Multinational corporation management strategies and international human resources practices: bringing IHRM to the bottom line

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Abstract This paper examined the relationship between multinational corporations' global management strategies and the resulting international human resource practices. Four global strategies, which vary in their extent of global integration and local responsiveness, were examined (ethnocentric, regiocentric, polycentric and geocentric). Data from international human resource professionals in forty-six companies generally supported the hypothesis that HR practices (recruitment, selection, socialization) varied by global strategy. In particular, strategies varied especially between the ethnocentric and geocentric companies. These strategies were further found to be related to a composite Multinational Corporation Success Index of economic variables (return on capital, sales growth, return on equity, profit margin). Companies which had ethnocentric strategies were found to be less successful than companies operating under any of the other three strategies. Findings suggested that local responsiveness should be incorporated into the global strategy of multinational companies. Recommendations for international human resource practices based on these results have been given.

Keywords Global management strategies, international human resource practices, selection, recruiting, economic success

Introduction

The future of multinational corporations' competitiveness in the global market is contingent on corporations' ability to change and adapt their resources strategically to the nuances of the broadening global playing field. Business strategies, which organizations adopt to maintain competitiveness, should be developed in conjunction with their human resource departments (Lengnick-Hall and Lengnick-Hall, 1988: Schuler and MacMillan, 1984; Tichy, Fombrun and Devanna, 1982). The human resource practices need to be congruent with the organizations' strategic plans in order to 'facilitate successful implementation' of their business strategies (Tichy *et al.* 1982: 47). Given that it is the *people* within organizations who sell and market, develop and create products, make decisions and implement programmes, human resource practices are expected to maximize employees' effectiveness in accordance with their organizations' missions, objectives and poals (Lengnick-Hall and Lengnick-Hall, 1988; Schuler and MacMillan, 1984; Tichy, 1988; Schuler and MacMillan, 1984; Tichy and Poals (Lengnick-Hall and Lengnick-Hall, 1988; Schuler and MacMillan, 1984; Tichy et al. 1982).

International human resource managers have a challenging task: they must develop practices which will maintain congruence with the overall strategic plan of their respective multinational corporations (MNCs), while balancing the economic, social, political and legal constraints of the various host countries (Milliman, Von Glinow and Nathan, 1991). This paper addresses: (1) the various international management strategies proposed in the theoretical literature, (2) the HR practices associated with these international management strategies and (3) the ultimate effect the strategies have on the bottom line effectiveness of MNCs.

Global business strategies: global integration and local responsiveness

Global management strategies in multinational companies will vary greatly. The processes, practices, systems and structures developed to implement those strategies will likewise vary. Developing global strategies can be difficult, given the conflicting demands the global environment places on MNCs. The conflicting demands often arise as MNCs attempt to maximize their abilities to respond to the needs of the host countries (local responsiveness), while trying to maintain their controlled corporate structure worldwide (global integration). Oftentimes, the more autonomy foreign subsidiaries have to act independently and respond to local demands, the less integrated the worldwide organization becomes – and vice versa (Prahalad and Doz, 1987; Tung and Punnett, 1993).

Not much has changed since the 1970s when Heenan and Perlmutter (1979) did their original work on classifying MNCs' management strategies (Adler and Ghadar, 1990). More recently, however, these strategies have been reconceptualized in terms of the MNC life cycle – consistent with the product generation and sales phases of developing MNCs (Adler and Ghadar, 1990; Milliman, Von Glinow and Nathan, 1991). Using either the life-cycle model or classification model, the resulting management strategies involve the interplay between global integration and local responsiveness. In Heenan and Perlmutter's (1979) language, four such management strategies are: (1) ethnocentric, (2) polycentric, (3) regiocentric and (4) geocentric. In general, these correspond to the (1) Domestic (Phase 1), (2 3) International and Multinational (Phases 2 and 3), and (4) Global (Phase 4), phases in the MNC life-cycle literature (for a thorough review of the theory of MNC life cycles in HRM, see Adler and Ghadar, 1990, and Milliman *et al.*, 1991). The Heenan and Perlmutter labels (ethnocentric, polycentric, regiocentric and geocentric) will be used for this paper.

In general, the ethnocentric strategy suggests that companies should maximize their parent company control in order to integrate subsidiaries, at the cost of local responsiveness. The polycentric and regiocentric approaches both allow for more local responsiveness - with less corporate integration. The geocentric strategy is the 'ideal', as it attempts to balance both global integration and local responsiveness. In a hierarchy, the geocentric strategy would be the best because it incorporates both of the theoretical ideals. Polycentric and regiocentric strategies would be second because they satisfy the local responsiveness ideal (usually at the cost of global integration). Ethnocentric strategies, focusing on headquarters' control, are neither globally integrated nor locally responsive.

Generally, as foreign subsidiaries mature, they become more resource independent 'with respect to strategic resources, such as technology, capital, management, access to markets' (Prahalad and Doz, 1981: 5). With the dependency on the parent organization gone, multinationals, who wish to maintain control over their otherwise autonomous subsidiaries, use alternative methods such as

fostering the parent organization's corporate culture worldwide (Prahalad and Doz, 1981). The extent to which MNCs desire their worldwide employees to share their corporate cultures will determine how (and if) host nationals are socialized into the parent corporate culture (Wilkins and Ouchi, 1983). This will be evidenced through the processes and resource allocation given to socialization methods such as sending expatriates abroad to propagate corporate culture, selecting individuals who share the organization's values, bringing host nationals in house 'to learn how things are done', etc. (Kobrin, 1988; Doz and Prahalad, 1981).

Various human resource management practices are contingent upon the MNCs' international management strategy (Adler and Ghadar, 1990; Heenan and Perlmutter, 1979; Kobrin, 1988; Milliman et al., 1991; Tung, 1982; Tung and Punnett, 1993). The staffing policies which MNCs adopt for their foreign subsidiaries (e.g., recruitment, selection and placement), and the socialization tactics used for host national employees are examples of practices which will vary according to the strategy chosen. For example, when staffing a foreign subsidiary, several MNCs appoint expatriate employees to fill a variety of key positions abroad (Kobrin, 1988; Stroh, Dennis and Cramer, in press; Tung, 1981). When positions in foreign subsidiaries are not staffed by expatriates, they are staffed by either third-country nationals or host nationals. There are benefits associated with host nationals staffing MNCs' subsidiaries. Host nationals are familiar with their own countries' cultures, languages, values, laws and resources, which makes the job of running the subsidiaries easier. In addition, unlike expatriates, there are no relocation costs associated with host nationals. Despite the benefits of host nationals, given their business strategy, many ethnocentric MNCs are unwilling to give up the bureaucratic control over foreign subsidiaries, and prefer to place expatriates in (at the very least) their key positions abroad (Tung, 1982; Ondrack, 1985). This paper provides construct validation for the Heenan and Perlmutter classifications (ethnocentric, polycentric, regiocentric and geocentric) from a human resources perspective. We will describe, and then empirically demonstrate, which HR practices are consistent with Heenan and Perlmutter's global management strategies.

Ethnocentric IHRM practices Staffing subsidiaries with expatriates in key management positions will centralize the parent-company control in decision making more than when subsidiaries are managed by host-country nationals (Egelhoff, 1988; Kobrin, 1988). This ethnocentric management practice is common in startup ventures and when rare technical skills are needed which cannot be found in the local labour force (Tung and Punnett, 1993). IHRM is responsible for finding suitable expatriates who will be successful abroad. The current literature suggests there is an extraordinarily high turnover rate among expatriates, and that success in the expatriate situation takes a special set of skills and abilities above and beyond the necessary technical skills for the analogous domestic position (Tung, 1982). Financial (i.e., expatriates are quite expensive) and legal limitations (i.e., foreign employment laws) often interfere with companies operating from this strategy.

Ethnocentric multinational corporations expect their expatriate managers to transfer headquarters' cultures and philosophy by working with host nationals (Edstrom and Galbraith, 1977; Egelhoff, 1988; Törbiorn, 1985). However, given

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the nature of the socialization process, the expatriates, who are sent to socialize the host nationals to their parent corporate cultures, are often being socialized themselves by the host nationals (Lee and Larwood, 1983). The reason for this is that the value structure of the host nationals is not being directly influenced by the parent company. Some data show that subsidiaries, even when managed by expatriates, will have corporate cultures more consistent with their own countries' cultures than with that of the parent company (Lee and Larwood, 1983).

Polycentric and regiocentric IHRM practices In a polycentric MNC host nationals manage subsidiaries with some co-ordination from headquarters on how the subsidiary should operate. For these organizations, host-national employees manage the foreign subsidiaries, and expatriates are rarely (if ever) used. Host nationals have no language and culture barriers, and are less costly than expatriates. However, parent-company employees are unable to gain the valuable global perspective from working abroad. Likewise, host nationals are not socialized to the parent companies' organizational culture through either contact with host nationals or transfers into the parent country. Host nationals are able to develop as managers in their own country, but their own careers will be limited because they are never able to reach the corporate level. In polycentric organizations, there is little concern for a common corporate culture (Heenan and Perlmutter, 1979).

A management strategy similar to polycentric is regiocentric. From this perspective, host-country nationals and third-country nationals are recruited, selected and developed on a regional basis. Regions are consistent with some natural boundary, such as the European Economic Community or the Middle East. In regiocentric MNCs, the communication and integration systems must be highly sophisticated for headquarters to maintain control over the regions. As in the polycentric perspective, the likelihood of host nationals' career advancement is greatest within the region, but still may be limited in headquarters. As in the polycentric perspective too, however, the host nationals are given the opportunity to manage their own subsidiaries.

Geocentric IHRM practices When MNCs desire an integration of all of their foreign subsidiaries and the melding of a worldwide corporate culture, they adopt a geocentric management strategy (Heenan and Perlmutter, 1979). MNCs adopting this strategy will staff positions worldwide such that the best people are recruited for positions, regardless of nationality (Heenan and Perlmutter, 1979; Kobrin, 1988). Since headquarters and the foreign subsidiaries of any geocentric MNC will view themselves as integrated parts of a global organization, the corporate culture will be highly unified - but not necessarily dictated by headquarters. The geocentric organization has the most complex organizational structure, requiring the greatest amount of communication and integration across national boundaries (Edstrom and Galbraith, 1977).

In geocentric MNCs, socialization of the organizations' values is used as a control strategy with the greatest amount of flexibility to accommodate the differences among foreign countries' cultures (Edstrom and Galbraith, 1977). Employees in the foreign subsidiaries learn and internalize the values, behaviours, norms, etc., of the *global* company. They do so through contacts

with the parent company and the other foreign subsidiaries, transfers and visits to various foreign locations (e.g., parent-company employees transferring abroad to develop global orientations), training from both the parent company and the subsidiaries, etc. This strategy 'permits the greatest amount of local discretion and the greatest amount of decentralization while maintaining overall integration' (Edstrom and Galbraith, 1977: 251). MNCs adopt strategic socialization processes so that their employees will have increased knowledge of the MNCs' entire networks, and not just the networks within their own countries' subsidiaries (Bird and Mukada, 1989). 'The intent is to deemphasize national cultures and to replace them with an integrating corporate culture' (Edstrom and Galbraith, 1977: 256).

The above noted literature review provides a framework for examining the construct validation of Heenan and Perlmutter's work on international management strategies. Consistent with the construct validation framework, these first two sets of research questions were developed.

1. Ethnocentric MNCs intend to maintain the parent (i.e., headquarters') company culture through all of their foreign subsidiaries more than regiocentric, polycentric and geocentric. Likewise, geocentric companies are less concerned with maintaining the parent culture than regiocentric, polycentric or ethnocentric.

2. Ethnocentric, polycentric, regiocentric and geocentric MNCs have HR practices consistent with their global management strategies.

2a. Ethnocentric companies will recruit globally less than polycentric, regiocentric or geocentric MNCs. Geocentric MNCs will practise global recruitment most of all three groups.

2b. Ethnocentric companies will maintain their selection standards worldwide less than polycentric, regiocentric and geocentric MNCs. Geocentric MNCs will maintain their selection standards most of all three groups.

2c. Ethnocentric companies will socialize their host nationals by teaching them the parent company's way of doing things more than polycentric, regiocentric and geocentric MNCs. Geocentric, polycentric and regiocentric will be the same on their use of parent company socialization practices.

Strategic international HRM and overall economic success

From a human resources perspective, geocentric MNCs have an increased talent pool from which to draw, given that they will recruit and select the best from their worldwide talent to fill key positions (that is, within legal restrictions). This approach to human resources is more strategic, and will give these geocentric MNCs a competitive advantage. In addition, these employees will gain global perspectives and international skills which will further strengthen the MNC's competitive edge (Edstrom and Galbraith, 1977; Kobrin, 1988; Tung and Miller, 1990). Our final hypothesis relates the MNCs' management strategy to the bottom-line effectiveness of the organization.

3. Geocentric, regiocentric and polycentric MNCs will show more profitability and growth in their respective industries, than MNCs who manage from an ethnocentric perspective.

Despite the many benefits of managing from a geocentric strategic perspective.

companies may have legal, political or cultural constraints, given the foreign context, which may prevent them from operating geocentrically (Tung and Punnett, 1993). It is the responsibility of international human resources groups to develop practices which are consistent with the legal, political and cultural restrictions of the host countries. Involving human resources during both the formulation and the implementation of the strategic plan will enable IHRM to provide recommendations for operating effectively in a global context.

Method

Sample and procedure

Questionnaires were sent to the forty companies represented in the International Interest Group of the Human Resource Management Association of Chicago (HRMAC). The items for this study (see Appendix A) were a part of a larger survey conducted by the second author, in association with HRMAC. Included in the mailing was a self-addressed (to the second author), stamped envelope. A total of twenty-eight responses were received after one follow-up phone call, resulting in a response rate of 70 per cent. Questionnaires were also sent to the general membership of HRMAC. Members whose organizations were involved in staffing foreign subsidiaries (e.g., had expatriates in their organizations) were asked to fill out the questionnaire and return it in the self-addressed, stamped envelope. Twenty-three members responded, resulting in a sample of fifty-one human resource specialists for the study (28 = International Interest Group; 23 = general HRMAC membership).

Sixty-six per cent of the human resource specialists in the sample were male; their average age was 40 years old, and 93 per cent worked in middle/upper human resource management. Of the fifty-one respondents, five respondents had to be dropped from the sample due to incomplete data or data which were not interpretable. Surveys from the remaining forty-six respondents, representing forty-six MNCs, were used in all subsequent analyses.

The forty-six multinational companies in this sample came from a variety of industries: business services and supplies, capital goods, chemicals, computer and communications, construction, consumer durables, energy, financial services, food, drink and tobacco, and health. Of the forty-six multinational companies represented, we were able to collect profitability and growth information for twenty companies (i.e., 43 per cent of the company sample).

Measures

The measured variables included in this study are described below. The HR Practices (Measures 1-4) were developed using principal components analysis (described in the results section). See Appendix A for the actual scale items.

1 Desire for a unified corporate culture For this measure, we asked respondents to indicate the extent to which their organizations desired to maintain their headquarters' corporate culture in their foreign subsidiaries. Two items, each measured on five-point scales (5 - strongly agree to 1 = strongly disagree) were added and then averaged (M = 2.72, SD = .76). The correlation between the two items was significant (r = .31, p < .05). The items were coded such that a

high score indicated more tolerance for the immersion of local cultures, whereas low scores reflected a desire for conformity among all foreign subsidiaries with the parent organization.

2 HR practice: recruitment Four items were generated to identify the recruitment practices of multinational companies. The items were measured on a fivepoint scale (5 = strongly agree to 1 = strongly disagree) added, and then averaged. The scale had an overall alpha coefficient of .73 (M = 2.83, SD=.77). High scores on this scale indicate that MNCs' recruitment practices are global (e.g., drawing from a worldwide talent pool). Low scores indicate that MNCs' recruitment activities are isolated primarily to the home country.

3 HR practice: selection A single item indicator measuring the extent to which MNCs' selection techniques are identical across subsidiaries and headquarters. The item was measured on a five-point scale (5 = strongly agree to 1 = strongly disagree; M = 2.64, SD = .91). A high score on this item indicated more global integration of selection standards.

4 HR practice: socialization A single-item indicator measuring the extent to which MNCs' host nationals are integrated into the parent organization was collected. The item was measured on a five-point scale (5 = strongly agree to 1 = strongly disagree; M = 2.96, SD = 1.03). A high score on this item indicated greater integration of host nationals with the rest of the MNC. A lower score indicated that host nationals were, in general, not integrated into the MNC.

5 MNC's management strategy Respondents were asked to check which of the four strategies most closely represented their companies' global management strategy (i.e., ethnocentric, regiocentric, polycentric or geocentric). A brief definition of each strategy was provided for each. From the sample, eighteen respondents were from ethnocentric companies, sixteen from regiocentric/polycentric and twelve from geocentric. (Given the small number of regiocentric companies, N = 3, this group was combined with the conceptually similar polycentric group in subsequent analyses.)

6 MNC success index To test hypothesis three, profitability and growth data were collected for each of the companies in the sample. Given that these MNCs were from a variety of industries, standardized profitability and growth scores were created. These scores were created using data from two sources, (1) InfoTrack, a database for company specific information (e.g., investment reports) and (2) *Forbes* Annual Report on American Industry (3 January 1994). Both industry medians and company data were collected for the following variables: (A) return on equity over the past five years. (B) return on equity for the most recent twelve months, (C) return on capital over the most recent twelve months, (E) the sales growth of the company for the most recent twelve months, and (F) the profit margin for the most recent twelve months. In order to handle missing data, with only twenty companies in the sample, the six dichotomous variables (see below) were averaged (M = 1.65, SD = .29). The alpha coefficient for the

MNC Success Index was .72.

Using the symbols: i = the company's industry median, c = company data, A, B, C, D, E, and F = the six growth and profitability variables (above), an index of MNC success was calculated, as follows.

Step 1: Deviations from the industry medians were calculated for each of the six variables.

 $\begin{array}{l} A_{dev} = A_c - A_i \\ B_{dev} = B_c - B_i \\ C_{dev} = C_c - C_i \\ D_{dev} = D_c - D_i \\ E_{dev} = E_c - E_i \\ F_{dev} = F_c - F_i \end{array}$

Step 2: Deviations were recoded, reflecting if a company was higher than the industry median equal to the industry median or lower than the industry median. Six scores, with values of either 1 or 2, resulted for each company.

If A_{dev} through $F_{dev} \ge 0$, then A_{score} through $F_{score} = 2$, respectively.

If A_{dev} through $F_{dev} < 0$, then A_{score} through $F_{score} = 1$, respectively. Step 3: The scores were added, and a mean was calculated to form a composite MNC Success Index. The mean scores ranged between 1 and 2. If a company, for example, had data for only four out of the six variables, the total was divided by 4 instead of 6.

 $(A_{score} + B_{score} + C_{score} + D_{score} + E_{score} + F_{score}) + 6$

Analysis

The Desire for a Unified Corporate Culture Measure (Measure 1) and the HR Practices Measures (Measures 2-4) were derived using principal components analysis. Items were generated to tap four dimensions. These items were then tested for multidimensionality, complexity and homogeneity within factors using PCA. The subscales which resulted comprised the four subscales (selection, recruitment, socialization and desire for a unified corporate culture) used in subsequent analyses.

We conducted a principal components analysis on the eight generated items. The solution using the widely accepted root ≥ 1 criterion yielded a four-factor solution (Gorsuch, 1983). These four factors had eigenvalues of 2.37, 1.38, 1.20 and 1.07. The percentages of variance accounted for were 29.7, 17.3, 15.1 and 13.4, respectively. The factors were rotated using an oblimin, or oblique, rotation. The criterion was to interpret only those items which had factor loadings with absolute values greater than .55. This value was derived from the general approach whereby the minimum standard error is doubled and the minimum salient loading is significant at that level (Gorsuch, 1983). With 46 degrees of freedom and p < .05, the minimum salient loading is .55. The items, which all had simple loadings (i.e., did not load on more than one factor), are found in the Appendix.

To test the construct validation hypothesis 1 we ran an ANOVA of Management Strategy (i.e., independent variable) and Desire for a Unified Corporate Culture (i.e., dependent variable). A *post hoc* test (i.e., Scheffé) was conducted to test the hypothesis that ethnocentric MNCs want to maintain their

headquarter's corporate culture, while the other MNC strategies allow for greater local culture to develop.

To test the construct validation hypothesis 2 (2a through 2c), we ran three separate ANOVAs for Management Strategy (i.e., independent variable) and each of the HR Practice variables (1) recruitment, (2) selection and (3) socialization. We conducted *post hoc* tests (i.e., Scheffé) to test the hypothesis that the MNCs will have HR practices consistent with their global management strategies.

To test hypothesis 3, we conducted ANOVAs for Management Strategy (i.e., independent variable) and the MNC Success Index (i.e., the dependent variable). Given the small sample size, the strategies were further collapsed into two groups (1) ethnocentric and (2) regio/poly/geocentric. The analysis of variance F-ratio tested the hypothesis that MNCs having local responsiveness in their strategies (i.e., regio/poly/geocentric MNCs) will be more effective than ethnocentric MNCs.

In order to ensure that we were appropriately using ANOVA, given that our sample sizes were small, we did a couple of things. First, we tested the primary assumption of ANOVA, that is, the assumption of a normal distribution. To test whether or not our dependent variables are normally distributed, we conducted the Kolmogrov-Smirnov Goodness-of-Fit test for each variable against a normal distribution. Only one variable, 'selection', had a distribution which significantly differed from a normal distribution. To be conservative we also conducted the nonparametric analogue to multiple group ANOVA, the Kruskal-Wallis Analysis of Variance. As expected, given the normal distributions, all of our results were similar to our findings using ANOVA (given below).

Results

The first hypothesis was supported using ANOVA, F (2, 43) = 7.17, p < .01. A Scheflé *post hoc* test supported that ethnocentric companies (M = 2.26) were significantly less likely to consider local responsiveness in their corporate cultures than the regio/polycentric MNCs companies (M = 2.83) and the geocentric MNCs (M = 3.23). Geocentric and regio/polycentric MNCs were not significantly different from each other on their desire for a unified corporate culture.

Hypothesis two was partially supported. In 2a, the difference in recruitment practices among the MNCs was supported using ANOVA, F (2, 43) = 3.40, p < .05. Geocentric companies (M = 3.25) were significantly different from ethnocentric companies (M = 2.51) in their recruitment of global talent. Geocentric multinationals were not significantly different from regio/polycentric companies (M = 2.88). The hypothesis that selection practices would be consistent with management philosophy (hypothesis 2b) was not supported by the data (ns. p > .10). The trend of these data, however, was consistent with the hypothesis. The hypothesis 2c, that ethnocentric companies would be most likely to socialize their employees to maintain a common culture, was supported using ANOVA, F (2,43) = 2.98, p < .10. Ethnocentric companies were significantly more likely to rotate host nationals into headquarters to learn the parent companies' culture (M = 3.29) than geocentric companies (M = 2.36). Regio/polycentric companies (M = 3.00) did not differ significantly from the other two groups.

Hypothesis three was supported using ANOVA, F (1,19) = 4.71, p < .05. Ethnocentric companies were significantly less successful economically (M = 1.51, SD = .28, N = 10) than the combined group of geo/regio/polycentric MNCs (M = 1.77, SD = .26, N = 10).

Discussion and recommendations for practice

From human resource strategy theory, we know that organizations strive to maintain practices which are consistent with the overall global business strategy of the organization in order to be competitive. This paper empirically demonstrated (1) which HR practices are found in organizations operating from ethnocentric, poly/regiocentric and geocentric global strategies, and (2) which strategies were positively related to the bottom line.

As a way to provide construct validity evidence for the four classification variables, we asked international human resource executives to describe the extent to which their companies desired to maintain their headquarters' culture through all of their foreign subsidiaries. As expected, ethnocentric companies were significantly different from regio/polycentric and geocentric organizations on this variable. For ethnocentric companies, maintaining their parent corporate culture is a means of strategic control. Geocentric and regio/polycentric companies did not differ significantly from each other on this variable. This makes sense because 'headquarters control' reduces the level of local responsiveness which regio/polycentric and geocentric MNCs favour.

This trend, that regio/polycentric and geocentric did not differ from each other, was consistent throughout the results. (The groups were eventually combined for the analysis of the MNC Success Index.) One reason for this trend could be that our classifications (i.e., categories and definitions) were able to separate locally responsive organizations from those which are not (i.e., ethnocentric) but were unable to separate the globally integrated (i.e., geocentric) from the others. Another reason for this trend could be that geocentrism is an ideal – one which is logistically difficult to obtain given the legal, political and cultural constraints of operating in foreign environments. If the latter were the case, as the results suggest, geocentric companies which claim to have a more globally integrated strategy are essentially required to adopt the same practices as companies which are strategically less globally integrated (i.e., polycentric and regiocentric).

The three global strategies which focus on the ability MNCs have to respond to the local conditions of the foreign environments, overall, were found to have a more successful bottom line. Due to the small sample size and the trend noted above, regiocentric and polycentric companies (who operate without too much global integration) were combined with geocentric companies (who do have a global integration focus). Given that we collapsed the data across the three groups, we are unable to draw the conclusion that globally integrated companies are, in fact, more successful. Further research (with larger samples in all four categories) should be conducted to answer this research question.

The MNC Success Index was created as a general measure of overall economic success of the organization. This index was used to provide a simple metric of how well each company was doing in its respective industry. Given the small sample and the variety of industries represented, the relationship between

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global strategies and single economic indicators (e.g., profit margin, return on equity) were not examined. Further large sample research, which controls for the many influences on each economic variable, is needed. In addition, since the MNC's industry may moderate which type of strategy is adopted, future research should examine unique global strategy needs from industry to industry.

Given our data suggest that locally responsive multinational companies are found to be more successful, we can infer by examining what these MNCs do, which are the 'best HR practices' for multinational corporations. The following are recommendations we make for practice.

The first HR practice; recruitment, should be conducted worldwide in order to (1) broaden the talent pool and (2) increase the global orientation, adaptability and flexibility of the organizational members. The three strategic groups did not differ on the selection dimension; therefore, no specific recommendations can be made for 'best practices' in selecting employees. We note, however, that selection is probably the practice which is most constrained by foreign labour laws and cultural differences. With larger sample research it would be interesting to examine how much variation there is in selection methods given a foreign country's legal, cultural and political constraints. The last practice examined was socialization. Ethnocentric MNCs' socialization practices, which support the belief that 'the parent company is always right', should be re-examined and possibly replaced with more locally responsive practices. These practices would help employees recognize that there are many culturally diverse, and equally correct, ways of doing things.

We speculate that international human resource practices should be adopted which will be consistent with the overall strategy of MNCs. Future research should examine the relationship between congruency, or consistency, and the bottom line. Rather than focusing on strategy/practice congruence predicting economic success, the focus was on the strategic principles, local responsiveness and global integration, and how they predict economic success. (Again, given that we combined regiocentric/polycentric and geocentric strategies, we were unable to test the effect of global integration.) Likewise, we did not test the direct link between the international HR practices and the bottom-line success of the organization. The sample size was too small to control for all possible influences on the relationship between international HR practices and the bottom line. We can conclude, however, that global strategies adopted by MNCs will influence all aspects of MNCs' operations - including HR. Overall, we believe that MNCs are best advised to, whenever possible, adopt a global management strategy which emphasizes local responsiveness and that their subsequent HR practices should be consistent with this strategic principle.

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Appendix A: measures of management strategy, socialization processes and HR practices

Instructions: For Section A make an 'X' at the category that best describes your company in terms of its management strategy.

A. Management Strategy

1. Ethnocentric: Top management attempts to implement values, policies and sentiments of parent company regardless of environmental or cultural differences.

2. Polycentric: Top management emphasizes environmental/cultural differences and makes deliberate choices to make foreign operations as local as possible.

3. Regiocentric: Top management emphasizes environmental/cultural regional differences and makes deliberate choices to make foreign operations as regional as possible.

4. Geocentric: Top management operates functionally, recognizing differences, not assuming omniscience at home or abroad.

Instructions: For Sections B through E, use the scale below to make the rating that best describes your company.

- Scale
- 5 Strongly agree
- 4 Agree
- 3 Neutral
- 2 Disagree
- 1 Strongly Disagree

B. Desire for a Unified Corporate Culture

1. Our company wants to maintain a single corporate culture from the parent company (i.e., headquarters) through all of our foreign subsidiaries. (Reverse Scored) 2. We believe that each of our foreign subsidiaries will have very different corporate cultures, that is, corporate cultures unlike headquarter's.

C. HR Practices: Recruitment

1. Regardless of the position for which we are hiring, we always try to recruit candidates who have a global perspective.

2. We recruit globally for all positions, not just those labelled 'international'.

3. In our initial hiring and recruiting efforts, we recruit for global candidates

4. The qualities of 'cultural adaptability' and 'flexibility' are ones we look for in all of our employees, not just expatriates.

D. HR Practices: Selection

1. For host national and domestic employees doing the same job (only in different countries) our selection procedures are identical.

E. HR Practices: Socialization

1. Our company rotates host nationals into headquarters to learn 'how we do things'.

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