuler, R.S. (1990). *International dimensions of human resource management*. Boston: PWS-Kent.
- Dowling, P.J. & Welch, D.E. (1988). International human resource management: An Australian perspective. *Asia Pacific Journal of Management*, 6(1), 39-65.
- Doz, Y.L. & Prahalad, C.K. (1981). Headquarters influence and strategic control in MNCs. *Sloan Management Review*, 23(1), 15-29.
- Dubin, R. (1976). Theory building in applied areas. Pp. 17-40 in M. Dunnette (Ed.), *Handbook of industrial and organizational psychology*, 1st ed. Chicago, IL: Rand McNally.
- Dunphy, D. & Stace, D. (1991). *Under new management: Australian organizations in transition*. Sydney: McGraw-Hill.
- Earley, P. (1987). International training for managers: A comparison of documentary and interpersonal methods. *Academy of Management Journal*, 30, 685-698.
- Edstrom, A. & Galbraith, J. (1977). Transfer of managers as a coordination and control strategy in multinational organizations. *Administrative Science Quarterly*, 22, 248-263.
- Egelhoff, W.G. (1988). *Organizing the multinational enterprise: An information processing perspective*. Cambridge: Ballinger Publishing Company.
- Evans, P. (1986). The context of strategic human resource management policy in complex firms. *Management Forum*, 6, 105-107.
- . (1992). Management development as glue technology. *Human Resource Planning*, 15(1), 85-106.
- Evans, P., Doz, Y., & Laurent, A. (Eds.) (1989). *Human resource management in international firms*. London: MacMillan.
- Ferris, G.R. & Judge, T.A. (1991). Personnel/human resources management: A political influence perspective. *Journal of Management*, 17(2), 447-488.
- Fisher, C. (1989). Current and recurrent challenges in HRM. *Journal of Management*, 15, 157-180.
- Florkowski, G.W. & Nath, R. (1993). MNC Responses to the legal environment of international human resource management. *International Journal of Human Resource Management*, 4, 305-324.
- Fulkerson, J.R. & Schuler, R.S. (1992). Managing worldwide diversity at Pepsi-Cola International. In S.E. Jackson (Ed.), *Diversity in the workplace*. New York: Guilford Press.
- Galbraith, J.R. (1987). Organization design. Pp. 343-357 in Lorsch, J. (Ed.), *Handbook of organization behavior*. Englewood Cliffs: Prentice-Hall.
- . (1973). *Designing complex organizations*. Reading, MA: Addison-Wesley.
- . (1992). *The value adding corporation*. Los Angeles: CEO Publication, University of Southern California.
- Galbraith, J.R. & Kazanjian, R. (1986). *Strategy implementation: The role of structure in process*. St. Paul: West Publishing.
- Ghoshal, S. (1987). Global strategy: An organizing framework. *Strategic Management Journal*, 8, 425-440.
- Ghoshal, S. & Bartlett, C.A. (1990). The multinational corporation as an interorganizational network. *Academy of Management Review*, 15(4), 603-625.
- Grant, R. (1991). The resource-based theory of competitive advantage: Implications for strategy formulation. *California Management Review*, (Summer), 114-135.
- Gregersen, H.B. & Black, J.S. (1992). Antecedents to commitment to a parent company and a foreign operation. *Academy of Management Journal*, 35, 65-90.
- Hailey, J. (1992). *Localization and expatriation the continuing role of expatriates in developing countries*. Presented at the 1992 EISAM workshop, Cranfield, England, September.
- Hamel, G. & Prahalad, C.K. (1986). Do you really have a global strategy? *Harvard Business Review*, (July-August), 139-148.

- Hambrick, D.C. & Snow, C.C. (1989). Strategic reward systems. In C.C. Snow (Ed.), *Strategy, Organization Design and Human Resource Management*. Greenwich, CT: JAI.
- Hedlund, G. (1986). The hypermodern MNC—A heterarchy? *Human Resource Management*, 25(1), 9-35.
- Heenan, D.A. & Perlmutter, H.V. (1979). *Multinational organization development*. Reading, MA: Addison-Wesley.
- Hendry, C. (1992). *Human resource management in the international firm*. Paper presented to the VET Forum Conference on 'Multinational Companies and Human Resources: A Moveable Feast?', University of Warwick, June 22-24.
- Hennart, J.F. (1982). *A theory of the multinational enterprise*. Ann Arbor: University of Michigan Press.
- Hiltrop, J.M. (1992). *Human resource practices in European firms*. Unpublished working paper, IMD.
- Hofstede, G. (1980). *Cultures consequences*. Beverly Hills, CA: Sage.
- . (1993). Cultural constraints in management theories. *Academy of Management Executive*, 7, 81-94.
- IBM/Towers Perrin. (1992). *Priorities for gaining competitive advantage*. New York: Towers Perrin.
- Jackson, S.E., Schuler, R.S., & Rivero, C. (1989). Organizational characteristics as predictors of personnel practices. *Personnel Psychology*, 42, 727-786.
- Jensen, M. & Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, 3, 305-360.
- Jones, G. (1984). Task visibility, free riding, and shirking: Explaining the effect of structure and technology and employee behavior. *Journal of Financial Economics*, 3, 305-360.
- Jones, G. & Hill, C. (1988). Transaction cost analysis of strategy-structure choice. *Strategic Management Journal*, 9, 159-172.
- Kanter, R.M. (1991). Transcending business boundaries: 12,000 world managers view change. *Harvard Business Review*, (May/June), 151-164.
- Katz, D. & Kahn, R. (1978). *The social psychology of organizations*. New York: John Wiley & Sons.
- Kogut, B. (1989). A note on global strategies. *Strategic Management Journal*, 10, 383-389.
- Kobrin, S.J. (1988). Expatriate reduction and strategic control in American multinational corporations. *Human Resource Management*, 27(1), 63-75.
- . (1991). An empirical analysis of the determinants of global integration. *Strategic Management Journal*, 12, 17-31.
- . (1992). *Multinational strategy and international human resource management policy*. Unpublished paper, The Wharton School, University of Pennsylvania.
- Kochan, T.A., Batt, R., & Dyer, L. (1992). International human resource studies: A framework for future research. In D. Lavin, O.S. Michael & P.D. Sheren (Eds.), *Research frontiers in ir and nr*. Madison: IRRA.
- Krulis-Randa, J. (1991). *Human resource practices in Swiss-based firms*. Working paper, University of Zurich.
- Laurent, A. (1986). The cross-cultural puzzle of international human resource management. *Human Resource Management*, 25, 91-102.
- Lawrence, P.R. & Lorsch, J.W. (1967). *Organization and environment*. Boston: Harvard University Press.
- Lengnick-Hall, C.A. & Lengnick-Hall, M.L. (1989). Strategic Human Resources Management: A review of the literature and a proposed typology. *Academy of Management Review*, 13, 454-470.
- Meyer, J.W. & Rowan, E. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology*, 83, 340-363.
- Miller, E., Beechler, S., Bhatt, B. & Nath, R. (1986). The relationship between the global strategic planning process and the human resource management function. *Human Resource Management*, 9, 9-23.
- Milliman, J., Von Glinow, M., & Nathan, B. (1991). Organizational life cycles and strategic international human resource management in multinational companies: Implications for congruence theory. *Academy of Management Review*, 16, 318-339.
- Morrison, A.J. & Roth K. (1992). A taxonomy of business-level strategies in global industries. *Strategic Management Journal*, 13, 399-418.
- Naumann, E. (1992). A conceptual model of expatriate turnover. *Journal of International Business Studies*, 23, 499-531.
- Ondrack, D.A. (1985). International human resources management in European and North American firms. *International Studies of Management and Organization*, 15(1), 6-32.
- Ouchi, W. & MacGuire, M. (1975). Organizational control: Two functions. *Administrative Science Quarterly*, 20, 559-569.
- Pfeffer, J. & Salancik, G. (1978). *The external control of organizations: A resource dependence perspective*. New York: Harper & Row.
- Phatak, A.V. (1992). *International dimensions of Management*, 3rd ed. Boston: PWS-Kent.
- Porter, M.E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors*. New York: The Free Press.

- _____. (1985). *Competitive advantage: Creating and sustaining superior performance*. New York: The Free Press.
- _____. (1986). Changing patterns of international competition. *California Management Review*, 28(2), 9-40.
- _____. (1990). *Competitive advantage of nations*. New York: The Free Press.
- Prahalad, C.K. & Doz, Y.L. (1981). An approach to strategic control in MNCs. *Sloan Management Review*, 22, 5-13.
- Prahalad, C.K. & Doz, Y. (1987). *The multinational mission: Balancing local demands and global vision*. New York: The Free Press.
- Pucik, V. (1984). White-collar human resource management in large Japanese manufacturing firms. *Human Resource Management*, 23, 257-276.
- _____. (1988). Strategic alliances, organizational learning, and competitive advantage: The HRM agenda. *Human Resource Management*, 27, 77-93.
- _____. (1992). *Human resource practices in large Japanese firms*. Unpublished working paper, Cornell University.
- Pucik, V. & Katz, J.H. (1986). Information, control human resource management in multinational firms. *Human Resource Management*, 25, 121-132.
- Pucik, V., Tichy, N.M., & Barnett, C.K. (1992). *Globalizing management*. New York: Wiley.
- Punnett, B.J. & Ricks, D.A. (1992). *International business*. Boston: PWS-Kent.
- Reynolds, C. (1992). Developing global strategies in compensation. *ACA Journal*, (Autumn), 74-83.
- Robock, S.H. & Simmonds, K. (1989). *International business and multinational enterprises*, 4th ed. Homewood, IL: Irwin.
- Ronan, S. (1986). *Comparative and multinational management*. New York: Wiley & Sons.
- Root, F. (1987). *Entry strategies for international markets*. Lexington, MA: Heath.
- Roth, K., Schweiger, D.M., & Morrison, A.J. (1991). Global strategy implementation at the business unit level. Operational capabilities and administrative mechanisms. *Journal of International Business Studies*, 22(3), 369-402.
- Rugman, A.M. (1980). Internalization as a general theory of direct foreign investment: A reappraisal of the literature. *Weltwirtschaftliches Archiv*, 49, 365-379.
- Schneider, S. (1986). National vs. corporate culture: Implications for human resource management. *Human Resource Management*, 27, 133-148.
- Schneider, S. & De Meyer, A. (1991). Interpreting and responding to strategic issues: The impact of national culture. *Strategic Management Journal*, 12, 307-320.
- Schuler, R.S. (1992). Strategic human resource management: Linking the people with the strategic needs of the business. *Organizational Dynamics*, (Summer), 18-31.
- Schuler, R.S., Fulkerson, J.R., & Dowling, P.J. (1991). Strategic performance measurement and management in multinational corporations. *Human Resource Management*, 30, 365-392.
- Schuler, R.S. & Huber, V.L. (1993). *Personnel and Human Resource Management*, 5th ed. St. Paul: West Publishing Co.
- Schuler, R.S. & Jackson, S.E. (1987). Linking competitive strategy and human resource management practices. *Academy of Management Executive*, 3, 207-219.
- Scullion, H. (1992). Strategic recruitment and development of the international managers: Some European considerations. *Human Resource Management Journal*, 3, 57-69.
- Slocum, J.W. & Lei, D. (1991). *Designing global strategic alliances: Integration of cultural and economic factors*. Working paper 91-092, Southern Methodist University.
- Sundaram, A.K. & Black, J.S. (1992). The environment and internal organization of multinational enterprises. *Academy of Management Review*, 17, 729-757.
- Teece, D. (1983). A transaction cost theory of the multinational enterprise. In M. Casson (Ed.), *The growth of international business*. London: Allen & Unwin.
- Thompson, A.A. & Strickland, A.J. (1990). *Strategic management: concepts and cases*, 5th ed. Homewood, IL: Irwin.
- Tichy, N. (1992). Global development. Pp. 206-225 in V. Pucik, N. Tichy, & Barnett (Eds.), *Globalizing Management*. New York: Wiley & Sons.
- Townsend, A.M., Scott, K.D., & Markham, S.E. (1990). An examination of country and culture-based differences in compensation practices. *Journal of International Business Studies*, 21(4), 667-678.
- Toyne, B. (1989). International exchange: A foundation for theory building in international business. *Journal of International Business Studies*, 20, 1-18.
- Triandis, H.C. & Berry, J.W. (Eds.) (1980). *Handbook of cross-cultural psychology*, Vol. 2, *Methodology*. Boston: Allyn & Bacon.
- Tung, R. (1981). Selection and training of personnel for overseas assignments. *Columbia Journal of World Business*, (Spring), 74-80.

- _____. (1984). Strategic management of human resources in the multinational enterprise. *Human Resource Management*, 23(2), 129-143.
- Vanderbroeck, P. (1992). Long-term human resource development in multinational organizations. *Sloan Management Review*, (Fall), 95-99.
- Van Maanen, E. & Schein, E. (1979). Toward a theory of organizational socialization. Pp. 209-264 in B. Staw & L.L. Cummings (Eds.), *Research in organizational behavior*, Vol. 1. Greenwich, CT: JAI.
- Vernon, R. (1990). Organizational and institutional responses to international risk. In H. Vernon-Wortzel & L.H. Wortzel (Eds.), *Global strategic management: The essentials*. New York: Wiley.
- Vernon, R. & Wells, L.T. (1991). *The manager in the international economy*. Englewood Cliffs: Prentice Hall.
- Walker, J. (1992). *Human resources strategy*. New York: McGraw-Hill.
- Weick, K.E. (1969). *Social psychology of organizing*. Reading, MA: Addison-Wesley.
- Welch, L. & Luostarinen, R. (1988). Internationalization: Evolution of a concept. *Journal of General Management*, 14(2), 34-55.
- Wickens, D. (1987). *The road to Nissan*. London: MacMillan.
- Williamson, O.E. (1985). *The economic institutions of capitalism*. New York: Free Press.
- Wright, P. (1987). A refinement of Porter's strategies. *Strategic Management Journal*, 8, 93-101.
- Wright, P. & McMahan, G. (1992). Theoretical perspectives for strategic human resource management. *Journal of Management*, 18(2), 295-320.
- Wright, P. & Snell, S. (1991). Toward an integrative view of strategic human resource management. *Human Resource Management Review*, 1, 203-225.
- Zeira, Y. & Banai, M. (1981). Attitudes of host-country organizations towards MNC's staffing policies: A cross-country and cross-industry analysis. *Management International Review*, 2, 38-47.