

# Understanding Comparative and International HRM: A Review of Three Main Theoretical Perspectives

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## Abstract

The paper aims to provide an overview of three main theoretical perspectives, i.e., the universalists, the culturalists, and the institutionalists of comparative and international HRM practices. It critically assessed the philosophical positions, main assumptions and empirical evidence of those theoretical proponents. The universalists believe that organizational HRM practices are determined by the micro and the macro level contingencies such as organizational size, age, products and services as well as level of industrialization and factor endowments of the countries. The culturalists believe that cultural factors such as collective mental mapping of the people, norms, values and rituals of the countries influence the HRM practices. In contrast, the institutionalists argue that national institutional system forms the bases of organizational HRM practices in any given society or country. It is expected that the review will help HRM researchers to understand HRM practices from a comparative perspective and conduct future HRM research with a solid theoretical foundation.

## Keywords

Comparative and international HRM, universalists perspective, culturalists perspective, institutionalists perspective.

## Introduction

Since the emergence of human resource management (HRM) movement, numerous research studies (Absar, Nimalathan, & Jilani, 2010; Absar, Nimalathan, & Mahmood, 2012; Delaney & Huselid, 1996; Katou & Budhwar, 2007; Sing, 2004; Tzafir, 2006) have revealed that HRM became one of the pivotal sources of competitive advantage for contemporary organizations. However, identifying appropriate HRM for different national contexts is

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seen as one of the main challenges (Mahmood & Absar, 2015). Thus, researchers from different perspectives propose competing ideas or practices to understand and implement appropriate HRM practices deemed to be appropriate in different national contexts. Those HRM perspectives are broadly categorised as the universalist perspective (Hickson, McMillan, Azumi & Horvath, 1979; Schuler & Jackson, 1987; Womack, Jones, & Roos, 1990), the culturalist perspective, (Bjorkman & Lu, 1999; Hofstede, 1980, 1986, 1998; Schein, 1985; Sparrow & Budhwar, 1997; Tayeb, 1994; 1995) and the institutionalist perspective (Almond *et al.*, 2003; Ferner, 1994, Ferner & Edwards, 1995; Lane, 1989, 1995; Marginson & Sisson, 1994; Morishima, 1995). Each of these different perspectives is based on different assumptions and researchers have tried to link those assumptions with organisational HRM practices. Within the vast HRM literature, the paper aims to discuss the three main theoretical perspectives of HRM practices, their relevance and limitations in explaining the HRM practices in different national contexts to help researchers to understand HRM practices from a comparative and international perspective.

## **The Universalist Perspective**

The proponents of the universalist perspectives argue that organisational features possess universality related to economic and technological circumstances of the organisations irrespective of the societal contexts in which they are embedded (Hickson, Lammers, & Pugh, 1974; Hickson & McMillan, 1981; Pugh & Hickson, 1976). Therefore, organisational HRM policies and practices should be interpreted in relation to an organisation's size, products, markets, and technological development (Aldrich, 1979; Hickson *et al.*, 1979; Schuler & Jackson, 1997; Womack *et al.*, 1990). Most of the universalist theorists placed emphasis on micro-level organisational variables, and argued for some 'universal truths' or a 'set of universal practices' in the area of organisational structures and HRM practices that could be adopted in organisations worldwide irrespective of different national contexts. In case of HRM practices in multinational subsidiaries, researchers found that size, experience, ownership and sector of the multinational subsidiaries have an impact on universality or convergence of HRM practices across national boundaries (Purcell, Nicholas, Merrett, & Whitwell, 1999; Welch, 1994). There are also arguments about the sectoral, ownership and corporate governance influences on HRM practices in multinational subsidiaries. The process and stage of the internationalisation, such as early or late starter in international business operations, company life span, and product life stage seem to have linkages with HRM policy and practices of multinational corporations (Adler & Ghadar, 1990; Monks, Scullion, & Creaner, 2001; Welch, 1994; Welch & Welch, 1997). Methods of establishment, such as 'greenfield development' or 'brownfield acquisition' also seemed to have an impact on the HR practices of multinationals' subsidiaries (Guest & Hoque, 1996; Morris & Wilkinson, 1996; Oliver & Wilkinson, 1992).

In addition to the above micro organisational contingency theorists, some other universalists have argued that similarity and differences in HRM practices across different countries are related to their stages of industrial development and mental factor endowments. These universalists found the essence of their proposition in the work of Kerr, Dunlop, Harbinson, & Myers (1960) who argued that logic of industrialism generates convergence of organisational and institutional patterns in industrial societies, and thus erodes differences between organisational features and management practices across different countries. At the macro level, the 'logic of industrialisation' is supposed to mould multinationals into a common pattern of HRM practices (Kuruvilla, 1995, 1996). The level of industrialisation and the extent of government intervention influence employment regulations in different countries. They have impacts on HRM practices as collective bargaining practices (Fillella & Hegevisch, 1984), recruitment and dismissal procedures (Tregaskis, 1998), legislation of training and development (Felstead & Green, 1993; Tregaskis & Dany, 1996), and they provide guidelines for a range of other organisational practices (Gronhaug & Nordhaug, 1992; Guillen, 2000; Tregaskis, 1998). National industrialisation strategies also have significant influences on HR policies at the national level (Kuruvilla, 1996) and create distinct patterns of organisational HR practices that transcend sector, industrial and firm level boundaries (Beck, 1992; Kuruvilla & Arudsothy, 1995). An import-substitute industrialisation regime favours 'positive' (Kuruvilla, 1996) and 'welfarist' (Bhaskar & Khan, 1995) HRM practices, while an export-oriented industrialisation regime requires employment practices that emphasise productivity, low labour cost, increased skill formation, workplace flexibility and direct government interventions on IR issues (Kuruvilla, 1996; Katz, Kuruvilla, & Turner, 1993). However, identifying a country's industrialisation strategy seems to be difficult since several such strategies can be pursued simultaneously; shifts from one strategy to another vary from country to country due to the lack of a coherent policy framework (Bello & Verzola, 1993).

Likewise, from comparative advantage perspectives, researchers have argued that countries with similar factor endowments and at similar stages of industrialisation expect some degree of convergence in their employment policies and practices (Dunning, 1993, 2000). Country-specific factor endowments such as the amount and quality of land, the climate, the quantity of capital, the quantity and quality of labour force have a legitimate influence on modes of operations, and therefore, on employment organisation. Common corporate governance structure, product specialisation advantage, and market opportunities can lead to a common HRM pattern across different nations (Dunning, 1993).

Although universalist proponents were the pioneers in the area of IHRM research, their findings were not unequivocally accepted because of their limited ability to incorporate the 'internal political process' (Edwards, Rees, & Coller, 1999), 'power or authority relations' (Bary & Lansbury, 2000; Ferner and Edwards, 1995), and the cultural and societal contexts of the organisations (Child, 1972; Lane, 2000; Tayeb, 1998). In a changing open economy, when

national boundaries became blurred, the characterisation of MNCs on the basis of product market/nature and its linkage with integration vs. differentiation of HRM practices may be seen as an oversimplification (Bartlett & Ghoshal, 1986, 1989; Prahalad & Doz, 1987). Production integration in multinational subsidiaries may act as 'inter-unit linkage' and can facilitate 'benchmarking' of particular HR practices across countries or different locations (Sparrow, Schuler, & Jackson, 1994; Wright, McMahan, & McWilliams, 1994), but it may also create inter-unit rivalries among the subsidiaries (Monks, 1996; Schuler, Dowling, & DeCieri, 1993) which in turn may encourage subsidiaries to develop their own practices to compete successfully against each other. Edwards *et al.*, (1999) revealed the 'bi-directional' relationships between 'structural contingency factors' (i.e. markets, production systems and management structures) and 'political processes' internal to the organisations (i.e. ambitions and career aspirations of individual managers at the subsidiary level and strategies of the top management in the headquarters), and argued the need to consider the internal political process, i.e. the actions and structures of different organisational actors that also have a potential impact on the adoption vs. adaptation process of HRM practices in multinational subsidiaries.

The universalist approach also considers the contextual variables as factors of a 'non-cultural' kind and analyses organisations 'isolated' from their societal environment (Hickson *et al.*, 1974). These operational processes clearly reflect the overall tendency to consider the organisations as independent entities that could be analysed in terms of patterns of regularity and uniformity (Maurice, 1979). However, it has been revealed that societal differences in organising and generating human resources, and the pursuit of different business strategies, are reciprocally related. There is a good fit between types of product markets and strategies on the one hand, and the societal organisation and human resources profile on the other (Sorge, 1991). In the case of multinational subsidiaries, the contingency theorists explained HRM practices in terms of their relationship to organisational variables such as product-market strategy, size and method of establishment, but those organisational contingencies have links with the deep rooted institutional arrangements of the home country i.e. country-of-origin of the multinational parent company (Ferner, 1997; Lane, 2000). The systems of business organisations (Lane & Probert, 2003; Sim & Panadian, 2003), internationalisation process (Lane, 2000; Scullion & Starkey, 2000), and control mechanisms (Harzing & Sorge, 2003) all have links with the institutional arrangements of the home country as well as with the host country of the multinational subsidiaries. There have also been explanations from cultural perspectives. The choice of ethnocentric, polycentric or geocentric orientation, or the questions of standardisation or differentiation are not merely dependent on HQs' attitude, the product-market or industry logic, but might also be influenced by the cultural dimensions of the parent companies' country-of-origin. MNCs from countries with a national culture that scores high on uncertainty avoidance have a higher tendency to employ parent country nationals and adopt standardised HRM practices in their subsidiaries. Direct control of subsidiaries' HRM issues will be more important if the

level of cultural distance between the home and host countries is high (Harzing, 2004). Child and Kiesser (1979) reported the mediation of culturally-specific factors with contextual variables such as size of organisation, the nature of structures, and roles and behaviour within the organisations, and argued for the inclusion of the culture and ideas on managerial choice in the contingency model to allow for a meaningful explanation of variations in organisational practices.

## **The Cultural Perspective**

The cultural perspective argues that people in different countries have different values, attitudes and behavioural actions; therefore, organisations need to consider the cultural variations of different countries in developing their HRM practices (Hofstede, 1980, 1986, 1999; Lane, 2000; Laurent, 1986; Trompenaars, 1993; Trompenaars & Hampden-Turner, 1997). Cultural differences are evident in nationally divergent work values (Redding, 1976), work ethics (Sparrow & Budhwar, 1997), entrepreneurial spirit (Tayeb, 1988, 1995), managerial attitudes (Laurent, 1986; Meyer & Rowan, 1977) and have implications for organisational HRM practices (Adler, 1991; Adler & Bartholomew, 1992; Laurent, 1986). Each country has its own customs, values and traditions that could affect the way employees should be managed. Forms of compensation – intrinsic vs extrinsic (Gronhaug & Nordhaug, 1992), group vs. individual rewards (Paik, Vance, & Stage, 2000), direct vs indirect appraisal (Esterby-Smith, Malina, & Yuan, 1995), etc. - need to be a concern of multinationals' HRM practices.

Among the cultural proponents, Hofstede (1980, 1991) has provided the most extensive and systematic explanation of national cultural differences (in bi-polar dimensions) along which countries can be hierarchically ordered. These dimensions are power distance, uncertainty avoidance, individualism vs. collectivism, and masculinity vs. femininity. Hofstede (1980, 1991) suggests that culture patterns are rooted in the value systems of substantial groupings of the population and that they are also stabilised over long periods in history. These cultural notions can be useful in analysing and understanding managerial behaviour and actions. For example, in a high uncertainty avoidance culture, organisational structures and processes are designed to create predictability in the working environment and likely to develop specific rules, policies and standardisation practices in different functional areas. Conversely, in an over uncertain culture, there is a less structuring of activities, and non-standardisation and flexibilities are perceived to be beneficial (Bradley, Hendry, & Perkins, 1999). Self-interest usually acts as a driving force for people in the highly individualistic cultures (Hofstede, 1980) and therefore, performance related reward schemes might be more preferred by the employees. On the other hand, the collectivist culture drives people to maintain group harmony, and they may not prefer individualised performance related pay (Bond, 1989; Townsend, Scott, & Markham, 1990). They might be likely to prefer reward systems which do not create competition, for example, pay based

on seniority and qualifications instead of individual performance or achievement (Mammam, Sulaiman, & Fadel, 1996).

Other than Hofstede, a number of researchers also explained organisational practices with links to distinctive national traditions, values, attitudes and historical experiences. Derr (1987) found that in identifying high potential, some societies value technical and engineering expertise, whereas others prefer 'the classical generalist' with a 'broad humanistic perspective'. For example, in France, mathematics, science diplomas and engineering graduates have high status and firms encourage highly technical and narrowly-focused specialists. In contrast, in the USA and the UK, psychology and human relations are more valued and generally welcomed by the firms (Schneider, 1986). Tollgerdt-Andersson (1996) in his study about attitudes, values and demands for executive leadership, reported possible differences within the European countries. In Sweden, Denmark and Norway, 80-85 percent of advertisements placed considerable emphasis on personal and social qualities, whereas in Germany and in Great Britain, 64-68 percent of advertisements mentioned these qualities. In the Mediterranean countries, only 52-54 percent of the advertisements expressed such requirements. Greater emphasis is placed on formal education and references in France, Italy and Spain (Tollgerdt-Andersson, 1996). In a comparison between British and German managers (Stewart, Barsoux, Kieser, Ganter, & Walgenbach, 1994) found that 80 percent of German managers had completed a technical or commercial apprenticeship compared to 53 percent of their British counterparts. Evaluation is based on 'who you are' and 'who you know' rather than 'what you achieve' and 'what you know' (Schneider, 1989). According to Nyan (1995), the unique feature of Chinese performance appraisal practices is that they place great emphasis on the moral aspects, such as attitudes, party loyalty or family backgrounds. The respect for age and hierarchy may influence the Western type of performance appraisal discussion, as subordinates are unlikely to engage in candid discussion with their senior managers. Providing direct feedback without taking into account the need to 'save face' is unheard-of in many Eastern cultures (Tung, 1982) where confronting an employee in an open, direct manner would be considered to be very tactless. It is because, criticism of a subordinate in the presence of others can cause the subordinate to 'lose face' (Lindholm, Tahvanainen, & Bjorkman, 1999) in his community. In such a situation, the managers also lose face by placing the subordinates in such a demeaning position. A study of matched Chinese and UK companies (Esterby-Smith, Malina, & Yuan, 1995) observed marked differences with regard to pay and reward systems. The researchers directly attributed this to deeply-rooted differences between the two countries with regard to attitudes towards rewards. The attitude of 'eating from the same pot' (Esterby-Smith et al., 1995) implies that bonuses should remain very similar for all employees in a company and there would be much resistance in the introduction of differentials between individuals and even between groups of workers or levels of the organisation.

In Asian countries, the hierarchical nature of Hinduism (Lawler, Jain, Ratnam, & Atmiyananda, 1995) reincarnation of Buddhism and loyalty to superiors in Confucianism promotes seniority-based pay and promotion in the organisations. The class-based system of Hinduism and Buddhism may be expected to generate defined hierarchies in organisational structures and employment systems (Lawler et al., 1995; Schneider, 1989). In China, appraisal is often carried out through self-evaluation and 'democratic' sounding of opinions (Lindholm et al., 1999). In practice, an employee usually writes a self-evaluation and the comments are reviewed by superior managers and then transferred to the employee's personal file. It is common to gather opinions from a wide range of employees in order to strive for a 'democratic' evaluation (Easterby-Smith et al., 1995). Association between national culture and its related values and beliefs has also been observed in varied employment relations practices within Europe, for example between French and British oil refineries (Gallie, 1978).

Employee involvement practices such as team working, suggestion boxes, and quality circles need a cultural environment where contending issues can be settled through negotiations rather than by use of formal authority and rules, which require a medium to low power distance and a low uncertainty avoidance attitude society (Hofstede, 1998). Implementation of such employment practices in different cultures provides different results. For example, in Germany, these were acceptable because of national preference for decentralisation and less emphasis on the hierarchy and formalisation (Hofstede, 1980), whereas in France, the same practices were viewed suspiciously as an exercise of arbitrary power and manipulative play of management due to the ambivalent national views towards authority (Schneider, 1986). Setting objectives through discussion between managers and subordinates appeared to be rare in China. The Chinese usually "prefer to be told what they are to do" (Lindholm et al., 1999, p.152) which reflects the hierarchical nature of Chinese society (Bond, 1989), and in the work relationships there tends to be a pattern of "superior speaking and inferior listening" (Gao, Ting, & Gudykunst, 1996, p.286).

The cultural perspective does provide an impetus to explain the observed differences in employment practices between societies, and casts doubt on some universal theories of management practices (Black, 2001; Newman & Nollen, 1996; Schuler & Rogovsky, 1998; Wilkins & Ouchi, 1983). Research evidence has revealed the persistence of culturally-defined values and attitudes among multinational employees and differentiated outcomes of the same practices across different cultures (Fukuda, 1988; Mair, 1998; Wong, 1997). The cultural perspective can explain why certain practices tend to be more successful in one country than another (Bae & Lawler, 2000; Bae & Rowley, 2001; Hofstede, 1999; Tsurumi, 1986) and can also indicate why certain organisational forms develop in specific societies (Sim & Panadan, 2003; Wilkinson, 1996). It also provides a useful critique of some other universal theories when organisational effectiveness has been seen to be contingent upon adjusting employment practices within varied cultural settings. The development of different national employment systems such as hard/soft, or control/commitment orientated HRM practices is argued to be influenced by national cultural

contexts (Hampden-Turner, 1990; Hampden-Turner & Trompenaars, 2000; Townsend *et al.*, 1990). For example, hierarchy-based employment systems require a high power tolerance society (Negandhi, 1980) whereas flat organisational structures need a culture of co-operation and power sharing among employees in different organisational layers. These cultural proponents have also revealed the existence of corporate culture in multinational subsidiaries, and have argued for the successful reconciliation of corporate culture for better organisational performance in varied national settings (Baldacchino, 1997; Hofstede, 1986, 1998; Laurent, 1986). Multinationals need to find their way between uniformity and diversity in HRM policies across national boundaries. Strong cross-national corporate culture can have a unifying effect by offering unique common practices and can bridge national differences in HRM practices to keep the organisation together. It can also provide a distinctive competitive advantage over other competing organisations (Hofstede, 1998). Additionally, corporate culture helps multinational subsidiaries to permeate societal influences in different host countries (Mueller, 1994).

Although the cultural approach provides a frame of reference to understand organisational HRM practices (Hofstede, 1980; Laurent, 1986; Adler & Bartholomew, 1992), it has been criticised for not incorporating organisational context, structure, and actors' role and behaviour into the analytical framework to explain the variations (Ferner & Edwards, 1995; Lane, 2000). Multinationals may wish to transmit or transfer standardised HRM practices across the subsidiaries within similar cultural dimensions, but become unable to do so due to internal power structures and authority relations (Edwards, 1998; Ferner & Edwards, 1995). While the cultural approach says something about how tensions can arise during the process of transfer, it says little about how political activity is played out within organisations (Edwards, 2004). The development and transmission of corporate culture requires appropriate control and co-ordinated mechanisms among the multinational subsidiaries. Again, headquarters' attitude towards the adoption of common practices such as similar systems of job evaluation, and performance management and appraisal has an important role in the cross-national context. The national cultural frameworks are termed as typologies or classification systems (McSweeney, 2002; Rubery & Grimshaw, 2003) rather than as fully developed social science theory due to its limitations to explain process of the development of HRM practices in different national contexts. Organisations develop and adapt specific HRM practices over time in response to economic and technological changes as well as to the social and political pressures. Sorge (1991) argues that there is a continuous interaction between societal arrangement and industry profiles in the national context, and that this interaction results in innovation and change of business strategy, organisational and HR practices over time. Therefore, it seems more reasonable to place the HRM explanation into an institutional framework that can analyse enactment and unrelenting changes of organisational HRM practices in the national context.

The cultural approach focused mainly on differences between countries or regions rather than looking into the cultural differences within organisations

(Lawler et al., 1995; Tayeb, 1995). However, people from different social classes, religions and ethnic groups have different values and norms, and these also have an impact on their organisational activities (Sparrow & Budhwar, 1997; Tayeb, 1995). Hofstede's (1980) identification of national cultural dimensions has been criticised on the basis of the validity of the samples (i.e. representativeness) and the methods (i.e. measurement of values and beliefs), and his identification of corporate culture would be more appropriate to be considered as 'occupational culture' which is broadly related to specific professional norms and values across countries (McSweeney, 2002). Proponents of 'corporate culture' admit the development of professional values and norms through early socialisation of the organisational actors (Hofstede, 1998; Hofstede & Peterson, 2000), but deliberately overlook the institutional embeddedness of the organisational actors where that socialisation happens. While explaining the internal labour market concepts, Doeringer and Piore (1971) revealed that socialisation of actors in the organisational context must not be seen merely as indoctrination in 'enterprise particularism', because construction of such collective experience of social actors is affirmed well beyond the bounds of any particular organisation from which they derive. It seems that both the 'national culture' and 'corporate culture' proponents limit their analysis to the individuals and the workplaces, and that the institutional context of actors or workplaces in the wider space of the society where actors' 'mental mapping' or 'the way we do things' happens, have been left out of the analysis (Sorge, 1999). Analysis of organisational HRM practices without considering the wider societal space would be incomplete and partial in nature. Ferner and Quintanilla (1998) viewed culturalist approaches as inadequate to explain the changing nature of HRM practices, as cultural variables are ahistorical and static in nature. However, managerial actions are not just external to the organisation. They evolve through historical development, and are interwoven with institutional forces (Sorge & Warner, 1980). The institutional approach can explain the changing nature of the employment practices as institutions develop and adapt in response to social and political influences as well as economic and technological changes (Lane, 1994, 1998).

There is also evidence that dominant cultural values and attitudes in any society emerge in specific political, legal and institutional circumstances, but may not remain the same with the changes of those institutional contexts. The cultural approach fails to acknowledge the impact of changes in institutional circumstances on organisational HRM practices (Edwards, 2004). An institutional analysis can overcome the limitations of the cultural analysis as it can depict the reasons and impact of changes more precisely than culture (Dickman, 1999). Again, the relationship between cultural values and aspects of HRM practices are not uni-directional, rather interactive or even circular in causation, as institutional contexts affect cultural changes and these in turn have impacts on national HRM practices (Bae & Rowley, 2001). Darlington (1996) proposed a model that consists of a circular interaction of national culture (i.e. ideas from art, religion, and norms) with societal constructs (i.e. political and educational institutions). With all these critics, it seems that a

focus on the social and institutional context in which social norms and values emerge as well as the social process happens, may provide a better explanation of employment practices in distinctive national contexts.

## **The Institutional Perspective**

The institutional perspective begins with the premise that organisations are embedded in society (Scott, 1983; Zucker, 1987), and social institutions influence organisations in a systematic way to adopt distinct patterns in their work and employment practices that are deemed to be appropriate in their environment and are reinforced in their interaction with other societal institutions (DiMaggio & Powell, 1983; Mueller, 1994). The institutional theories can be used to explain the observed differences between the organisations within a particular set of institutional arrangements and social structures. According to this view, organisations reflect the society and the society reflects some aspects of organisational structures and policies (Mueller, 1994). In the contingency approach, such institutions are considered as sources of potential distortion or barriers, but in the institutional perspective, such institutions are an essential and integral part of social and economic organisation. The institutionalist approach does not reject the idea of contingency (Sorge, 1991), but makes the point that it should be analysed within a societal perspective, in order to reveal the organisational processes taking place in the society.

In the analysis of organisational and employment practices, the most acceptable version of institutional theory has become known as the 'societal effect approach' (Maurice, 1979), which asserts that organisational practices such as training, organisation of work, remuneration, and industrial relations should be considered as societal phenomena (Almond & Rubery, 2000; Mueller, 1994). This version focuses on 'reciprocal conditioning' of actor-space constellations of how actors construct organisations and how this constructive process is influenced by the societal fabric in which the actors operate, and the way they continuously modify this process (Maurice *et al.*, 1980). Thus, the societal-effect approach is a systematic analysis of social action which emphasises the interconnections between different social spheres (Maurice, 2000; Seller, 2000) such as manufacturing, industrial relations, education and training, and recognises that constellations of such interconnections can only be explored by considering historical and ecological factors together (Maurice *et al.*, 1980; Warner, 2000). Due to close links between the firm and the society, the societal-effect approach accords great importance to the interactions between various actors at different levels (Almond, 1999). This approach argues for a 'concentration of interactions' between educational, organisational and industrial relations systems that are 'concretely embodied' in relation to the interrelated social construction of the workers, the employers and the state (Maurice *et al.*, 1986; Seller, 2000). Thus, in the societal-effect approach, organisations are analysed in terms of the spaces (qualificational, organisational and industrial) in which they evolve and the process in which the societal factors interact

with each other. For example, Maurice et al. (1986) maintained that class relations of the society insinuate into the educational system in various ways such as choice of tracks, nature of teaching, orientation procedures, characteristics of teachers, ways of reacting to failures, behaviour of students and their families and attitudes towards occupational training. These factors, in part, develop the structuring in the educational system itself, and also contribute to the development of class relations in the organisational contexts. In the national industrial relations systems, a higher level of vocational qualifications facilitates worker-manager solidarity in organisational contexts. For example, solidaristic wage policies in Germany are seen as the outcome of industry or sectoral level bargaining which includes all social actors of a particular industry or set of industries, and they also shape all functional differentiations among the workers (Lane, 1989; Maurice et al., 1986).

The societal-effects approach also can explain the industrial specialisation between societies, and in the absence of specialisation, differing degrees of competitiveness in the same market segment (Lane, 2000; Sorge, 1991), and their correspondent HRM practices. Organisational structures and HRM practices are seen to correspond with product market strategies or segments where the countries show particular strength (Lane, 2000). The weak link between worker and technician careers, a wider communication gap between engineering and planning functions in the shop floor, and the subsequent impact on the systems of work organisations can be considered as examples of such societal effects in the large British engineering firms (Maurice et al., 1980). Comparative studies on the machine tool industries in France and Germany revealed a correspondence between the institutional structures of the societies on the one hand, and organisational forms and HR practices on the other (Maurice et al., 1980; Sorge, 1991). Almond and Rubery (2000) also identified the interrelationship between five societal spheres of the UK labour market and explained their effects as the inclination towards the development of the 'hard' rather than the 'soft' version of HRM practices.

Although the globalisation debate explicitly argued for the global integration of multinationals and their cutting loose from dependencies on specific societal and political institutions (Ohmae, 1990), the societal-effect approach offers an understanding of strategies, structures and HRM practices of multinationals constructed in their respective social and political environment (Edwards & Ferner, 2002; Lane, 2000; Sorge, 2004). In the societal-effect approach, multinationals are seen as being socially constructed in the same way as domestic organisations, and multinationals from different home bases thus adopt divergent structures and strategies distinctive to their own societal system (Beck, 1992; Lane, 2000; Neghandhi, 1980; Whitley, 1999). Far from being stateless organisations, many aspects of most of the global MNCs still appear to be strongly rooted in the societal context of their home country. Pauly and Reich (1997), after investigating multinationals from the United States, Japan, and Germany identified three distinctive patterns of behavioural syndromes typical

of national origins, and concluded that those syndromes are durably nested in broader domestic institutional and ideological structures. The differences in internationalisation strategies and structures of the German and the British multinationals are also described as their orientations towards socially-produced production regimes and market orientations (Lane, 2000).

Although the societal-effects approach provides an analytical framework to explore the work and employment process of multinationals, suggestions have been made to bring some refinements and revisions in its theoretical suppositions (Lane, 2000; Sorge, 1991). In this approach, actors and their behaviours are viewed as the outcome of the structural features internal to societal sub-systems, but sources of the behaviour within the organisations and in the wider society are given less consideration. Sorge (1991, 2004), therefore, argued for an exploration of the sources of such norms, values and actions of organisational actors, while explaining the structures of such institutionalised behaviour. In its explanation of employment relations in the multinationals, the societal-effect approach places relatively more focus on labour and neglects the power of the capital. This serves as an impediment to understanding the internationalisation strategy of MNCs and their influence on the transformation of national industrial relations systems (Lane, 2000). However, multinationals can use their capital mobility power to override specific societal effects in different host countries (Sally, 1996). For example, the corporatist character of the German industrial relations system has caused large German multinationals to rethink their internationalisation strategies i.e. expansion of FDI rather than establishing manufacturing bases in the home country (Pudelko, 2005), and has subsequently forced some modification in German industrial relation systems.

In a highly integrated and open world economy, societal systems of HRM practices are open to the influence of international economy, dominant political and social ideas, and therefore, the societal logic of employment systems may not be strong enough to resist those pressures for change which ultimately result in changes in traditional institutional arrangements (Rubery & Grimshaw, 2003). As powerful social actors, multinational subsidiaries can also play an important role as innovators in the 'institutionalisation' of work and employment practices by setting benchmarking for local firms and even, by challenging the legitimacy of existing practices (Ferner & Varul, 2000; Meyer & Rowan, 1977; Wang, 2002). There is also a critique about the appropriateness of the societal effect approach in dealing with the multinational subsidiaries as they face pressures of supra-national organisations to adjust and modify their HRM practices, and it has therefore been suggested that this approach would be more useful to explain the differences between sectors (Hollingsworth, & Streeck, 1994), countries (Edwards & Ferner, 2002; Ferner & Varul, 2000), or regions (Dunning, 2000). This societal approach is also blamed for ignoring the organisational level variables by attaching too much emphasis to extra-firm institutions (Almond *et al.*, 2003; Edwards & Ferner, 2002).

## Conclusion

Research on HRM practices are used to be blamed for lack of theoretical rigor, and mostly prescriptive in nature. The paper discussed three main theoretical perspectives of comparative and international HRM and their relevance and limitations. It is obvious that though each of the theoretical proponents has their own philosophical values and explained the HRM practices from different viewpoints, those philosophical positions are not arbitrary and exclusive. Individual researchers could follow any of these theoretical propositions to investigate research questions to advance our knowledge on comparative and international HRM practices in future.

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