The Diffusion of Calculative and Collaborative HRM Practices in European Firms

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The aim of this paper is to trace and explain variations in calculative and collaborative human resource management (HRM) practices between companies and across national borders. Variations and similarities are explained in terms of the convergence and divergence of HRM practices determined by national institutions, and the increasing influence of multinational companies (MNCs). We explore the diffusion of HRM practices in Europe over time, using data sets from two surveys conducted in several European countries in 1995 and 2000. We use institutional explanations for the development of three selected bundles of HRM practices: individual, calculative performance-oriented practices; collective incentive schemes for the alignment of interests; and collaborative practices that seek to enhance the commitment of employees. We found substantial effects of country-specific institutions and of the country of origin of MNCs, which clearly support the institutional duality thesis. Foreign-owned MNCs, especially those that are US-based, appear to moderate country-specific institutional effects on the diffusion of the three HRM bundles.

Introduction

The institutional theory has been widely used for studying the diffusion of organizational practices (DiMaggio and Powell 1983; Scott 1995; Kostova and Roth 2002). A central proposition of organizational institutional theory is that organizations operating in the same environment will employ similar practices and become *isomorphic.* The diffusion of organizational practices is explained by conformity to institutional pressures driven

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by legitimacy motives. Since institutional environments vary across nations, organizational practices can also be expected to vary, despite the fact that management principles are often disseminated across national borders (Gooderham, Nordhaug, and Ringdal 1999). Several studies provide evidence supporting this view (Hall 1986; Whitley 1992; Lane 1995).

Globalization and the increasing importance of the multinational corporation (MNC) have boosted research on the transfer of organizational practices (Harzing and Sorge, 2003). MNCs may encourage convergence of human resource management (HRM) practices, as they aim to achieve consistency among their subsidiaries abroad. MNCs may also act as strategic role models for local companies. Gooderham, Nordhaug, and Ringdal (1999) suggest that U.S. MNCs operate as important role models in Europe. An analysis of some selected European Union (EU) countries suggests that convergence takes place not on the basis of a European model (as a response to EU political integration) but by integrating aspects of the U.S. model into their HRM. This is interpreted as "Americanization of personnel management" (Gooderham and Brewster, 2003: 16). We will highlight the role of subsidiaries of U.S. MNCs.

Subsidiaries of MNCs confront internal pressure to conform to the international HRM strategy of the MNC, while also having to face pressures to adapt to the institutional patterns specific to the host country. We will explore this *institutional duality* (Kostova and Roth 2002).

This article reports on determinants of divergence or convergence of three bundles of HRM practices: (1) individual, calculative performance-oriented practices; (2) collective incentive schemes for the alignment of interests; and (3) collaborative practices that seek to enhance the commitment of employees. We examine the global integration and local adaptation of these practices.

Most research in the field of diffusion of HRM explores these themes by comparing practices in similar organizations, usually in a limited number of countries, while trying to relate differences to either organizational policies or institutional settings (cf. Rosenzweig and Nohria 1994). Other research focuses on case studies of multinationals (cf. Ferner 1997). Most research are cross-sectional, at a single point in time, and typically focuses on certain selected practices (cf. Tregaskis, Heraty, and Morley 2001).

Our contribution is a systematic exploration of the influence of multinationals and corporate policies over time, and of specific variations in the institutional environment of a large number of countries. We focused on the diffusion of different bundles of HRM practices in nine European countries between 1995 and 2000. Unlike previous researchers who discussed institutional forces primarily at the level of the MNC, we focused on subsidiaries. Instead of measuring the direct effects of institutions, we investigated

institutional constraints on the adoption and diffusion of these bundles of practices. As the data set used included several variables of HRM practices, we also aimed to compare the individual and combined effects of different variables. This article contributes to the institutional literature by providing support for the *institutional duality thesis* (Kostova and Roth 2002).

Theoretical Framework

Multinational corporations are confronted with a multitude of institutional pressures. To achieve and maintain legitimacy in all environments, MNCs experience pressure to adapt locally and become isomorphic with the local institutional context. On the other hand, MNCs strive for consistency in what they view as best practices, and try to accomplish this worldwide (Ghoshal and Bartlett 1988; Nohria and Ghoshal 1997). MNCs have to balance the need for global integration and local adaptation (Rosenzweig and Singh 1991; Kostova and Roth 2002).

Recognition that a foreign subsidiary is not an independent unit was important for our research. In striving to develop consistent organizational capabilities, MNCs want their subsidiaries to comply. There is intra-organizational pressure to conform. This form of *rational choice institutionalism* (Brinton and Nee 1998; Campbell 2004) explains the diffusion of organizational practice by feedback on best practices in the domain concerned. At the same time, the subsidiary confronts pressures to adapt to the institutional patterns specific to that domain in the host country. As a result, foreign subsidiaries are confronted with two distinct sets of isomorphic pressures. Kostova and Roth (2002) refer to this situation as *institutional duality*. In this study, we examine institutional duality by comparing the diffusion and adoption of bundles of HRM practices by subsidiaries of MNCs in European host countries and by local companies in those countries.

MNCs and their subsidiaries have to deal with choice within constraints: institutions limit the range of choices available to management. "Varieties of capitalism" literature emphasizes the differences between countries with respect to "institutional complementarities" that influence the strategic scope of management (Hall and Soskice 2001). The amount of discretion management has in a specific country in order to adopt and implement new modern and strategic HRM practices is therefore a key issue. A distinction is made between voluntary regimes in liberal market economies like the UK, Ireland, and the United States, and more restricted regimes in coordinated market economies like Germany and the Nordic countries. In the case of HRM practices especially, there are issue-specific sets of regulatory,

cognitive, and normative institutions in a given country that may facilitate or constrain certain choices. Our study explores these *institutional profiles* (Kostova and Roth 2002) of host countries.

The institutional profile of a country may only have a partial effect on the adoption of a practice. Being a foreign unit in a host country and having a parent with ideas about how HRM should be shaped, subsidiaries are to some extent buffered from local institutional pressures, especially when the MNC is relatively powerful (Kostova and Roth 2002: 217). In this respect, reference is made to the leading role of "Anglo-Saxon" multinationals (Ferner and Quintanuilla 1998) in the diffusion of HRM practices.

Diffusion of Bundles of HRM Practices. Studies of strategic human resource management focus specifically on the strategic fit between the corporate strategy and HR performance. Recent literature on high-performance work systems has also adopted this configuration approach to denote bundles of HRM practices with certain internal and external fits (cf. Delery and Doty 1996). Two normative strands in strategic HRM literature can be distinguished with different perspectives on direction and alignment of employees: a predominantly economic perspective with a prime interest in performance and a more humanistic perspective focusing on collaboration, cooperation, and commitment (for a review of both perspectives, see: Arthur 1994; Legge 1995; Wood 1999). The performance perspective emphasizes the relevance of HRM practices—like any other type of resource—as a main contributor to organizational performance and deploys *calculative* HRM practices. The "soft" perspective underlines the importance of employees being committed to the business and focuses on collaborative practices (cf. Gooderham, Nordhaug, and Ringdal 1999).

The main assumption behind the calculative perspective is that the use of individual resources, aimed at increasing performance levels, will benefit the organization as a whole. These practices are considered normative for North American HRM, while their conceptual background also stems from this institutional environment (cf. Gooderham, Nordhaug, and Ringdal 1999). Following authors like Ferner (Ferner and Quintanilla 1998) and Gooderham (Gooderham, Nordhaug, and Ringdal 1999), we label these practices "Anglo-Saxon." The Anglo-Saxon HRM approach can be characterized as calculative (performance oriented), with an emphasis on shareholder value, as opposed to the collaborative approach, which aims to promote the interests of employees and employers (Gooderham, Nordhaug, and Ringdal 1999; Communal and Brewster 2004), and which is usually more common in continental European countries. The latter approach presupposes that employees apply their tacit knowledge and skills

more willingly when they are invited to participate in organizational decision making. The notion of opposition between U.S. and European HRM models is challenged by other researchers such as Jacoby (1997), who showed that "welfare capitalist" companies typically combine calculative and collaborative approaches to bind their employees to the enterprise. We discuss this view later.

Individual Calculative Practices. The "hard" model is rooted in an approach aimed at efficient use of the input of human resources. A range of efficiency-promoting practices aims at ensuring that each employee's contribution is assessed and rewarded accordingly. This involves the use of individual performance appraisal and individualized reward systems. Investment in employee development is also evaluated. The individual calculative approach treats each employee as an individual rather than as a member of a collective entity protected by collective bargaining contracts and unionization. Gooderham, Nordhaug, and Ringdal (1999) argue that the adoption of these practices is mainly possible when management has substantial autonomy and this autonomy is not limited by regulatory pressures from labor laws and agreements, or by representative bodies.

Collective Incentive Schemes. Unlike Gooderham, Nordhaug, and Ringdal (1999), we make a further distinction between individual-oriented calculative practices and collective calculative practices: profit sharing, share (options) schemes, etc. This distinction, and specifically the addition of collective incentive schemes as a separate range of practices, is important because such practices often indicate a problem of coordination and alignment between individual and collective company interests. All organizations seek to establish a common understanding of the collective nature of these interests in the employees' minds, attitudes, and behavior. The literature on financial participation specifically highlights the importance of these collective incentive schemes for performance; deals with corporate and institutional factors impacting on the adoption and diffusion of employee financial participation (Pendleton et al. 2003, Poutsma and De Nijs 2003); and mentions similar determinants, such as the degree of discretion of management to implement the schemes. Collective bargaining and unionism put constraints on decisions to develop these schemes, and the corporate governance regulatory environment may also hinder or facilitate their adoption.

Collaborative Practices. In the collaborative approach, employees are viewed as participants in a company where communication and cooperation

are emphasized. The collaborative approach is characterized by a partnership culture between employer and employees. This partnership culture is enhanced when management formulates an overarching mission or strategy, and collaboration increases when management regularly communicates the company's strategy through briefings with employees at all levels. The determinants of these practices are different from those of individual calculative practices and collective incentive schemes. Trade unions and other representative bodies generally do not resist collaborative practices, but they may put pressure on management to have strategy talks through channels like works councils and/or collective bargaining bodies. On the other hand, there may be a clear demarcation between matters open for negotiation and those subject to managerial prerogative, restricting union participation to operational rather than strategic matters. There may also be legal provisions for information and consultation in countries that favor internal (union or nonunion) representative bodies to discuss strategic matters. Wood and Fenton-O'Creevy (2005: 42) found that management's autonomy from union influence is significantly negatively associated with the amount of collaboration through unions or other representative bodies but not with more direct collaborative practices. Hence, briefings on strategy at all levels in the firm will come up against constraints in such environments while they may be more widespread in more diffuse and voluntary regimes.

Convergence of Bundles. Distinguishing between various bundles does not mean that they are mutually exclusive or that their adoption is uniquely determined by country effects. In fact, many authors emphasize the gains from combining individual calculative practices, collective incentive schemes, and collaborative practices (Levine and Tyson 1990; Pfeffer 1994; Levine 1995). HRM studies have examined whether practices coexist and whether particular combinations are related to performance differentials (e.g. Ichniowski, Shaw, and Prennushi 1997; Poutsma, Hendrickx, and Huijgen, 2003; Guest, Conway, and Dewe 2004). Literature on financial participation has also produced theories on the relationship between participation in profits or equity and other collaborative practices, and this has guided much of the empirical research in this area. The literature suggests that collective incentive schemes and collaborative practices complement each other, and that participation in decisions magnifies the effects of financial participation on organizational performance (for an overview, see Kalmi, Pendleton, and Poutsma 2005). The effects of other forms of participation also appear to be based upon a rather symbiotic relationship with financial participation. Levine and Tyson (1990) noted that, "sustained, effective participation (in decisions) requires that employees be rewarded for the

extra effort, which such participation entails, and that they receive a share of any increased productivity or profits . . .". They also observed that just as participation can lead to demands for profit sharing, profit sharing can lead to demands to participate in decision-making: "When there is profit sharing, workers' incomes depend on the decisions of the firm, and workers want to have a say in these decisions." Elsewhere, it is suggested that interaction effects can be found more generally between different types of participation (Heller et al., 1998). The impact of various types of participation on performance is, therefore, more dependent on the cumulative effect than on the single effects of individual forms of participation. From a rational choice perspective, it is expected that these bundles would converge and increasingly be used in combination.

To sum up, from a rational choice perspective of strategic human resource management, we would expect the adoption of the three bundles of practices to have increased in the research period (1995–2000). On that basis we formulated the following hypotheses:

> H1a. On average, companies would have implemented more practices from the three bundles in 2000 than in 1995.
>
> H1b. The three bundles of practices would have increasingly converged over time.

Country Institutional Profiles. To examine the effects of the institutional environment, we developed institutional profiles, defined as the issue-specific set of regulatory, cognitive, and normative institutions in a given country. Since we did not have actual data on the national institutions, we present a description of the salient institutional characteristics of the countries in our study. We describe issue-specific institutions such as the influence of unions and representative bodies, details of regulatory pressures on firms from labor law and/or agreements, and salient characteristics of HRM in the countries. We conclude this section with a number of hypotheses regarding expected bundles of practices adopted in the countries concerned. Our descriptions are based on literature on varieties of capitalism (Hall and Gingerich 2004; Gospel and Pendleton 2004) and on international comparative HRM (Sparrow and Hiltrop 1994; Gooderham and Brewster 2003). In addition, we explore empirical evidence for the diffusion of selected bundles of practices in these countries.

Hall and Gingerich (2004) developed two coordination indices for a given country, one for corporate governance and one for labor relations. The corporate governance index is based on shareholder power, dispersion of control and size of stock market. The coordination of labor relations index is based on level and degree of wage coordination and labor turnover as an

indicator of the fluidity of national labor markets. Their analysis cites the UK as a relatively "pure" case of a liberal market economy with low coordination in both spheres and Germany as a relatively "pure" coordinated market economy with high coordination in both spheres. The Nordic countries, Denmark, Sweden, and Finland, follow Germany with high coordination of labor relations, while countries such as the Netherlands, France, and Belgium have less capacity to coordinate labor relations than the northern European nations. Ireland has even lower scores on coordination of labor relation, similar to those in the UK. In general, therefore, we would expect more managerial discretion in the UK and Ireland, and that organizations in these countries may exhibit higher levels of adoption of innovative HRM bundles of practices than Germany and the Nordic countries. The Netherlands and Belgium may occupy an intermediate position with their interesting combination of both Anglo-Saxon and Germanic characteristics (Poutsma and Braam 2004). France may be in a unique position, given the pronounced state intervention in employment relations and the adversarial industrial relations in that country. To trace how this diversity may be expressed in the adoption of bundles of practices, institutional profiles were examined in more depth by looking at the institutional issues related to the three different bundles.

Individual Calculative Practices. Calculative practices are often implemented at the employer's sole discretion or are negotiated between management and individual employees. Individually oriented strategies are sometimes intended to circumvent the influence of trade unions and organized labor. Although variable pay, the main form of calculative practice, is always negotiated individually, trade unions may play a part in implementing these schemes, depending on national industrial relations traditions and the strength of the unions. In general, European trade unions are against variable pay unless it is on top of a fixed salary and involves no reduction of basic pay. Where unions are strong and workplaces unionized, we would expect these practices to be limited (Sweden, Germany, Finland, and Denmark). However, on the European continent, where unions often have a strong position, collective agreements do contain variable pay provisions, especially certain "traditional" variable pay components like piece rates (EIRObserver 2001). The general trend toward decentralization of the collective bargaining structure in European countries down to company level has boosted the introduction and spread of variable pay, so we would expect a general increase in calculative practices. Indeed, there are indications that the incidence of variable pay is increasing throughout the EU. Most countries recorded an increase during the last decade of the last

century (EIRObserver 2001)[1] but the overall increase does not imply that all types of variable pay are spread uniformly throughout all countries.

France is a specific case, as management has substantial autonomy in corporate affairs, and union power is mainly limited to collective bargaining, so France may exhibit higher scores on calculative practices than Germany and the Nordic countries. German management has to work with an elaborate system of industrial relations where collective agreements set the standards for wages. Works councils, for instance, have the legal authority to negotiate company agreements including elements of variable pay. Personnel departments have to cope with this detailed prescriptive framework and this prevents any large-scale adoption of more recent international human resource management practices. We would therefore expect low scores on individual calculative practices in Germany compared with France and the UK.

Collective Incentive Schemes. There is evidence of an increasing interest in profit-sharing and employee share ownership in Europe (see studies on profit sharing in France, Germany, Italy, and the UK, for instance: Biagioli 1995; Carstensen, Gerlach and Hubler 1995; Del Boca and Cupaiuolo 1998; Mabile 1998; Pérotin and Robinson 1998; Poutsma and Huijgen, 1999; Poutsma, de Nijs and Doorewaaard, 1999; Festing et al. 1999). These studies show that there are differences in cultural attitudes and in regulatory and fiscal regimes that create differences between countries in the use and incidence of financial participation, i.e. profit sharing and employee share ownership (Uvalic 1991, Vaughan-Whitehead et al. 1995, Poutsma 2001). Although less clearly demonstrated, national differences in corporate governance and ownership also appear to influence the incidence of share ownership schemes. They seem, for instance, to be facilitated by the extensive use of stock market listing in countries such as the UK, while they seem to be obstructed by the pyramidal and cross-ownership structures in countries such as Germany.

Some countries explicitly promote collective incentive schemes while others do not. France has a framework of extensive, state-regulated (partly mandatory), broad-based, deferred profit sharing with the aims of promoting employee savings, broader distribution of wealth, and wage flexibility. This has evolved into a system where employee savings are invested in funds, which in turn either invest in a diversified fund or in the shares of the employer. Recent evidence indicates that nearly half of savings plans are

[1] On average in Europe in 2000, an estimated 25–35 percent of employees in private companies were affected by piece rates and profit-related pay schemes. Although there was some diversity among countries, e.g., Denmark was at the lower end, Germany in the middle, and the UK at the higher end (EIRObserver 2001).

used to facilitate employee share acquisition (see Incomes Data Services 2001; Pendleton and Poutsma 2004). In other words, French companies are responsive to employee share schemes, provided they fit the legal framework and are agreed by the employees or their representatives, including unions.

The UK, on the other hand, has a financial participation framework that consists mainly of deferred share-based profit sharing via option schemes. An elaborate stock market provides ample scope for share-based investments. The schemes in the UK are heavily supported by UK government policy (mainly tax concessions). The position of unions in the UK can best be described as "engaged skepticism." Financial participation in many UK companies is kept separate from collective bargaining over pay and the terms and conditions of employment. Both employers and trade unions tend to accept that the legal regulations governing financial participation may limit the scope for negotiation on the content of profit sharing and share ownership schemes. Against this background we would expect substantial use of participation plans in the UK (for further details, see Pendleton and Poutsma 2004).

To sum up, we expect greater diversity in the incidence of collective incentive schemes—profit sharing and employee share (options) schemes—than in the incidence of individual calculative practices. We expect high levels of profit sharing in France and low levels in Denmark and Sweden. We expect high incidence of share (options) schemes in the UK and France and low incidence in Germany and the Nordic countries.

Collaborative Practices. Employee participation has a long history in Europe. Indirect (or representative) participation has developed in a number of countries and is debated at the European level. Since the early 1990s, the focus of interest has shifted toward less statutory direct participation (Strauss 1998). Much research in this area has focused on the adoption of direct participation structures like teamwork, but we are focusing on information sharing and consultation initiated by management. In Germany, HRM may have limited room for maneuver because of the long-standing tradition of emphasizing statutory participation rather than nonstatutory forms initiated by management, so we expect a lower rate of diffusion of these innovative practices in Germany. French companies are described as hierarchical, with power concentrated at the top (Brunstein 1995; Lane 1995; Maurice and Sorge 2000). This suggests an authority structure with less inclination to share information on strategies with employees, so we expect lower diffusion of collaborative practices in French firms.

The perception of widespread diffusion of these practices in Europe has been challenged by several studies (Fröhlich and Pekruhl 1996; Benders, Huijgen, and Pekruhl 2002; Poutsma, Hendrickx and Huijgen 2003). Gill and

Krieger (2000) found only limited support for an institutional explanation of collaborative practices in a major European survey. Poutsma, Hendrickx, and Huijgen (2003) also found limited support for an institutional effect and more support for a rational choice approach to the use of these practices. Collaborative practices appeared to be more often practiced in innovative workplaces facing intense competition, with highly qualified personnel, where management considers direct participation a competitive advantage. While the numbers were small, these authors also found that intensely collaborative workplaces were more common in the Netherlands and Ireland.

To sum up, the institutional perspective suggests a strong country effect on the adoption of HRM practices. More specifically, the literature suggests diversity of calculative practices, collective incentive schemes, and collaborative practices due to differences in industrial relations, government regulations, promotion policies, and cultural heritage. This leads to our second set of hypotheses:

> H2a. The proportion of companies that implemented bundles of HRM practices would differ between countries in the period 1995–2000.
>
> H2b. Companies in the UK would have adopted more calculative practices and collective incentive schemes than Germany and the Nordic countries in the period 1995–2000.
>
> H2c. Companies in France would have adopted more calculative practices and collective incentive schemes than Germany and the Nordic countries in the period 1995–2000.
>
> H2d. Companies in Germany would have adopted on average fewer collaborative practices than companies in the other European countries in the period 1995–2000.
>
> H2e. Companies in France would have adopted on average fewer collaborative practices than companies in the other European countries in the period 1995–2000.

Multinationals and the Country-of-Origin Effect. Country-of-origin literature focuses on transfer of practices across borders, paying special attention to the role of U.S. MNCs. Their global dominance triggered Ferner and Quintanilla (1998: 711) to research a process they termed Anglo-Saxonization, i.e., a convergence in MNC structure and behavior around a model of international operation typical of highly internationalized British or United States-based MNCs. As Ferner et al. (2004) show, United States-based MNCs have a strong preponderance of market activities on very large (mass) home market. As a result, they have developed distinctive "organizational capabilities" in order to deliver standardized products to mass markets.

This provides them with the technical means and managerial experience to manage overseas operations in a centralized, formalized, and standardized way.

MNCs may, however, be receptive to local conditions in order to gain local acceptance, adapting their practices to local institutions. In addition, managers of subsidiaries may have some discretion to depart from the MNCs' general policies and practices to some extent and adapt practices to local circumstances. This "partial adaptation" effect or *hybrid localization* was conceptualized by Kostova and Roth (2002), who referred to it as the "institutional duality" of subsidiaries in host countries.

Isomorphic tendencies may also lead MNCs in the EU to copy practices from their U.S. competitors. Following Edwards (1998), Ferner and Varul (2000) used the concept of reverse diffusion (as opposed to forward diffusion) to show that German MNCs disseminate practices from the periphery to the center. German MNCs appear to use and disseminate Anglo-Saxon practices from their UK-based subsidiaries throughout their MNCs in their attempt to build up a more mature international company.

A large number of empirical studies in recent years have concentrated on the role of MNCs in promoting convergence of HRM practices across national borders (for an overview, see Ferner, 1997, and Harzing and Sorge, 2003). Several studies found evidence for convergent Anglo-Saxonization in the dissemination of HRM practices in Europe (see for instance Ferner and Quintanilla 1998; Gooderham, Nordhaug, and Ringdal 1998; Poutsma, Ligthart, and Schouteten 2005). In general, studies present mixed effects of the country of origin with some possible convergence of HRM practices. Ngo et al. (1998) studied subsidiaries of MNCs from the United States, Great Britain, Japan, and Hong Kong, and found support for the country-of-origin effect. A similar study by Tregaskis (1998) of the transfer of practices to subsidiaries of MNCs based in continental Europe, the United States, and Japan found only limited support. Lindholm (1999–2000) found that a European MNC implemented performance management policies in all its subsidiaries in every country, and that these practices had similar effects on employees' job satisfaction in the subsidiaries. In a study of American and British MNCs in Germany, Muller (1998) found that American MNCs appeared to have transferred human resource management practices, such as performance-related pay, to their foreign subsidiaries. Furthermore, while the peculiarities of the host business systems may have constrained the transfer, these constraints, whether absolute or partial, were often open to influence from large MNCs. Accordingly, Muller's study found that a significant number of American and British MNCs had opted out of the German systems of sector-wide collective bargaining and vocational training. In a study of a large Swedish MNC, Hayden and Edwards (2001)

concluded that the country-of-origin effects, although initially strong, eroded when Anglo-Saxon practices were adopted.

Other studies have shown that there are important limitations to the degree of likely homogenization of international HR management styles. This concurs with Rosenzweig and Nohria's (1994) findings that affiliate HRM practices generally follow local practices (which they call "forces of local isomorphism"), with differences in specific practices (as a result of MNCs striving for internal consistency). Gooderham, Nordhaug, and Ringdal (1998) found that being a subsidiary of a U.S. multinational in the United Kingdom, Ireland, Denmark, and Norway normally acts as a substantial determinant of the application of calculative (performance-oriented) human resource management practices. They also found that domestic firms in the UK use these practices more than firms on the continent (Gooderham, Nordhaug, and Ringdal 1999). They found support for the notion that United States-based MNCs bring many of their own, nationally idiosyncratic, human resource management practices with them to their subsidiaries in Western European countries but noted that MNCs are also receptive to local institutional conditions, in the sense that their use of United States-inspired human resource practices is markedly lower in settings where the use of such practices by domestic firms is relatively low. They concluded, therefore, that a partial immunity effect and a partial host-country-specific, mimetic effect exist side by side. This "adaptation" effect, or *hybrid localization* effect, has also been found by other researchers (cf. Tregaskis, Heraty, and Morley 2001; Kostova and Roth 2002).

To sum up, United States-based MNCs are expected to transfer more calculative HRM practices to their subsidiaries abroad. Because of the convergence of bundles of practices, these MNCs may also transfer other bundles of practices, albeit to a lesser extent. We therefore predict that:

> H3a. In addition to the effect of country, there would be an independent effect from United States-based MNCs on the adoption of all bundles of HRM practices.
>
> H3b. On average, subsidiaries of United States-based MNCs would have implemented more practices from the bundles of calculative practices than local companies in the period 1995–2000.

The isomorphism hypothesis suggests that EU MNCs follow U.S. MNCs in the adoption of practices, and therefore adapt more HRM practices than local companies:

> H3c. On average, subsidiaries of EU MNCs would have implemented more calculative practices and collective incentive schemes than national companies in the period 1995–2000.

Extending the hybrid localization thesis, the country-of-origin hypothesis predicts that the rational choices guiding United States-based MNCs also affect their subsidiaries abroad within national institutional settings:

> H3d. Subsidiaries of United States-based MNCs partly follow U.S. HRM practices and partly mimic the practices of local companies.

In contrast, the local adaptation proposition predicts an effect solely from the host country, not a combined effect:

> H3e. U.S. subsidiaries within countries tend to adopt similar HRM practices to local companies.

Methodology

The empirical analysis was performed on two consecutive surveys conducted by the Cranfield Network on European Human Resource Management (CRANET) 1995 and 2000. These surveys were part of an international research project utilizing a standardized procedure across a large number of—mostly EU—countries and a pretested questionnaire constructed through a process of translation and retranslation (Brewster et al. 2000; Mayrhofer, 2000). The questionnaires had a large number of identical questions, mainly asking for hard data on organizational policies and practices in human resource management of medium and large-scale companies in the private sector (100 or more employees).[2] The companies participating in these surveys were independent single-establishment companies or subsidiaries. Both surveys collected data using a mail survey addressed to the heads of personnel in representative national samples of organizations based in most of the EU countries.[3] The response rates across countries varied between 12 and 35 percent in most cases (for a detailed description of the

[2] The survey also covered the public sector but we focused on the private sector because we were mainly interested in the adoption of collective incentive schemes, profit sharing, stock options, and employee share ownership.

[3] We compared the outcomes of the CRANET survey with comparable outcomes of a major survey held in 1996, as part of the EPOC project (Employee Participation in Organisational Change) organized by the European Foundation for the Improvement of Living and Working Conditions. Although the questions were not completely identical, we found comparable patterns of use of practices in countries (EPOC 1997; Pendleton and Poutsma 2004). We also checked the comparability of the two data sets by looking at the distribution of the variables size and sector by country. We found only limited differences between the two data sets, suggesting that we could discover changes in practices between the two waves. In our analysis we also checked for interaction effects of country*sector and country*size. The results did not change. Again, this points to comparable datasets and supports their robustness.

sampling procedure see Brewster et al. 1994; Mayrhofer 2000; Pendleton et al. 2001).

In order to disentangle the country-specific, institutional factors affecting the HRM policies and practices, we included factors controlling for industry, size of firm (number of employees) and foreign subsidiaries (companies with headquarters in the U.S. or EU). Table 1 presents an overview of the number of companies across the main explanatory factors and their categories across the two datasets of CRANET.

Based on the CRANET 1995 survey and six European countries, Gooderham, Nordhaug, and Ringdal (1999) constructed scales for calculative and collaborative practices in organizations using Cronbach's alpha and the more restrictive scaling procedure of Mokken's nonparametric latent trait model (Mokken and Lewis 1982; Molenaar and Sijtsma 2000). The resulting calculative scale consisted of 10 items describing calculative HRM practices related to individual performance appraisals and individual reward systems. Each practice was measured for employees at managerial, professional/technical, clerical, and manual levels. Two items were also included, describing whether the evaluation of the effectiveness of personnel training had taken place immediately after the training or 2 months after training.

The collaborative scale consisted of six dichotomous items describing whether the firm had: a written mission statement, formal briefings about the company's strategy (at managerial, professional/technical, clerical, and manual levels), and a written policy for communication with employees.

Since the 1995 CRANET survey, in which the study of Gooderham, Nordhaug, and Ringdal (1999) was based, HRM policies and practices focusing on collective incentive schemes have been given more attention in the literature as well in practice. Companies have been implementing incentive schemes based on collective performance, i.e., share options, profit sharing, and group bonuses, more frequently and more broadly (Poutsma, Ligthart, and Schouteten 2005). Applying the same scaling procedure as Gooderham, Nordhaug, and Ringdal (1999), we constructed a collective incentive scale based on items indicating whether companies implemented these incentive schemes and at what level (managerial, professional/technical, clerical/administrative, or manual).

We analyzed the items on Gooderham's calculative and collaborative scales and on our own collective incentive schemes scale, across the two CRANET surveys and nine EU countries, using the Mokken scaling program (MSP; Molenaar and Sijtsma 2000). Mokken's scaling approach is a probabilistic version of the deterministic Guttman model, which allows for the possibility that a subject responds positively to one item and

TABLE 1

Cross Tabulation of Companies Across the Main Explanatory Factors and their Categories Across the Two CRANET Datasets (1995, 2000; List Wise Deletion)

	Year		
Explanatory factors/categories	1995 (*refcat*)	2000	Total
Size of firm			
Median	450	420	435
(mean lnsize)	(6.38)	(6.28)	(6.33)
Industry			
Construction	127	117	244
Transportation	115	103	218
Banking and finance	215	151	366
Chemicals	264	184	448
Other industries (eg services)	555	511	1066
Manufacturing (refcat)	1181	979	2160
EU country			
Germany	275	449	724
Finland	134	119	253
Sweden	178	138	316
Denmark	134	214	545
France	297	231	528
Belgium	283	166	449
Netherlands	197	75	272
Ireland	113	123	236
United Kingdom (refcat)	649	530	1179
Headquarters (M)NC			
US-based HQ	228	187	415
EU-based HQ	885	804	1689
National Corp. (refcat)	1344	1054	2398
Total	2457	2045	4502

Note: Items in italic are used as reference categories (refcat) in the subsequent regression analysis.

negatively to another, easier, item. In contrast to reliability analysis that assumes unidimensionality, Mokken's approach calculates an internal scaling criterion, Loevinger's H-coefficient, to directly evaluate the unidimensionality of a pair of items and the scale. Loevinger's H-coefficient indicates the deviation of the observed data structure on the scale from the perfect scalogram structure as incorporated in Guttmann's approach. Following Mokken (1971), Molenaar and Sijtsma (2000) considered a set of items as a weak scale if $0.3 \leq H < 0.4$. Reasonable, medium scalability is reached if $0.4 \leq H < 0.5$ and scalability is considered strong if $0.5 \leq H < 1.0$. A set of items with $H < 0.3$ was considered to be unscalable.

In Table 2, the dichotomous items of the three scales are ordered on the basis of their overall means, i.e., the observed proportion of companies

TABLE 2

SCALABILITY AND RELIABILITY OF THE SCALES FOR CALCULATIVE PRACTICES, COLLABORATIVE PRACTICES, AND COLLECTIVE INCENTIVE SCHEMES (LIST WISE DELETION)

	MSP*				Reliability analysis**		
Scales/items	Mean 1995	Mean 2000	Mean overall	Hwgt	Corr.	R^2	Alpha
Calculative scale				*0.45*			*0.82*
	n =	*n =*	*N =*	*1995: 0.47*	*0.31*		*1995: 0.82*
	2457	*2045*	*4502*	*2000: 0.42*			*2000: 0.82*
ca8 Individual rewards: manual	0.30	0.32	0.31	0.35	0.37	0.39	0.82
ca10 Formal evaluation training: after 2 months	0.16	0.49	0.31	0.27	0.28	0.27	0.83
ca7 Individual rewards: clerical	0.35	0.35	0.35	0.50	0.57	0.68	0.80
ca6 Individual rewards: professional	0.41	0.44	0.42	0.50	0.60	0.71	0.79
ca5 Individual rewards: managers	0.44	0.47	0.45	0.43	0.53	0.52	0.80
ca4 Performance appraisals: manual	0.49	0.59	0.53	0.40	0.48	0.42	0.81
ca9 Formal evaluation training: immediately	0.48	0.60	0.53	0.32	0.37	0.32	0.82
ca3 Performance appraisals: clerical	0.62	0.69	0.65	0.56	0.63	0.71	0.79
ca1 Performance appraisals: managers	0.70	0.72	0.71	0.56	0.57	0.61	0.80
ca2 Performance appraisals: professional	0.69	0.73	0.71	0.62	0.64	0.75	0.79
Collaborative scale				*0.51*			*0.71*
	n =	*n =*	*N =*	*1995: 0.51*	*0.29*		*1995: 0.71*
	2457	*2045*	*4502*	*2000: 0.52*			*2000: 0.71*
Co6 Strategy briefing: manual	0.40	0.35	0.37	0.64	0.68	0.77	0.60
Co2 Written comm. policy employees	0.39	0.40	0.39	0.24	0.24	0.07	0.75
Co5 Strategy briefing: clerical	0.44	0.41	0.42	0.65	0.72	0.80	0.59
Co4 Strategy briefing: professionals	0.65	0.58	0.62	0.61	0.59	0.45	0.64
Co1 Written mission statement	0.70	0.76	0.73	0.37	0.29	0.09	0.73
Co3 Strategy briefing: managers	0.95	0.94	0.95	0.70	0.25	0.09	0.73
Collective incentive scale				*0.33*			*0.81*
	n =	*n =*	*N =*	*1995: 0.34*	*0.26*		*1995: 0.81*
	2457	*2045*	*4502*	*2000: 0.31*			*2000: 0.80*
Ci4 Employee share options: manual	0.13	0.16	0.14	0.36	0.47	0.89	0.79
Ci3 Employee share options: clerical	0.14	0.17	0.16	0.35	0.48	0.94	0.79
Ci11 Group bonus: clerical	0.13	0.19	0.16	0.27	0.37	0.67	0.80
Ci2 Employee share options: professionals	0.16	0.20	0.18	0.35	0.50	0.88	0.79
Ci10 Group bonus: professionals	0.16	0.21	0.18	0.26	0.36	0.65	0.80
Ci12 Group bonus: manual	0.18	0.23	0.21	0.18	0.26	0.44	0.81
Ci9 Group bonus: management	0.20	0.24	0.22	0.22	0.32	0.41	0.80
Ci8 Profit sharing: manual	0.26	0.27	0.26	0.38	0.56	0.85	0.78
Ci1 Employee share options: managers	0.24	0.31	0.27	0.34	0.49	0.59	0.79
Ci7 Profit sharing: clerical	0.28	0.29	0.28	0.40	0.58	0.91	0.78
Ci6 Profit sharing: professionals'	0.30	0.33	0.31	0.42	0.57	0.87	0.78
Ci5 Profit Sharing: management	0.38	0.43	0.40	0.40	0.46	0.59	0.79

NOTES: *MSP, Mokken scaling program; mean is the mean of the dichotomized items; Hwgt, Loevinger's coefficient of homogeneity, weighted. All H-coefficients are significantly different from 0 at the 0.001 level.

**Reliability analysis: Corr. is the corrected item-scale correlation; R^2 is the squared multiple correlation between the item and the remaining items; Alpha is the Cronbach's alpha for the scale and for each item the scale alpha minus that item.

employing the practice described by the item. The Loevinger's H-coefficients for the calculative and the collaborative practices scales indicated medium and almost strong scalability (0.45 and 0.51, respectively), although the item stating whether or not companies evaluated training after 2 months (Ca10) had lower H-coefficients than the other items. The collective incentive schemes scale appeared to generate a relatively weaker scale with a Loevinger's H-coefficient of 0.33. In particular, the group bonus at manual level (Ci12) had a low scalability coefficient (0.18). The reliability analyses show satisfying average inter-item correlations (0.31, 0.29, and 0.25 for the three scales respectively) and R^2 indicating a common variance between the items and the remaining items with each scale. Some items on the collaborative practices scale had relatively low R^2; however, Co2 (0.07), Co1 (0.09), and Co3 (0.09). Elimination of Co2, which also has a low H-coefficient would raise the Cronbach's alpha to only a slightly higher level of consistency. Cronbach's alpha showed encouragingly high levels of reliability: 0.82 on the calculative practices scale, 0.71 on the collaborative practices scale and 0.81 on the collective incentive schemes scale), to add to the satisfying scalability based on the Loevinger's H-coefficient of the scales reported earlier.

The ranking of the items on the basis of the overall means within each scale indicates the relative popularity of a particular practice within companies. The overall mean proportion of the calculative practices ranged between 0.31 and 0.71, in which the individual rewards items at the different levels appeared to be less popular in companies than the practices concerned with performance appraisals. The overall mean proportion of the collaborative practices ranged between 0.37 and 0.95. Collaborative practices focusing on lower hierarchical levels, i.e., the manual and clerical levels, appeared to be less common than those focusing on higher, professional, and managerial levels. The collective incentive practices were less common in European-based companies; the mean proportion for these practices ranged between 0.14 and 0.40. On the collective incentives scale, practices appeared to be ranked according to the type of collective incentive scheme: employee share option schemes were less common overall, followed by group bonus schemes; profit-sharing schemes were the most common collective incentive schemes. Within each scheme, practices appeared to be more commonly adopted at higher hierarchical levels than at lower ones. Note that the items on the collaborative practices scale mainly covered information sharing and did not indicate full participation in decision making. We did not include structural work-organization features like teamwork and representative participation. These do not tell us much about actual participation in decision making, nor are they a necessary precondition.

Information sharing is a necessary precondition for cooperation and collaboration[5].

Differences in H-coefficient and Cronbach's alpha between the two CRANET surveys were almost nonexistent. A noticeable difference was the larger increase in companies evaluating training after 2 months (Ca10) and immediately (Ca9). The mean proportions of these two items increased significantly over time: 0.16 to 0.49 and 0.48 to 0.60 respectively. Apparently, more companies implemented formal evaluation of employee training in 2000.

Overall, the results for the calculative and collaborative scales confirmed the scalability findings of Gooderham, Nordhaug, and Ringdal (1999) across more (EU) countries and over time. Our collective incentive schemes scale also appeared to be an acceptable scale.

Results

For each scale, a scale score was calculated based on the corresponding dichotomous items. The calculative practices scale (CALC-scale) is the sum of the 10 dichotomous items indicating different calculative practices in a firm. The scale has a minimum of 0 and a maximum of 10 with a mean value of 4.97 (SD 2.95). The collaborative practices scale (COLL-scale) is the sum of the six dichotomous items measuring collaborative practices and ranges from 0 to 6 with a mean of 3.49 (SD 1.73). The collective incentive schemes scale (CIS-scale) is based on the 12 dichotomous items indicating the extent to which companies implemented collective incentive schemes and ranges from 0 to 12 with a mean of 2.77 (SD 2.81). The descriptive statistics of these three scale scores are summarized in Table 3.

The scales included a coverage dimension: the higher the score, the more categories of personnel are covered by the bundle of practices. This makes the scales very useful for our analysis of variations in the degree of use of HRM practices. In absolute terms, companies on the average implemented mostly calculative HRM practices, followed by collaborative practices. Relative to the scale maximum, companies appeared on the average to be most active with collaborative HRM practices. In both absolute and relative terms, companies implemented collective incentive schemes the least.

[5] Unlike Wood and Fenton-O'Creevy (2005), we did not emphasize the structures of collaboration. We approached the issue of collaboration from the angle of the use of collaborative practices by management regardless of the channels they may use. However, we did check for any associations in our data set between collaborative practices and the existence of works councils and recognition of trade unions by management, and both relationships were positive.

TABLE 3

Descriptive Statistics of the Scale Scores of the Three HRM-Bundles, i.e. the Dependent Variables CALC, CIS, and COLL (N = 4502, List Wise Deletion)

Dependent variables	Mean	SD	Relative to (number of items, i.e. maximum of scale)	Correlation	
				CALC	COLL
Calculative practices	4.97a	2.95	0.497a (10)		
Collaborative practices	3.49b	1.73	0.581b (6)	0.253	
Collective incentive schemes	2.77c	2.81	0.231c (12)	0.305	0.120

Notes: a,b,c mean values with different indices within each column differ significantly ($p < 0.001$).

The results of the regression analyses for the three bundles of HRM practices are summarized in Table 4. In each analysis, the hypothesized effects were controlled for size of firm (using the natural logarithm of firm size: LNSIZE). Size of firm correlated positively with implementation of two bundles of HRM practices: calculative practices and collective incentive schemes. Size did not affect collaborative practices significantly.

The second control factor was industry. Industry itself had a selective effect on the adoption of the three bundles of HRM practices (Table 4). Compared to manufacturing industry, companies in the banking and finance sector implemented more calculative practices, whereas transportation companies reported fewer calculative HRM practices. Industry barely affected the implementation of collaborative HRM practices: only the construction industry adopted significantly fewer collaborative practices. The industry effect was more evident for collective incentive schemes: transportation companies and companies in the "other industries" group (mainly service industries) reported fewer collective incentive schemes for their employees, whereas companies in the chemical industry (energy and nonenergy) adopted more collective incentive schemes than companies in manufacturing industry.

Hypotheses

Hypothesis 1a from the "Diffusion of bundles of HRM practices" section predicted an overall increase of HRM practices in European companies since 1995. The hypothesized effect was tested using the contrast parameter YEAR_2000 (Table 3). The results (Table 4) show that, as predicted, companies implemented more calculative practices in the period 1995–2000. Remarkably, the adoption of collaborative practices decreased significantly

TABLE 4

IMPACT OF EXPLANATORY FACTORS ON THE THREE HRM-BUNDLES: CALCULATIVE PRACTICES (CALC), COLLABORATIVE PRACTICES (COLL), AND COLLECTIVE INCENTIVES SCHEMES (CIS) (N = 4502; LIST WISE DELETION)

Parameter	B CALC	Sig	SE	B coll	Sig	SE	B CIS	Sig	SE
Intercept	1.301	****	0.271	2.470	****	0.170	0.315		0.271
Lnsize	0.342	****	0.033	0.006		0.021	0.274	****	0.032
Industry									
Construction	–0.108		0.166	–0.296	***	0.107	–0.049		0.164
Transportation	–0.345	**	0.174	0.078		0.112	–0.364	**	0.172
Banking and finance	1.071	****	0.142	–0.055		0.092	0.274	*	0.141
Chemicals	0.227	*	0.128	–0.058		0.082	0.431	****	0.126
Other industries	–0.002		0.094	0.014		0.060	–0.217	**	0.093
Manufacturing (refcat)									
CALC				0.157	****	0.013	0.115	****	0.020
COLL	0.376	****	0.030				0.126	****	0.031
CIS	0.296	****	0.267	0.056	****	0.013			
Year									
2000	0.504	**	0.236	–0.494	***	0.152	–0.013		0.249
1995 (refcat)									
Year 2000 * CALC				0.016		0.018	–0.019		0.029
Year 2000 * COLL	0.088	*	0.045				0.055		0.046
Year 2000 * CIS	–0.018		0.030	0.017		0.019			
EU country									
Germany	–1.426	****	0.213	–0.685	****	0.137	–1.074	****	0.210
Finland	–1.602	****	0.272	0.877	****	0.176	–1.723	****	0.268
Sweden	–1.127	****	0.245	1.075	****	0.157	–1.012	****	0.242
Denmark	–3.135	****	0.206	0.827	****	0.139	–1.495	****	0.211
France	0.317		0.201	–0.896	****	0.128	1.310	****	0.197
Netherlands	–0.967	****	0.257	0.275	*	0.166	–1.264	****	0.253
Belgium	–0.396	*	0.238	–0.036		0.153	–1.875	****	0.231
Ireland	–0.975	***	0.358	0.412	*	0.230	–1.130	***	0.353
UK (refcat)									
EUC * Year									
Germany * year 2000	0.040		0.243	0.524	****	0.157	0.013		0.239
Finland * year 2000	0.174		0.347	0.461	**	0.223	0.783	**	0.344
Sweden * year 2000	0.102		0.318	0.274		0.203	–0.316		0.313
Denmark * year 2000	0.296		0.267	0.168		0.180	0.156		0.274
France * year 2000	0.340		0.280	0.091		0.178	0.952	****	0.272
Belgium * year 2000	0.134		0.287	0.302		0.184	0.123		0.275
Netherlands * year 2000	0.609	*	0.362	–0.124		0.233	0.633	*	0.356
Ireland * year 2000	0.420		0.354	–0.513	**	0.228	0.203		0.349
UK * 1995 (refcat)									
Headquarters (M)NC									
US-based HQ	0.873	****	0.256	0.618	****	0.165	–0.527	**	0.254
EU-based HQ	0.484	***	0.172	0.271	**	0.110	1.067	****	0.169
Nationals (refcat)									

TABLE 4 (con't)

Parameter	B CALC	Sig	SE	B coll	Sig	SE	B CIS	Sig	SE
Headquarters (M)NC * year									
US-based HQ * year 2000	–0.283		0.274	0.246		0.176	0.457	*	0.271
EU-based HQ * year 2000	–0.135		0.163	–0.009		0.105	0.242		0.160
Nationals * 1995 (refcat)									
EUC * Headquarters (M)NC									
Germany * US-based HQ	0.028		0.461	0.147		0.296	0.473		0.454
Germany * EU-based HQ	0.572	**	0.248	–0.282	*	0.160	–0.821	****	0.245
Finland * US-based HQ	–0.882		1.136	–1.026		0.730	1.303		1.121
Finland * EU-based HQ	–0.197		0.353	–0.088		0.227	–0.123		0.348
Sweden * US-based HQ	–0.302		0.709	–1.479	***	0.455	1.006		0.699
Sweden * EU-based HQ	–0.466		0.332	–0.125		0.213	–0.854	***	0.327
Denmark * US-based HQ	1.254	**	0.522	–0.815	**	0.335	1.028	**	0.515
Denmark * EU-based HQ	–0.111		0.270	–0.250		0.174	–0.838	***	0.266
France * US-based HQ	–0.285		0.516	–0.272		0.332	0.925	*	0.509
France * EU-based HQ	–0.155		0.291	–0.012		0.187	–0.824	***	0.287
Belgium * US-based HQ	1.397	***	0.444	–0.345		0.286	1.392	***	0.438
Belgium * EU-based HQ	0.669	**	0.289	–0.360	*	0.186	–1.019	****	0.285
Netherlands * US-based HQ	0.965		0.649	–0.256		0.417	1.736	***	0.639
Netherlands * EU-based HQ	0.372		0.346	–0.212		0.222	–0.536		0.341
Ireland * US-based HQ	0.611		0.453	0.065		0.291	2.447	****	0.446
Ireland * EU-based HQ	0.267		0.417	0.046		0.268	–0.879	**	0.411
UK * Nationals (refcat)									

Notes: * = $p < 0.10$; ** = $p < 0.05$; *** = $p < 0.01$; **** = $p < 0.001$.
Refcat = Reference category.

during this period. The results show no significant trend in the adoption of collective incentive schemes over time. These results only partially confirm the predicted increase for all bundles therefore, as each HRM bundle appears to have a different diffusion rate. Only the adoption of calculative practices increased over time.

Descriptive analysis, not presented here, showed that the increase in calculative practice took place in all nine EU countries. The diversity between countries remained, suggesting directional convergence but not final convergence. Directional convergence is when the trend goes in the same direction in each country; final convergence is when a variable in different countries is developing toward a common end point (Mayrhofer and Brewster (2005). The same holds for the slight decline in the use of collaborative practices.

Hypothesis 1b predicted convergence in the development of the three bundles based on the increased importance of all three types of HRM practices for competitive advantage. Overall, the adoption of one bundle correlated positively with the other types of HRM practices. For example,

the presence of collaborative HRM practices correlated positively with availability of both calculative practices and collective incentive schemes. Calculative HRM practices within a firm also correlated positively with implementation of collective incentive practices. In the period 1995–2000, however, the hypothesized convergence of the three bundles did not take place. The interaction parameters, combining factors YEAR_2000 and CALC, or COLL, or CIS, tested the predicted effects (see Table 4). The results show that none of them was significant. For example, the increase in calculative practices over time did not lead to an increase in collaborative HRM practices in companies, or to an increase in collective incentive schemes. Hypothesis 1b concerning the convergence of the three bundles over time was not confirmed.

Hypotheses 2a to 2e from the "Country institutional profiles" section predicted that country-specific institutional profiles in most EU countries would affect the adoption and diffusion of HRM practices. In line with hypothesis 2a, the results in Table 4 show that a location in most EU countries had a substantial effect on the adoption of all three bundles of HRM practices by companies.

The adoption of calculative practices by companies in the UK appeared to be equaled only by France and Belgium. All other countries appeared to show significantly less adoption of calculative HRM practices by companies than the UK. Companies in Ireland and the Netherlands incorporated rather fewer of these practices, while companies in Germany, Finland, Sweden, and Denmark adopted far fewer of these practices. These results, therefore, also confirm the Anglo-Saxonization hypothesis 2b. Similar findings resulted from the analysis of collective incentive schemes (see Table 4). As predicted by hypothesis 2c, French companies were most inclined to adopt collective incentive schemes, whereas in all other EU countries, companies implemented fewer collective incentive schemes than companies in the UK.

Institutional effects were also found for collaborative HRM practices, although these seemed to be more mixed. Nevertheless, as predicted by hypotheses 2d and 2e, companies in the UK were inclined to adopt these collaborative practices significantly more than companies in Germany, where a long-standing tradition of statutory participation prevails, and France, where companies have a distinctively different authority structure. Companies in the three Nordic countries implemented these collaborative practices more than UK and French companies did. In Ireland, the Netherlands, and Belgium, companies adopted a similar level of collaborative practices to the UK.

Overall, we conclude that country-specific institutional profiles, as outlined in our theoretical framework, did result in specific effects for the

HRM bundles. Country-specific variance in the adoption of all three HRM bundles was found. Location in an EU country had a substantial impact on the extent to which companies implemented HRM practices: most variation was found for collective incentive schemes (partial eta squared = 0.074) and calculative practices (partial eta squared = 0.062), and less for collaborative practices (partial eta squared = 0.034). The divergence among countries did not increase much between 1995 and 2000: the YEAR_2000 parameter only moderated the country effect in a few countries. Over this timeframe, the diffusion of calculative practices did not change in any of the nine EU countries (see interaction parameters EU-country * Year_2000 in Table 4). Companies in Finland and France did implement more collective incentive schemes, and companies in Finland and Germany implemented more collaborative practices during these 5 years. Companies in Ireland had reduced their collaborative practices by 2000.

Based on the institutional duality thesis, hypotheses 3a to e predicted that the adoption of HRM practices by foreign subsidiaries would be affected by two distinct sets of isomorphic pressures: one from the host country and one from the country of origin. Results (Table 4) confirmed hypothesis 3a, which predicted that U.S.-based MNCs would implement more calculative and collaborative HRM practices but adopt fewer collective incentive schemes than national companies. The higher implementation rate for calculative HRM practices by subsidiaries of U.S.-based companies confirmed hypothesis 3b. In line with the isomorphism hypothesis (hypothesis 3c), EU-based MNCs mimicked the practices of U.S.-based MNCs, i.e., foreign subsidiaries of EU-based MNCs also adopted more calculative practices and more collective incentive schemes than national companies. Remarkably, subsidiaries of U.S.-MNCs adopted significantly fewer collective incentive schemes.[6] Additional analysis showed that subsidiaries of U.S.-based MNCs did not differ from subsidiaries of EU-based MNCs with respect to the calculative practices. For the collective incentive schemes, however, subsidiaries of EU-based MNCs appeared to adopt these practices more than subsidiaries of U.S.-based MNCs.

Anglo-Saxonization or isomorphism did not progress in the period 1995–2000. The absence of significant interaction parameters for Headquarters MNC * Year_2000 (see Table 4) showed that the adoption rate by MNCs with respect to these two HRM bundles as well as collaborative HRM

[6] The marginal estimations of effect of MNC headquarters also showed an increase in the adoption of collective incentive schemes by subsidiaries of US-based MNCs. This marginal effect was reversed by controlling for the combined effect of MNC headquarters and EU country.

practices stabilized during this time frame. The discrepancy between MNCs and their national counterparts did not increase further.

Hypotheses 3d and 3e formulated contrasting predictions concerning the HRM practices of MNCs in various EU countries. Local adaptation (hypothesis 3e) suggests that U.S.-based MNCs would adapt to local or country-specific institutions. The country-of-origin hypothesis (hypothesis 3d) implies the opposite: that U.S.-based MNCs would mimic the practices of local companies to some extent, while getting their local subsidiaries to adopt American HRM practices. The predicted moderation effects of the MNC's headquarters on the adoption of HRM bundles in EU countries (EU-country * Headquarters MNC parameters) are summarized in Table 4.

For calculative HRM practices, the contrast between U.S.-based MNCs and local companies deviated from the pattern in the UK in only two countries: Denmark and Belgium. For the collaborative practices, in most countries, the contrast between U.S.-based MNCs and local companies did not deviate from the pattern in the UK. Only in Sweden and Denmark did U.S.-based MNCs adopt far fewer collaborative practices than the nationally based corporations compared to their counterparts in the UK. More deviation from local companies within countries was found in the case of collective incentive schemes. U.S.-based MNCs appeared to use more collective incentive schemes than their counterparts in the UK in Denmark, Ireland, the Netherlands, and Belgium. EU-based MNCs also appeared to behave differently from local companies in these countries. Figures 1, 2, and 3 illustrate local adaptation and non-adaptation by MNCs, although they also show differences that are not significant.

Overall, the results suggest that for two of the three HRM bundles, i.e., the calculative and the collaborative practices, country of origin barely moderated the effect of the host country on the adoption of HRM practices. For these HRM bundles, local adaptation (hypothesis 3e) seemed to be dominant. For the collective incentive schemes (hypothesis 3d), subsidiaries with either U.S.- or EU-based headquarters appeared to moderate the adoption practices of the subsidiaries locally. Here, the country of origin seemed to determine adoption by foreign subsidiaries. Overall, these results confirmed the basic principle of the institutional duality thesis. Both the host country and the country of origin of the subsidiaries' headquarters affected the adoption of organizational practices, like the three bundles of HRM practices; although, the country-of-origin effect (MNC headquarters) appeared to capture less variance than the parameters of the EU countries (etas squared are 0.011, 0.002, and 0.01 for calculative and collaborative practices, and collective incentive schemes, respectively).

An overview of the confirmed and rejected hypotheses is presented in Table 5.

FIGURE 1

Mean Score Differences Between MNCs and Local Companies Per Country and Scale

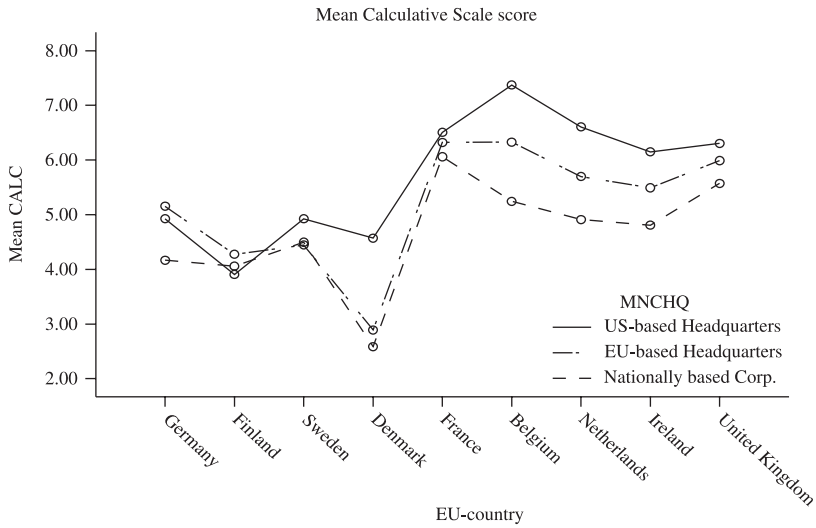


FIGURE 2

Mean Score Differences Between MNCs and Local Companies Per Country and Scale

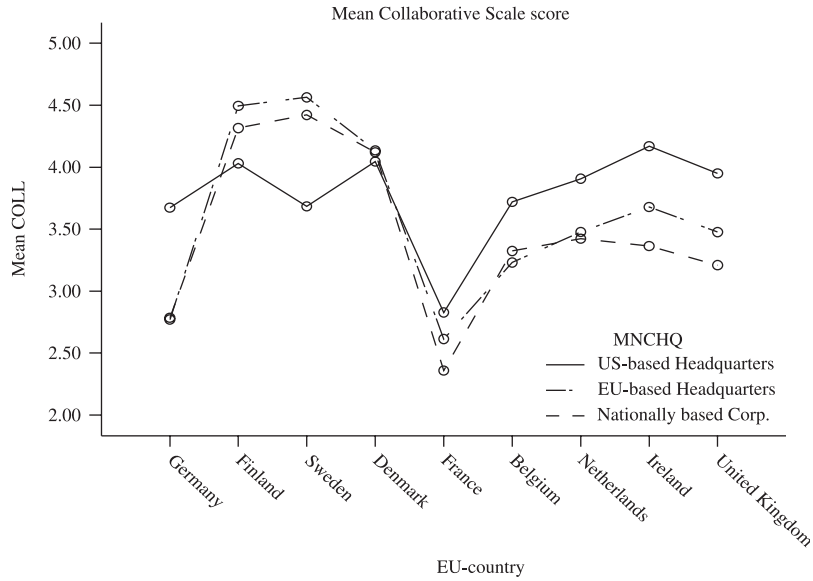


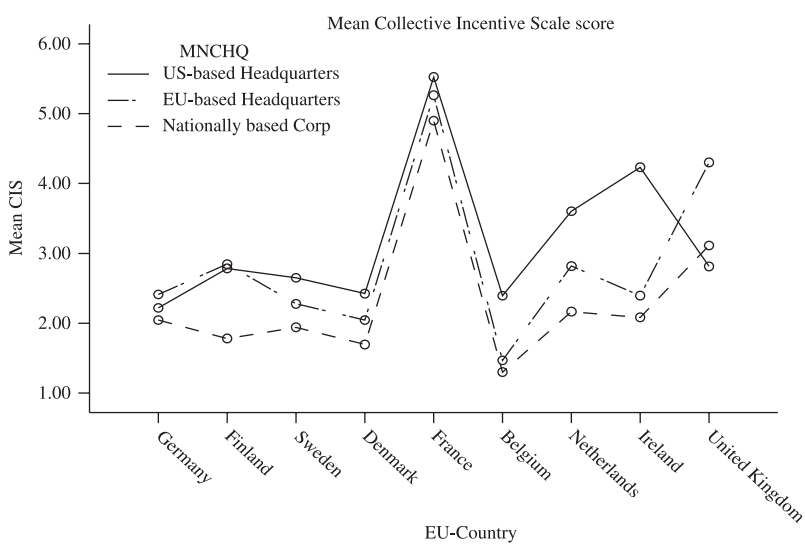
TABLE 5

OVERVIEW OF THE HYPOTHESIZED EFFECTS

Hypothesis on the implementation of HRM bundles	Result	Confirmed
Rational choice perspective H1		
Calculative practices (1a)	Increased over time	+
Collective incentive practices (1a)	Unchanged over time	–
Collaborative schemes (1a)	Decreased over time	–
Convergence over time (1b)	No change over time	–
Institutional perspective H2 over the period 1995–2000		
Country-specific effects (2a)	Present	+
Calculative practices, collective incentive schemes in UK (2b)	Present	+
and France (2c) more than in Germany, and Nordic countries	Present	+
Collaborative practices in Germany (2d),	Present	+
and France (2e) less than the other EU countries	Present	+
Institutional duality thesis		
Distinct effect of US-based MNCs on adoption bundles (3a)	Present	
Calculative practices more by subsidiaries of US-based MNC (3b)	'Anglo-Saxonization'	+
Calculative practices and collective incentive scheme more by subsidiaries of EU-based MNCs (3c)	Isomorphism	+ +
US-based subsidiaries partly mimic practices of local companies (3d)	Hybrid localization	+ (cis)
US-based subsidiaries within countries adopt similar practices as local companies (3e)	Local adaptation	+ (calc, coll)

FIGURE 3

MEAN SCORE DIFFERENCES BETWEEN MNCS AND LOCAL COMPANIES PER COUNTRY AND SCALE



Conclusion and Discussion

This article examined the influence of U.S. and European multinationals on the rate and pattern of adoption and diffusion of bundles of HRM practices, and investigated institutional constraints on the adoption and diffusion of these practices. It also tried to assess any convergence or divergence of three selected bundles of HRM practices. We did not find any final convergence of bundles of practices into high-performance work systems. Although our data do not permit firm conclusions as to the extent of diffusion of practices, they do provide evidence of directional convergence of individual calculative practices. This means that the use of individual calculative practices increased in organizations in all countries but diversity between countries remained. Not much change was found for the other bundles and diversity remained consistent over time. The low rate of development of various areas of HRM remained relatively constant during the 1990s, despite the idea of change so common in much professional literature in Europe (Mayrhofer and Brewster 2005). The persistence of diversity may also be an antidote to the best practices approach that is supposed to lead to universal organizational success (Marchington and Grugulus 2000). The results show persistent varieties of HRM in Europe. Companies in the UK and France were more receptive to calculative practices than companies in the Nordic countries, where more collaborative practices were found. This European divide was also apparent with respect to collective incentive schemes.

Although it did not transform diversity into convergence, the influence of MNCs was clearly seen in the form of directional convergence. Subsidiaries of U.S.-based MNCs developed more calculative and collaborative practices, and were followed in this by their EU counterparts. However, in most cases they followed local culture in the sense that the uptake of practices was generally lower in countries where use of calculative and collaborative practices by local companies was lower. This supports the institutional duality thesis that managements of MNC subsidiaries not only face pressure from within the MNC but also from the institutional environment of the host country.

Only for collective incentive schemes did the pattern change in some countries. In general, subsidiaries of U.S. MNCs experienced lower take-up of these schemes than EU MNCs. This may have to do with the type of schemes that is favored by US MNCs, as Poutsma, Ligthart, and Schouteten (2005) found. U.S. MNCs favor narrower schemes that are selective schemes for management and senior staff only, while EU MNCs favor broader-based schemes, for which the majority of staff are eligible.

The other explanation for the lower uptake might be that collective schemes are more easily subject to collective bargaining than individual calculative practices. This is the case in Germany, where works councils have a say over the implementation of schemes.

In terms of research, the continuing diversity of practices also supports a multivariate approach to explaining such complex phenomena, as advanced by Poole, Lansbury, and Wailes (2001). There were no signs of straightforward evolutionary or cyclical developments. Each country's HRM and industrial relations should be viewed as a system embedded in social institutions with varying interdependent complementarities. This suggests country-specific idiosyncratic HRM and industrial relations systems, to which MNCs have to adapt their practices rather than being able to transfer their own practices to the country. On the other hand, institutions may also change in the long run due to strategic HRM choices by MNCs entering a particular country. How institutions change over time could be a challenge for further research in this field.

In addition to the issue of institutional change and strategic choice, one of the issues that we could not address was the possibility of circumventing institutional constraints. U.S. MNCs, for instance, may have found leeway or bypasses in some countries, where their subsidiaries adopt more collective incentive schemes than EU MNCS and local companies. This is the case in the Netherlands, Belgium, and Denmark. The issue of bypassing has also been addressed by case studies that found that Anglo-Saxon companies may try to maintain legitimacy by adapting to the form of local institutions but at the same time use various means to bypass them in practice (Royle, 1998). Of course, this behavior cannot easily be uncovered in surveys, which is one of the limitations of this research. Nor can a survey address in detail the issue of decisions made at headquarters to centralize or decentralize practices. However, our results show that managements of subsidiaries played a key role in whether practices were adopted. Their strategic choices are likely to reflect distinctive traditions and the national institutional landscape, while at the same time being under pressure from the MNC to adopt practices. The role of the managements of subsidiaries could shed light on possible processes of diffusion and implementation with all their tensions, as Kostova and Roth (2002) showed. Following Kostova and Roth (2002), our use of issue-specific institutional profiles seemed promising. In contrast to international comparative research to examine country effects through general cultural attributes, issue-specific approaches to understanding country effects by developing specific national institutional profiles might be a better alternative. Unfortunately, we were not able to use proxies derived from our institutional

profiles in our statistical analyses. It would be worthwhile exploring the possibilities of doing so.

Another point for discussion is the choice of bundles of practices and scales. Although they reflected the different models in HRM literature, and our analysis supports the findings of other research in this domain, the choice of indicators and the validity of some measures are open to question. Given their effects, as demonstrated in this study, it would be worthwhile studying the relationships between indicators and their inferred meanings more precisely.

The third limitation of this research was the time period 1995–2000, which was too short to find real trends. Moreover, European economies did well during this period and the question of what has happened since 2001 remains. A final limitation of this research was that the data covered two cross-sectional surveys but did not contain any real longitudinal data, allowing changes in company policies and practices to be addressed directly. A longitudinal examination of the co-evolution of institutional duality and adoption of practices could provide a better understanding of the processes of institutionalization and change.

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