

**Human Resource Management in Multinational  
Enterprises: Evidence from a Late Industrializing  
Economy**

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## Introduction

Proponents of globalization suggest that economies are increasingly integrated leading to the emergence of more standardized global management systems and converging HRM practice across countries (Sera 1992; Pudelko and Harzing 2007). Multinational enterprises (MNEs) are arguably the organizational form most likely to ascribe to a standardized management approach because of their susceptibility to globalizing forces (Brewster et al. 2008). While much international management and business scholarship has focused on whether foreign MNEs ascribe to the local norms and traditions, less insight has been provided into HRM practices in domestically-owned MNEs (notable exception being Farndale et al. 2008) and whether these firms seek to implement what may be considered as dominant or what Pudelko and Harzing term ‘perceived global best practices’ (Pudelko and Harzing 2007, p. 536; also see Smith and Meiksins 1995). Gooderham and Nordhaug (2003) suggest that best practice in this context means the application of practices which are perceived as key contributors to performance. Pudelko and Harzing (2007) are more specific in stating that perceived best practice effectively refers to US management practices, reflecting that country’s economic dominance over recent decades and the increased HRM discourse that is now evident in business and which is strongly North American led.

This paper further contributes to the literature on a possible convergence and standardization of HRM practice – particularly those suggesting a US styled, ‘best practice’ HRM model is increasingly prevalent (Pudelko and Harzing 2007; 2008). We investigate whether the HRM practices in MNEs from a small, late developing but highly globalized economy resemble those of MNEs from larger, early industrializing nations. Research on small and/or late industrialized countries remains minimalist at best with the exception of the growing literature on the larger, developing Asian economies and India (McDonnell et al. 2011). The focus is on the macro level (i.e., HRM practices at an organizational level) which Batt and Banerjee (2012) argue has received comparatively less attention vis-à-vis micro level analysis (i.e., work group or employee level).

We are especially interested in the ideas of globalization, dominance and spill-over effects on HRM practice in indigenous or domestic-owned MNEs. At a general level, these effects refer to the influence of large and economically powerful economies on smaller, less powerful

countries, often manifested through the dependence of smaller host economies (e.g., Ireland) on foreign direct investment (FDI) from larger, developed economies (e.g., US). MNEs emanating from larger economies may act as conduits for the transfer of their home country management practices to host locations. These may subsequently be taken onboard by domestic companies who have become international organizations and that look to mimic their more established and apparently successful counterparts (Begley et al. 2005). This is arguably more likely where organizations potentially have to play ‘catch-up’ in that they are recent to global markets. Thus, they have to find a means to gain competitive advantage over established firms.

The paper draws upon a large-scale representative, organizational-level survey of MNEs operating in Ireland, one of the most ‘MNC-dependent economies in the world’ (Gunnigle et al. 2005, p. 241), to answer the research question: to what extent is there similarity or variation in the HRM practices of indigenous and foreign MNEs?

We now engage with the literature on globalization, dominance and spill-over effects and best practices, incorporating the challenges inherent in identifying such practices. We also make use of the ‘country of origin’ literature in these early sections. Then, the research context is discussed and the methods that were used are espoused. The results are subsequently provided before considering what they mean, their contribution to existing knowledge and how future research might proceed to further improve understanding of how MNEs behave.

## **Best Practices and Globalization, Dominance and Spill-over Effects**

Arguably the most researched aspect of international and comparative HRM has been on country of origin and host country effects. This body of literature is typically situated within the institutional (DiMaggio and Powell 1983) and cultural (e.g. Hofstede, 2001) schools of thought. Much of this scholarship demonstrates that there are country of origin effects in the HRM policies and practices of MNEs (e.g. Almond 2011; Almond et al. 2005; Bjorkman et al. 2007; Ferner 1997; Lavelle et al. 2010; Noorderhaven and Harzing 2003). The argument is made that the greater the cultural or institutional distance between the HQ and subsidiaries, the less likely a MNE will seek to transfer practices across operations. Hence, where there is more similarity in the cultural and institutional distance greater standardization of practices is likely.

While acknowledging the weight of evidence that exists on country of origin effects being present in MNE approaches to HRM, Pudelko and Harzing (2007; 2008) argue that there is increasing adoption of global best practices – a result of organizations’ desire to enhance competitiveness by mimicking dominant and apparently successful models. For some time it has been argued that MNEs represent one of the principal means through which management practices are globally diffused (Bartlett and Ghoshal 1989). According to Pudelko and Harzing (2007, p. 539), hyper-competition and the global integration of economies means that ‘the importance of the concept of learning from best practices defined by dominant economies has increased’. Typically, the idea of best practice has been ascribed to the approaches adopted by US-, Japanese- and German-owned MNEs due to the strength of their respective economies and concomitant legacy of economic dominance (Smith and Meiksins 1995). Typically, the US is considered as the primary dominant model (Edwards et al. 2005). Recent empirical work pointed towards evidence of a dominance effect, specifically that subsidiary HRM practices of Japanese and German MNEs were converging towards dominant US practice (Pudelko and Harzing 2007; 2008).

Scholarship has also considered the idea of spill-over effects in the context of whether the HRM practices of foreign-owned MNEs are similar or different to domestic firms (Turner et al. 1997). Whilst strong consistency in results has failed to materialize across these different studies, the tentative conclusions suggest that HRM in foreign-owned MNEs is different to that in domestic firms (Geary and Roche 2001; McGraw and Harley 2003). More specifically, it appears that whilst foreign MNEs may have to adapt local practices on occasion (e.g., for cultural and legislative/regulatory reasons), overall they appear to be more formal and sophisticated in terms of their HRM practices (Hiltrop 1999; McGraw and Harley 2003) than domestic organizations.

Of particular importance here is the work of Geary and Roche (2001, p. 124) who argued that domestic firms were ‘increasingly introducing new HR practices most often associated with MNCs’. They propose that this may be the result of foreign-owned firms acting as exemplars to domestic organizations and managers with respect to HRM. Begley et al. (2005) identified the role of US FDI in facilitating the development of a strong cadre of managerial talent and the early dominance of American FDI as a training ground for Irish managers. As one Irish executive observed, ‘we learned our business skills from American companies, so we are

familiar with them' (Begley et al. 2005, p. 209). Domestic firms and, more especially, domestic MNEs may 'buy in' talent that have experience working in foreign MNEs which may facilitate knowledge transfer and provide a platform for cross-fertilization of practices that may not be typical of these domestic organizations. Moreover, increased emphasis on investment in education and the impact and popularity of Harvard styled MBA programs reflect an additional factor that we contend may contribute to commonality in Irish – US business practice.

We draw on, but undertake a somewhat different focus to, the aforementioned literature by contrasting indigenous MNEs and foreign firms rather than the traditional approach of comparing foreign MNEs against indigenous firms. This is an approach which Farndale et al. (2008) argues as having much value and merit. The Cranet studies have been particularly focused on this area investigating the practice of domestic and foreign firms in different contexts (e.g., McGraw and Harley 2003 in Australia). We suggest that domestic MNEs as opposed to domestic firms are a key distinction too often ignored, and have the potential to provide different insights. Domestic MNEs are more likely to be faced with the pressures of globalization and the inherent competition this brings, compared to firms which only operate in the domestic market (McGraw and Harley 2003). They are therefore more likely to deploy more formalized and sophisticated management systems and practices in grappling with these challenges. While this may be argued as a plausible scenario, empirical evidence on the HRM systems of MNEs from smaller, later developing countries is somewhat thin on the ground. This paper helps address, in part, this knowledge deficit.

Child (2000) has previously proposed that MNEs can influence the actual structures of national business systems and the policies enacted by institutions within countries. Ferner and Varul (2000) highlighted the innovative capabilities (both positive and negative) of MNEs as a medium for diffusing management practices within different national business systems. Consequently, we contend that a dominance or spill-over effect may occur where the HRM practices of domestic-owned MNEs are shaped by the practices employed by foreign MNEs:

Firms that operate across national boundaries are most exposed to the forces of globalization, and hence are most likely to fall in line with dominant worldwide practices aimed at enhancing competitiveness in world markets (Brewster et al. 2008, p. 321).

Given the large US investment in Ireland (detailed later), and the permissive nature of the Irish business system (Clark et al. 2005; Gunnigle and McGuire 2001), Irish MNEs may look to imitate what may be perceived as best practices which some scholars (e.g., Pudelko and Harzing 2007; 2008) ascribe to as those emanating from US firms. In effect we may expect mimetic isomorphism (DiMaggio and Powell 1983) whereby there is some degree of ‘a spill-over effect’ from foreign MNEs to the domestic firms (Geary and Roche 2001, p. 124). Given the competitive nature of global business, domestic MNEs may mimic management practice in ‘successful’ MNEs in an effort to accelerate international growth and concurrently avoid some of the pitfalls and costs of engaging in international business, including unfamiliarity with different economic, cultural and political environments (Zaheer 1995).

Without possessing unique corporate competencies a company can only imitate what others already do well (Pudelko and Harzing 2008, p. 400).

Newer MNEs, in this context Irish MNEs (i.e., MNEs from a recently industrialized and internationalized economy), are arguably disadvantaged due to their levels of international experience not being equivalent to their more mature counterparts. A major challenge for these MNEs is developing management practices which assist in reducing the potential disadvantages of internationalization into markets and economies that have seemingly been dominated by longer-established MNEs. For instance, it has been argued that MNEs from small or late developing economies will be disadvantaged due to their lack of international market experience when compared to more seasoned global competitors (Wells 1983; Monks et al. 2001). As a result, firms relatively new to multinational status may place significant emphasis on establishing well-developed HRM policies and practices early on in their internationalization ‘path’. Kim and Gray (2005) note that MNEs need to be more sophisticated than domestic firms in their management systems because it will assist them in effectively dealing with the dynamic, evolving environments faced. At a minimum, such firms are looking to gain some level of competitive parity with existing international firms. In saying that, HRM is not always viewed as integral to business success and is often a supporting, reactionary function (if even that) in international business growth strategies (Welch and Welch 1997).

Summarizing the literature, one can take the view that the HRM approach of home-owned MNEs from a country classified as a late industrializer and internationalizer may hold much similarity to foreign firms, especially US firms, due in part, to mimetic isomorphic pressures. On the other hand, one could argue that considerable variation will be likely on the basis that HRM formalization and sophistication would not have been high on the priority of internationalizing domestic firms (Monks et al. 2001). Furthermore, with Ireland's characterization as a liberal market economy, corporate leeway to be innovative and different will be relatively high (Farndale et al. 2008; Ferner 1997).

### **The Challenge of Identifying Dominant/Global Best Practices**

A key challenge for researchers that seek to interpret similarities or differences in the results from different studies on whether there is an HRM best practices model emerging is that there is no commonly agreed theoretically or empirically derived list of HRM practices that one can draw upon on which to test the diffusion of practices (Becker and Gerhart 1996; Brewster et al. 2008; Edwards et al. 2013). In discussing the idea of 'best practices', high performance work systems (HPWSs) inevitably come to the fore (e.g., Combs et al. 2006). Although our paper is not focused upon whether particular HRM practices lead to better organizational performance, we utilize this body of scholarship as an indicator of the HRM practices that MNEs are likely to implement. The HPWS literature does not identify a definitive list of HRM practices, however there appears to be a consensus about the HRM functional areas that are important, which we draw upon in this paper: training and development, compensation, staffing, employee empowerment and communication (e.g., Becker and Huselid 1998; Bjorkman et al. 2007).

The literature focusing on country of origin effects varies on focus from those primarily interested in specific issues such as employee representation and consultation (e.g., Gunnigle et al. 2005) or corporate control mechanisms (e.g., Harzing and Sorge 2003) to ones that have somewhat greater breadth in terms of HRM practices (Farndale et al. 2008). Pudelko and Harzing (2007) draw conclusions about the move towards dominant (US) practices based on analysis of 12 subjective, micro-focused, bipolar scale measures, covering recruitment, training, promotion, communication and employee incentives. Brewster et al. (2008) focused on different HRM practices but the substantive areas of training, employee consultation, employee incentives and communication were employed. Our study also incorporated most of

these substantive areas of HRM, as well as incorporating dimensions which have received limited attention to date. We also focus on international or global structures and practices, including the utilization of worldwide human resource information systems (Kavanagh and Mohan 2008) and global talent management practices. We propose that these are particularly relevant given their global orientation and consequent lower susceptibility to local pressures for adaptation. Further, in our desire to consider the conclusions of Pudelko and Harzing (2007; 2008) we incorporate a range of practices (e.g., direct forms of employee involvement, performance related pay) which are often construed as indicative of an individualist approach to HRM, viewed as endemic of US business culture (Enderwick 1985; Hofstede 2001). The specific practices incorporated in our study are explained in the methodology section and the descriptive results can be found in Table 1.

### **Looking Beyond the Usual Suspects**

A novel contribution of this paper is the focus on a small, highly globalized and highly FDI-dependent economy. Global business is no longer the preserve of large MNEs from the major, mature economies. The 2010 World Investment Report identified a significant number of small economies in the top 20 sources of FDI outflows, including Ireland, Australia, Netherlands and Denmark (UNCTAD 2010). Gammeltoft et al. (2010, p. 95) note that considerable MNE activity stems from the traditionally peripheral economies which are ‘reshaping the structure of international business’. While many of these emanate from large emerging economies such as China, India and Russia, many others are small, later developing countries like Ireland. The focus here is somewhat unusual since much of the extant scholarship has focused on the ‘usual suspects’ – ‘firms [MNEs] that hold dominant positions in important industries, firms that have been in existence for a long time and firms with a strong, recognizable brand’, specifically large, well known, US-owned, manufacturing companies such as Intel, GE and Microsoft (Collinson and Rugman 2010, p. 442).

Ireland’s development trajectory is much later than that of larger economies such as the US, UK and Japan and explains why Ireland is generally classified as a late industrializing and internationalizing economy (O’Malley 1985; 1992). Ireland remained part of the UK until gaining independence in 1922. However, the Irish economy continued to rely on the UK for international trade until the 1960s, when exports to the UK fell from 90% to less than 30% (Barry and Bradley 1997). The UK remains the major source of imports into Ireland (Barry



and Bradley 1997), and UK MNEs continue to play a crucial role in the Irish economy. The most recent IDA<sup>1</sup> data identified UK companies as the third largest group (after the US and Germany) by country of origin and source of employment (IDA Ireland 2012).

Given the historical development of the Irish economy and the overwhelming importance of FDI flows from the US and UK, it is plausible to argue HRM practice among domestically-owned MNEs are likely to have been shaped by practice in MNEs from the UK and the US, particularly the latter given its status as a role model for global best practice (Pudelko and Harzing 2007; 2008; Smith and Meiksins 1995). Irish MNE management practices susceptibility to the influence of foreign-owned practices are likely to be accentuated by the fact that outward FDI and Irish MNEs are a relatively new phenomenon (Brennan and Verma 2012; McDonnell 2008; Monks et al. 2001) given that much of the country's industrialization has only taken place since the early 1960s (Buckley and Ruane 2006). The acceleration of economic development can be directly traced to the public policy u-turn in the late 1950s when the government of the day eschewed the extant strategy of protectionism, opened up the economy to international trade and offered a package of financial and other incentives to proactively attract inward FDI (O'Gráda 1997). While the precise configuration of this package has been tweaked over time, the essence remains largely intact and its legacy is evident in the huge proportion of economic activity accounted for by MNEs and particularly in the surge of investment by MNEs in Ireland during the FDI boom from the early 1990s.

Ireland is one of the world's most economically globalized economies (KOF 2010) characterized by a particularly strong presence of US MNEs (Lavelle et al. 2009). The recent OECD fact book (2010) reported Ireland having the fifth highest ratio of inward FDI stock to GDP amongst OECD nations, as well as the highest ratio of employment in foreign subsidiaries across services and manufacturing industries. The great majority of FDI in Ireland emanates from the US. Indeed, the extent of US FDI in Ireland is staggering when one considers it has a population of just 4.6 million. Almost one fifth of US global investment in the professional and technical services sector is accounted for by Ireland (Walsh 2010). Subsidiaries of US MNEs contribute approximately one third of all corporation tax collected and more than one quarter of Ireland's GDP (Walsh 2010). Moreover, Ireland has received

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<sup>1</sup> IDA Ireland is the agency charged with attracting foreign investment in Ireland.

significantly greater capital investment from the US than the BRIC (Brazil, Russia, India, China) countries combined (Hamilton and Quinlan 2008; Quinlan 2011).

In addition to inward flows, the US is also the largest recipient of Irish FDI outflows and the country now boasts a cadre of indigenous firms with extensive foreign operations. Thus Ireland is now both a significant source and target of FDI (Gorg 2000; UNCTAD 2010) which makes the focus on domestic MNEs timely. The development of domestic MNEs is viewed as a natural occurrence as firms move along a growth and development trajectory, particularly in countries with a small national market (Forfás 2006). O'Toole (2007) found that 212 Irish firms have established greenfield sites in foreign locales since 2002, with the US alone host to more than 200 Irish-owned firms (Walsh 2010). Outward FDI data demonstrates that Irish firms are investing in international operations like never before (O'Toole 2007), evidenced by the fact that Ireland's stock of outward FDI as a percentage of GDP is well above the EU average (Forfás 2007). Yet despite these data we have very little research evidence on Irish-owned MNEs (notable exceptions are Donnelly 1999; Monks et al. 2001). Monks et al. (2001) found some Irish-owned MNEs used quite 'comprehensive and proactive IHRM policies and procedures to assist them in the process of internationalization' while others were less sophisticated in their approach. This study was, however, based on only 11 MNEs and is now dated.

## **Methodology**

In this paper we draw on data from a large-scale representative study of HRM practices in MNEs operating in Ireland. The study addresses the limitations of existing studies which too often lacked comprehensiveness by failing to accurately capture the full population of MNEs in a country (cf. Collinson and Rugman 2010; McDonnell et al. 2007). By first developing a comprehensive listing of all MNEs in Ireland and then administering a detailed survey to a representative sample, this study helps redress the limited availability of representative, generalizable data (see Lavelle et al. 2009 for greater detail on the methodology). The first stage of the study identified a population of 563 MNEs (491 foreign- and 72 domestic-owned). Foreign MNEs were defined as wholly or majority foreign-owned organizations in Ireland with 500 or more staff worldwide and at least 100 in their Irish operations. Domestic MNEs were defined as all wholly or majority Irish-owned organizations with 500 or more employees worldwide and at least 100 in their foreign operations. The population was

stratified by country of ownership and sector with a sample of 423 companies selected. Of this sample, 46 companies subsequently were removed due to having ceased operations, not meeting the selection criteria at the time of the survey or double-counting. Consequently, an additional 37 companies were added from the residual population to compensate for these losses, and the total valid sample of MNEs for the fieldwork was 414. The second stage was to conduct the fieldwork which took the form of a survey administered through structured personal interviews with the most senior HR practitioner able to answer for all of the Irish operations. The questionnaire consisted of a series of questions across five core HR areas – the HR function, pay and performance management, employee representation and consultation, employee involvement and communication, and training, development and organizational learning. We also collected a vast range of background data on the operations of MNEs. The survey was strongly focused on actual practice which meant that we drew extensively on dichotomous and list type questions although there were a small number of Likert scales used. This paper draws on a select number of variables from the larger project.

Interviews involved the HR Director/Senior HR Manager and took between 40 to 60 minutes. The fieldwork took place from June 2006 to February 2007 and yielded 260 questionnaires (213 foreign and 47 indigenous MNEs), an overall response rate of 63%. This response rate is commendable when compared to response rates for organizational surveys which Baruch and Holtom (2008) suggest average 35%. We tested for non-response bias (i.e., to establish if there were any significant differences between participating MNEs and those that chose not to) by analyzing the participant firms against two criteria (country of origin and sector), collated from the population development stage. These tests found that non-response bias was not a concern. Our data were not weighted due to the level of similarity with the overall population.

Although the study was based on a structured instrument, some participants did offer additional information in the interviews. We collated the qualitative data provided and following the suggestion of one of the reviewers we utilize this to help elucidate the quantitative results where appropriate. It is important to note that the qualitative aspect cannot be classified as representative as it was entirely at the discretion of the participant to offer additional comment beyond the questions asked.

## **Measures**

Our key interest is whether HRM in Irish-owned MNEs (n=47) is statistically different to foreign-owned MNEs, and particularly US- (n=101) and UK- (n=35) owned firms. We also incorporate a rest of the world category (n=77) but due to its disparate nature, we urge caution in making any conclusions here. Each of the dependent variables are now explained. We identified 16 dependent variables, which we categorized under five broad headings – organizational and global HR structures, performance management, rewards and remuneration, global talent management, and employee representation and consultation.

#### Organizational and global HR structures

1. *International business structures* – refers to the presence of at least one of the following structures: international product, service or brand based division, regions (e.g., Europe or Asia-Pacific) or global business functions (e.g., manufacturing, R&D, sales).
2. *International HRIS* – refers to the presence of a worldwide HR information system (such as PeopleSoft or SAP HR).
3. *HR Shared Services Centre* – refers to the presence of a shared services centre where common HR services are provided to a range of operating units or divisions in Ireland.

#### Performance management

4. *Performance appraisal* – refers to the presence of a formal system of performance appraisal.
5. *Forced distribution* – refers to the presence of a system of forced distribution to the results of appraisals i.e., a certain percentage of employees must be in a particular performance category or rating. This variable only applies to MNEs reporting the use of performance appraisals.
6. *Peer/Upward/360 degree appraisals* – refers to the use of peer, upward or 360 degree feedback in evaluating employee performance. This variable only applies to MNEs reporting the use of performance appraisals.

#### Rewards and remuneration

7. *ESOP* – refers to the presence of an approved employee share ownership scheme which is a trust that acquires company shares on behalf of employees, providing staff with part ownership of the firm.

8. *Profit sharing* – refers to the presence of a profit sharing scheme. Profit sharing refers to financial rewards provided to staff beyond their normal salary and bonuses that are dependent on profit levels in the firm.
9. *Share options* – refers to the presence of a share options scheme which is where employees are given the option of buying company shares, often at reduced rates.
10. *Variable pay* – refers to the presence of a system of variable pay at the individual or team level (for example merit pay or performance related pay).

#### Global talent management

11. *Global succession planning* – refers to the presence of a formal system of succession planning that is used across the worldwide operations of the MNC.
12. *Global management development* – refers to the presence of a formal management development program that is used across the worldwide operations of the MNC.
13. *Global management training* – refers to the use of formal global management training to develop managers. This variable only applies to MNEs reporting the presence of a formal management development program.

#### Employee representation and consultation

14. *Representative structures* – refers to the presence of collective employee representation structures, either trade unions or non-union structures of collective employee representation.
15. *Participative structures* – refers to the presence of formally designated teams and/or problem-solving groups.
16. *Communication structures* – refers to the presence of a high number of communication practices (by high we mean have at least six out of the following seven communication type practices: meetings between senior managers and the whole of the work force, meetings between line managers or supervisors and employees, attitude or opinion surveys, suggestion schemes, systematic use of management chain to cascade information, newsletters or emails, and company intranet).

We utilize three key control variables in our analysis:

1. *Worldwide employment* refers to the total number of employees in the worldwide company, <5,000 employees (n=80); 5,000-29,999 employees (n=88); 30,000-59,999 employees (n=34); >60,000 employees (n=58).
2. *Irish employment* refers to the total number of employees in the Irish operations of the ultimate controlling company, <500 employees (n=141); 500-999 employees (n=42); >1,000 employees (n=77).
3. *Sector* is operationalized as a dichotomous variable with 1 = Manufacturing (n=120) and 2 = Services (n=140).

### **Statistical Analysis**

Given our focus on whether a practice is used or not, binary logistic regression was deemed to be the most appropriate statistical technique. Before carrying out the regression analyses, the independent variables were checked for multi-collinearity. The tests utilized included exploring the condition index, tolerance values and the variation inflation factors. No problems were evident. The suitability of the data for the regression models were tested using the Hosmer and Lemeshow (H&L) Goodness-of-Fit test, each of which showed up as non-significant indicating the models adequately fit the data. The H&L test is generally considered the most robust measurement of model fit for logistic regressions than traditional chi-square tests (Peng et al. 2002). The Nagelkerke R<sup>2</sup> was used as a supplementary evaluative method and the findings for each regression reinforced the results of the H&L test, although the figures are relatively low.

### **Results**

Irish-owned MNEs represent a significant proportion of all MNEs in Ireland although US firms are by some distance the most prevalent, accounting for 40% of the total population. Most Irish MNEs are recent or new to multinational status with seven in ten having internationalized post-1980. Irish MNEs tend to be the largest in terms of employment in Ireland but small to medium in terms of worldwide employment compared to the foreign firms. Fifty-seven per cent of Irish-owned MNEs employ more than 1,000 people in Ireland

compared to just 23% of foreign MNEs, whereas 27% of foreign MNEs have a worldwide labour force in excess of 60,000 which contrasts with just 2% of indigenous firms.

Observation of the frequencies in Table 1 suggests that HRM in Irish MNEs may be quite different to their foreign-owned counterparts, particularly when compared to US firms, across the majority of HRM practices. For example, the descriptive results point towards lower numbers of Irish MNEs utilizing international human resource information systems, HR shared services centres, forced distribution and 360 degree appraisals, financial participation schemes, variable pay, global talent management practices and structures for employee participation and communication.

*Insert Table 1 here*

The extent to which these are significant differences can only be determined through multivariate statistical analysis which we now turn to (see Table 2). The regression analyses provide confirmation that there are some notable differences between Irish-owned MNEs and their foreign counterparts although there is no statistically significant difference between UK-owned MNEs when compared to Irish MNEs. On a macro-type organizational structure level we found that Irish-owned MNEs are significantly less likely to report the presence of international business structures than US MNEs.

Turning to the HRM measures, we find significant differences between Irish- and US-owned MNEs in six cases. Irish-owned MNEs are less likely to have an international HRIS ( $p < .05$ ), undertake formal performance appraisals ( $p < .05$ ), have formal global management training as a component of their global management development programs ( $p < .05$ ), provide employee participation structures ( $p < .05$ ) and offer a high level of employee communication mechanisms. Irish MNEs were, however, found to be more likely to have employee representative structures as compared to their US counterparts.

Although the ‘rest of world’ category is disparate, there are some interesting results that demonstrate differences between Irish-owned MNEs and these non-US and UK MNEs. We find that Irish MNEs vis-à-vis this rest of world group are more likely to use HR Shared Services Centres ( $p < .05$ ), offer ESOPs ( $p < .01$ ) and have representative structures ( $p < .05$ ), but are less likely to have participative structures ( $p < .05$ ), and communication structures ( $p < .01$ ).

*Insert Table 2 here*

There were nine participants (n=47) in the Irish-owned MNEs that volunteered additional information on their HRM practices, all of who suggested that they were considerably behind other MNEs in terms of sophistication and formalization. There appeared to be a view that foreign MNEs were more advanced in their approach to HRM and that HRM in many Irish MNEs was only beginning to gain some degree of traction and importance in terms of how higher level management viewed the function. The following four quotes are indicative of the additional information gathered from Irish MNEs regarding views of their current HRM policies and practices:

I think and I have a lot of experience with Irish MNEs that Irish firms are not very formalized or structured in terms of HR. They are not very sophisticated regarding HR policies and practices – HR Director, Irish manufacturing MNE.

We are not very advanced in HR, very much the older personnel style rather than an advanced HR system – HR Director, Irish services MNE.

HR would not be regarded as central to company strategy which you can really see by the lack of HR personnel per se on sites, there would be no function on the board etc. The company is still very much owner driven in everything it does – HR manager, Irish manufacturing MNE.

Senior management would not really view HR as critical because you can't quantify it, it is not viewed as integral. For example, taking HR into account when developing corporate strategy would not happen – HR manager, Irish services MNE.

## **Discussion, Conclusions and Future Research Avenues**

The most critical outcome of our findings is that they shed doubt on the contention of US styled, global best HR practices being the norm in MNEs (Pudelko and Harzing 2007; 2008). The predominant differences in the HRM practices of Irish MNEs and US firms could be



classified as those most indicative of the individualist type practices which are often considered endemic of US business culture (Hofstede 2001). US MNEs have long been recognized for their greater centralization and formalization with regard to HR and industrial relations issues, including pay systems, union recognition/avoidance and consultation, and have been suggested as principal innovators in practices such as performance related pay and direct forms of employee involvement (e.g., Enderwick 1985). For example, US MNEs are more likely to have formal performance appraisals, offer high levels of direct communication and participation channels and less likely to provide collective representative structures to staff. In addition to these results being quite characteristic of the US business culture, they may also be linked to union recognition since domestic MNEs are significantly more likely to recognize trade unions and typically unionized environments are less likely to have individual performance appraisals (Verma, 2005). Overall the data indicates variation not similarity. It would be interesting to consider whether these findings hold true in other countries, particularly amongst the smaller, later developing economies. Through consideration of additional contexts support may grow for considering the development of new models and theories beyond existing ones that are drawn predominately from research in the largest and most mature economies.

Our results here indicate that there are differences in aspects of the business structures and HRM practices between Irish and foreign MNEs, especially with US firms. Farndale et al. (2008) previously found significant variation between foreign and domestic MNEs on the use of share options and profit sharing, strategy briefings and individual pay bargaining. Differences between Irish- and US-owned MNEs were found in almost half of our measures though not with respect to financial participation, one of the most significant areas of difference in the Farndale et al. (2008) paper.

A further finding of note was the lack of significant variation on most of the measures between Irish-owned MNEs and UK firms. This may reflect the incredibly strong historical and economic relationship between the UK and Ireland. Due to this history, it is unsurprising that many features of the Irish business system were initially modeled on British traditions, while the UK also represents a key location for international investment (Monks et al. 2001). Consequently, the greater degrees of similarity in the incidence of the HRM practices we investigated are not altogether unexpected.

While there have been no studies that have considered Irish versus foreign MNEs, there has been considerable research that has examined domestic, Irish firms and foreign MNEs (cf. Geary and Roche 2001; Turner et al. 1997). Geary and Roche (2001) found evidence of differences between foreign and domestic firms in Ireland but suggested that domestic firms were increasingly introducing new HR practices that could be typically associated with foreign MNEs due to a type of spill-over process taking place. Due to the similarity in practice in some areas, the idea of there being a spill-over effect may be evident but without longitudinal data and understanding the process of how practices are derived we are unable to make a strong interpretation on this. The lack of significant differences on the use of a formal global succession planning and global management development program was noteworthy as it may be linked to the significant discourse over the past few decades on there being a global war for talent. The global talent management literature has emerged due to MNEs facing significant challenges in locating and retaining sufficient numbers and quality of talent (e.g., McDonnell et al. 2010; Tarique and Schuler 2010). The lack of difference with US firms may also be linked to the point made by Begley et al. (2005) that US FDI had a significant role in the development of managerial talent.

Our data, unsurprisingly, fails to point towards an overall specific model of HRM practice that is endemic of all MNEs (Brewster et al. 2008). However, while the data does not support significant similarity between all MNEs, there is evidence of some commonality in the HRM practices being used in Irish MNEs and that of foreign MNEs. These areas of similarity may be aspects of HRM which domestic MNEs placed significant priority upon since internationalizing. We believe that our results point to the benefit of a replication study being undertaken to assist in reaching more conclusive findings on whether domestic-owned MNEs are increasingly introducing HRM practices in line with their foreign counterparts. This would assist greatly in informing the extent to which there is a spill-over effect taking place. A key challenge for researchers in this field is the lack of replication studies making valid comparisons very difficult. Too often different studies adopt quite disparate measures rendering comparisons problematic. We suggest that this is a key limitation of research in this area and one that merits greater attention. Linked to the need for further research, the data analyzed in this paper were collected in 2006/07, prior to the global financial crisis (GFC). We believe that the type of data collected and used in this paper (i.e., the presence of specific practices) are unlikely to have been significantly altered in a positive or negative manner due to the GFC, however we do acknowledge this as a possible scenario and thus is somewhat of

a limitation. The sheer fact that there was such a major global event adds to our call for future studies that seek to replicate and enhance the research design here.

Earlier we noted the lack of consensus on which HRM practices to incorporate. While we argue that we have included a significant number and variety of HRM practices to allow solid interpretations of the data we call on future studies to expand further both in terms of breadth and depth. Due to constraints in terms of the length of the survey instrument that we could use we were unable to capture a larger spectrum of HRM practices. In particular, additional questions on training and development and the inclusion of recruitment and selection practices (e.g., the use of assessment centres, psychological testing) would add value. Further, we call for greater consistency in the practices that scholars include in research studies so as to provide enhanced comparisons of results. Linked to this would be the benefit gained by incorporating domestic only firms into future research studies and looking at establishing the similarity or variation in HRM practices between them and domestic-owned MNEs. Farndale et al. (2008) previously demonstrated variation in the HRM approaches of domestic only firms, domestic MNEs and foreign MNEs. More particularly, research that explores whether HRM becomes a more important consideration to domestic firms looking at pursuing international business expansion and whether there is an increased emphasis as a firm goes through different stages of international growth would be a welcome addition to knowledge. This would require a longitudinal research design.

One of the few papers to consider Irish MNEs (Monks et al. 2001) but which was based on a small number of cases found that overall HRM was very reactive in internationalizing Irish firms with the function given little prominence (a point alluded to by some in our data). They did, however, find that some of the more recently internationalized Irish companies were more proactive in their HRM function and systems. This was ascribed to needing to find a competitive advantage due to being late to the international arena and having to gain some edge over existing firms. There is progressive acknowledgement of the potential for deriving competitive advantage from a firm's human capital when coupled with appropriate management structures and practices. This acknowledgement is, in part, due to the increasing professionalization of the HR community brought about through associations like the Chartered Institute of Personnel and Development (UK and Ireland) and Society for Human Resource Management (US) which provides forums for HRM 'best practice' discussion. The idea of best practice is something which these associations focus much attention upon. These

developments may give rise to increased cross-fertilization of ideas and thus promote innovations in HRM practice. The fact that Irish MNEs are quintessentially a recent phenomenon, coupled with increasing recognition of the role of HRM, may mean that there is greater emphasis placed on innovations in their management practices. We believe that research focused on the rate of innovation in HRM amongst MNEs of varying vintage would make for a worthwhile contribution as it has not been the subject of much investigation.

A final point we would like to make regarding future research directions is around the level of analysis. This paper considers the case of Irish-owned MNEs at the home/headquarters (HQ) level against that of the host/subsidiary level from the perspective of foreign MNEs. In the case of foreign MNEs, it is plausible that the Irish operations act as an HQ for the region or of an international product or service division, or global business function of the MNE. We explored this point in our data but due to the small numbers of foreign MNEs acting as HQs we were unable to explore further. However, it is important to acknowledge that the different level of analysis between comparing domestic and foreign MNEs within the one country is a limitation. It would be interesting to establish the similarity and variation of HRM practices of Irish MNE subsidiaries in different host contexts and compare how these match HQ practice and that of other foreign MNE subsidiaries. Irish MNEs in their home operations may struggle to change long-established practice (e.g., indirect consultation structures) but have the scope to do so in their foreign sites. Moreover, multi-level studies that investigate HRM in the home country as well as foreign subsidiaries would substantially aid our understanding in this area. While we call for and note the benefit of multi-level research, there is likely to be great difficulty in getting a sufficiently high number of respondents from the different operations of the same MNE to permit such analysis. A similar issue occurs regarding multiple informants. A limitation of this study is that we rely on a single informant. However, to do otherwise would have seriously inhibited our response rate. To address the potential concerns over common method bias, we adopted a research design in line with the recommendations of Wright et al. (2001) by interviewing the most informed respondent in each MNE, devoting considerable time in wording the questions, and piloting extensively. Furthermore, our questioning asked about the presence of actual practice rather than perceptions of the extent of practices existing.

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**Table 1: Frequency of HRM Practices in Irish- and Foreign-Owned MNEs**

	<b>Irish MNEs</b>	<b>US MNEs</b>	<b>UK MNEs</b>	<b>Rest</b>	<b>N</b>
<b>Organizational &amp; Global HR Structures</b>					
International business structures	70%	95%	88%	92%	258
International HRIS	44%	70%	49%	40%	254
HR Shared Services Centre	48%	45%	46%	23%	259
<b>Performance Management</b>					
Performance appraisal	89%	98%	91%	92%	257
Forced distribution	18%	49%	19%	24%	192
Peer/Upward/360 degree appraisals	52%	70%	55%	52%	202
<b>Rewards &amp; Remuneration</b>					
ESOP	35%	43%	32%	15%	252
Profit sharing	33%	34%	49%	27%	234
Share options	41%	66%	34%	34%	239
Variable pay	89%	93%	91%	96%	254
<b>Global Talent Management</b>					
Global succession planning	48%	67%	55%	56%	252
Global management development	42%	64%	49%	56%	245
Global management training	30%	71%	40%	51%	253
<b>Employee Representation &amp; Consultation</b>					
Representative structures	89%	66%	91%	78%	259
Participative structures	71%	86%	77%	87%	249
Communication structures	26%	75%	51%	56%	258

Note: Percentages have been rounded up. The 'N' is lower in a few cases due to the use of filter questions. For example, if the company reported that they did not utilize performance appraisals, then they were not asked if forced distribution was applied to appraisals.

**Table 2: Results of logistic regression analysis**

	US MNEs Odds ratios	UK MNEs Odds ratios	Rest Odds ratios	Hosmer & Lemeshow Goodness-of- Fit test	Nagelkerke R <sup>2</sup>
<b>Organizational &amp; Global HR Structures</b>					
International business structures	5.76*			NS	0.228
International HRIS	3.22*			NS	0.163
HR Shared Services Centre			-0.324*	NS	0.144
<b>Performance Management</b>					
Performance appraisal	8.735*			NS	0.146
Forced distribution				NS	0.189
Peer/Upward/360 degree appraisals				NS	0.191
<b>Rewards &amp; Remuneration</b>					
ESOP			-0.210**	NS	0.177
Profit sharing				NS	0.049
Share options				NS	0.168
Variable pay				NS	0.097
<b>Global Talent Management</b>					
Global succession planning				NS	0.227
Global management development				NS	0.194
Global management training	5.09**			NS	0.266
<b>Employee Representation &amp; Consultation</b>					
Representative structures	-0.132**		-0.283*	NS	0.161
Participative structures	3.467*		4.077*	NS	0.097
Communication structures	7.866**		3.703**	NS	0.221

*Notes: Reference group: Irish MNEs. Significance: \*\* 1% level; \* 5% level. NS = non-significant.*

*The control variables were significant in 9 out of the 16 regressions - International HRIS (sector), HR Shared Services Centre (worldwide employment), Forced distribution (worldwide employment), Peer/Upward/360 degree appraisals (worldwide employment), ESOP (worldwide employment and Irish employment), Global succession planning (worldwide employment), Global management development (sector and worldwide employment), Global management training (worldwide employment and Irish employment), and Representative structures (sector).*