

International Human Resource Management

4th edition



Chris Brewster, Elizabeth Houldsworth,
Paul Sparrow and Guy Vernon

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International Human Resource Management

Fourth edition

Chris Brewster, Elizabeth Houldsworth, Paul Sparrow, Guy Vernon

Chartered Institute of Personnel and Development

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Walkthrough of textbook features and online resources

LEARNING OUTCOMES

When you have read this chapter, you will:

- appreciate the growing internationalisation of the world in which human resource management (HRM) is conducted
- understand the additional complexity of HRM in an international context
- be able to describe the strengths and weaknesses of the universalist and contextualist paradigms
- be able to describe the key features of the three main approaches to international HRM (iHRM)
- be able to identify some of the key HRM challenges facing organisations working internationally
- understand the format of the rest of the book.

LEARNING OUTCOMES

At the beginning of each chapter a bulleted set of learning outcomes summarises what you expect to learn from the chapter, helping you to track your progress.



THEORY AND PRACTICE

KEY FRAMEWORK

What is meant by convergence or divergence?

Mayrhofer et al(2004) differentiated a number of forms of change:

Directional convergence: When comparing changes in HRM practices between two countries directional convergence exists when the trend (developmental tendency) goes in the same direction. Each country might start with a different proportion of organisations using a specific practice, and over time the difference in the proportion of organisations using that particular practice in the two countries might actually have grown larger. However, in both cases, a greater proportion of organisations now use the practice, there is convergence in direction – in this case going up. Similarly the opposite might apply, with change in a negative direction.

Final convergence: When changes in the use of an HRM practice in two different countries mean that the two countries' practices get more similar (the differences in use of the practice between the countries decreases in magnitude over time) then there is convergence to some final point.

THEORY AND PRACTICE: KEY FRAMEWORKS

Key theoretical frameworks are highlighted throughout the text, helping you get to grips with these important ideas and debates.



CASE STUDY 4.6

MY GENERATION

Costanza et al (2012) found 20 reliable studies conducted between 1995 and 2009, of which 16 were conducted within the USA, and only four outside, including one in Canada, one in Europe, and two in New Zealand. Together they allowed for 18 generational pairwise comparisons, across the four generations, covering 19,961 respondents.

The results of the meta-analysis generally do not support the notion that there are systematic, substantive differences among generations in work-related outcomes. (Costanza et al 2012, p387)

CASE STUDIES

A range of case studies from different countries illustrate how key ideas and theories are operating in practice around the globe, with accompanying questions or activities.



REFLECTIVE ACTIVITY 1.2

Look at the sequence of definitions used above to define what iHRM is about. How do the definitions change over time? What do these changing definitions tell you about the sorts of knowledge – and the theoretical understanding – that might be important for the field and that should be incorporated into a textbook of like this?

REFLECTIVE ACTIVITIES

In each chapter, a number of questions and activities will get you to reflect on what you have just read and encourage you to explore important concepts and issues in greater depth.

LEARNING QUESTIONS

- 1 From your experience and study of the subject, what do you consider to be the key elements of "best practice" in HRM? To what extent can these be applied on a global basis? Identify the reasons underlying your arguments.
- 2 Imagine that you are a HR manager in a domestically based company that has decided to operate internationally. You have been charged with sorting out the HR effects of the decision. What questions should you be asking?

LEARNING QUESTIONS

Learning Questions at the end of each chapter will test your understanding of the chapter and highlight any areas of development before you move on to the next chapter.

KEY LEARNING POINTS

- Any analysis of HRM needs to be clear about its level of analysis.
- There will be some aspects of HRM which may be applicable in any country and any circumstances: every organisation in every country has to conduct basic HRM practices such as recruitment, payment, etc.
- There will also be many aspects of HRM which cannot be understood at that level and which must be explored at different levels: workplace, sector, national or regional. A focus on any one of these areas will, like focusing a camera, clarify some areas but blur others. It does not make either true or false – they are merely different perspectives.
- The national level of analysis is particularly informative, and it is often given less priority than it should be. We provide evidence on these issues in the following chapters.
- At the national level, as we show in Chapter 3, HRM can be very different. This is because of cultural and institutional differences between countries.

KEY LEARNING POINTS

At the end of each chapter, a bulleted list of the key learning points summarises the chapter and pulls out the most important points for you to remember.

EXPLORE FURTHER

The following websites provide useful information:

The United Nations Conference on Trade and Development (UNCTAD) website can provide updated information on transnational organisations:

<http://unctad.org/en/pages/home.aspx>

CIPD International Research:

<http://www.cipd.co.uk/global/>

OECD guidelines for multinational enterprises:

<http://www.oecd.org/daf/imv/mne/oecdguidelinesformultinationalenterprises.htm>

The International Labour Organization publications and reports can be found at:

<http://www.ilo.org/global/publications/lang-en/index.htm>

EXPLORE FURTHER

Explore further boxes contain suggestions for further reading and useful websites, encouraging you to delve further into areas of particular interest.

ONLINE RESOURCES FOR STUDENTS

- PowerPoint slides – design your programme around these ready-made lectures.
- Lecturer's guide – including guidance on the activities and questions in the text.
- Additional case studies – these can be used as a classroom activity, for personal reflection and individual learning, or as the basis for assignments.

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International HRM: An Introduction

LEARNING OUTCOMES

When you have read this chapter, you will:

- appreciate the growing internationalisation of the world in which human resource management (HRM) is conducted
- understand the additional complexity of HRM in an international context
- be able to describe the strengths and weaknesses of the universalist and contextualist paradigms
- be able to describe the key features of the three main approaches to international HRM (IHRM)
- be able to identify some of the key HRM challenges facing organisations working internationally
- understand the format of the rest of the book.

1.1 INTRODUCTION

This chapter is a general introduction to the book – it outlines the main objectives of the text and the rationale behind its structure. We begin by briefly noting the changing context to international business and the implications for HRM. In explaining the nature of international HRM (IHRM): we outline the importance of countries and present the three main sections of the book: the institutional and cultural context; aspects of comparative HRM; and IHRM. In so doing we explore the differences between domestic and international HRM for practitioners. Then we provide an outline of the book, offering a guide to each chapter. The final section explains what is new about this latest edition.

Whilst all the chapters in this edition of the book have been updated to pick up developments in both the literature and practice since the previous edition was published in 2011, the aim remains the same: to help you explore the meaning and implications of the concepts of contextual, comparative and international HRM. We do not assume that there is only one way of defining or understanding the nature of HRM. On the contrary, we believe that HRM varies according to the country in which it is conducted: the country that provides the institutional and cultural environment for HRM. We address the issues raised by the fact that HRM is different from country to country. This must have an effect on people like you, who are trying to gain an understanding of the full range of meanings of HRM. It will also affect those, like some of you, who are trying to manage HRM in organisations whose reach crosses national boundaries. These issues are covered in this text.

A key task for organisations which operate across international boundaries is to manage the different stresses of the drive for integration (being coherent across the world) and differentiation (being adaptive to local environments). Reading this text will give you some flavour of the way that HRM – and particularly what is seen as ‘good’ HRM – is

defined differently in different national cultures, and is presented and operates differently in different national institutional environments; some flavour too of the ways in which international organisations attempt to deal with the issues these differences create.

We believe that the text will be of value to anyone involved in, or interested in, comparative and international HRM. Whereas in the past the book has focused particularly on HRM specialists, for this edition we have sought to take a more general approach, acknowledging that some readers may only be studying IHRM as one component in a broader qualification programme.



REFLECTIVE ACTIVITY 1.1

- Why would adopting a global approach to managing people be beneficial to an organisation?
- Why might it be harmful?

Provide examples for each perspective.

For many of you, these first paragraphs will already be raising some key questions. What is the culture of Spain, with its mix of Castilian, Catalan, Andalucian, Basque, and other heritages? Or of Singapore, with its Malay, Indian and Chinese populations? What is the institutional and labour market position of the EU where many laws apply across national boundaries and there are few institutional limitations to cross-border labour markets? Do our findings apply to emerging market countries and under-developed countries in the same way that they apply to the rich countries of the world? Inevitably, basing the text on national differences blurs important 'within-nation' and 'beyond-country' issues. These are critical matters – but outside the scope of this text. We have chosen here to concentrate upon the national differences partly because they are so powerful (institutional differences like employment laws, labour markets, trade unions, etc. tend to operate at national level, even where the cultural boundaries are blurred), and partly as an introduction to an often-neglected element of HRM – the fact that it does vary considerably around the world. Our consideration of these issues is focused on Europe, but we will take the opportunity to draw on examples from other continents whenever that is appropriate.

The number of books and articles on international and comparative HRM has expanded almost exponentially since the first edition of this text was published a decade or more ago. Whereas in many organisations IHRM used to be the concern of a rather separate department arranging terms and conditions for expatriate employees, it is increasingly becoming a more significant part of organisations' attempts to manage their entire workforce across the world in the most cost-effective manner possible. As such, it is becoming a key contributor to organisational success. It is little wonder that it is beginning to attract the attention of more researchers, publishers and consultancies.

It is a truism to point out that the world is becoming more international. This applies to our technology, our travel, our economies and our communications – if not always obviously to our understanding. The growth of global enterprises leads to increased permeability in traditional business boundaries, which in turn leads to high rates of economic change, a growing number and diversity of participants, rising complexity and uncertainty. Traditionally much of our understanding of IHRM has been based on the study of multinational corporations (MNCs). An MNC is defined as an enterprise that operates in several countries but is managed from one home country. MNCs may be of four forms: a decentralised corporation that has a strong home country presence; a global

and centralised corporation that can acquire a cost advantage through centralised production; an international company that builds on the parent company's technology or research and development; or a transnational enterprise that combines all three of these approaches. In general, MNCs may not have co-ordinated product offerings in each country, because they are more focused on adapting their products and service to each individual local market. Even some famously international brands (MacDonalds, Coca Cola) vary in different markets. Some people prefer to use the term multinational enterprise (MNE) because the word corporation implies a business organisation, whereas many other forms of organisation such as non-governmental bodies or charities might be deemed to have multinational characteristics. The term transnational corporation (TNC) is typically used to describe much more complex organisations that have invested in foreign operations, have a central corporate facility, but have decision-making, R&D and marketing powers in a variety of foreign markets. As we do not here focus on governments' international operations (Liesink et al 2016), or intergovernmental organisations (Brewster et al 2016) or international charities or religious groups (Brewster and Lee 2006), we shall generally use the abbreviation MNCs throughout the textbook for the sake of convenience and simplicity.

MNCs are presented as being economically dominant – the world's 1,000 largest companies produce 80% of the world's industrial output. They are seen as being crucial to the vitality, health and level of innovation of a geographic location, notably because they help connect it to other and distant international sources of complementary specialised knowledge and expertise. In the process MNCs build and discover new opportunities for themselves as well as for others (Cantwell 2014). Each year the United Nations Conference on Trade and Development (UNCTAD) issues a World Investment Report focused on trends in foreign direct investment (FDI) worldwide and at the regional and country levels. At the time of writing, the latest data, the World Investment Report, the 25th in the series (UNCTAD 2015), covers 2014. Foreign Direct Investment (FDI) inflows in 2014 declined by 16% to \$1.2 trillion mainly because of the fragility of the global economy, policy uncertainty for investors and elevated geopolitical risks. As one of the major developed markets in the world, Europe, and the Eurozone area within it, faced major challenges to its stability over the treatment of Greek debt and US economic recovery remained fragile.

In 2003 economists at Goldman Sachs bracketed Brazil with Russia, India and China as the BRIC economies that would come to dominate the world. Developing economies extended their lead in global inflows of FDI, with China becoming the world's largest recipient of FDI. Developing economies now make up five of the top ten FDI recipients in the world. However, interpreting trends in IHRM that might result from shifts in economic power is never easy and complex factors are always at play. Although the Chinese economy has continued to grow, though less rapidly, and so has the Indian economy, the performance of emerging markets is still very volatile. Brazil seems to have stalled and at the time of writing it is difficult to know what is happening in Russia, as a combination of sanctions and falling oil prices seem to be leading to a recession there. Doubts are also beginning to be expressed even about growth in China, with stock market crashes and worries about unsustainable levels of debt featuring in the business press.

We see a number of traditional regional strategies, often reflecting past cultural and institutional linkages. These create new patterns of mobility and trade. There is also much discussion about relative levels of productivity around the world driving investment and growth and the role of labour arbitrage, with MNCs being able to take advantage of lower wages abroad. In reality, MNCs consider many factors when they think about locating activities in various markets. The behaviour of MNCs is driven by many issues, such as complex supply chains at risk of disruption, energy prices, and inventory costs associated with importing. We also witness different responses internationally within the labour force. These shifts are not always as easy or rapid as made out in the business press.

Whatever the driving factors, we do nonetheless seem to be witnessing the global transfer of work – either in terms of the creation of new jobs or through the global sourcing of certain parts of an individual's or unit's work. This is having a major impact on the type of organisations and nature of work that remain viable in different parts of the world. In the first wave of globalisation two decades ago, low-level manufacturing work began to transfer to low-cost locations. In the second wave simple service work such as credit card processing began to relocate. In the third wave higher-skill white-collar work is being transferred.

1.2 WHAT IS INTERNATIONAL HUMAN RESOURCE MANAGEMENT?

In all these MNCs or MNEs, HRM is a key to success. For the vast majority of organisations, the cost of the people who do the work is the largest single item of operating costs. Increasingly, in the modern world, the capabilities and the knowledge incorporated in an organisation's human resources are the key to performance. So on both the cost and benefit sides of the equation, HRM is crucial to the survival, performance and success of the enterprise. For international organisations, the additional complications of dealing with differing institutional constraints and multicultural assumptions about the way people should be managed become important contributors to the chances of that success.

The need for human resource specialists to adopt an increasingly international orientation in their functional activities is widely acknowledged and becoming ever clearer. It is important not just to people working in the giant MNCs, but also to many others in small and medium-sized enterprises (SMEs). The freer economic environment of the twenty-first century, the reduction of restrictions on labour movement in areas such as the European Community, and the advent of new technology, have combined to mean that many fledgling enterprises operate internationally almost as soon as they are established.

Any review of world events over the last few years will emphasise the essentially unpredictable and rapidly changing nature of political, economic and social upheavals. Vaill (1989, p2) used the metaphor of 'permanent white water' to describe the nature of doing business in the latter part of the twentieth century. And whilst we might doubt the extent or novelty of change it is clear that managers working in an international environment are impacted more by multi-country, regional and global change and dynamism than managers in a single-country operation. And this applies to HR managers as much as any others (Stiles and Trevor 2006). Hardly surprisingly, choices in this context become complex and ambiguous.

The additional complexities of managing an international workforce in any of these organisations call for a different mindset and different skills for practitioners. Sparrow et al (2004) argue that individuals working in an international context need to be competent in:

- interpersonal skills (especially cultural empathy)
- influencing and negotiating skills
- analytical and conceptual abilities
- strategic thinking.

They add that individuals will also need a broader base of knowledge in such areas as:

- international business
- international finance
- international labour legislation
- local labour markets
- cultural differences
- international compensation and benefits.

Furthermore, and to complete for a moment the list of complexities that internationalisation adds to the role of HR managers, they will have to manage a wider set of multiple relationships. HR managers in the European context, for instance, might find themselves having to deal with such groups as:

- headquarters, regional and subsidiary line managers
- headquarters and subsidiary employees
- national, European-level and international trade union bodies
- national and European-level legislative bodies
- local and regional communities.

From the mid-1980s to the turn of the 1990s the field of IHRM was considered to be in its 'infancy' (Laurent 1986). Since its early beginnings, there has been both an evolution of territory covered by the IHRM field as well as more critical discussion of whether this evolution has been towards an expanded field, or represents a process of fragmentation.

Scullion (2005) tracked the evolution of definitions of IHRM. He observed that whilst there has been little consensus, definitions have broadly concentrated on examining the HRM issues, problems, strategies, policies and practices which firms pursue in relation to the internationalisation of their business. Budhwar et al (2009) similarly positioned the different views that have existed about the nature of IHRM.



KEY FRAMEWORK

Definitions of HRM

IHRM encompasses:

'the worldwide management of people in the multinational enterprise' (Poole 1990, p1)

'human resource management in an international environment. . . problems created in an MNC performing business in more than one country, rather than those posed by working for a foreign firm at home or by employing foreign employees in the local firm' (Briscoe and Schuler 2004, p1)

'how MNCs manage their geographically dispersed workforce in order to leverage their HR resources for both local and global competitive advantage' (Scullion 2005, p5).

'a branch of management studies that investigates the design of and effects of organisational human resource practices in cross-cultural contexts' (Peltonen 2006, p523)

'all issues related to the management of people in an international context. . . [including] human resource issues facing MNCs in different parts of their organisations. . . [and] comparative analyses of HRM in different countries' (Stahl and Björkman 2006, p1).

'complex relationship between globalisation, national systems and companies' which provides us with 'three distinct "levels of analysis" for interpreting and understanding HRM strategies and practices [the globalisation effect, the regional effect, the national effect, and the organisation effect]' (Edwards and Rees 2008, p22)

'the subject matter of IHRM [must be] covered under three headings: cross-cultural management; comparative human resource management; and international human resource management' (Brewster et al 2007, p5)

'how MNCs manage the competing demands of ensuring that the organisation has an international coherence in and cost-effective approach to the way it manages its

people in all the countries it covers, while also ensuring that it can be responsive to the differences in assumptions about what works from one location to another' (Dickmann et al 2008, p7)

'the ways in which the HRM function contributes to the process of globalisation within multinational firms' (Sparrow and Braun 2007, p96)

'the implications that the process of internationalisation has for the activities and policies of HRM' (Dowling et al 2008, p293)



REFLECTIVE ACTIVITY 1.2

Look at the sequence of definitions used above to define what IHRM is about. How do the definitions change over time? What do these changing definitions tell you about the sorts of knowledge – and the theoretical understanding – that might be important for the field and that should be incorporated into a textbook of like this?

1.3 WHY STUDY INTERNATIONAL HUMAN RESOURCE MANAGEMENT?

Why should we be considering the international and comparative dimensions of HRM? After all, every organisation has to recruit workers, deploy them, pay them, motivate them and eventually arrange for their departure. Indeed, many texts are written as if their messages are universal. However, there is little doubt that things are done differently in different countries: each country has its own institutional environments – with differently educated and skilled workforces, in different economic situations, with different labour laws, trade union arrangements, government support or control (covered in Chapter 2), and internationally operating organisations have to cope with different cultures (see Chapters 3 and 4). In order to understand how organisations operate across these different national contexts we need to understand the differences as clearly as possible. There is now extensive research showing that HRM not only varies between countries in the way that it is conducted, but that how it is defined and what is regarded as constituting good practice are also very distinct (Brewster and Mayrhofer 2012).



REFLECTIVE ACTIVITY 1.3

- Examine existing HRM practices in your company or one that you know about.
- Which of them are the product of your country's legal, economic, political or social institutions?

Provide explanations for your answer.

There are two fundamental paradigms in the exploration of HRM: the universalist and the contextual (Brewster 1999). Comparative HRM is intrinsically contextual, generally focused at the national level. IHRM, however, is often (though not in this book) universalist, assuming that the same things will work in every context. Linked to this

debate is another: the debate between those who embrace notions of convergence and those who do not. Whereas researchers have to choose between the universalist and the contextual paradigms, they may decide that, for example, some aspects of HRM may be converging whilst others are not or that HRM converges at the level of rhetoric but less so at the level of practice.

Here we explore briefly these conceptual choices as an introduction to the rest of the book.

1.4 UNIVERSALIST VERSUS CONTEXTUAL HRM

Universalism and contextualism are paradigms: that is, they are taken-for-granted truths that the proponents of each simply assume must be correct. The fact that both paradigms are supported by different scholars indicates that both are intellectual constructs capable of being challenged. But for the proponents of each one, they are 'obviously' correct and the 'only' way to think about management science and HRM.

1.4.1 UNIVERSALIST HRM

The universalist paradigm is dominant in the USA but is widely used elsewhere. This paradigm assumes that the purpose of the study of HRM, and in particular strategic human resource management (SHRM – see for example Tichy et al 1982; Ulrich 1987; Wright and McMahan 1992), is to improve the way that human resources are managed strategically within organisations. The ultimate aim of this work is to improve organisational performance, as judged by its impact on the organisation's declared corporate strategy (Tichy et al 1982; Huselid 1995), the customers (Ulrich 1989) or shareholders (Huselid 1995; Becker and Gerhart, 1996; Becker et al 1997). It is implicit in these writings that this objective will apply in all cases. Thus the widely cited definition by Wright and McMahan (1992, p298) states that SHRM is:

the pattern of planned human resource deployments and activities intended to enable a firm to achieve its goals.

Much of the universalist writing assumes that HRM, like management generally, is a science and that 'proper science' (Beer et al 2015) requires the search for universal truths, usually couched in HRM as 'best practice' and that understanding can be achieved by testing yes/no hypotheses. Searching for 'best practice' often means finding out what currently successful 'leading edge' companies are doing.

Arguably, there is a degree of coherence in the USA around what constitutes 'good' HRM, and views tend to coalesce around the concept of 'high-performance work systems'. Many years ago these were characterised by the US Department of Labor (1993) as having certain characteristics:

- careful and extensive systems for recruitment, selection and training
- formal systems for sharing information with the individuals who work in the organisation
- clear job design
- local-level participation procedures
- monitoring of attitudes
- performance appraisals
- properly functioning grievance procedures
- promotion and compensation schemes that provide for the recognition and financial rewarding of high-performing members of the workforce.

It would appear that, although there have been many other attempts to develop such lists (see, for example, from the UK, Storey 1992, 2007), and they all differ to some degree, the Department of Labor list can be taken as an exemplar of the universalist paradigm.

Few researchers in HRM in the USA would find very much to argue with in this list. Researchers and practitioners in other countries, however, find such a list contrary to experience and even to what they would conceive of as good practice. So they might argue for sharing information with representative bodies such as trade unions or works councils, for flexible work boundaries, for group or company-wide reward systems. And they might argue that attitude monitoring, appraisal systems, etc are evidence of low trust and culturally inappropriate.

Universalists often produce their work in one country and base it on a small number of 'exemplary' cases. As long as this work is read by specialists in the relevant country, with interests in these kinds of organisations, this may not be too much of a problem. But the world, and especially the academic world in HRM, is becoming ever more international. This is a major problem in relation to the US literature. The cultural hegemony of US teaching, publishing, websites and US journals means that these texts are often utilised by other readers. US-based literature searches generally fail to note much writing outside the universalist tradition. These universalist notions are widely adopted by management consultancies, business schools and HRM gurus across the world. There is an explicit or implicit lesson drawn that countries and organisations that do not adopt the appropriate policies and practices are in some way 'backward'. For analysts and practitioners outside the USA, and even, we might argue, for many inside the country, and for those international firms with interests in different countries, many of these descriptions and prescriptions fail to meet their reality.

1.4.2 CONTEXTUAL HRM

In contrast, the contextual or comparative paradigm searches for an overall understanding of what is contextually unique and why. In our topic area, it is focused on understanding what is different between and within HRM in various contexts, and what the antecedents of those differences are. The policies and practices of the 'leading-edge' companies (something of a value-laden term in itself), which are the focus of much HRM research and literature in the USA, are of less interest to contextualists than identifying the way labour markets work and what the more typical organisations are doing.

Among most researchers working in this paradigm, it is the explanations that matter – any link to organisational performance is secondary. It is assumed that HRM can apply to societies, governments or regions as well as to firms. At the level of the organisation (not just the 'firm', for public-sector and not-for-profit organisations are also included), the organisation's objectives and strategy are not necessarily assumed to be 'good' either for the organisation or for society. There are plenty of examples, particularly in the financial sector in the last few years, where this is clearly not the case. The contextual paradigm is more concerned about the other stakeholders in HRM – the employees and their dependents, and society as a whole (Beer et al 2015). While noting their common interests, it does not assume that the interests of everyone in the organisation will be exactly the same; nor is there any expectation that an organisation will have a strategy that people within the organisation will support.

The assumption is that not only will the employees and the unions have a different perspective from that of the management team (Keenoy 1990; Storey 1992; Purcell and Ahlstrand 1994; Turner and Morley 1995), and different groups of employees within the organisation will have different needs and requirements (Lepak and Snell 1999), but that even within the management team there may be different interests and views (Koch and McGrath 1996; Hyman 1987). These, and the resultant impact on HRM, are issues for empirical study. Contextualist researchers explore the importance of such factors as culture, ownership structures, labour markets, the role of the state and trade union organisation as aspects of the subject rather than as external influences upon it. The scope

of HRM goes beyond the organisation to reflect the reality of the role of many HRM departments: for example, in lobbying about and adjusting to government actions, in dealing with such issues as equal opportunities legislation or with trade unions and tripartite institutions.

1.4.3 THE VALUE OF THE DIFFERENT PARADIGMS

So many management researchers find that the universalist paradigm, ironically, excludes much of the work of HRM specialists in such areas as compliance, equal opportunities, trade union relationships and dealing with local government and the environment. In addition, the universalist paradigm only operates at the level of the organisation, ignoring policy at the national or international level. This is not helpful in regions like Europe, where much employment contract bargaining is still often conducted above the organisational level and significant HRM legislation and policy (for example, freedom of movement, employment and remuneration, equal treatment) is enacted at EU level as well as at the level of particular countries or sectors (Sparrow and Hiltrop 1994; Brewster 2004). Ignoring national policy makes even less sense in countries like China and Vietnam (Warner 2013). The contextual paradigm provides better insights into these issues.

Nevertheless, the universalist paradigm exists because it has strengths – a simple, clear focus, a rigorous methodology, and clear relationships with the needs of industry. Neither paradigm is right or wrong. Both these approaches, and the others that exist in other parts of the world, have a contribution to make. The difficulty comes when writers are unaware of the paradigm within which they are working.

It is to some degree the difference between these paradigms, lack of awareness of them, and the tendency for commentators to drift from one to another that has led to the confusion about the very nature of HRM as a field of study, as pointed out by many of its original leading figures (including Boxall 1993; Legge 1995; Storey 1992). In practice, these are often debates between the different paradigms used to understand the nature of HRM.

1.5 CONVERGENCE AND DIVERGENCE IN HRM

1.5.1 CONVERGENCE IN HRM

A second, and linked, debate is between those who believe in globalisation, arguing that all aspects of management, including HRM, are becoming more alike; and those who believe that each country continues to have its own approach to management in general and HRM in particular. For Pudelko and Harzing (2007), at the country level the debate has always been about convergence or divergence of HRM practice, whilst at the organisational level it has been about standardisation versus localisation of practice.

There is more than one version of the convergence concept. Comparative HRM researchers have analysed changes in the adoption of a range of specific tools and practices across countries. In examining changes over time in HRM practice between European countries, and attempting to link the pattern of these changes to competing theoretical explanations of what is happening, Mayrhofer et al (2004) noted that

[i]t is by no means clear what is meant by convergence. Although the general meaning, intuitively, is clear, it becomes more complex at a closer look. We therefore need a 'more nuanced picture of convergence'. (p434)



KEY FRAMEWORK

What is meant by convergence or divergence?

Mayrhofer et al (2004) differentiated a number of forms of change:

Directional convergence: When comparing changes in HRM practices between two countries directional convergence exists when the trend (developmental tendency) goes in the same direction. Each country might start with a different proportion of organisations using a specific practice, and over time the difference in the proportion of organisations using that particular practice in the two countries might actually have grown larger. However, in both cases, a greater proportion of organisations now use the practice, there is convergence in direction – in this case going up. Similarly the opposite might apply, with change in a negative direction.

Final convergence: When changes in the use of an HRM practice in two different countries mean that the two countries' practices get more similar (the differences in use of the practice between the countries decreases in magnitude over time) then there is convergence to some final point. This might imply that the country with less uses increases faster, or that one country increases a usage whilst another one decreases it – as long as they get closer together there may be said to be final convergence.

Stasis: When there is no change over time in the proportion of organisations using an HRM practice and a state of stability thus exists.

Divergence: When the changes in use of an HRM practice in two different countries are progressing in truly different directions, one increasing and the other decreasing.

In addition, we might note that HRM might not be uniform – for example, some practices may converge whilst others diverge, or there may be convergence at the policy level but not at the operational level.

Some see convergence as a global market-based issue. They argue, using a kind of Darwinian 'survival of the fittest' analogy, that the logic of technology and its increasing diffusion mean that eventually, in order to compete, everyone will have to adopt the most efficient management and HRM practices (Kidger 1991). The underlying assumption here is that the predominant model will be the US universalist model (Pudelko and Harzing 2007; Smith and Meiksins 1995). There is also a regional institutional perspective, which argues that whilst institutional differences in legal, trade union and labour market conditions can create differences in HRM then where, as in the EU similar legislation covers a number of countries, this might lead to a diminution in the differences between the ways in which countries handle their HRM. The EU is passing legislation for all the member states, including social and employment legislation. There is a free labour market in the EU and some companies now try to operate as if the EU was one country. A developing European model of HRM would reinforce the idea of a move toward convergence – but in the form of regional convergence rather global convergence.

1.5.2 DIVERGENCE IN HRM

Opposed to the idea of convergence are the institutional theories and the concepts of cultural differences outlined in the next three chapters. Proponents of the various versions of each of these two main streams of explanation are unlikely to accept that there is any point at which the same practices will be utilised to the same degree and would have the same effect irrespective of country or location. This book is firmly based on such a notion.

This, of course, gives IHRM practitioners a key paradox. Internationally operating organisations may want to standardise practices wherever possible. But in many areas of management, and particularly HRM, they also have to be aware of and respond to or even utilise national differences. This standardisation/localisation debate is a central issue in IHRM and one that, once we have explored and understood the national variations found in HRM approaches, policies and practices around the world, we explore in the third section of the book.

1.5.3 THE EVIDENCE

There is little empirical data on the issue of convergence versus divergence, and that is largely the result of the difficulties of researching the issue. A number of articles which claim to have researched convergence of HRM practices either use case studies, which are inappropriate for identifying whether national practices are becoming more alike, or use convergence to apply only to directional convergence – they find the same trends in different countries but can say nothing about whether the countries are becoming more alike. Others use single point in time data to explore issues of convergence towards assumed best practices. Obviously, researching convergence seriously would require longitudinal comparative research programmes – but these are expensive and rare. Even this would not resolve the problem entirely. Which issues are we researching? Are we to research institutional arrangements or how they operate? Are we to research at a national level, an organisational level, or a workplace level? Whose opinions are we to canvass?

Katz and Darbishire (2000) identified what they term ‘converging divergences’. Looking at the USA, Australia, Germany, Italy, Japan, Sweden and the UK, they argued that they had found not one universal type of employment system but many – the more regulated systems are breaking down to develop more varied systems, like the less regulated economies. They suggested that, although globalisation and internationalisation might be argued to foster a general converging trend in employment systems, such an analysis does not allow for managerial agency – managers can do different things. As a result, they argue that all societies will gradually develop a range of work practices. However, the literature on convergence shows that national differences remain.

The best evidence we have on convergence and divergence comes from the ongoing surveys of HRM policy and practice by the Cranet network. They have been able to provide supporting evidence of similar trends in HRM across a range of countries (Croucher et al 2014; Mayrhofer et al 2011; Poutsma et al 2006; Tregaskis and Brewster 2006; Wood et al 2014), but they have also confirmed that there is no evidence for final convergence – the countries start from different points and develop within their own trajectories and at different speeds, so that even though the trends might be similar, the countries each remain quite distinct. Mayrhofer et al (2011, p60) carried out careful and detailed statistical analysis of the data over 15 years and summarise their findings on convergence and divergence as follows:

Empirically, the results support the notion that converging and non-converging developments occur simultaneously. While no final convergence can be observed for HRM in Europe. . . directional similarity is visible in a majority of the areas of HRM analyzed. The results also show the effects of the embeddedness of HRM in national institutional contexts and the interplay between supra-national drivers and national institutional forces.

In other words, there are common trends, but no evidence even in Europe that countries are becoming more alike in the way that they manage their human resources.



REFLECTIVE ACTIVITY 1.4

This evidence refers to European countries: what about further afield? It has been argued that introducing emerging economies and under-developed economies into the picture will extend the variety that we see and will show even less divergence (Brewster et al 2015). Think of a non-European country and ask yourself: is HRM here becoming more like that seen in the USA or more like that seen in Europe? Or is it different from both?

1.6 STRUCTURING THE FIELD INTO THREE COMPONENTS

How are we to start the process of understanding all this complexity? The first step is to be clear about different kinds of analysis. These are not always defined in the literature – partly perhaps because of confusion in the USA, where ‘international’ is often applied to anything outside the USA. Although we appreciate that over the years the different elements of the subject of IHRM have become more interwoven so that to understand one it is necessary to know something of the others (Brewster and Wood 2015), in order to structure the subject we cover it under three headings:

- national institutional and cultural differences
- aspects of comparative human resource management
- international human resource management.

In broad terms, the national institutional and cultural differences section of the book covers the explanations for national differences and their impact on HRM. Every nation has its own unique set of institutions and many share a common culture, the deep-lying values and beliefs reflected in the ways that societies operate, and in the ways that the economy operates and people work and are managed at work. In the second section of the book, we examine particular aspects of the way that people work and explore the differences between nations in the way that they manage this process. In general, the comparative tradition makes more of the institutional differences than the cultural differences. The third section of the book explores IHRM (and its more recent ‘strategic’ derivative, SIHRM) and examines the way organisations manage their human resources across these different national contexts.

1.7 HOW IS THE OVERALL FIELD OF INTERNATIONAL HRM EVOLVING?

HRM and IHRM are no longer in their ‘infancy’ as Laurent (1986) originally had it. IHRM has evolved in three directions, with a growing influence of an institutional perspective; the development of a critical perspective; and a problem-solving perspective on IHRM. The institutional perspective has developed rapidly in the last decade and has arguably overtaken the cultural explanation in explaining the differences between countries. These issues are addressed in the next three chapters.

The critical perspective (Peltonen 2006, 2012; Delbridge et al 2011) brings together a number of considerations, rather than bringing together an agreed set of theories, but basically argues that to understand IHRM we have to ask questions about who it serves, who the key stakeholders are and the context in which it operates. Comparative HRM therefore often bears marks of a critical approach. The majority of theories that the field draws upon have been created outside the field of IHRM. This has been reflected in a degree of experimentation and abstractness in the issues that are typically covered. De Cieri et al (2007) argue that globalisation – when seen in terms of the worldwide flow of

capital, knowledge and other resources necessary to interconnect international product markets – is associated with concomitant processes involved in the growth in scope and scale of competition. IHRM academics therefore need to understand the (many) ways in which MNCs operate often using ideas from outside HRM. Academics and researchers are increasingly giving attention to the politics of globalisation and the importance of local context. As attention turns from understanding the policy and practice needed to manage international cadres of people in MNCs, towards the need to understand any one HRM policy and practice in its broader international or institutional context, many academic fields have something to say about the phenomenon of IHRM.

Delbridge et al (2011) critiqued the field of IHRM arguing that it had become limited by economic and managerialist perspectives, with too much attention to the organisational level of analysis. They argued that the traditional comparative perspective, or focus on MNCs, should be broadened to incorporate the nature of IHRM both in alternative forms of organisation that often extend beyond the boundaries of the traditional corporation, and also into more diverse economic structures, such as in local economies, regional districts, national institutions, international networks and transnational regulation. There is useful work in the fields of cross-national organisation, comparative political studies and economic geography that could inform our practice. This call has been reflected in work that has extended analysis into multi-stakeholder contexts, for example, the not for profit sector (Lodge and Hood 2012; Beer et al 2015; Brewster et al 2016).

The critical view of IHRM is:

An acknowledgement that we are examining organisational issues that are of high complexity, in an environment of changing context, and with questionable assumptions about the existence of rules of the past that can be generalised to future actions. (Sparrow 2009, p7)

There is then still an evolutionary view of the field (Stahl and Björkman 2006; Sparrow and Braun 2008; Dickmann et al 2008; Sparrow 2009; Stahl et al 2012). By following a problem solving approach to IHRM – that is, by focusing on the progressive issues that have been created in the conduct of business operations as a consequence of internationalisation – this perspective sees IHRM as entailing an explainable set of explorations:

IHRM has moved not through a haphazard and opportunistic expansion, but through a sequential development of thinking that has captured the successively evolving cultural, geographical and institutional challenges faced by the multinational corporation. . . whilst IHRM indeed now covers a large and complex territory, it has come to represent an accepted set of doctrines about the nature of IHRM. . . There is a logical pattern to the ‘issues-driven’ concerns that the field of IHRM has to face, absorb, interpret then re-analyse through international lenses. . . with a number of contemporary issues – reverse knowledge flows, skill supply strategies, employer branding, e-enablement, outsourcing, global networks – now needing to find [more] voice within the literature’ (Sparrow 2009, p4)

The problem-solving perspective acknowledges that there is an increasingly complex set of contextual factors at play, but also considers that the IHRM field has expanded, in parallel with – and has been driven by the drumbeat of – progressive problems of internationalisation. These problems have undoubtedly become more deeply embedded within organisations.

A number of research handbooks on IHRM, including those by Sparrow (2009), Björkman et al (2012), and Dickmann et al (2016), have pointed out the tension between relevance and coherence. Björkman and Welch (2015, p136) capture this as follows: