

Swissness in Foreign Multinationals?

Standardization and Cross-National Transfer of Human Resource Management Practices from German and U.S. Multinational Companies towards their Swiss Subsidiaries

THESIS

presented to the Faculty of Economics and Social Sciences
at the University of Fribourg (Switzerland),
in fulfilment of the requirements for the degree of
Doctor of Economics and Social Sciences

by

Oliver Christian SCHRÖTER
from Germany

Accepted by the Faculty of Economics and Social Sciences
on February 24th, 2014 at the proposal of
Prof. Dr. Eric Davoine (First Advisor) and
Prof. Dr. Markus Gmür (Second Advisor)

Fribourg, Switzerland, 2014

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The Faculty of Economics and Social Sciences at the University of Fribourg neither approves nor disapproves the opinions expressed in a doctoral thesis. They are to be considered those of the author (decision of the Faculty Council of 23 January 1990).

To my family and the ones close to me

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Oliver Schröter

Abstract

The present work investigates the standardization and cross-national transfer of HRM and IR practices within MNCs. Based on comparative institutionalist theory, this multiple case study includes Swiss subsidiaries of nine German and ten US MNCs as well as four interviews with experts from the SECO, UNIA, the Swiss Employers' Association and the Aprentas joint training scheme. The investigation asks for Swiss host country effects on local HRM practices and the way in which German and US MNCs relate to the Swiss institutional environment with its specific constraints and opportunities.

Through an in-depth analysis of the Swiss national business system, Switzerland could be classified as a particular form of a collaborative business system. The latter shares some important features with Germany, whereas others rather resemble Anglo-Saxon systems. The Swiss institutional environment holds many supports like a comprehensive system of dual vocational education and training and is marked by dense associational as well as personal networks. Furthermore, associations are playing an important part in the Swiss liberal corporatist state in terms of policy formulation and execution. These elements are shared in common with the German business system. On the other hand, there are no institutional safeguards or statutory rights that would be comparable to the strict German employment protection legislation or co-determination rights for works councils. In this respect, Switzerland is closer to the compartmentalised business system of the USA. Both are marked by flexible labour markets and hold few legal-institutional constraints for the definition of HRM and IR practices. At the same time though, the outcome of fairly stable employment relations with long job tenures and an utterly low level of industrial conflict in Switzerland are much closer to Germany than to the US. While in Switzerland there are few legal constraints in place, the small Swiss society is marked by extensive networking and direct personal contact. In such a constellation, the law of multiple encounters in life gives rise to strong forms of social control that foster a consensual managerial style and cooperative industrial relations.

Main findings on German MNCs suggest that the latter do not show a consistent pattern concerning their approaches towards standardization and transfer of HRM and IR practices. The majority of German MNCs in our sample continues to be inspired by US models and shows strikingly similar HR system architectures, transfer channels and mechanisms as well as levels of standardization as their US counterparts. In those cases where standardization of HRM practices was rather low, our evidence suggests that this is rather attributable to organizational-level factors than to a systematic country-of-origin effect. One area where the German MNCs of our sample clearly showed more local practices than their US counterparts was IR. Yet, having a closer look at how US concepts are implemented in German MNCs, we could find some important differences that continue to persist. For instance, important differences could be identified concerning the concept of corporate culture and relevant practices as well as the design and implementation of standardized performance management systems.

Concerning US MNCs, our findings largely confirm the results of earlier research. The US MNCs of our sample overall showed high levels of standardization. Generally they showed a great willingness to transfer country-of-origin practices downstream towards their international subsidiaries while heavily relying on standard processes. Where lower levels of standardization were found, this could clearly be attributed to a conscious strategic choice and to the international growth history of the company. Yet, there is also surprising evidence in Switzerland. Based on the findings of previous research notably in Germany, US MNCs were not expected to be locally deeply embedded and to actively participate in local associational networks. Yet, in Switzerland US MNCs were collectively organised in local associational networks and showed a remarkable evidence of collaborative practices that go far beyond typical arm's length relations.

Contents

PART I: INTRODUCTION.....	1
Chapter 1 Introduction to the field of research and to the present work.....	1
1.1 Research questions and rationale of the present work.....	2
1.1.1 Why do we study MNCs?.....	2
1.1.2 Why do we study the cross-national transfer of HRM practices?.....	6
1.1.3 Why do we study Switzerland as a host country?.....	9
1.1.4 Why do we compare German and US MNCs?.....	11
1.2 Theoretical perspectives and approaches in the field of research.....	12
1.2.1 Comparative international management.....	13
1.2.2 International human resource management.....	14
1.3 The conceptual framework of the study.....	16
1.4 Outline of the study.....	20
PART II: TOWARDS AN INTEGRATED CONCEPTUAL FRAMEWORK FOR RESEARCH INTO THE CROSS-NATIONAL TRANSFER OF HUMAN RESOURCE MANAGEMENT PRACTICES WITHIN MULTINATIONAL CORPORATIONS.....	22
Chapter 2 Institutional environments, organizations and human resource management practices....	22
2.1 Defining the three pillars of institutions.....	23
2.2 New institutionalism: interpenetration of organizations and environments.....	26
2.2.1 Legitimacy and isomorphism in organizational fields.....	26
2.2.2 organizational fields, jurisdiction of belief systems and the nature of governance systems	27
2.2.3 Three mechanisms of institutional isomorphic change.....	30
2.3 National business systems: organizations and societal-level institutions.....	34
2.3.1 Defining the key characteristics and dimensions of business systems.....	36
2.3.2 Ideal-types and boundaries of business systems.....	38
2.3.3 Major institutional arenas and institutional structuring of business system characteristics	41
2.3.4 Business system characteristics and ideal types of firms.....	48
2.3.5 Social structuring of work systems.....	51
2.4 Institutional environments and human resource management in MNCs.....	54
2.4.1 Multinational companies and isomorphic pressures.....	54
2.4.2 Multinational companies and embeddedness in national business systems.....	57
2.5 New institutionalism and business systems approach: cross-fertilization and further development of theory.....	63
Chapter 3 Multinational company strategy, structure and agency.....	73
3.1 Agency in multinational companies and the concept of transnational social space.....	73
3.2 Differences between multinational companies and implications for IHRM.....	79
3.2.1 A definition of the term strategy.....	79
3.2.2 Differences in strategy and structure between multinational corporations.....	81
3.2.3 Diversification strategies and international integration.....	87
3.2.4 Contingency factors and further influences on IHRM in MNCs.....	88
3.3 Differences within multinational companies and implications for IHRM.....	92
3.3.1 Control, coordination and communication within multinational companies.....	92

3.3.2 Different subsidiary roles and implications for HRM and practice transfer.....	96
3.3.3 Evolving subsidiary roles and power resources within multinational corporations.....	99
Chapter 4 Influences, mechanisms, dimensions and outcomes of HRM practice transfer within multinational companies – an integrated conceptual framework.....	104
4.1 Some preliminary conclusions about influences on HRM practice transfer within MNCs...	104
4.2 An integrated conceptual framework for HRM practice transfer within MNCs.....	109
PART III: NATIONAL BUSINESS SYSTEMS AND HRM PRACTICE TRANSFER WITHIN MNCS – GERMANY, THE USA AND SWITZERLAND.....	115
Chapter 5 German and US-American MNCs – country-of-origin effects and HRM practice transfer	118
5.1 German MNCs – country-of-origin effects, overall approach towards transfer and host country effects	118
5.1.1 Salient features of the German national business system and domestic HRM.....	119
5.1.2 HRM in German MNCs and cross-national HRM practice transfer.....	132
5.1.3 German MNCs in different host countries.....	137
5.2 US MNCs – country-of-origin effects, overall approach towards transfer and host country effects.....	150
5.2.1 Salient features of the US-American national business system and domestic HRM	150
5.2.2 HRM in US MNCs and cross-national HRM practice transfer.....	161
5.2.3 US MNCs in different host countries.....	166
Chapter 6 The Swiss host country business system.....	177
6.1 Salient features of the Swiss national business system and domestic HRM.....	177
6.2 A comparison of salient features of the US, Swiss and German national business system...	202
PART IV: THE EMPIRICAL INVESTIGATION.....	209
Chapter 7 Methodology and research design.....	209
7.1 Research paradigm, ontology and epistemology.....	209
7.2 Selection of the research approach.....	213
7.3 The research framework.....	216
7.4 Selection of the research sites and access to the field.....	237
7.5 The data collection process.....	246
7.6 Selection of the human resource management areas.....	256
7.7 The data analysis process.....	257
Chapter 8 Results of the empirical study.....	263
8.1 Micro-level organizational factors of the case study companies.....	266
8.1.1 German MNCs.....	267
8.1.2 US MNCs.....	293
8.2 Transfer of HRM practices: why and how?.....	321
8.2.1 Transfer of HRM practices in German MNCs.....	322
8.2.1.1 Willingness to and reasons for transfer in German MNCs.....	322
8.2.1.2 Transfer process: channels, mechanisms and measures in German MNCs.....	329
8.2.2 Transfer of HRM practices in US MNCs.....	341
8.2.2.1 Willingness to and reasons for transfer in US MNCs.....	341

8.2.2.2 Transfer process: channels, mechanisms and measures in US MNCs.....	347
8.2.3 Transfer willingness and process in German and US MNCs compared.....	360
8.3 Standardized corporate HRM practices: what is transferred?.....	368
8.3.1 Standard HRM practices in German MNCs.....	369
8.3.2 Standard HRM practices in US MNCs.....	383
8.3.3 Standard HRM practices in German and US MNCs compared.....	398
8.4 Local Swiss practices: what is local – and why?.....	412
8.4.1 Local Swiss HRM practices in German MNCs.....	413
8.4.2 Local Swiss HRM practices in US MNCs.....	435
8.4.3 Local Swiss practices in German and US MNCs compared.....	450
PART V: CONCLUSION.....	461
Chapter 9 Discussion and conclusion.....	461
9.1 Key findings on the Swiss business system and host country effects.....	461
9.2 Key findings concerning German MNCs.....	467
9.2.1 German MNCs' HR architecture and approaches towards transfer.....	467
9.2.2 German MNCs' ways of relating to the Swiss institutional context and HRM practices	471
9.3 Key findings concerning US MNCs.....	474
9.3.1 US MNCs' HR architecture and approaches towards transfer.....	475
9.3.2 US MNCs' ways of relating to the Swiss institutional context and HRM practices.....	477
9.4 Key findings on HRM practice transfer and different influences, theoretical and practical implications.....	482
9.5 Limitations of the present investigation and future perspectives.....	485

List of tables

Table 1: Key characteristics of business systems.....	38
Table 2: Six ideal types of business systems.....	40
Table 3: Key institutional features (arenas) structuring business systems.....	45
Table 4: Connections between institutional features and business system characteristics.....	46
Table 5: Institutional features associated with the Anglo-Saxon compartmentalised and the continental European collaborative type of business system.....	47
Table 6: Characteristics of two ideal types of firms: isolated and cooperative hierarchies.....	49
Table 7: Features of institutional contexts associated with isolated and collaborative hierarchies.....	50
Table 8: Types of Business Systems, Institutional Features and Firm Characteristics.....	51
Table 9: Characteristics of work system types.....	52
Table 10: Channels of Influence in Multinational Enterprises.....	76
Table 11: Overview of organizational forms.....	86
Table 12: Forms of international integration and strength of global HR policies.....	88
Table 13: Subsidiary control mechanisms - classification on two dimensions.....	95
Table 14: Three categories of actors and aspects of agency.....	110
Table 15: Overview of the integrated conceptual framework for HRM practice transfer.....	114
Table 16: Overview of HR practice transfer in German MNCs.....	136
Table 17: German MNCs in different host countries – overview of empirical evidence.....	147
Table 18: Overview of HR practice transfer in US MNCs.....	165
Table 19: US MNCs in different host countries – overview of empirical evidence	174
Table 20: Overview of key characteristics of the US-American, German and Swiss national business	

systems (NBS).....	205
Table 21: Basic beliefs of alternative inquiry paradigms.....	211
Table 22: Overview of interviews, interviewees and MNCs involved in the multiple case study...	244
Table 23: Overview of nationality, mother tongue, interview language and international professional experience of our interviewees.....	249
Table 24: German MNCs – overview of important micro-level variables.....	291
Table 25: US MNCs – overview of important micro-level variables.....	318
Table 26: Willingness to and reasons for transfer in German MNCs.....	329
Table 27: Transfer process: channels, mechanisms and measures in German MNCs.....	339
Table 28: Willingness to and reasons for transfer in US MNCs.....	346
Table 29: Transfer process: channels, mechanisms and measures in US MNCs.....	357
Table 30: Transfer willingness, process and mechanisms in German and US MNCs of our sample.....	367
Table 31: Standardized HR practices in German MNCs of our sample.....	382
Table 32: Standardized HR practices in US MNCs of our sample.....	397
Table 33: Standardized HR practices and key influences and effects on transfer in German and US MNCs.....	407
Table 34: Local HR practices in German MNCs of our sample.....	434
Table 35: Local Swiss HR practices in US MNCs of our sample.....	449
Table 36: Local HR practices and key influences and effects on transfer in German and US MNCs.....	456

List of Figures

Figure 1: An institutional perspective on HRM.....	18
Figure 2: An institutional perspective on cross-national HRM practice transfer.....	19
Figure 3: Typology of strategic roles of subsidiaries according to resource outflows and inflows...	98

Appendices

A1 Interview templates.....	488
A1.1 Interview template HR managers French version.....	488
A1.2 Interview template HR managers German version.....	492
A1.3 Interview template HR managers English version.....	496
A1.4 Interview template Swiss plant manager (US3).....	499
A1.5 Interview template expatriates German version (D1, D2).....	502
A1.6 Interview template expatriate English version (US5).....	504
A1.7 Interview template UNIA.....	506
A1.8 Interview template Aprentas.....	511
A1.9 Interview template Swiss Employers' Association.....	512
A1.10 Interview template SECO.....	515
A2 The MAXQDA coding system.....	518

List of Abbreviations

BRICS	Brazil, Russia, India, China, South Africa
CME	coordinated market economy

CSR	corporate social responsibility
ER	employee relations
ERP	enterprise resource planning (system)
FDI	foreign direct investment
GDP	gross domestic product
HIWS	high involvement work system
HPWS	high performance work system
HQ	headquarters
HR	human resources
HRM	human resource management
IHRM	international human resource management
IR	industrial relations
LME	liberal market economy
MNC	multinational corporation
NBS	national business system
SECO	state secretary for economic affairs
SME	small and medium-sized enterprise
TNC	transnational corporation
UNIA	Swiss trade union, largest member of the Swiss Trade Union Confederation
VET	vocational education and training

PART I: INTRODUCTION

Chapter 1 Introduction to the field of research and to the present work

The present work investigates the cross-national transfer of human resource management (HRM) practices within German and US-American multinational corporations (MNCs) towards their Swiss subsidiaries. HRM is defined broadly as relating to the management of the employment relationship, and the devising and implementation of policies for dealing with employees. HRM then includes recruitment, remuneration, discipline, dismissal, career development, skills and training, and involvement as well as the decision of whether or not to treat human resources collectively or individually (Ferner 1994: 80). Our objective is twofold. First, we aim to understand the nature and kind of Swiss host country influences on HRM practice transfer. Second, we want to further contribute to our knowledge about German and U.S. MNCs, their approaches towards transfer and distinctive HRM practices, and especially their ways of approaching the Swiss host country environment. As we will explain in some more detail in the following sections, our research mainly builds on two strands of institutionalist organization theory, new institutionalism (DiMaggio and Powell 1983; Scott 1995) and the national business systems (NBS) approach (Whitley 2000a).

In order to guide our analysis, we have formulated the following two research questions:

- 1) *What impact does the Swiss host country business system have on the cross-national transfer of HRM practices within German and US-American MNCs?*
- 2) *In what ways do German and US-American MNCs differ in their approaches towards transfer and the handling of Swiss institutional constraints and opportunities, and more generally in their manners of relating to the particular Swiss institutional setting when transferring practices (Morgan 2007: 139)?*

While the first question asks for Swiss host country effects that arise from local constraints on, and resources for HRM, the second refers to the influence of German and U.S. country-of-origin effects. These are meant to inform not only domestic HRM practice, but also the MNCs' overall approaches towards transfer and adaptation of HRM practices in foreign host countries. Thus, it investigates the

complex outcomes of a collision of different institutional rationalities (Ferner et al. 2012: 166). Research on cross-national practice transfer generally asks about the behaviour of MNCs from different countries-of-origin and about the role that these organizations play within, and how they themselves are influenced by, the process of globalization. This topic is hence part of a larger debate on the drivers and effects of globalization and related questions around national distinctiveness and global harmonization of organizational forms and managerial practices. In the following sections of this introductory chapter, we will present the origin and explain the interest of our research questions and the way how they will be approached.

1.1 Research questions and rationale of the present work

Our specific research questions and the general interest of the present investigation may best be understood through answering a set of underlying, more general questions. In the following subsections, we will hence explain why it is meaningful to study MNCs and the cross-national transfer of HRM practices within MNCs. Furthermore, we provide the rationale for our comparative research design involving MNCs from Germany and the USA as two different countries-of-origin, and Switzerland as a host country to MNCs.

1.1.1 Why do we study MNCs?

Due to their economic power, MNCs may be considered a central part of today's global economy. To get a first impression of the role that MNCs play, we may have a look at some recent figures. In 2008, there were around 82 000 transnational- or multinational corporations¹ with more than 800 000 foreign affiliates (UNCTAD 2009: 223). The share of these companies in global gross domestic product reached a historic high of 11 per cent in 2009 (UNCTAD 2010: xviii). And in 2011, foreign affiliates of MNCs employed an estimated 69 million workers, who generated 28 trillion Dollars in sales and 7 trillion Dollars in value added (UNCTAD 2012: xi). Furthermore, the 2012 World Investment Report estimates that “[p]rojecting the data for the top 100 TNCs [transnational corporations] over the estimated \$5 trillion in total TNC cash holdings results in more than \$500 billion in investable funds, or about one third of global FDI [foreign direct investment] flows” (UNCTAD 2012: xv). To better understand these figures and their economic impact, we may

1 In the UNCTAD publication, the expression “transnational corporation” (TNC) is used, while we prefer the more generic term multinational corporation (MNC) to designate firms with international operations. These two terms and their use in the international management literature will be defined and distinguished on the following pages.

compare them to those of Germany as one of the world's top five national economies in terms of GDP. In 2011, Germany had a population of around 81 million people who generated a GDP of some more than 3.2 trillion Dollars (OCED 2013). This comparison reveals the enormous scale of economic activity that is currently controlled by MNCs as increasingly powerful actors, who are therefore viewed as “principal agents of the internationalization of the world and regional economies” (Ferner 1994: 79) through FDI and increasing cross-border trade (Rugman and Verbeke 2004: 3). According to these same figures, HRM practices that are transferred cross-nationally towards MNCs' foreign affiliates will hence impact a population of some 69 million employees.

MNCs as key players in today's global economy also allow to qualitatively distinguish the globalization of our days from what has been experienced in previous decades. In this respect, the distinction between “shallow” and “deep integration” (Dicken 2003: 10–12) is important. Taking into account the fact that before 1914, in quantitative terms the world economy was perhaps as open as today, Dicken (2003) argues that the nature of this “shallow integration” was qualitatively different from what we are experiencing today. By 1914, economic integration was largely restricted to arm's length trade in goods and services between independent firms and international movement of portfolio capital. In contrast, today “deep integration”, organized primarily within the production networks of MNCs, and involving growing flows of FDI, foreign assets and integrated global chains of production (Gereffi 1999) or global value chains (Gereffi *et al.* 2005), is becoming increasingly pervasive.

Regarding the term “multinational corporation”, we can distinguish between a broad and a narrow definition. While the narrow definition is based on legal ownership of operations in at least two countries (Buckley and Casson 1976), the broad definition emphasizes control of productive operations. In this perspective, control refers to the power relationship within the production chain including the presence of a centre of strategic decision making. In most production chains, such a centre can be found that is able to exert a significant degree of control over operations throughout the chain, regardless of whether units are legally owned or formally independent (Cowling and Sugden 1987). In the present work, the narrow definition will be adopted for two main reasons. The first reason is the greater ease of operationalization. Since MNCs usually do not publish data on how many people are actually employed in subcontracted or otherwise dependent firms, it is difficult to assess such figures. Yet, in view of the phenomenon under research, *i.e.* the transfer of

human resource management practices within MNCs, the second, even more compelling argument concerns the extent of influence and control of the MNC over HR matters. As Edwards and Rees (2006b: 48) point out in this respect “(...) it is unheard of for MNCs to demand that their subcontractors establish performance management systems, but this is a common requirement that the headquarters (HQ) of MNCs impose on their own operations”. Thus, transfer of practices is rather unlikely to happen from the MNC towards indirectly controlled subcontractors and would therefore not be observable in such a context.

The phenomenon of *globalization* with its wider social and economic implications (Guillén 2001) has attracted considerable interest and a debate has evolved, where proponents of a strong globalization thesis are predicting a “borderless world” (Ohmae 1990, 1995) and dissolving national borders. The latter are opposed by a set of other observers who are denying that there has been much significant change and convergence in the international economy, affirming that many aspects of the globalization arguments are either exaggerated or not unprecedented (Doremus *et al.* 1998; Hirst and Thompson 1999).

Following the strong globalization theses, national and regional economies would become increasingly dominated by a global system of economic co-ordination and control where competition and strategic choices would be organized at the global level. In this new context, national firms would become subordinated to multinational ones that would be accountable only to global capital markets. While the ability of nation states to regulate economic activities is seen to decline rapidly, global markets are expected to grow in importance. Accordingly, national economic policies, but also *forms of economic organization and managerial practices, are predicted to converge* around the most efficient ones as a result of global competition (Rees and Edwards 2006a: 10; Whitley 2000a: 117). Under the auspices of global markets, MNCs or TNCs, owing allegiance to no nation state and locating wherever on the globe market advantage dictates, are seen as the principle economic actors and major agents of change (Rees and Edwards 2006a: 5–6). Thus, following these arguments, nationality is no longer considered to be a meaningful concept in large global MNCs (Reich 1990).

However, the predictions from the strong globalization thesis have attracted a range of critics on several grounds. For example, Legrain (2002: 108) calls attention to the fact that, while trade volume has clearly risen, this growth looks far less spectacular when it is compared with the period before World War One: while cross-border trade was 18 per cent of global GDP in 1914, it was 25

per cent in 2000. Several authors also challenge the notion of stateless, footloose or global companies as depicted above, in arguing that most MNCs remain firmly rooted in one of the three regions of the Triad, and are still relying on their home base as the centre for their economic activities (Doremus *et al.* 1998; Hirst and Thompson 1999; Legrain 2002; Rugman 2005; Rugman and Verbeke 2004; Ruigrok and van Tulder 1995). In other words, we can summarize that “the dominance of the home location in strategically important activities remains stubbornly high” (Meyer *et al.* 2011: 247). One key implication of these qualifications to the globalization theses is that the predicted “forces for convergence in national forms of economic organization in general, and the organization of firms in particular, are not as great as is commonly implied (...) [and that] national differences in these respects remain significant” (Rees and Edwards 2006a: 16). In fact, evidence suggests that, until present, the notions of the stateless, footloose company and inter-linked economy remain rather myths than reality (Hirst and Thompson 1999; Koen 2005: 544). Authors who criticize the predictions of the strong globalization thesis argue that there is *continued diversity* in the way in which societies solve similar problems (Tempel 2001: 15–16). For instance, Maurice *et al.* (1984) writings on the “societal effect” provided valuable insights into the sources of such differences in depicting the way in which social institutions influence company strategies and organizational practices in a systematic way, so that these reflect typically national patterns. But we can also refer to Lane's work on “industrial orders” (Lane 1989, 1995) where she concluded that the business organizations of France, Germany and Britain continued to interact in nationally distinctive ways though facing similar problems and opportunities. Porter (1990) has attributed the success of international companies to the “competitive advantage of nations” in a sense that distinctive characteristics of their national resource basis are considered to provide firms with a competitive advantage that has become rather more, and not less, important in the event of increasing internationalization of economic activities and competition. More recent arguments around “institutional competitiveness” (Kristensen and Morgan 2007) point into this same direction and, moreover, predict globalization to reinforce national institutional differences. In a similar vein, Whitley (1994a; 2000a) has developed the concept of “national business systems” (NBSs) that allows to depict the variations in economic organization between different countries that have been formed in nationally specific institutional contexts. In his work, *business systems* are defined as “(...) distinctive patterns of economic organization that vary in their degree and mode of authoritative coordination of economic activities, and in the organization of, and interconnections between, owners, managers, experts, and other employees” (Whitley 2000a: 33). Whitley explicitly

notes the fact that the recent expansion of FDI across countries has intensified competition between their national economies and institutional arrangements. This line of thought has also been developed by Streeck (1991: 336) who argued that regime competition would increase as MNCs that find institutional settings objectionable would “vote with their feet,” and leave the country without losing access to the market. However, Whitley predicts that internationalizing firms are unlikely to change their key attributes and practices substantially unless a demanding set of conditions would be met.

Since MNCs may be considered as key actors and drivers of economic globalization, research into these particular organizations holds great potential to further our knowledge about globalization, and allows for the discovery of concrete evidence of convergence or divergence in organizational structures, strategies, and practices.

1.1.2 Why do we study the cross-national transfer of HRM practices?

Being global as well as local players, MNCs are subject to various, often opposed influences and pressures that are acting on their strategies, structures and HRM practices. In their seminal work, Bartlett and Ghoshal (1998) argued that the new global economic environment with its combination of local and global pressures forces companies to adopt new structures and strategies and to evolve towards a new type of organization termed “transnational”. In this new environment, they identified three key forces on managers in international firms. The first of these forces is the pressure towards local adaptation that is due to continued differences in national cultures, attitudes and consumer tastes. The second pressure is towards global integration because of the need to achieve economies of scale on an international level. Finally, in view of shortening life cycles of products and technologies, such international firms would have to respond to rapidly evolving markets and therefore face the need for worldwide innovation. The *transnational organization* would therefore take the structure of an *integrated network* to enable large flows of people, knowledge and resources across interdependent units. This is in order to recognize new resources and capabilities, capture them and leverage the advantages on a worldwide scale. Thus, *transfer of practices across operations appears to be one of the key consequences of the competitive strategies and structures that MNCs adopt* (Edwards and Rees 2006c: 84).

Concerning such cross-national practice transfer within MNCs, several authors have identified processes that could lead to changes and a decline in significance of national business systems,

although without necessarily leading to a borderless world. Mueller (1994) as well as Martin and Beaumont (1998) emphasize the transfer of “best practice” in MNCs, whereas Smith and Meiksins (1995) point to the emulation of practices originating in dominant countries, a phenomenon they termed “dominance effect”. Looking at these influences that are acting at the organizational level of the MNC, Mueller thus (1994) underlines the importance of an “organizational effect” that may complement or counteract the “societal effect” (Maurice *et al.* 1984) described above. The notion of organizational effect directly arises from organizational learning within MNCs from practices in their international operations and the transfer of best practices from one location to the other, just in the sense of the integrated network described by Bartlett and Ghoshal (1998). Thus, practice transfer has long been identified as an important source of competitive advantage for the increasingly knowledge driven MNC (Meyer *et al.* 2011: 241), allowing for organizational capabilities to be internalised and exploited on a worldwide basis (Ghoshal and Bartlett 1988; Grant 1996; Gupta and Govindarajan 2000; Kogut 1991; Nohria and Ghoshal 1997). Consequently, MNCs have a strong incentive to leverage practices on a global scale via transfer across national borders within their network. Concerning HRM practices in particular, Evans *et al.* (2002: 55) point to the importance of *internal HR consistency* as “finely tuned interrelationship” of practices throughout the MNC network in order to achieve optimal organizational performance, which represents an important incentive for cross-national practice transfer.

However, *HRM is often viewed as the management function that is most strongly shaped by local factors*, and which therefore does not lend itself easily to internationally standardized, integrated practices (Ferner *et al.* 2012: 165; Rosenzweig and Nohria 1994; Rosenzweig and Singh 1991). Referring to O'Hara-Devereaux and Johansen (1994) when commenting on this issue, Evans *et al.* (2002: 62) explain that “(...) HRM is probably the function that is most sensitive to context, in contrast to finance or engineering where figures, formulas, and calculations have intrinsic meaning stripped of their context”. Thus, it is not surprising that the *tension between global integration and local responsiveness* has for long been one of the key issues and guiding frameworks in international human resource management (IHRM) (Björkman and Stahl 2006: 4–5; De Cieri and Dowling 2006: 16; Dowling *et al.* 2009; Doz and Prahalad 1991; Rosenzweig 2006; Stiles and Trevor 2006: 50).

Recently, certain authors such as Quintanilla and Ferner (2003: 346) have argued for the need to take a more contingent perspective on globalization and to explore the international transfer of HR

practices as the complex outcome of MNC structure and strategy on the one hand, and institutional constraints and opportunities of home and host countries on the other. These interactions can take place on the local, national, international or sectoral level and imply the need to lessen emphasis on grand tendencies in favour of the exploration of “how complex processes work themselves out in particular situations, often displaying elements of both convergence (in some respects) and divergence (in others).” Rees and Edwards (2006a: 17–24) suggest that the complex relationship between globalization, national systems and companies could best be understood in analysing effects on several levels. Effects of *global* economic trends comprise the internationalization of sectors through liberalization and technical developments in IT. This first level is followed by the *regional* one, taking account of the fact that dominant patterns of trade and FDI are primarily located within the three regions of the Triad. In a third place, *national* effects should be analysed that are referring to the distinctive differences between business systems and national institutions. While global and regional effects may challenge some aspects of national institutional arrangements and induce important changes, the national level is nevertheless still seen as a highly significant one. These three macro-levels are hence setting the parameters within which organizations operate, yet without completely determining the strategies and practices at the micro level of the company. It is on this fourth level where the *organizational* effect is located, including a range of contingent factors at company level. For instance, the way an MNC is structured plays an important role in a sense that highly standardized or internationally integrated production systems are most likely to be influenced by the pressures of globalization demanding for transfer of practices across borders (Edwards 2011). Within these structures, in turn, power relations and political activities within the MNC also play an important part in the event of a practice transfer (Ferner *et al.* 2012).

Based on such an approach, it has been argued that the popular vision of networks is flawed, because the *degree of strategic choice* and scope for action of individual managers are considered to be exaggerated (Rees and Edwards 2006a: 24). This view particularly applies to the very concept of HRM which is generally considered to be of US-American origin (Brewster 2007; Gooderham and Nordhaug 2010). Therefore, the HRM theory that developed “was rooted in a U.S. “ideal” which has at its core the notion of organizational autonomy” (Brewster 1995: 1). This notion, again, is linked to “the “private enterprise” culture of the United States, and (...) [to] the concept of “the right to manage””, whereas European companies operate with “restricted autonomy” (Brewster 1995: 3). In this connection, several authors point to constraints that are linked to the wider cultural and institutional context in which MNCs are operating (Tempel *et al.* 2005; Wächter 2004: 3). These

authors argue that such “host country effects” (Ferner *et al.* 2001) may stem from “constraining” as opposed to “permissive” host country institutional regulations (Ferner 1994, 1997; Marginson *et al.* 1993). For instance, in Germany, HRM and industrial relations (IR) are “(...) much more subject to uniform and binding regulations, based both on statute and formal agreements negotiated by encompassing actors” when compared to the more permissive British environment (Tempel 2001: 24). Furthermore, another restriction on strategic choice is put forward in describing MNCs as “political animals” (Edwards and Rees 2006c: 84) where multiple interest groups are searching to advance their own interests. Hence, the formal architecture of a network by senior management alone is by no means considered to be sufficient to establish a real network. Rather, the precise working of such networks would depend on the exercise of power (Edwards 2011: 495; Ferner and Edwards 1995; Ferner *et al.* 2012). In this respect, the original home base is considered to have disproportionate influence even in highly internationalised MNCs. This is due to their embeddedness within the home base, giving rise to a distinctive “country-of-origin effect” that is reflected in the way companies internationalise and manage their human resources (Ferner 1997; Wächter *et al.* 2003).

Therefore, investigating into the cross-national transfer of HRM practices within MNCs allows for the collection of empirical evidence on the inter- and co-action of a wide range of different influences and their effects in a management field that is equally marked by both, pressures for integration and convergence towards dominant or global best practices, and pressures to adapt practices to local institutional environments.

1.1.3 Why do we study Switzerland as a host country?

Switzerland's top ranking in the Global Competitiveness Report (Schwab and Sala-i-Martin 2012) reflects the fact that it is an attractive, economically highly developed and competitive business location. It is the country with the highest number of MNCs per 100 000 inhabitants worldwide (Erten *et al.* 2004: 102), where 11 per cent of employees in the manufacturing and services sectors are working for companies with foreign direct investors (Swiss National Bank 2012: 12). The attractiveness of Switzerland as a business location is once more underlined by the positioning of the country in the first quartile of the UNCTAD FDI attraction and potential indices, respectively (UNCTAD 2012: 32). Following Naville *et al.* (2007a: 8), in 2004 MNCs were accounting for 34 per cent of total Swiss GDP, with 24 per cent being attributable to domestic Swiss and another 10 per cent to foreign MNCs. These figures are illustrative of the high degree of openness and

“multinationality” (Tempel 2001: chapter 3.3) of the Swiss host business system, which is furthermore reflected on an organizational level. Investigating the top management of European companies, researchers recently found that the staffing of Swiss firms is strikingly international (Davoine 2005; Davoine and Ravasi 2013). Therefore, in view of the great attractiveness of the business location and the massive presence of MNCs, Switzerland can be considered as an utterly interesting and important field for research into IHRM in MNCs and the transfer of practices.

Though, until present, astonishingly few is known about management and HRM in Switzerland. Currently available studies on this subject are attributable either to the strand of cross-cultural management, and thus take a cultural rather than an institutional view (Bergmann 1986, 1990, 1994; Chevrier 2002, 2009; Laurent 1983; Tixier 1994; Weibler and Wunderer 2007), or to the comparative management approach, reducing analysis first and foremost to the description of practices (Erten *et al.* 2004; Morley *et al.* 2000). However scarce the body of research on Swiss management style and HRM is, it yet allows us to get some first ideas about local practices that may inform our own in-depth investigation into the institutional basis of these practices.

Given the great presence of MNCs in Switzerland and the paucity of scientific literature on Swiss management and HRM practices, further research into the field of IHRM in Switzerland seems highly indicated. With our investigation on HRM practice transfer towards the Swiss host country we therefore follow the call for an extension of investigations on further countries (Tempel *et al.* 2005: 196). The available research on Swiss management style and HRM with its cross-cultural approach or descriptive focus calls for approaches that are holding the potential to deliver causal explanations, since the latter may significantly add to our understanding of local Swiss HR practices within MNCs. Following a comparative institutional approach that explicitly takes into account issues of agency has been identified as a viable strategy to generate such knowledge (Tempel *et al.* 2005: 184; Tempel and Walgenbach 2004; Wächter 2004).

As Morgan *et al.* (2003: 389) explain, practices that worked routinely in their country of origin are “problematized” in the event of a transfer towards another institutional context where actors follow another rationality. Such a “collision of two sets of institutional rationalities” (Ferner *et al.* 2012: 166) therefore holds a great potential for a better understanding of national management styles and HRM practices by making explicit underlying assumptions about legitimacy and rationality of practices in the eyes of actors who are marked by a distinct “socialised” or “societally informed rationality” (Almond 2011a: 260; Almond *et al.* 2005: 281). That is why research into the transfer of HRM practices within MNCs towards their Swiss affiliates can further our understanding of

both, HRM practice transfer within MNCs, and local Swiss HRM practices and management style. In the following sections we will provide an overview of different theoretical approaches in the field of comparative international management and international human resource management and provide some more information on the comparative institutional approach underlying the present investigation.

1.1.4 Why do we compare German and US MNCs?

The design involving the comparative analysis of MNCs from Germany and the USA as countries-of-origin is interesting for several reasons. First, a closer look at the figures on German and US-American FDI in Switzerland reveals that these two countries are among the most important direct investors in Switzerland, particularly concerning the number of staff employed in their Swiss operations. Germany accounts for some 100 000 and the USA for nearly 57 000 employees, representing 23 and 13 per cent of the total staff employed in foreign firms, respectively (Swiss National Bank 2012: A18). Second, apart from the sustained presence of German and U.S. direct investors in Switzerland, there are strong theoretical arguments for a comparison of companies originating in these two countries. Owing to the theoretical approach of comparative institutionalism that has been adopted for the present investigation, it is highly relevant that Germany and the USA are widely considered to be situated on opposed poles on the spectrum of capitalist economies in many respects. While Germany is a coordinated market economy (CME), the USA are representing the opposed type of a liberal market economy (LME)(Hall and Soskice 2001a: 22). The “institutional distance” (Kostova 1999) between these two market economies is hence important, and the different societal contexts have led to the establishment of quite different human resource management practices within the German (Giardini *et al.* 2005; Wächter and Müller-Camen 2002; Wächter and Stengelhofen 1992) and US-American context (Ferner 2000a; Ferner and Müller-Camen 2004). As we will see in more detail in our in-depth analysis of the two NBSs, differences in the German and U.S. institutional environments led to the adoption of more or less easily transferable HRM practices. While US MNCs are generally known for their sustained willingness to transfer domestic HRM practices (Almond *et al.* 2005: 280; Ferner *et al.* 2004b: 367; Tüselmann *et al.* 2008: 1624–1625), German MNCs were found to be less willing and able to transfer certain domestic HRM practices, and fairly often to adopt a more selective approach towards transfer (Bluhm 2001; Dickmann 2003: 279; Dörrenbächer 2004; Tempel 2001: 56; Tüselmann *et al.* 2006: 69).

The availability of a certain body of literature on German as well as US HRM practices and MNCs' approaches towards practice transfer is a great advantage for the present investigation. The results of previous research allow for the formulation of some first informed expectations or propositions concerning the approach towards transfer that German and US MNCs will presumably adopt in Switzerland. Such propositions derived from theoretical reasoning and literature are highly useful to find out about Swiss host country effects. Being well informed about earlier findings on differences in German and US-American MNCs' approaches towards HRM practice transfer in other host countries, we can link these findings to the concept of senior managers' different “rationales” (Redding 2005), “socialised” (Almond 2011a: 260) or “competing rationalities” (Edwards *et al.* 2007b: 202). The latter are supposed to influence their distinctive ways of dealing with institutional constraints (Oliver 1991) and the seizing of opportunities found in the local Swiss host country environment. Such differences can be considered a deliberate manipulation of the variable country-of-origin effect, that should leave us in a good starting position to better understand local Swiss influences or host country effects as the great unknown variable. Thus, such a comparative research design provides us with two different points of view from where and how to look at and analyse Swiss host country influences, and should allow us to gain a better understanding of the latter. Furthermore, following Sayim (2011: 592), a design involving “(...) comparative cases from different home-countries operating in the same (...) host environment might help differentiate more clearly between institutional and contextual influences”. Still another reason for the comparison of German and US-American affiliates in Switzerland lies in the institutional feature characteristics of the Swiss host business system, which in many respects takes a middle position between the German collaborative and the US-American compartmentalised model. As we will see, some features of the Swiss NBS are close to the German one holding a range of institutional supports, while others rather resemble the U.S. model and allow for a great deal of flexibility. The thick description (Redding 2005) of key institutional features of the Swiss host country business system and a comparison with those of the German and US-American NBSs is hence a central part of the present investigation.

1.2 Theoretical perspectives and approaches in the field of research

We have now placed our subject within the wider debate around globalization and convergence or persisting divergence of organizational forms, strategies and practices, explained the origin and interest of our specific research questions, and provided the rationale for our basic research design.

When investigating HRM practice transfer within MNCs, it suggests itself to have a look at corresponding theoretical perspectives and approaches, especially in the field of comparative international management² and IHRM, in order to clearly define and justify the choice of the theoretical framework underlying the present investigation. Therefore, in the following sections, we will summarize different theoretical perspectives and approaches in comparative international management and IHRM.

1.2.1 Comparative international management

In comparative international management research, two basic categories of theories can be distinguished. These approaches differ fundamentally in the role that is attributed to the cultural and institutional context in which organizations are operating.

The first category of theories has been termed “low-context” (Child 2002; Rees and Edwards 2006a), “universalist” (Brewster 2004: 378; Koen 2005: 4–8) or “culture-free” (Evans *et al.* 2002: 57) approaches. These are referring to universal rationales such as economic and technological forces, that are considered to determine particular structures and behaviours independently of the local context, and globalization is conceived of as a driving force for homogenization (Gooderham *et al.* 2004: 19). Consequently, increasing convergence between models of organization is predicted together with countries developing similar economic and political systems. Koen (2005: 5–8) refers to structural contingency theory³ as a prime example of an influential universalist approach. Following this perspective where “the *isolated organization* was the central unit of analysis” (Scott 1994: 204), cultural or societal characteristics are perceived as negligible. Here, organizational performance is seen to depend on the *fit* of organizational features to contingencies such as size or technology employed. Thus, all organizations in a given environment would seek to attain fit and finally resemble each other concerning their structural features.

By contrast, the opposed category of theories known as “high-context”, “particularistic” or “culture-bound”, posits that cross-national differences in cultural and institutional contexts are an important

2 We follow Koen (2005: 4) in seeing comparative international management as the study of management and organization in different societal settings.

3 Contingency theory posits that, under similar circumstances, the structure of an organization as its basic patterns of control, coordination and communication can be expected to be very much the same wherever it is located Hickson *et al.* (1974). In addition, successful organizations would adopt structures in response to a series of demands or contingencies such as size, technology employed and the environment within which operations take place. For example, firms operating in a turbulent environment with single-product and process production technology would be smaller than those ones operating in a stable environment with mass production technology. For a critical review of structural contingency theory see for example Child (1982), Lane (1989), Whitley (2000a: 10–12), and Koen (2005: 5–8).

source of differences found in management and organization. In this respect, we can refer to cultural and institutional approaches as two important theoretical frameworks that are guiding contemporary comparative research in organization and management (Koen 2005: 8).

While both cultural and institutional theories tend to emphasize national particularities and divergence, (Gooderham *et al.* 2004: 19; Lane 1989: 20), one basic difference consists in the way they analytically perceive the influence of culture (Child and Tayeb 1982).

In cultural approaches, culture is conceptualised as an ideational system focusing on values and norms (Hofstede 2001), or significations and meanings (Geertz 1973) that are transmitted via socialization, and meant to condition a general propensity to act in a certain manner. In institutionalist approaches, cultures are seen as adaptive systems, embracing all forms of living that societies have adapted from their environment. In this case, culture takes the form of artefacts or, in organizational studies, the form of institutions, that are seen as “systems of socially transmitted behavior patterns” (Child and Tayeb 1982: 41). Accordingly, such studies concentrate on how the nature of organizations reflects the institutional features of the society they are embedded in. Institutions are seen as concrete expression of value orientations as they have historically developed within a given society. Thus, proponents of this approach focus on the importance of history and the idea of path dependence (North 1990). Furthermore, the “stickyness” of institutions (Rees and Edwards 2006b: 33; Streeck 1987: 64) is an important concept, referring to the fact that institutions are slow and difficult to change. Despite these differences, Koen (2005: 5) as well as Wächter (2004: 3–4) consider institutional and cultural theories rather as complementary than contradictory. Yet, in the former, culture is seen as a background variable giving way to more concrete institutions. These institutions constitute the context that is considered to shape entrepreneurial or organizational action, and hence, HRM policy. Hollingsworth (1997a: 266) illustrates this point in explaining that “there is a logic by which institutions coalesce into a social system of production (...) because institutions are embedded in a culture in which their logic is symbolically grounded, organizationally structured, technically and materially constrained, politically defended, and historically shaped by specific rules and norms”.

1.2.2 International human resource management

Turning now from these two broad theoretical categories in comparative international management research to the field of international human resource management (IHRM), we can once more

distinguish between different approaches. Several authors such as De Cieri and Dowling (2006: 15), Weber *et al.* (1999) and Tempel *et al.* (2005: 182–184) have identified three broad approaches termed “cross-cultural management”, “comparative HRM” and HRM in MNCs which is widely recognized as “international HRM”.

While the first approach focuses on how culture influences on individual behaviour within organizations, criticism addresses the widespread reduction on the dimensions of culture developed by Hofstede (2001). Furthermore, methodological problems associated with his study such as the critical equalling of nation and culture have been widely ignored (McSweeney 2002). Critics have also argued that culture has become a kind of “catch-all” variable explaining everything and finally nothing (Wächter 2004: 3) and that, due to the focus on individual behaviour, the analysis of the organization as a whole with its HRM policy is neglected (Tempel *et al.* 2005: 182). Still other researchers argued that institutions may “provide more perceptible material constraints on managers than the more abstract and diffuse cultural considerations. Managers faced with attempting to introduce variable pay may be more aware of the considerable tangible difficulties posed by laws and institutions such as unions and works councils than of attitudinal issues” (Brookes *et al.* 2011: 76). All in all, Edwards *et al.* (2007b: 203) conclude that “these cultural approaches rarely offer a convincing account of the *sources* of these national effects or how they evolve”.

Comparative HRM as the second approach is concerned with the description and comparison of HRM practices in different countries as for example the Cranfield project on strategic IHRM (Brewster 2007; Brewster *et al.* 2000, 2004). While such studies have contributed to the identification and understanding of HRM practices in different countries, they have also attracted some criticism. Weaknesses have been identified in their restriction to a mere description of differences while neglecting theoretical foundations (Weber *et al.* 1999) or providing only ex-post theoretical explanations for the collected data (see for example Gooderham *et al.* 1999; Kabst *et al.* 2003).

The third approach differs significantly from the other ones, in focusing on how MNCs are organizing their personnel function on a global level (Weber *et al.* 1999: 192). Researchers following this approach are describing and analysing how HR functions like personnel development or recruitment are evolving in the course of internationalization and how new ones are emerging, referring frequently to the typologies of Perlmutter (1969) or Bartlett and Ghoshal (1998). Regarding this approach, criticism has been concerned with the underlying assumption of freedom of design in terms of the personnel function in the sense of “strategic choice” as discussed above,

which is not necessarily given. Furthermore, the context in which MNCs operate is often reduced to market conditions in different countries (Tempel *et al.* 2005: 183).

However, recently still another approach in the field of IHRM has emerged that has been termed *comparative institutionalism* (Tempel *et al.* 2005). This approach is concerned with the role played by MNCs in promoting or resisting convergence or divergence of HRM. It explores the interplay between MNCs, home and host countries, and HRM practices, and has been recognized as a “(...) distinctive line of inquiry within the international HRM field” (Jain *et al.* 1998; Quintanilla and Ferner 2003: 363).

1.3 The conceptual framework of the study

As we have seen, the present study is centred at the heart of the continuing debate around statelessness versus national embeddedness (Granovetter 1985) of MNCs and their power to transfer practices across borders. This investigation aims to analyse the complex interactions of macro- and micro-level influences on cross-national HR practice transfer within MNCs. Such influences take the form of country-of-origin, host country, or dominance effects. These are complemented by organizational effects that are contingent on corporate strategy and structure, as well as issues of agency, power and interests within the MNC.

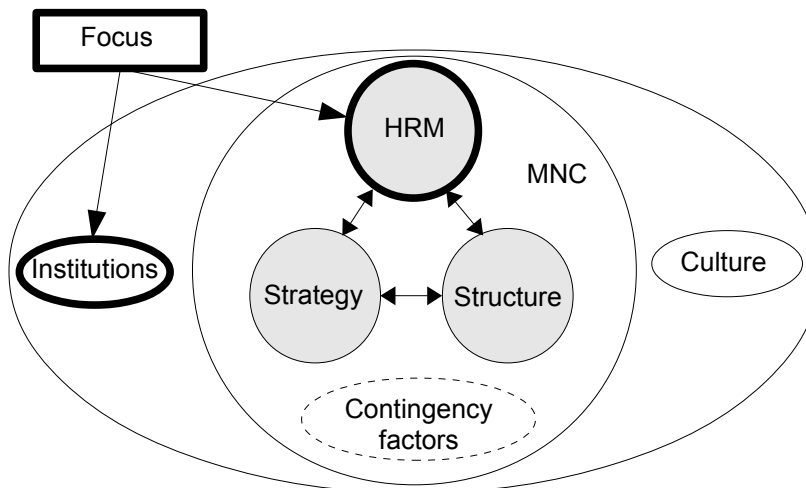
Taking a comparative institutionalist approach, the conceptual framework of this investigation is clearly placed within the culture-bound category. In order to best depict and understand the dynamic interaction between organizations and their HRM practices on the one hand, and institutional environments on the other, we follow the suggestion of Ferner and Quintanilla (1998: 726) and Tempel and Walgenbach (2007) to draw on two different strands of institutional theory that are holding a great potential for cross-fertilization: new institutionalism (DiMaggio and Powell 1983; Scott 1995) and the national business systems approach (Whitley 1994a, 2000a). As we will see, the new institutionalist concept of isomorphism helps us to understand the interpenetration of organizations and their institutional environments. The business systems approach, in turn, serves as a sophisticated theoretical framework to guide the in-depth analysis of the specific configuration of the Swiss host country institutional environment at a societal level.

As we have seen, our particular interest lies in understanding the nature of Swiss host country effects as one out of a set of key influences on cross-border HRM practice transfer within MNCs.

The highly complex process of cross-national HRM practice transfer has been described as a contextualised construction of practices (Barmeyer and Davoine 2011: 6). In the present investigation, HRM practices in Swiss affiliates of German and US-American MNCs are considered as an outcome of the interplay of a complex set of factors at institutional macro- and organizational micro-level. Due to the dearth of research into the issue of Swiss host country effects, our research is exploratory in nature. With the research question asking for the “how” and “why” of the phenomenon under investigation, *i.e.* transfer and local adaptation of HRM practices in Swiss affiliates of MNCs, this study follows a qualitative approach (Yin 2009).

While our first research question asks for Swiss host country effects that arise from local constraints on, and resources for HRM, the second question refers to the influence of German and U.S. country-of-origin effects. These are meant to inform not only domestic HRM practice, but also the MNCs' overall approaches towards transfer and adaptation of HRM practices in foreign host countries. Thus, it investigates the complex outcomes of a collision of different institutional rationalities (Ferner *et al.* 2012: 166). The basic conceptual framework of the present investigation has been adopted from earlier research undertaken by a group of researchers around Hartmut Wächter (Wächter and Peters 2004; Wächter *et al.* 2003) and is visualised in figure 1 below. The starting point is the consideration that HRM, strategy and structure within the MNC are influencing each other and hence cannot be discussed in isolation. Furthermore, contingency factors are known to shape organizational structures and practices to some extent, although they are not at the heart of our research. In fact, in a recent large-scale survey, Edwards *et al.* (2007a: xi, 103) found that size and age of a MNC exert much less influence than might be expected. Following an institutional perspective with its focus on societal embeddedness of organizations, HRM practices within MNCs are considered to be shaped to an important extent by the organizations' external societal environment. While this environment is made up of cultural and institutional factors, our approach focuses rather on institutions than on cultural influences. This focus on institutions follows directly from the methodological considerations that have been discussed earlier.

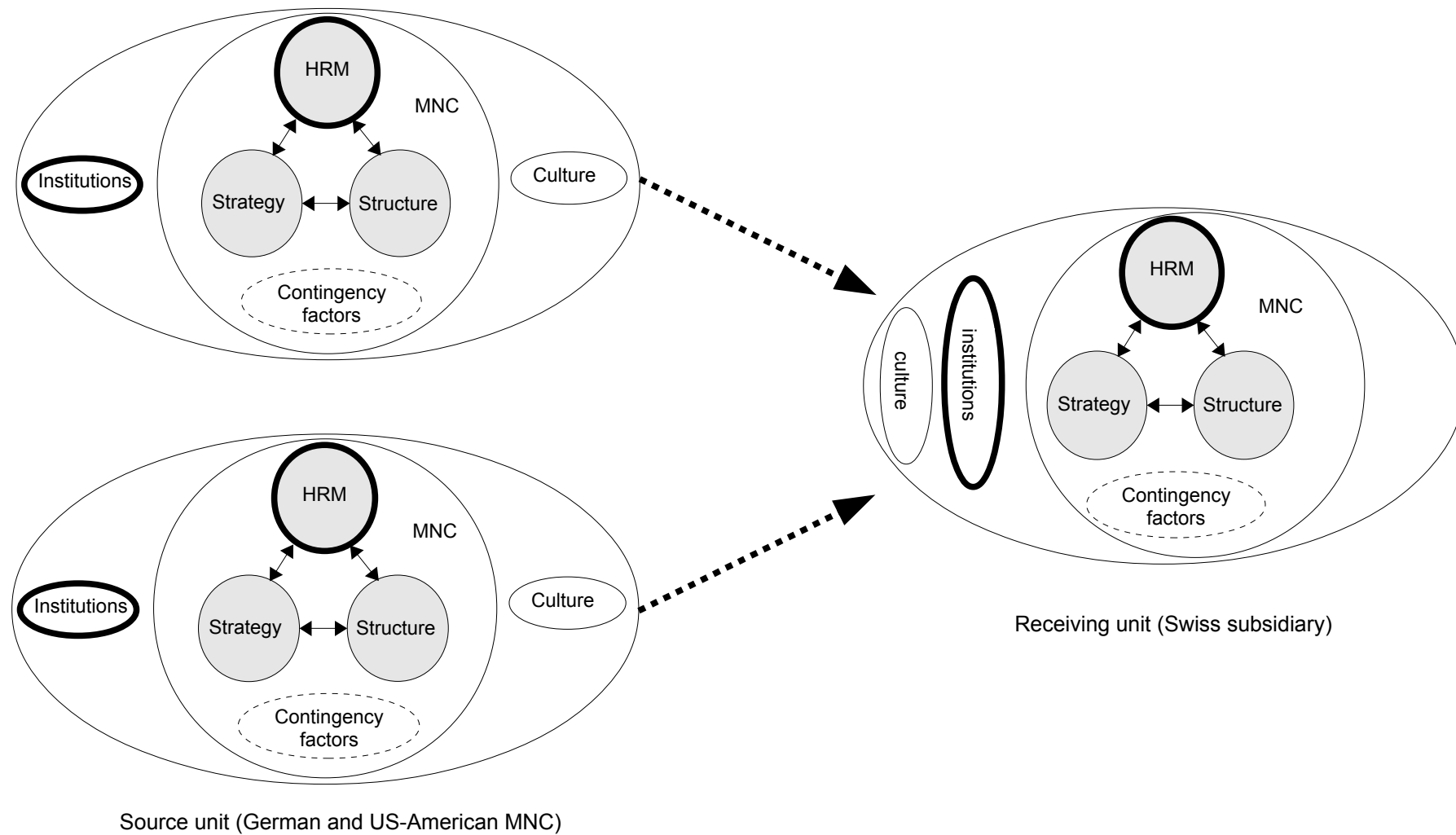
Figure 1: An institutional perspective on HRM



Source: Wächter *et al.* (2003: 6), based on Tichy *et al.* (1982: 48).

When HRM practices within an MNC are transferred across national borders, they are supposed to pass through an environmental filter. This filter consists of the cultural and institutional elements the focal subsidiary is embedded in, as we can see in figure 2 below. In this graphical illustration, the idea is reflected that the relevant socio-economic context of an organization is highly pertinent for the establishment of an HR system. It is important to note that the concept of embeddedness does not a priori exclude standardization efforts within MNCs or the integration of HRM practices from a foreign model into the domestic one. However, the potential for cross-cultural learning and standardisation is considered to be confined “to what is within the 'fit' of the relevant socio-cultural context” (Pudelko 2006: 123).

Figure 2: An institutional perspective on cross-national HRM practice transfer



Source: Based on Wächter *et al.* (2003: 6).

1.4 Outline of the study

The following chapters 2, 3 and 4 will deal with the theoretical approach and conceptual framework of this investigation. Chapter 2 will first provide an introduction to new institutionalism and the business system approach. We will explain how these two approaches can usefully complement each other to account for *external* institutional influences on HRM and practice transfer as *macro-level* factors. In chapter 3, we will turn our attention to *internal* organizational factors and issues of MNC strategy and structure that give rise to *micro-level* organizational effects. In this respect, also issues of power, agency and the development of subsidiary roles, and their respective influence on cross-national HRM practice transfer, will be discussed. Our structure hence reflects the distinction between macro- and micro-level factors that may influence on cross-national practice transfer. Issues of agency and power will be discussed in both chapters 2 and 3, first with a focus on the interplay between actors and institutions, and then with a focus on power resources and agency within MNCs. Chapter 4 will integrate the insights from institutional theory, MNC strategy and structure as well as latest contributions on power and agency into a common integrated conceptual framework that allows for a “dynamic, multilevel version of institutionalist analysis” (Almond *et al.* 2005: 299) and gives an overview of key influences, mechanisms and possible outcomes of practice transfer within MNCs.

The national business systems approach (Whitley 2000a) presented in chapter 2 helps us to better understand why and in what ways the German and US-American market economies differ, and how these differences translate into distinct characteristics of firms and HRM practices. In empirical research, HRM and approaches towards transfer were found to differ in important ways between German and US-American MNCs. A review of the most important features of the US-American and German NBSs, their shaping of MNCs' domestic HRM and approaches towards transfer will be the subject of chapter 5. Chapter 6 is then dedicated to the thick description (Redding 2005) of key institutional features and feature characteristics of the Swiss host country business system that are being compared to those of the German and US-American NBSs.

In chapter 7, we will start with a short discussion of paradigmatic, ontological and epistemological questions and clarify the researcher's position. Furthermore, we will provide relevant information on our methodology and research design. To do this, we will take up key insights of chapters 2, 3, 4, 5 and 6 in order to establish our research framework. At this point, we will formulate propositions

that are based on our theoretical discussion and literature review. Details about the data collection and analysis process will be discussed, and methodological choices justified in order to render transparent and reproducible every step in the investigation.

In Chapter 8, results of the empirical study are reported. This chapter is organized according to the integrated conceptual framework for HRM practice transfer presented in chapter 4, and to our research framework that has been established in chapter 7. Results of our analysis are systematically presented according to MNC country-of-origin in order to allow for comparisons between German and US MNCs. Furthermore, this organization of our own empirical results allows for pattern matching with our expectations as based on theoretical reasoning and on findings of previous studies. In a first section, we will provide relevant information on each company to give an overview of several micro-level organizational variables as discussed in chapter 3 and 4. A second section is dedicated to the issue of transfer itself. It deals with questions around willingness and reasons for international HRM practice transfer, and analyses the transfer process itself. Results are again discussed against the background of the conceptual framework on international HRM practice transfer and the patterns of typical German versus US-American approaches that have been established based on our literature review. The following third section reports our results concerning particular HRM practices that are standardized. These are again discussed against the background of the previously identified typical German and US-American patterns and the specific propositions worded in our research framework. Special emphasis is put on the identification of key influences and effects, namely country-of-origin-, dominance- and host-country effects, as well as aspects of power and agency. The same analysis is then done in a fourth section for local HRM practices. This identification of key influences enables us to uncover links of causality through an analysis of the interplay of country-of-origin and Swiss host country influences as well as the role of organizational variables in this highly complex process of contextualised construction of practices (Barmeyer and Davoine 2011: 6).

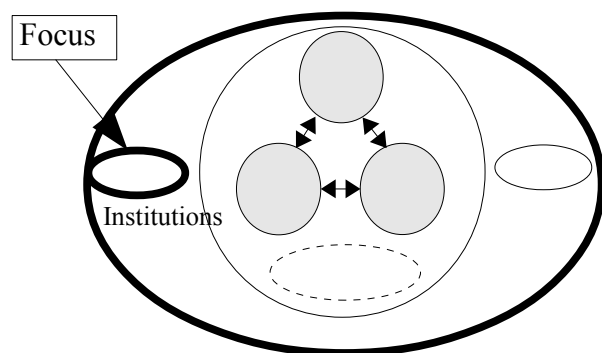
Finally, a conclusion summarizes and discusses central findings, implications and limitations of the present investigation, and points to possibilities for future research in the field.

PART II: TOWARDS AN INTEGRATED CONCEPTUAL FRAMEWORK FOR RESEARCH INTO THE CROSS-NATIONAL TRANSFER OF HUMAN RESOURCE MANAGEMENT PRACTICES WITHIN MULTINATIONAL CORPORATIONS

Chapter 2 Institutional environments, organizations and human resource management practices

As we have seen in the introduction, institutional theory is part of the high-context category of theories that are focusing on the influence of the societal or cultural environment on organizations. Since the focus here is on the relationship between organizations and their environments (Björkman 2006: 465), *organizations* are seen *as open systems* that cannot be considered in isolation from their context (Scott 1994, 2003). Institutional theory has been chosen due to the greater ease of operationalisation, its capacity to generate clear causal explanations and to account for changes over time, whereas cultural approaches suffer from important methodological problems as discussed in the introduction (McSweeney 2002; Tempel *et al.* 2005: 182; Wächter 2004: 3). Though, we will not ignore the complex interdependencies between culture and institutions (Child and Tayeb 1982; Lane 1989; Tempel 2001: 29).

Referring to the basic conceptual framework presented in the introduction, we will start with a discussion of the institutional environment organizations are embedded in. Starting with a definition of the term institution, in this chapter we will present two different strands of institutional theory,



new institutionalism and the *business systems approach*, and explain how these two perspectives can usefully be integrated and applied to the study of multinational corporations. On the one hand, new institutionalism has generated insights concerning the concrete mechanisms through which institutions impact on organizations and the diffusion of practices, defining the organizational

field (DiMaggio and Powell 1983; Scott 1994) as a unit of analysis. On the other hand, the national business systems approach (Whitley 1994a; Whitley 1994b; Whitley 2000a) puts an emphasis on the effects of a range of institutions at societal level and differences between countries. The latter

approach focuses in particular on the level of the nation state as principle unit of analysis, since “nation states constitute the prevalent arena in which social and political competition is decided in industrial capitalist economies” (Whitley 2000a: 19).

2.1 Defining the three pillars of institutions

In order to discuss the impact of institutions on organizations, we shall begin with a definition of the term *institution*. North sees institutions as *regulative* elements in defining them as “perfectly analogous to the rules of the game in a competitive team sport. That is, they consist of formal written rules as well as typically unwritten codes of conduct that underlie and supplement formal rules (...) the rules and informal codes are sometimes violated and punishment is enacted. Therefore, an essential part of the functioning of institutions is the costliness ascertaining violations and the severity of punishment (North 1990: 4).

As we can see, North emphasizes the problems associated with the monitoring of behaviour, enforcement and punishment according to the rules, and stresses the importance of a neutral third party. In this respect, he argues that a third party “must always involve the state as a source of coercion” (North 1990: 64). We can therefore see the particular importance of the state as rule maker, referee and enforcer in studying this regulative aspect of institutions.

Moreover, we can see a second important element of institutions, that is their consisting of a *formal* and *informal* part. In this respect, Helmke and Levitsky (Helmke and Levitsky 2004: 727) give a more precise definition of “informal institutions as socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels. By contrast, formal institutions are rules and procedures that are created, communicated, and enforced through channels widely accepted as official”. Here, we can clearly see the smooth transition from culture to institutions, which is the reason why the frontier between the two is “a critical area for research” (Helmke and Levitsky 2004: 728). In this respect, Helmke and Levitsky (2004: 728) propose to “cast informal institutions in relatively narrow terms by defining informal institution in terms of shared expectations rather than shared values. Shared expectations may or may not be rooted in broader societal values”. This aspect is important to underline the argument that cultural and institutional theory should not be seen as contradictory or mutually exclusive, but rather as complementary. Even if our primary focus will be on formal institutions, also informal ones shall be taken into account, since “the potential influence of informal regulations and custom and practice

on the management of human resources should not be underestimated” (Tempel 2001: 63).

We have now seen the regulative element of institutions and the fact that these consist of formal and informal rules. Scott's (1995: 48) definition of institutions is still more encompassing in defining them as “culture-cognitive, normative, and regulative elements that (...) provide stability and meaning to social life”. Thus, a *normative* and a *cognitive* element as a second and third pillar of institutions are completing the regulative one.

The *normative* pillar emphasizes “normative rules, that introduce a prescriptive, evaluative, and obligatory dimension into social life (...) and include both values and norms” (Scott 1995: 37). In this regard, *values* are defined as “conceptions of the preferred or the desirable together with the construction of standards”, whilst *norms* are seen to “specify how things should be done” (ibid.). Again, we can underline the closeness of institutions and culture. Following Koen (2005: 12), informal and normative institutions are very much alike, both of them expressing customs, traditions and values, and thus making it difficult to disentangle the impact of informal and normative institutions from that of culture.

Since values and norms apply rather to specific actors and positions than being generally applicable, scholars were focusing on *roles* that are defining appropriate action for individuals or positions. Berger and Luckmann (1967: 74) have highlighted the importance of roles for institutions as follows: “All institutionalised conduct involves roles. Thus roles share in the controlling character of institutionalization. As soon as actors are typified as role performers, their conduct is ipso facto susceptible to enforcement. Compliance and non-compliance with socially defined role standards cease to be optional, though (...) the severity of sanctions may vary from case to case”. Therefore, roles can be seen as normative expectations of what actors are supposed to do, that are both internalised and held by other important actors. In this respect though, they are not only constraining, but also enabling as they confer rights and responsibilities. While both the regulative and normative pillars of institutions somehow stress rules and enforcement, we can say that the regulative conception focuses more on a logic of instrumentalism where the actor reviews his interests in a given situation, whereas the normative conception refers more to a logic of appropriateness with actors assessing the expectations associated with their roles (Tempel 2001: 35).

The *cognitive* pillar of institutions is not about rules, but underlines the role played by “the socially mediated construction of a common framework of meaning” (Scott 1995: 45). In this respect, Zucker (1977: 728) explains that “the meaning of an act can be defined as more or less a taken-for-granted part of (...) social reality”. These taken-for-granted assumptions provide guidelines for sensemaking and choosing meaningful actions (Tempel 2001: 35). While the regulative pillar is about the rules of the game, the cognitive pillar is about the game itself and basic ideas associated with it such as winning and losing or team spirit. In the words of Zucker (1977: 730) it is more about a “cognitive understanding of the "facts of life" rather than obligatory conformity”. In this case, actors do not comply because of some kind of external pressure taking the form of rules and sanctions or role expectations, but rather because predefined patterns of behaviour are taken-for-granted as the way things are done, making other types of behaviour in most cases inconceivable. Therefore, cognitive elements exert their influence “prior to and apart from any mechanisms of sanctions specifically set up to support an institution” (Berger and Luckmann 1967: 55).

2.2 New institutionalism: interpenetration of organizations and environments

New institutionalism “has emphasized the relationship between the organization and its “institutional environment”, and the way in which this relationship shapes the organization's internal structures” (Ferner and Quintanilla 1998: 712). Researchers applying this theory to the study of organizations (DiMaggio and Powell 1983; Meyer and Rowan 1977; Scott 1995; Westney 1987; Zucker 1977; Zucker 1988) are pointing to the influence of socially constructed beliefs, assumptions, expectations, rules and norms over organizations. These are considered to determine how firms, schools or hospitals should be organized, why they exist and what kind of function they perform (Björkman 2006: 463; Tempel and Walgenbach 2007: 2).

2.2.1 Legitimacy and isomorphism in organizational fields

One key point emphasized by new institutionalists is their scepticism about the assumption that formal organization can be explained through the argument of efficiency. In this regard, new institutionalists argue that particular organizational forms do not exist because of their optimal performance, but rather because they correspond to institutionalised expectations (Tempel and Walgenbach 2004: 9), hence referring directly to the normative pillar of institutions as presented above. organizations are seen as technical as well as social phenomena with their structures and processes being shaped by more than technical rationality alone, attributing a major importance to social legitimacy (Meyer and Rowan 1977). Meyer and Rowan (1977: 348–349) argued that organizations would adopt structures that are externally legitimated rather than in terms of efficiency, employing external or ceremonial assessment criteria to define the value of these structures. The dependence on external institutions would reduce turbulence, maintain stability and promote the success and survival of organizations. Such *decoupling* of structures from each other and from economic activities would lead organizations to become *isomorphic* with the rationalizing institutional myths of their environment as they are embodied in their external institutions (Meyer and Rowan 1977: 345).

Isomorphism is therefore a key concept in new institutionalism to capture the process of homogenization among organizations, that has been defined as “a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions” (DiMaggio and Powell 1983: 149, referring to Hawley 1968).

In contrast to Weber's (1952) concept of efficiency and competition-driven bureaucratization, DiMaggio and Powell (1983) are providing another explanation for the high degree of homogeneity between organizational forms and practices. In arguing that this homogeneity is an outcome of the *structuration* (Giddens 1979) of *organizational fields*, they point to the state and professions as the most powerful forces in driving this process (DiMaggio and Powell 1983: 147). DiMaggio and Powell have defined the term organizational field as “those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products” (DiMaggio and Powell 1983: 148). In this respect, *structuration* as a process of institutional definition would consist of four parts: an increasing interaction between the organizations in the field, the emergence of clear inter-organizational structures of domination and coalition, an increase in the amount of information the organizations in a field have to deal with, and finally the development of a mutual awareness between participants in the organizations that they are involved in a common enterprise (DiMaggio and Powell 1983: 148). Once a field is structured, powerful forces emerge, leading organizations to become more similar to each other. While organizations may change their goals and develop new practices, and new organizations may enter the field, in the long run “organizational actors making rational decisions construct around themselves an environment that constrains their ability to change further in later years” (DiMaggio and Powell 1983: 148). While organizational innovations such as new structures or practices may initially be introduced in order to improve performance, these new practices may become “infused with value beyond the technical requirements of the task at hand” (Selznick 1957: 17). And as these structures and practices spread to other organizations, it is not efficiency but legitimacy – just as proposed by Meyer and Rowan (1977) – that organizations search and obtain. Once a certain degree of structuration is reached in an organizational field, it is this dynamic that leads to a decreasing extent of diversity within the field. This is because organizations “respond to an environment that consists of other organizations responding to their environment, which consists of organizations responding to an environment of organizations' responses” (DiMaggio and Powell 1983: 149 paraphrasing Schelling 1978: 14).

2.2.2 organizational fields, jurisdiction of belief systems and the nature of governance systems

In this context, Scott has argued that *organizational fields* are providing an important *intermediate*

unit, connecting the level of *individual organizational structure* and functioning with *societal processes* (Scott 1994: 207). Postulating that organizational fields differ in many ways, he established three clusters of differences in adding the *jurisdiction of belief systems* and the *nature of governance systems* as two new factors to the degree and type of structuration. Since these clusters of differences may crucially add to our understanding of the nature of organizational fields, in the following they will be shortly summarized.

Belief systems that “guide and orient the behavior of field participants” are about “complex systems of presuppositions, knowledge and beliefs, norms and rules that identify and distinguish among sectors or arenas of contemporary social life” (Scott 1994: 208) with professionals playing a central role in their creation and codification. But also the state and corporate actors are considered to be major forces affecting field definition. While the role of the state in this respect is discussed in terms of its regulatory power – an issue we will come back to when discussing coercive isomorphism – professional associations and multinational corporations are seen to shape organizational fields through the diffusion of organizational models among societies. Thus MNCs and the transfer of practices as well as professional associations may play a major role in shaping local organizational fields and further isomorphism in the latter. Regarding belief systems, Scott discussed their content, penetration, horizontal linkages and exclusiveness. While their *content* refers to “the nature of assumptions or institutional “logics”” (1994: 209) reigning the five institutional complexes of the economic sphere, the bureaucratic state, the family, the polity and the religious realm, *penetration* is about the identity of actors and the definition of roles, as we have seen in our presentation of the normative pillar of institutions. *Horizontal linkages* concern the extent to which a given belief system, e.g. the institution of private property and the value of freedom of choice, is interconnected with its associated activities, thus providing cultural consistency and coherence across differing domains.

Furthermore, and of particular interest to our research subject, Scott (1994: 211) discussed the issue of *exclusiveness of belief systems*. In some organizational fields we might be able to identify a dominating, single, exclusive belief system with a high degree of consensus existing among the relevant actors as to the assumptions, norms and rules that should govern the field. Though, other situations are imaginable. A second scenario would involve a dominant belief system that is complemented by subordinated secondary forms, while a third variety would expose more generic or “meta” institutional patterns with some degree of variation. Lastly, in a fourth scenario, two or more strong, competing or conflicting belief systems would be present in a given domain. Due to

the fact that MNCs, by their very nature, are straddling organizational fields as well as national institutional environments (Westney 1993: 60), we should expect to encounter situations similar to the fourth scenario involving competing or conflicting belief systems especially in the event of a practice transfer. In such situations, Oliver (1991) argued that managers are generally not confronted by a clear, unambiguous institutional imperative but rather by contested models. Thus, in such instances alternative interpretations and strategic options are present and the jurisdiction of belief systems will be more likely to be negotiable than determinant (Scott 1994: 212).

Governance systems in which beliefs and rules are embodied, comprise three primary carriers of institutionalised beliefs or rules. These are a) formal organizations with structural and procedural apparatuses to exercise centralised authority, b) regimes involving principles, norms, rules and decision-making procedures as a basis for cooperative behaviour among independent entities, and c) cultures, belief systems and informal rules that operate without the presence of a collective centre (Jepperson 1991: 150).

According to Scott (1994: 212), the discussion of governance systems inevitably confronts the complex reality of the *nation state*, where a variety of influences of state structure and governance systems in organizational fields can be distinguished. Regarding general features of *state structure*, Scott refers to four criteria established by Peters (1988): *extensiveness*, including issues such as size, range and portfolios; *centralization*, concerning the number of subnational governments, formal, fiscal and administrative federalism; *hierarchy* including quasi-governmental units, nationalised industries, sub-departmental structures and procedural consistency and elaboration; and finally *participation*, relating to structures for interest group participation (pluralist vs. corporatist systems) and political parties. Scott (1994: 213) postulates that generally, the more extensive the state is, the less autonomy and power would be devolved into structures located outside the state. On the other hand, decentralised, fragmented and federalised structures would give rise to more complex linkages among organizations in a sector.

Concerning *governance systems in organizational fields*, Scott argues that states play a major role in influencing on sector structure. Firstly, in their quality as actors, states can affect sectors by their allocation behaviour or by the definition and enforcement of property rights. These are, in turn, shaping social relations among social partners, competitors or buyers and sellers in determining “the balance of power among a wide variety of economic actors in civil society” (Campbell and Lindberg 1990: 636). Secondly, with their specific configuration, states as institutional structures

can also influence on organizational fields. For example, there are differences in the degree to which the state is unified or fragmented and full of conflict with respect to sectors. It therefore provides different, geographically variable arenas of political access to societal actors with distinctive clusters of rules and conditions (Scott 1994: 215). In this respect, Scott refers to the typologies that have been developed by Lindberg *et al.* (1991) and Schmitter (1990). The former identified six ideal-types of governance mechanisms including markets, obligational networks, hierarchies, monitoring systems, promotional networks, and associations. The latter proposed three ideal types of economist modes of governance being markets with spontaneous equilibration, self-reinforcing alliances and externally enforced controls.

These arguments concerning the influence of state structure and governance systems on organizational fields as intermediate unit that connects individual organizational structure and societal processes is highly important. As we have seen in the introduction to this chapter, new institutionalism concentrates on mechanisms through which institutions impact on organizations and the diffusion of practices, while the business systems approach concentrates on societal level institutions and primarily focuses on the level of the nation state. In discussing the impact of state structure and governance mechanisms on organizational fields and thus the nature of sectors, a clear link can be established between these two strands of institutional organization theory. Furthermore, the concept of conflicting or competing jurisdictions of belief systems is highly relevant for our understanding of the problematization of practices as described by Morgan *et al.* (2003: 389) and the possible “collision of two sets of institutional rationalities” (Ferner et al. 2012: 166) when practices are transferred from one national institutional environment towards another one.

2.2.3 Three mechanisms of institutional isomorphic change

We will now turn from our consideration of isomorphism in organizational fields to a discussion of precise *mechanisms* through which institutional isomorphic change can occur. Differentiating between competitive and institutional isomorphism in institutional fields, DiMaggio and Powell (1983: 150) have identified the three mechanisms of *coercive*, *mimetic* and *normative isomorphism* that will be depicted in the following paragraph.

Coercive isomorphism is stemming from formal and informal pressures on organizations that may be exerted by other organizations upon which they are dependent, or may be attributable to cultural

expectations in the society. In this respect, Scott (1987: 501) refers to “environmental agents that are sufficiently powerful to impose structural forms and/or practices on subordinate organizational units”. Hence, coercive isomorphism as *imposition* involves the state as a key player whose coercive power emanates from its role as legislator who creates a common legal environment to which organizations are subject (Thomas and Meyer 1984).

At this point, a first parallel can be drawn between the regulative pillar of institutions (Scott 1995) and coercive isomorphism with the importance attributed to the state. Here, coercive isomorphism can serve to describe how institutionalised and externally legitimated rules that are set by the state are incorporated in organizational structures and practices. Thus, organizational legitimacy is achieved through operation in accordance with the relevant legal requirements.

Mimetic isomorphism as the second mechanism is not arising from coercion but through uncertainty which encourages imitation. Under conditions of uncertainty, organizations may model themselves on other organizations that they perceive to be more successful or legitimate (DiMaggio and Powell 1983: 152). Such models may be diffused intentionally or unintentionally with consultant firms or industry associations playing an important role (DiMaggio and Powell 1983: 151). This type of isomorphism is described by Scott as the *acquisition*, and hence the deliberate choice, of organizational structure (1987: 504). This is seen as a primarily cognitive process where organizations are seeking to behave in orthodox or conventional ways, and to achieve status in imitating others that are regarded as more successful (1995: 47). This process encourages homogenization because of the limited variety of available alternatives. Though, Westney (1987) argues that mimetic isomorphism also offers some scope for deviation from the model being imitated. Deviation in this context may be intended and take the form of an adaptation to the institutions of another organizational field, or unintended when information about the model is imperfect, idealised or filtered. The adoption of Anglo-Saxon practices by continental European companies as a consequence to challenges faced in the course of internationalization and the rise of the shareholder value model (Ferner and Quintanilla 1998) may serve as illustrations of such processes, that may also be interpreted as dominance effects (Smith and Meiksins 1995).

The third source of isomorphic change called *normative isomorphism* originates from professionalization. Following Larson (1977) and Collins (1979), DiMaggio and Powell (1983: 152) have defined professionalization as “the collective struggle of members of an occupation to

define the conditions and methods of their work, to control "the production of producers" (Larson 1977: 49–52), and to establish a cognitive base and legitimation for their occupational autonomy“. Scott (1987: 502) describes this isomorphic process as the *authorization* or legitimation of organizational structure by a super-ordinate unit. Professions, in turn, are subject to the same coercive and mimetic pressures as organizations. While groups of professionals within an organization such as lawyers, accountants or engineers may considerably differ from each other, they may be similar to their counterparts in other organizations. Furthermore, professional power is both assigned by the state, and created by the activities of the professions (DiMaggio and Powell 1983: 152). Here, formal education and professional networks are seen as important sources of isomorphism since both, universities and professional associations, are vehicles for the development and diffusion of normative rules about what constitutes professional behaviour (Tempel and Walgenbach 2007: 3). Furthermore, the filtering of personnel during the recruitment process has been identified as another important mechanism driving normative isomorphism, since firms from the same industry hire staff from a narrow range of educational institutions. Common promotion practices and the stipulation of skills levels required for particular jobs fit into this category, too. DiMaggio and Powell (1983: 153) resume this argument as follows: “To the extent managers and key staff are drawn from the same universities and filtered on a common set of attributes, they will tend to view problems in a similar fashion, see the same policies, procedures and structures as normatively sanctioned and legitimated, and approach decisions in much the same way”.

Zucker (1988: xvii) argues that isomorphic processes are reinforced by the fact that environments are not only external to the organization, but that organizations and environments “*interpenetrate*”. For a better illustration of this argument, we can refer once again to Scott (1987) who identified several different accounts for structural influence. On the one hand, imposition and authorization are depicted as processes that are shaping organizational structures through coercive and normative isomorphism and are hence involving *external institutional agencies*. On the other hand though, the process of acquisition that is associated with mimetic isomorphism involves *actors within the organization* who consider certain externally validated structures and processes as legitimate. Therefore, a distinction can be made between situations where structures or practices are “voluntarily adopted by organizational managers – in contrast to the situations (...) in which the major impetus for the change comes from outside the organization” (Scott 1987: 504).

More recently, John Meyer and his colleagues (Meyer 2000; Meyer *et al.* 1997) have applied the argument of isomorphism to a set of consultants involved in global discourse, “operating almost entirely in terms of scientific and professional (legal, medical, educational) models and methods” (Meyer *et al.* 1997: 166). Meyer highlights the process of general emulation of models and associated practices on a global scale. Welfare systems of states are serving as role models that are copied by others, and “admired firms put themselves forward as models, and whole sets of consulting firms and business school academics make a business out of aiding in the diffusion” leading to an “increasingly rapid 'diffusion' of models” (Meyer 2000: 242). These contributions illustrate how *normative and mimetic isomorphism can take place on a global scale* as well, *emphasizing global diffusion of practices* and their adoption by organizations, although without discussing how such practices are interpreted or translated when travelling around the world (Tempel and Walgenbach 2007: 2).

2.3 National business systems: organizations and societal-level institutions

As we have seen, new institutionalism focuses on the interaction and interpenetration of organizations and their institutional environment. It has contributed to our understanding of how isomorphic processes lead to diffusion of practices and increasing *homogenization* among organizations within organizational fields as the most important level of analysis.

In contrast, the national business systems approach focuses primarily on the “interpenetration of institutional structures and organizations at societal level” (Tempel 2001: 43) and “highlights how business continues to be influenced by the national institutional frameworks in which it is embedded” (Tempel and Walgenbach 2007: 2). In this view, every form of market exchange is defined by more complex and larger social processes constituting the framework where all kinds of economic exchange are embedded in. The term “embeddedness” then stands in contrast to neoclassical conceptions of markets, where transactions are defined to be “strictly rational, faceless and independent” (Dacin *et al.* 1999: 320). The *concept of embeddedness* hence points to Granovetter's (1985) central insight concerning the on-going contextualization of economic exchange activity in social structures. At the same time, with the concept of embeddedness, researchers have sought to strike a balance between behavioural rationality and economic efficiency. While taking economic activity seriously, researchers went beyond arguments of intentionality and efficiency in order to understand relational aspects of organizations (Granovetter 1985: 320–321). Following Beckert (2003: 769), the term embeddedness can be defined as follows: “*Embeddedness* refers to the social, cultural, political, and cognitive structuration of decisions in economic contexts. It points to the indissoluble connection of the actor with his or her social surrounding”.

In this connection, Ferner and Quintanilla (1998: 714) have noted that the term national business systems itself implies that there are “alternative ways of organizing economic activity rather than a 'one-best-way', even within the parameters of the capitalist system”. Tempel and Walgenbach (2004: 11) share this argumentation in stating that the focus of the national business systems approach is on existing *differences* in economic organization. These are taking the form of national institutional regulations, and are predicted to be reproduced and to persist. Therefore, Whitley (2008: 3) sums up that “these differences are no more likely to converge to a single type of market economy in the

twenty-first century than similarly varied forms of capitalism did in the internationalised world economy of the late nineteenth century” and that they “are reflected in significant variations in the nature of leading firms in differently organised market economies”. It is hence at this point that we can establish a direct link to the debate outlined in the introduction on economic globalization and its implications for organizational forms and the role and power of MNCs concerning the diffusion of practices.

The idea that several "best ways" can exist, and moreover, that diverse institutional arrangements can provide firms with *comparative institutional advantage* (Casper and Kettler 2001: 6; Soskice 1999: 216) or “institutional competitiveness” (Kristensen and Morgan 2007) in specific sectors or niches can be found in several works of comparative institutional theory (Albert 1993; Amable 2009; Hall and Soskice 2001b; Sorge 1991, 2004).

Though, while Hall and Soskice (2001b) primarily distinguish between the two broad categories of liberal (LMEs) and co-ordinated market economies (CMEs) typically opposing Anglo-Saxon to continental European systems of economic organization, “Whitley offered a way of distinguishing between what in Hall and Soskice (2001b) became a single category of 'coordinated capitalism’” (Morgan 2007: 130). Furthermore, Whitley (2000a: 42–44) has identified six ideal-types of business systems and proposes a detailed framework to guide the analysis of national patterns of economic organization.

In this connection, he has *defined business systems* as “distinctive patterns of economic organization that vary in their degree and mode of authoritative coordination of economic activities, and in the organization of, and interconnections between, owners, managers, experts, and other employees” (Whitley 2000a: 33). Lane (1994: 64) described the notion of business systems in somehow more tangible terms as “the sum of general practices and value orientations which characterise both the internal organization of business units and their relations with their external environment. They are regarded as constituted by the social-institutional environment in which they are embedded”.

One important idea of this concept that is rather similar to new institutionalist thinking is that of “reciprocal conditioning of business organizations and institutional complexes” (Lane 1994: 64). Whitley (2000a: 27) suggests that in business systems, “differences in societal institutions

encourage particular kinds of economic organization and discourage other ones through structuring the ways that collective actors are constituted, cooperate, and compete for resources and legitimacy, including the standards used to evaluate their performance and behaviour”. As we have seen in our discussion of new institutionalism, legitimacy is a key concept in this approach, too, thus pointing once more to existing linkages between the two strands of institutional theory. However, the emphasis of the business system approach is more on “control of economic resources” (Whitley 1994a: 157, 162) than on legitimacy, as we will explain in some more detail in the following sections.

According to Tempel and Walgenbach (2004: 9), the business systems approach provides the most systematic and comprehensive framework for the analysis of national embeddedness of varieties of economic organization into an institutional environment. Since both Switzerland and Germany have been identified as CMEs (Hall and Gingerich 2004: 10; Soskice 1999: 204), the business systems approach appears to be the most suitable for the purpose of this investigation. With its elaborate analytical framework, this approach allows for a fine-tuned analysis and differentiation even between superficially similar, *i.e.* coordinated, systems. Furthermore, the varieties of capitalism theory of Hall and Soskice (2001b) “has been viewed widely as making incoherence and change problematic” (Lane and Wood 2009: 534) whereas exactly issues of agency and institutional change are increasingly considered to be of great importance in this field of research (Ferner *et al.* 2012; Kostova *et al.* 2008; Kristensen and Morgan 2007; Morgan 2007; Tempel and Walgenbach 2007). Therefore, in the following paragraphs, we will provide an account of the main arguments and components of Whitley's business systems approach that will serve as an analytical framework for our own in-depth analysis of the Swiss host country institutional environment (1994a; 1994b; 2000a; Whitley 2000b, 2008).

2.3.1 Defining the key characteristics and dimensions of business systems

Whitley (2000a: 15) proposes the business systems approach as a “comprehensive framework for comparing and contrasting systems of economic coordination and control that attempts to identify the critical processes by which they become established, reproduced, and changed as relatively integrated and distinctive business systems”. Concerning the establishment of such systems, Whitley follows Herrigel (1994; 1996) in emphasizing the importance of the period of industrialization because industrial orders involving the development of “ground rules for

acceptable practice” are considered to be “closely connected to processes of modern state formation and change” (Whitley 2000a: 18–19).

The analytical framework is based on *two basic questions* around the nature of firms, and ownership and legal boundaries. The first question concerns the degree of *organizational integration* of economic activities and the second is about the “ways that differently constituted groupings of social actors control economic activities and resources” (Whitley 2000a: 32), hence referring to *control and co-ordination outside the organization*. In this respect, the notion of social actors involves providers and users of capital, customers and suppliers, competitors, firms in different sectors, as well as employers and employees.

Based on these two questions, Whitley has developed a typology for the comparison of different business systems comprising *three sets of characteristics*.

Ownership coordination as the first set is about the nature of firms as economic actors in different societies and concerns firstly the relationship between owners and managers and the extent of owners' direct involvement in managing business. In this respect, Whitley distinguished between three major types of control: a) direct control of firms by owners, b) alliance control where considerable strategic decision-making is delegated to managers, but where owners nevertheless remain committed to particular firms, and c) market or arm's length portfolio control (Whitley 2000a: 35). Furthermore, ownership coordination concerns the scope of ownership integration of economic activity and hence the degree of horizontal or vertical diversification.

The second set of characteristics relates to *non-ownership coordination*, that is forms of authoritative economic co-ordination that are not necessarily linked to the firm but which “share common obedience to established rules of conduct in the pursuit of collectively agreed goals” (Whitley 2000a: 31). These relate to the following three kinds of inter-firm relationships: between the members of a production chain, between competitors, and between firms in different industries. Such relationships vary considerably between adversarial zero-sum contracting and competition, and more institutionalised forms of cooperation between partners and competitors.

The third set of features concerns the different ways of managing *employment relations and work organization* in different societies. The most important contrast here is between societies encouraging reliance on external labour markets on the one hand, and those encouraging more commitment and mutual investment in organizational capabilities on the other. Therefore, this set of

characteristics is about the extent of employer-employee interdependence and the related variations concerning the degree of discretion and trust employers grant to the bulk of their workforce (Whitley 2000a: 38–39).

Table 1: Key characteristics of business systems

<i>Ownership coordination</i>
Primary means of owner control (direct, alliance, market contracting)
Extent of ownership integration of production chains
Extent of ownership integration of sectors
<i>Non-ownership coordination</i>
Extent of alliance coordination of production chains
Extent of collaboration between competitors
Extent of alliance coordination of sectors
<i>Employment relations and work management</i>
Employer-employee interdependence
Delegation to, and trust of, employees (Taylorism, task performance discretion, task organization)

Source: Whitley (2000a: 34).

2.3.2 Ideal-types and boundaries of business systems

The three sets of characteristics presented above with their eight dimensions are considered to be general features of business systems that exhibit particular interdependencies with each other to form distinct ways of organizing market economies. Since various characteristics of business systems are interconnected, only a limited number of possible combinations of business-system characteristics is predicted to remain established in the long run. This is because contradictions between certain combinations would cause conflicts between social groupings and existing institutional arrangements (Tempel *et al.* 2005: 185).

As a result of these linkages, Whitley (2000a: 41–44) has identified the following *six major ideal types of business system*: 1) *fragmented* business systems are marked by low ownership and non-ownership coordination of economic activities, so that the overall level of coordination is rather limited. Hong Kong has been identified as an example of such a business system. 2) *coordinated industrial districts* such as post-war Italian industrial districts and similar European regional business systems are dominated by small firms and expose relatively low levels of ownership coordination, but more extensive forms of inter-firm coordination and cooperation. 3) *compartmentalised* business systems are somehow the inverse of coordinated industrial districts in that large firms are dominant, hence exposing high levels of ownership integration but low levels of

cooperation between firms and business partners. Anglo-Saxon economies would be the typical example of this kind of system. 4) *state-organized* business systems like the Southern Korean one are characterized by large firms with high levels of ownership integration where families and partners as owners are typically able to retain direct control because of state support through subsidized credit. In these systems, horizontal linkages between economic actors and employer-employee interdependence are rather limited by strong ties of vertical dependence. 5) *collaborative* business systems expose less ownership integration of activities in technologically and market-unrelated sectors but more collective organization and cooperation within sectors. Owner control of large firms in such systems is typically alliance, and there is a greater degree of employer-employee interdependence and trust in skilled workers to be found than in compartmentalised systems. Many continental European economies, especially the more corporatist ones, can serve as examples for this ideal type. 6) *Highly coordinated* business systems like the Japanese one are also dominated by alliance control. However, they show even higher levels of organizational coordination of economic activities throughout the economy through extensive intra- and inter-sectoral alliances and networks, where interdependence between employers and employees is typically very high. Table 2 provides an overview of the characteristics associated with each of the six ideal-types of business system identified by Whitley.

Table 2: Six ideal types of business systems

Business-system characteristics	Business-system type					
	Fragmented	Coordinated industrial district	Compartmentalised	State organized	Collaborative	Highly coordinated
<i>Ownership coordination</i>						
Owner control	Direct	Direct	Market	Direct	Alliance	Alliance
Ownership integration of production chains	Low	Low	High	High	High	Some
Ownership integration of sectors	Low	Low	High	Some to high	Limited	Limited
<i>Non-ownership coordination</i>						
Alliance coordination of production chains	Low	Limited	Low	Low	Limited	High
Collaboration between competitors	Low	Some	Low	Low	High	High
Alliance coordination of sectors	Low	Low	Low	Low	Low	Some
<i>Employment relations</i>						
Employer-employee interdependence	Low	Some	Low	Low	Some	High
Delegation to employees	Low	Some	Low	Low	High	Considerable

Source: Whitley (2000a: 42); scaling: high-considerable-some-limited-low.

Concerning the *boundaries* of business systems, Whitley (2000a: 44) posits that “distinctive systems of economic organization and control arise wherever key associated institutions are both mutually reinforcing and distinctive from other ones”. While this does not a priori exclude the possibility of regional or sub-national business systems, he argues that it is often nation states that develop distinctive national business systems (NBSs) for several reasons. Firstly, legal systems that define and enforce private property rights are usually state-based in capitalist economies. Secondly, the state is typically responsible for public order and organizes interest groups and the conventions governing their competition and collaboration. Finally, nation states are also considered to be the dominant level of organization for regulating financial systems and organizing skill development and control. Whitley therefore concludes that “[a]s long as resources, legitimacy, and jurisdictions are primarily controlled and contested within national boundaries, interest groups and their conflicts will remain organized at the national level” but “[w]here regional governments, financial institutions, skill development, and control systems and broad cultural norms and values are distinct from national ones and able to exert considerable discretion in the economic sphere, we would expect distinctive kinds of economic organization to become established at the regional level” (Whitley 2000a: 45).

This argument is highly relevant to the present investigation since Switzerland is a decentralised federal state (Braun 2003) where considerable resources and legislative powers are devolved to the sub-national level (Trampusch and Mach 2011: 15) as we will see in more detail in chapter 6. This constitutes an important factor that has to be taken consciously into account when analysing the Swiss business system in order to infer on host country effects.

2.3.3 Major institutional arenas and institutional structuring of business system characteristics

In order to analyse how a business system is institutionally structured, Whitley (2000a: 47) suggests to focus on a set of key institutions governing the “access to critical resources, especially labour and capital” that are shaping the nature of business system characteristics.

Such institutional features can be broadly characterized and compared across market economies in terms of four major institutional arenas: the *state*, the *financial system*, the *skill development and control system*, and dominant *conventions governing trust and authority relations*. In the same way as Whitley stresses the interconnections between business system characteristics, he also points to

the coupling and possible mutual reinforcement of these four institutional arenas that are considered to influence on the degree of cohesion and the particularities of a business system (Tempel *et al.* 2005: 185).

Among these institutional arenas, Tempel (2001: 45) particularly emphasizes the state whose “influence extends beyond that of direct economic rule maker to supporter and regulator of the other key (...) institutions”. In this connection she also highlights the close link between state regulation and imposition of its structures on other institutions. Therefore, she points to the homogenising effect of coercive isomorphism within the realm of the nation state.

While the *state* as the first out of four major institutional arenas exposes many features and policies that influence the nature of a business system, three of these are particularly important. The first feature concerns the extent to which the state *dominates the economy and shares risks*, making business dependent on state policies and actions. As Whitley notes in this respect, “many Anglo-Saxon states have neither the wish to, nor the capability for, actively coordinating economic processes” (Whitley 2000a: 48), in contrast to the Japanese or South Korean state. The second important feature concerns state *antagonism to intermediaries* and refers to the extent to which important intermediary economic associations between individuals, firms, and the state are encouraged in a political system. Corporatist states like the German or Austrian one are known to encourage the formation of such intermediaries and to develop strong forms of intra- and inter-sectoral organization, making inter-firm cooperation, alliances and cartelization easier. The third important state property refers to *formal regulation of markets*. This involves regulation of market boundaries, entry and exit, as well as constraints imposed on the activities of economic actors. While in some states skill certificates are issued by the state, in other countries such powers have been delegated to industry associations and quasi-statutory bodies. Differences between countries concerning labour protection legislation or regulation of the employment relation via collective bargaining agreements could also serve as examples of different degrees and kinds of state regulation of markets. Streeck (1987: 68–73) for example distinguishes between the two principles of status as opposed to contract, implying different degrees and kinds of state regulation in the field of industrial relations in different countries.

Concerning *financial systems*, the crucial feature concerns “the process by which capital is made available and priced” (Whitley 2000a: 49) with the basic distinction being drawn between capital-

market based systems on the one hand and credit-based financial systems on the other. In the former system, capital is allocated by markets through competition. Investors are trading in portfolios and thus remain only weakly committed to any single firm. With shares and hence ownership rights being bought and sold off easily, such investors adopt a short-term focus and have a narrow interest in the company fortunes which is encouraging strong markets for corporate control. In the latter system, capital markets are typically weak and rather illiquid and play only a minor role in mobilizing and pricing investment funds. In this case, the dominant institutions are either large universal banks as is the case for Germany, or a combination of commercial banks and long-term credit banks that are coordinated by state agencies and ministries as in France or Japan. Since shares are not easily traded in such systems, owners, bankers and trust managers become locked into the fate of particular borrowers to a considerable degree. Therefore, they are more involved in decision-making and the evaluation of investment plans than in capital-market based systems.

In the third institutional arena, the *system of skill development and control* (Whitley 2000a: 50), we can distinguish two broad and interrelated sets of institutions. Firstly, the education and training system where skills are developed and competencies are certified, and secondly the institutions controlling the terms on which these skills are sold in labour markets, and how these markets are being organized.

Concerning the *educational system*, Whitley follows Maurice *et al.* (1986b) in distinguishing between unitary and generalist education systems on the one hand and dual, specialist ones on the other. In the former systems, children are successively filtered by academic examinations. Here, the grammar-school system leading to university entrance is regarded as superior to the state-practical training that is reserved for bad students. In contrast, in dual systems as for example in Germany, dual or specialist training that combines some elements of traditional apprenticeship with college-based formal instruction is cooperatively managed by representatives of labour, capital, and the state. In such systems, this kind of education is seen as different, but not greatly inferior to general education.

Relating to the *institutions governing the labour market*, an important factor is firstly the strength of independent trade unions, and secondly, the extent to which unions are organized around certified expertise as opposed to being based on industries or firms. While the first feature holds important implications for employers' ability to change strategic priorities, technologies, and markets, the

second one has consequences for the internal organization of work process and the division of labour (Child *et al.* 1983; Lane 1989). Furthermore, the extent to which bargaining is centralised is seen as an important factor because of its influence on internal cohesion and coordination of employers' associations and union federations. Where interdependent linkages in the field of industrial relations between firms and unions are strongly developed, these linkages facilitate collaboration between economic actors since they have to work together on a continuing basis (Whitley 2000a: 51).

The last of the four major institutional arenas are the *conventions governing trust and authority relations*. These are considered to be crucial because they structure exchange relationships between business partners and between employers and employees.

How *trust* is granted and guaranteed in an economy affects the level of inter-firm cooperation as well as the tendency to delegate control over resources. A prime is put here on the strength of formal social institutions generating and guaranteeing trust between relative strangers, particularly relating to property rights and the reliance on institutionalised procedures when making business commitments. These are seen as a critical factor in the establishment of collaborative relations within and between firms.

Concerning *authority relations*, Whitley summarizes six dimensions affecting subordination relations in work organizations that have been identified by numerous authors (Whitley 2000a: 52). The first dimension concerns the extent to which superordinate discretion is governed by formal rules and procedures, and the second relates to the amount of reciprocity expected for deference and obedience. The third dimension refers to the social and moral distance between leaders and led that is considered to be appropriate in a society, and the fourth concerns the degree of autonomy and independent status of subordinates. The fifth and sixth dimensions relate to the mode of legitimizing access to superordinate positions and the extent to which common interests can be invoked successfully in claims for compliance with superiors' instructions.

Out of several combinations of these dimensions, at least one far-reaching distinction can be drawn between formal and paternalist political cultures. While the former restrict superordinate discretion through formal rules and procedures, acknowledging the independent and autonomous status of subordinates and involving these in decision-making, the latter often imply a high degree of social and moral distance between leaders and the led. Within the category of formal political cultures, a further distinction can be made between communal and contractual forms of authority. While the

former implies relatively high levels of mutual trust and commitment with authority relying upon appeals to common interests and expertise of superordinates, the latter suggests relationships that are more adversarial with a prime on the pursuit of self-interest. While communal forms of authority appear to be more widespread in some Scandinavian and continental European countries, contractual forms are more common in Anglo-Saxon societies (Lodge and Vogel 1987).

Summarizing the presentation of the business systems framework, table 3 provides an overview of the four key institutional arenas and features structuring business systems, while table 4 presents the connections between institutional arenas and features on the one hand, and business system characteristics on the other hand.

Table 3: Key institutional features (arenas) structuring business systems

<i>The state</i>
Dominance of the state and its willingness to share risks with private owners
State antagonism to collective intermediaries
Extent of formal regulation of markets
<i>Financial system</i>
Capital market or credit based
<i>Skill development and control system</i>
Strength of public training system and of state-employer-union collaboration
Strength of independent trade unions
Strength of labour organizations based on certified expertise
Centralization of bargaining
<i>Trust and authority relations</i>
Reliability of formal institutions governing trust relations
Predominance of paternalist authority relations
Importance of communal norms governing authority relations
Source: Whitley (2000a: 48).

Table 4: Connections between institutional features and business system characteristics

Institutional features	Business-system characteristics								
	Direct owner control	Market owner control	High ownership vertical integration	High ownership horizontal integration	Low alliance vertical integration	High competitor collaboration	Low alliance horizontal integration	High employer-employee inter-dependence	High delegation to workers
<i>The state</i>									
Dominant, risk-sharing state	+	-	+		+	-	+		
Antagonistic to intermediaries					+	-	+	-	
Formal regulation of markets				-		+		+	
<i>Financial system</i>									
Credit based		-	+	-		+		+	
Capital-market based	-	+		+	+	-	+	-	
<i>Skill development and control system</i>									
Strong public collaborative training system						+		+	+
Strong unions				-				+	+
Strong skill-based groupings						-		-	+
Centralised bargaining by sectors				-		+			
<i>Trust and authority</i>									
Low trust in formal institutions	+	-			+	-	+	-	-
Paternalist authority relations	+	-							-
Communitarian authority relations				-				+	+

Source: Whitley (2000a: 56).

Table 5 opposes the Anglo-Saxon compartmentalised type of business system and the continental European collaborative business system as the two ideal types that are representative for the USA and Germany, respectively.

Table 5: Institutional features associated with the Anglo-Saxon compartmentalised and the continental European collaborative type of business system

Institutional features	Types of business system	
	Compartmentalised	Collaborative
<i>The state</i>		
Strength of state's coordinating and developmental role	Low	Considerable
Strength and incorporation of intermediaries	Low	High
Strength of market regulation	Low	High
<i>Financial system</i>		
Capital market or credit based	Capital market	Credit
<i>Skill development and control</i>		
Strength of public training system	Low	High
Union strength	Low to some	High
Dominant organizing principle of unions	Skill	Sector
Centralization of bargaining	Low	High
<i>Trust and authority</i>		
Trust in formal institutions	High	High
Paternalist authority	Low	Low
Communitarian authority	Low	High
Contractarian authority	High	Low
Typical business environment	Arm's length	Collaborative

Source: Whitley (2000a: 60).

As we have seen in the introduction, these two business systems as the most relevant ones for the present investigation are also classical representatives for the opposed LME and CME types of market economies as they are discussed in the varieties of capitalism literature (Hall and Gingerich 2004: 8–9; Hall and Soskice 2001a: 21–33). As we will see in the following section, in these two ideal types of business system where most institutional feature characteristics are opposed, different ideal types of dominant firms have developed. This is one major reason for why subsidiaries of German and US-American MNCs have been chosen for a comparison. An analysis of Swiss host country effects on two sets of MNCs that are embedded in quite dissimilar home country business systems provides us with two fairly different perspectives on the phenomenon under investigation. Therefore, this design should be a suitable way to minimize the risk associated with comparative institutional research of over-emphasizing national distinctiveness and downplaying similarities between internationally operating firms (Rees and Edwards 2006b: 37; Tempel *et al.* 2005: 196–

197).

2.3.4 Business system characteristics and ideal types of firms

According to Whitley (2000a: 67), different kinds of business system encourage the emergence of certain *ideal types of dominant firms*. These can be distinguished on the one hand in terms of their governance characteristics, and on the other hand concerning the organizational capabilities they develop and coordinate as well as the strategies they pursue.

Governance issues are firstly related to the degree and type of management control and constraints imposed on managerial decision-making. The latter can be constrained by interests and concerns of employees, as for example in the case of Germany where employee rights are institutionally backed up by the Works Constitution Act. Furthermore, constraints on managerial control may arise from interests of business partners such as banks that are sharing control and risks, from membership in business associations, and from strong capital markets (Whitley 2000a: 70, 2008: 7). Secondly, dominant goals and performance standards vary between a prime on short-term financial performance where capital market-based financial systems are present, and growth or market-share goals in credit-based financial systems (Whitley 2008: 6, 20).

organizational capabilities and strategies can be distinguished in terms of the relative contribution of employees to their development and improvement. Furthermore, we can distinguish between firms that are focusing more on the development of innovative capabilities as opposed to organizational capabilities that are more focused on responsiveness to changing and differentiated demands. The notion of strategy will be discussed in some more detail in chapter 3, where the vision proposed by Whitley will be presented under the label “systemic approach” (Whittington 2001).

Table 6 below shows two ideal types of dominant firm, the “isolated hierarchy” and the “cooperative hierarchy”. Our discussion is focused on these two ideal types since the former is dominant in Anglo-Saxon societies with compartmentalised business systems, and the latter is characteristic for collaborative business systems as they develop in more corporatist societies of continental Europe including Germany (Whitley 2000a: 76–77, 2000b: 859).

Table 6: Characteristics of two ideal types of firms: isolated and cooperative hierarchies

Characteristics	Firm type	
	Isolated hierarchy	Cooperative hierarchy
Governance		
Management control type	Capital-market constrained	Credit-controller constrained
Employee-interests constrained	Low	Considerable
Business-partner constrained	Low	Some
Dominant goals	Investor returns	Growth
Capabilities		
Employee contribution	Low	High
Innovation focus	Limited	Considerable
Responsiveness focus	Low	Limited

Source: Whitley (2000a: 75).

When discussing ideal types of firms, we have to keep in mind though, that actually these rarely become established as such in a nation state. In this respect, Whitley (2000b: 858–859) explains that from the fact that “few countries in the twentieth century have developed all the necessary features for any single coherent way of organizing economic activities to be institutionalised as the dominant one, it follows that there are few empirical examples of these types with all their distinctive characteristics in anyone state or region”. In reality, institutions and coordination systems hence more often display hybrid features. Nevertheless, as is always the case with typologies, their utility lies in their capacity to reduce complexity (Harzing and Noorderhaven 2006: 196) to a manageable amount, and therefore they can serve as models against which reality can be compared. In any case, we will keep this remark in mind for our analysis of the Swiss business system that exposes some features of a hybrid system as we will see in some more detail in chapter 6.

Whitley (2000a: 76, 85; 2000b: 859; 2008) describes that *isolated hierarchies* typically arise in more adversarial contexts with highly developed formal institutions, making arm's length contracting a reliable way of doing business. Moreover, such contexts are marked by a state that is rather regulatory than developmental, weak market regulation and financial systems that are dominated by capital markets. The latter are at the origin of strong financial performance constraints on managerial decision-making (Whitley 2000a: 76) in the sense of a shareholder value philosophy (Froud *et al.* 2000; Kristensen and Morgan 2007: 200; Lazonick and O'Sullivan 2000). Risk sharing between business partners is difficult and public training systems are usually poorly developed and hence do not require firms to cooperate with each other or with unions. Unions are usually rather weak and bargaining is decentralised so that there is no need for employer cooperation in central forums. Furthermore, reliance on external labour markets discourages

employers from relying on employee skills as the basis for strategic advantages. Finally, contractarian authority relations restrain the development of common identities and loyalties within firms. *Collaborative hierarchies* (Whitley 2000a: 76, 85, 2000b: 859, 2008), on the other hand, are to be found rather in states that are supportive of intermediary associations and inter-firm alliances, coordinate risk-sharing between firms and provide forms of non-financial support. In these economies, markets are typically quite regulated, making firms conscious of sectoral boundaries as well as identities and reputations of major participants. Credit-based financial systems that facilitate risk-sharing also encourage cooperation within sectors while discouraging unrelated diversification. Strong public training systems in these economies involve employers collaborating with each other and with strong unions. Moreover, the contribution of skilled workers to firms' capabilities is considerable in such firms, as for example in Germany (Whitley 2000a: 73), where workers develop careers based on increasing technical competence (Kristensen 2003). Cooperation between employers is furthermore enhanced through more centralised bargaining. Finally, reliance on greater organizational loyalty and communitarian authority relations enhance commitment in this type of firms. The following tables 7 and 8 provide an overview of the features and associations between institutions, business system and firm type.

Table 7: Features of institutional contexts associated with isolated and collaborative hierarchies

Institutional features	Firm type	
	Isolated hierarchy	Collaborative hierarchy
<i>The state</i>		
Supportive, risk-sharing state	-	+
Predatory state	-	-
Antagonistic to intermediaries	+	-
Considerable market regulation	-	+
<i>Financial system</i>		
Credit based	-	+
Capital market	+	-
<i>Skill development and control</i>		
Strong public collaborative training system	-	+
Strong unions		+
Centralised bargaining	-	+
<i>Trust and authority</i>		
Low trust in formal institutions	-	-
Paternalist authority	-	-
Communitarian authority	-	+

Source: Whitley (2000a: 84).

Table 8: Types of Business Systems, Institutional Features and Firm Characteristics

	Types of business systems	
	Compartmentalised	Collaborative
Characteristics of Business systems		
Owner control type	Market	Alliance
Ownership coordination	High	Considerable
Alliance coordination	Low	Considerable
Institutional features		
State coordination	Low	Considerable
Strength of intermediaries	Limited	High
Financial system	Capital market	Credit
Strength of collaborative public training system	Low	High
Trust in formal institutions	High	High
Characteristics of firms		
Authority sharing with		
(a) Business partners	Low	Considerable
(b) Skilled workers	Low	Considerable
Contribution of skilled workers to organizational capabilities	Low	Considerable
Dominant firm type	Isolated hierarchy	Cooperative hierarchy

Source: Whitley (2000b: 859).

2.3.5 Social structuring of work systems

In a last step, Whitley discusses the social structuring of work systems as “distinctive patterns of interconnected characteristics of (a) task organization and control, (b) workplace relations between social groups, and (c) employment practices and policies” (2000a: 90). In this connection, we can largely distinguish between Taylorist and responsible or delegated responsibility work systems. As in the previous section, we will focus our short discussion on two types, *i.e.* Taylorist and negotiated work systems. While *Taylorist work systems* are typical for compartmentalised business systems, *negotiated work systems* as a variety of the delegated responsibility type are characteristic for collaborative business systems (Whitley 2000a: 92–93). As we can see in table 9 below, as is the case with the ideal types of compartmentalised and collaborative business systems and the associated types of isolated and cooperative hierarchy, also Taylorist and negotiated work systems show opposed feature characteristics on all dimensions.

Table 9: Characteristics of work system types

Characteristics	Work system type	
	Taylorist	Delegated responsibility - Negotiated
Task fragmentation	High	Low
Worker discretion and involvement	Low	High
Managerial control of work organization	High	Some
Separation of managers from workers	High	Low
Employer commitment to employment security for core workforce	Low	Considerable
Rewards tied to	Standardized jobs	skills

Source: Whitley (2000a: 98).

The establishment of a particular kind of work system is conditional on a range of features related to the constitution of interest groups as organized collective actors and institutions. Such features include the strength in mobilizing horizontal interests across organizations and sectors, their occupational or sectoral specialization as well as the degree to which they are incorporated as legitimate social partners. Furthermore, the involvement of owners in management and the dependence of senior managers on the growth of particular companies or sectors differs markedly.

For example, strong horizontal interest groups are supportive of considerable employer commitment to employment security, considerable discretion for skilled workers, and limited managerial control over work organization. Incorporation of interest groups is also conducive to limited managerial control over work organization and limited manager-worker separation, while the latter is furthermore supported by managers' dependence on specific firm and/or sector growth (Whitley 2000a: 99). Concerning institutional features, strong and broad public training systems with high levels of joint employer and union involvement are positively associated with workers' discretion and employer commitment to employment security and to skills as basis for rewards. State support for intermediate organizations weakens managerial control over work organization and capital market-based financial systems influence negatively on employer commitment to employment security (Whitley 2000a: 108).

The development of *negotiated work systems* is positively influenced by state support for intermediary organizations which, in turn, are conducive to strong horizontal associations. Furthermore, a high scope and strength of public training systems and strong employer and union involvement in training systems influence positively on the incorporation of interest groups including labour. This, in turn, is also a feature that is positively associated with the establishment of a negotiated work system. Lastly, manager dependence on growth of the firm or sector is another

factor positively associated to the negotiated type of work system (Whitley 2000a: 110). On the contrary, *Taylorist work systems* are most likely to become established where unions are weak and not based on certified skills, and where the limited scope and strength of public training systems leads to a shortage in adequately trained, but a surplus of unskilled workers. Furthermore, such systems are likely to be found where managers are different and better educated than the large part of the workforce, and not closely dependent on the success and long-term growth of individual firms or certain sectors, and where the state does not involve labour organizations as legitimate partners in management conflicts (Whitley 2000a: 111).

Later on in this work, we will see how specific constellations of the features discussed in this section have influenced on the development of different HR, IR and general management practices in the respective German and US MNCs.

2.4 Institutional environments and human resource management in MNCs

In the precedent paragraphs, we have presented two strands of institutional theory that have been increasingly applied to the study of MNCs (Kostova *et al.* 2008: 994). While the arguments presented above are primarily referring to organizational fields and particular national institutional environments, in the following sections we will discuss the application of basic concepts of institutional theory to the study of MNCs.

2.4.1 Multinational companies and isomorphic pressures

As we have seen, the concepts of organizational field, legitimacy, isomorphism and coercive, normative and cognitive mechanisms of institutional pressures are central in new institutionalism, together with the underlying idea that organizational survival is determined by the extent of alignment with the institutional environment (Kostova *et al.* 2008: 997). Though, when applying these concepts and arguments to MNCs, we have to take into account that these organizations are substantially different from domestic firms not only in *degree*, but also in *kind* (Westney and Zaheer 2001). This argument points to the “conceptual distinctiveness” (Kostova *et al.* 2009: 171) of the MNC context with the “cross-border condition” resulting in “diverse, nonmonolithic, fragmented, and possibly conflicting sets of external environments” (Kostova *et al.* 2008: 997) that are paired with highly complex internal environments including, *inter alia*, power struggles (Ferner *et al.* 2012).

Given the great complexity of MNCs and their institutional environments, Kostova and Zaheer (1999: 67) have introduced the notions of *internal and external legitimacy*. While on the one hand organizational units face pressures to comply with internal rules and to adopt common organizational practices in order to achieve “organizational legitimacy” in the *internal institutional environment* of the MNC, on the other hand they are subject to pressures to comply with rules and expectations stemming from their *external institutional environment*. Given the presence of diverse legitimating actors and conflicting models imposed on MNC units, Kostova and Roth (2002) argued that the latter would reconcile these opposed pressures by engagement in *ceremonial adoption* of practices, thus pointing to the notion of *decoupling* as discussed by Meyer and Rowan (1977). That is, MNC units would ceremonially adopt practices to gain legitimacy while *de facto* continuing to

operate as they did before. MNC units are therefore facing contradicting institutional pressures for isomorphism with their local environment and pressures for internal consistency (Rosenzweig and Singh 1991). These conflicting pressures might be seen as analogous to the typology of integration and responsiveness that is widely used in international business literature and IHRM (Björkman and Stahl 2006; De Cieri and Dowling 2006; Dowling *et al.* 2009). Pressures for local isomorphism on MNC foreign subsidiaries have been argued to be strong because of their “liability of foreignness”, since a lack of legitimacy of foreign firms would lead to additional costs (Zaheer 1995: 343). As we have seen, such pressures for local isomorphism may take the form of coercive, mimetic or normative pressures reflecting local regulations, values, norms and the taken for granted ways of doing things of the local environment, pointing to the three institutional pillars as defined by Scott (1995).

In this connection, Ferner and Quintanilla (1998) have depicted several types of isomorphism with “*local isomorphism*” describing units that behave like local companies in order to achieve external legitimacy whereas “*corporate isomorphism*” reflects consistency within the MNC to achieve internal legitimacy. In so far, we can directly establish the link with the argument of Kostova and Zaheer (1999) about internal and external legitimacy. Rosenzweig and Singh (1991) argued that the extent of local isomorphic pressures would differ according to the location and to the extent to which different organizational structures and processes are subject to local and corporate isomorphism. The MNC is hence seen as an organization that shows varying degrees of internal and external conformity depending on the location and organizational feature in question.

Furthermore, Ferner and Quintanilla (1998) argue that structures and practices that are adopted by MNCs may embody aspects of the parent company's country-of-origin institutional environment giving rise to pressures termed “*cross-national isomorphism*”. In this connection, we can underline the fact that in most MNCs, HQ is still dominant due to the concentration of resources and formal authority. Therefore, it may be considered as a “field dominant” (Ferner *et al.* 2012: 171; Levy 2008) that influences disproportionately on MNC strategy, structure, processes and practices. In a similar vein, Edwards and Kuruvilla (2005: 7) argued for strong pressures for uniform HR that are due to the fact that strategic decisions are taken at HQ, largely by home country nationals, which are informing MNC behaviour at the international level. Within MNCs, diffusion of practices is enforced through “*coercive comparisons*” (Sisson 2006: 246–247), the threat of divestment and the promise of investment (Vernon 2006: 231) as well as career opportunities for managers. This

dynamic has been termed “*networking within hierarchy*” (Edwards and Rees 2006d: 107; Edwards *et al.* 1999).

The last form of isomorphism relating to MNCs discussed by Ferner and Quintanilla is “*global intercorporate isomorphism*” and describes the picture of several MNCs becoming isomorphic to each other as a class of global organizations by mimicking their structures and practices independently from local home or host country isomorphic pressures. In this respect, we may point to *dominance effects* (Smith and Meiksins 1995) arising from the dominant position of a nation within the global economy. Firms originating in this dominant nation are perceived by others to be successful which leads to mimetic isomorphism by imitation.

Furthermore, MNCs may learn from their subsidiaries that are located in other national environments and dispose of a longer experience in operating internationally. Such learning may take the form of “*reverse diffusion*” (Edwards and Ferner 2004; Ferner and Varul 2000a) of practices from subsidiaries back to HQ and towards other units of the MNC. Such intra-organizational learning may include benchmarking (Sisson 2006; Sisson *et al.* 2003) and diffusion of best practices, manufacturing strategies, technology and knowledge within the MNC, and has been discussed under the denomination of “*organizational effects*” (Müller 1994: 421).

Regarding this dynamic of dominance effects, best practices and learning within and between MNCs, a recent study found that in the field of HRM, US-American dominance effects are strong, leading German as well as Japanese MNCs to mimic HRM practices of their US-American counterparts since these are considered as best practices in the field and a source of competitive advantage (Pudelko and Harzing 2007: 549–550).

Though, concerning the copying and transfer of organizational practices across borders, the work of Westney (1987) has shown that the result of such mimetic isomorphism will never be exactly the same as the original that is being imitated, and that such departures from the original model – whether they are deliberate or unintentional – may lead to innovations. Furthermore, she points to the possibility of *selective emulation*, *i.e.* the transfer of only the desired features of the original model. On the same subject, Tempel (2001: 57) suggests that, while local isomorphic pressures may be the most important factor leading to deliberate departures from the original model, the *absence of supporting institutional environments* or “*legal, institutional and cultural props*” (Edwards and

Rees 2006d: 92) may lead to *functional equivalents* (Bluhm 2001: 161) or *hybrid practices* (Boyer *et al.* 1998; Edwards and Ferner 2004: 64–65; Ferner *et al.* 2012: 165) being installed in the recipient units.

2.4.2 Multinational companies and embeddedness in national business systems

In the precedent paragraph we have seen how basic arguments of new institutionalism have been applied to the study of the MNC and how different kinds of isomorphic pressures are acting on practices within MNCs, highlighting mechanisms for diffusion of practices and conflicting pressures for adaptation and legitimacy from the highly complex internal and external MNC institutional environment. We have discussed how cross-national isomorphism and the disproportionate influence of HQ within the MNC network can explain the emergence of country-of-origin effects, how the dominant position of certain national economies can lead to dominance effects and how learning within and between MNCs may result in diffusion of best practices pointing to organizational effects. We have also seen that the diffusion of practices through different kinds of isomorphisms may result in innovations and hybrid practices or functional equivalents of practices as a result of adaptations to local environments or incomplete information on the original model.

Now, drawing on the analytical grid of the business systems approach allows us to gain more detailed information about the *strength and kind of isomorphic pressures* in the sense of country-of-origin-, dominance- and host country effects on MNCs and their foreign subsidiaries. An analysis of the particular institutional environment of the MNC's home country enables us to understand *how* it is embedded in this environment and *in what ways* this shapes HRM and IR practices of firms. The same is true for the host country institutional environment of foreign subsidiaries that are embedded in the external institutional environment of their host country that once again will influence on their HRM and IR practices. Finally, in analysing home and host country institutional frameworks, we can infer on the *transferability* of certain practices.

According to earlier propositions made by Ferner (1997), Noorderhaven and Harzing (2003) have suggested that the *sources* of the country-of-origin effect are lying in the culture and institutions of the MNC home country, while identifying the continued hiring of home country nationals and the expression of their administrative preferences as an important *mechanism* through which the effect

manifests itself in shaping structures, procedures and processes within the MNC. Their argument is hence similar to the one proposed by Edwards and Kuruvilla (2005: 7) concerning the number of home country nationals at HQ and their influence on international MNC behaviour. Besides, they highlight the existence of *differences between subsidiaries* of the same MNC (Noorderhaven and Harzing 2003: 50) that are caused by adaptation to local circumstances, hence pointing to local isomorphism taking the form of host country effects⁴.

Concerning the *nature or kind* of country-of-origin effects, we can say that “MNCs are embedded in the assumptions, practices and institutions of the national business system from which they emerged” (Quintanilla *et al.* 2008: 681) that give rise to distinctive country-of-origin effects in the sense of “undeliberate influence of factors related to the culture and institutions of the home country” (Noorderhaven and Harzing 2003: 52). These, in turn, have been found to influence markedly on international control strategies of firms (Harzing 1999; Harzing and Sorge 2003). For instance, US-American MNCs are known to be rather ethnocentric, centralised and formalised, using indirect personal or impersonal control mechanisms. These include sophisticated systems of performance management and tight financial control that are operated through standardised, centralised procedures (Edwards and Ferner 2002; Ferner *et al.* 2004b; Ferner and Quintanilla 1998: 715). Many other aspects of HRM in MNCs could be named that have been shaped by their respective country of origin. We will come back to a detailed discussion of US-American and German country-of-origin effects and their shaping of distinctive approaches towards the management of human resources and the transfer of practices within MNCs in chapter 5.

Relating to country-of-origin effects, Morgan (2007) argues for the careful application of this idea since there is much evidence pointing to variety at sub-national levels of national business systems (Lane and Wood 2009). The issue of country-of-origin effects, then is “less about predetermining how a particular effect is manifested through a particular organization and more about a specific understanding of how that organization relates to particular institutional settings, including in the first instance its 'home' environment” (Morgan 2007: 139).

Also Almond (2011a) reminds a careful use of the term country-of-origin effect. In this respect, he suggests that while “the way in which firms organise in their home countries, as affected by the

4 Differences are also considered as a result from different roles played by the subsidiaries within the MNC or differences in size or age, as well as their origin pointing to the distinction between greenfield and brownfield investments. We will come back to this kind of differences within MNCs in some more detail in chapter 3 when discussing issues of MNC strategy, structure and agency.

relevant national business system, has the *potential* to shape HRM in the overseas subsidiaries (...) However, (...) how such potential pays through into the reality of HRM in subsidiaries is highly variable” (Almond 2011a: 258–259). In emphasizing that *actors* within MNCs always have some capacity to strategize, he argues that it is *important to understand the way they think and what they consider to be desirable outcomes*. This, in turn, is deemed to be affected by two factors: firstly by the institutional shaping of the rules of the game, and secondly by “subjective interpretations of what is *rational, fair, normal* or *just*”, referred to as “ideological norms” (Almond 2011a: 260). While the first factor relates to coercive institutional pressures, the second rather points to cognitive and normative mechanisms, that together constitute the “socialised rationality” (Almond 2011a: 260) of actors who are strategizing within asymmetric power relations. This concept of *socialised rationality* can also be linked to the closely related ideas about “rationale” forwarded by Redding (2005: 124, 126). Thus, from a sociological point of view, a broader understanding of institutions explicitly comprises the cultural-cognitive dimension in addition to the regulatory one which is useful to understand how “institutions not only constrain, but also enable social actors by framing social situations and making sense of them” (Heidenreich 2012: 554; Saka-Helmhout and Geppert 2011).

In this connection, Almond (2011a: 262) argues for a “double direction of causality” that is linked to upward and downward flows or reverse and forward diffusion (Edwards and Rees 2006d: 97) within the MNC. Due to the hierarchical nature of firms and the principle of “networking within hierarchy” (Edwards and Rees 2006d: 107), potential effects of downward flows from HQ towards subsidiaries are expected to be stronger than upward flows. However, Almond (2011a: 262) argues that the empirical nature of effects from various flows will be “shaped by the precise hierarchical structure of, and power relations within, individual firms”. The issues of power and agency within MNCs will therefore be discussed in more detail in chapter 3.

Still another important aspect about country-of-origin effects concerns the influence of widely held beliefs about *dominant global best practice* on the socialised rationality of HQ managers who are clearly liable to such influences (Ferner *et al.* 2012: 168). These beliefs, in turn, may shape the nature of downstream diffusion, though not necessarily in the sense of home country practices (Almond 2011a: 263). A recent investigation undertaken by Pudelko and Harzing (2007) found clear evidence of increasing influence of dominant best practices in the field of HRM within German MNCs, with US American practices serving as the strongest source of inspiration.

Therefore, managers may not so much want to export the concrete institutional arrangements of their country or origin, but rather “a reified 'model of best practice', *formed within but emancipated from* specific national and corporate contexts” (Elger and Smith 2006: 57). Almond (2011a: 265) hence refers to “embedded managerial ideological norms” that can be considered as the potential subject of attempted transfer to host countries, and which may differ from the reality of empirical country of origin operations.

The kind and strength of embeddedness of MNCs in their country of origin business system has also been argued to have important influences on the *transferability* of their HRM practices. Institutional host country environments may constrain the diffusability of practices in two ways. In the first place, “*constraining*” host country institutional environments (Wächter 2004), for example in the field of industrial relations (IR) (Tempel 2001: 52), may impose institutional-legal constraints and restrict the firms' choice in many areas of HRM and IR practices.

Furthermore, Almond argues for the possibility of a “*de-nationalisation*” of workers' preferences in host countries, who might appreciate certain foreign practices that have been introduced by MNCs to those that are traditionally in place in their own country. Such preferable foreign practices might for instance be elements of relatively participative management styles or diversity policies and the corresponding concern for equality (Almond 2011a: 261). Finally, cross-national variety of employment practices within MNCs may also be the outcome of conscious engagement in *strategic segmentation* by senior corporate decision-makers (Almond 2011a: 246) and hence rather an outcome of strategic intent than of institutional constraints or negotiations between actors. A similar point has been made by other authors who argued that regional or national embeddedness may be considered as just one strategic option for MNCs that may as well adopt a footloose global strategy in order to exploit the advantages of cross-border, value-creating networks (Aharoni and Brock 2010; Heidenreich 2012: 551). In fact, MNCs' ability to shift between different forms of embeddedness and disembeddedness may be considered a major advantage in comparison to other companies (Teece 2006: 125).

Therefore, the questions of how MNCs perceive and use relative advantages of their regional and national environments, how they try to avoid respective disadvantages, and how they may contribute to transformations of their national and regional environments (Heidenreich 2012: 551) are important.

In fact, there is considerable evidence supporting the argument of a generally lower degree of

embeddedness into and reliance on resources provided by their respective national and regional home country context among US MNCs when compared to their German counterparts. Such differences might as well affect German and US MNCs' approaches in dealing with or relating to different host country contexts.

On the one hand, practices of US-American MNCs have been argued to be easily transferable because of the relative isolation of firms in their compartmentalised home country business system (Whitley 2000a: 60). The latter exposes a “relative under-development of both the state and of inter-organizational mechanisms of governance such as networks and business associations” (Ferner 2000a: 7). In this environment, firms have developed their organizational practices independently from institutional supports and hence, rendering the latter a priori more easily transferable towards other contexts. Ferner *et al.* (Ferner *et al.* 2004b: 367) have argued that US-American companies are likely to use codified and reproducible management systems that can be managed from a strategic centre and are easily transferable since they are not highly dependent on tacit knowledge.

On the other hand, German MNCs have been argued to be firmly embedded in the cohesive and tightly integrated collaborative German business system. Opposed to the US-American one, the latter is rich in institutional supports as well as inter-organizational mechanisms of governance and coordination, involving in particular strong business associations (Streeck 1997b; Streeck and Schmitter 1985). Therefore, both the transferability of German practices that are heavily relying on institutional supports and the willingness of German MNCs to transfer certain practices in the field of IR that are related to co-determination have been questioned (Dickmann 2003; Dörrenbächer 2001, 2004).

Moreover, apart from the limited transferability of originally German practices, also *changes* that the domestic national business system has undergone have been discussed. *Innovations* taking the form of deviant practices in the field of HRM have been brought about by US-American firms (Wächter and Peters 2004; Wächter *et al.* 2003), hence pointing to the role of MNCs as “transmission mechanism” of novel practices and as “bridge” between different business systems (Morgan 2007: 139–140). These deviant and innovative practices may be considered to have increased the degree of multinationality (Tempel 2001: 59–60) of the German business system. In the course of the increasing internationalization of firms and the accompanying exposure to new foreign practices, managers that are embedded in several fields can draw on several logics. Such managers would then be more disposed to challenge domestic norms and traditional practices, and

to combine those from their internal and external environment (Deeg and Jackson 2007). It is therefore not surprising that researchers have found evidence of Anglo-Saxonization (Edwards and Rees 2006d: 97; Ferner and Quintanilla 1998) among German MNCs, although “in the German manner” (Ferner and Quintanilla 1998: 724) thus pointing to the adaptation and integration of Anglo-Saxon concepts into the German context.

In this connection, Lane and Wood (2009: 532) point to *agents* that may *interpret* rules in contrasting ways, leading to experimentation and change. Externally precipitated and internally mediated change concerning the adoption by the nation-state of neo-liberal policies of de-regulation have created new space for institutional entrepreneurs – e.g. MNCs – to transform current practices. While at the same time unions and other representative organs of labour have suffered from a weakened capacity to defend employment and IR norms, this development has “further expanded the space for adoption of diverse solutions, particularly in the realm of employment practices” (Katz 2005; Lane and Wood 2009: 536). We might therefore expect that the *room for manoeuvre* (Morgan *et al.* 2003: 611; Müller 1998: 741; Vernon 2006: 237; Wächter 2004: 3–6) that has been found even in the highly institutionalised German environment has grown.

As for the *strength* of country-of-origin effects, it has been argued that the dominant position of the USA and the success of US-American MNCs have been additional incentives for the latter to diffuse their practices what has strengthened the country-of-origin effect in these MNCs (Edwards and Rees 2006d: 96, 100; Ferner *et al.* 2004b: 367). Moreover, the readiness of foreign managers to adopt US-American practices has been encouraged by the fact that US-American HRM practices are seen as a role model (Pudelko and Harzing 2007). Noorderhaven and Harzing (Noorderhaven and Harzing 2003: 62) also suggest that the size of the home country economy influences on the strength of the country-of-origin effect, with a small domestic economy weakening it. This proposition seems to be supported by findings on “reverse diffusion” in Swedish MNCs that have contributed to an erosion of country-of-origin effects (Hayden and Edwards 2001).

2.5 New institutionalism and business systems approach: cross-fertilization and further development of theory

As we have seen in the precedent paragraphs, new institutionalism and business system approach are two institutionalist approaches in organization theory that have made a significant contribution to the debate around the effects of globalization on organizational forms and management practices. Whereas both approaches stress the interdependence and mutual influence of organizations and their institutional environments, they come to different conclusions concerning global standardization of organizational forms and management practices.

While new institutionalism emphasizes the global diffusion of practices through different forms of isomorphism, the business systems approach highlights how the embeddedness of business in national institutional frameworks continues to shape different practices. In an attempt to better understand these different conclusions, and in order to check for the potential of cross-fertilization of the two approaches applied to HRM in MNCs, Tempel and Walgenbach (2007) have undertaken a systematic comparison of arguments furthered by the proponents of these two theories as well as a discussion of limitations. The comparison is organized along four dimensions: *mechanism of adaptation*, *unit of analysis*, *definition of institutions* and *portrayal of organizations*.

Concerning the *mechanisms of adaptation*, new institutionalism emphasizes the global diffusion of concepts through isomorphism, while the business systems approach stresses the idea that tightly linked business systems and institutional arrangements are reproduced. While isomorphism in this context leads to increased legitimacy, but not necessarily efficiency, adaptation to the institutional characteristics of a business system is efficient within the borders of this business system (Tempel and Walgenbach 2007: 6). In this connection, we can once more point to the concept of embeddedness and the role of institutional contexts in influencing on strategic choices by shaping “what is possible and advantageous” (1999: 324) and hence impacting on which strategies are available and adopted.

However, both concepts show some limitations. While new institutionalism stresses the generality and abstraction of diffused models, it remains unclear whether there is also diffusion of a common language or if normative concepts are interpreted and utilised differently when transferred into another business system. In recent studies, researchers have investigated into the issue of *interpretation* and *sensemaking* of transferred practices by locally embedded actors (Clark and

Geppert 2011) who are marked by a different “socialised rationality” (Almond 2011a: 260). Ferner and Varul (2000a: 137) for example drew on anthropological concepts in arguing that “borrowed elements may be regarded as *objets trouvés*, whose original purpose is transformed as they are inserted into a pre-existing set of structures and values“. In a similar vein, Goutas and Lane (2009) have applied translation theory to the diffusion of shareholder value into the German Business system, where an emphasis is equally put on the constant modification of ideas when entering new contexts. While individual actors in this context may be portrayed as *interpreters* between diffused practices and local institutions, MNCs might be considered as *synthesizers* of domestic and international belief systems (Tempel and Walgenbach 2007: 17–18) assuming a “bridging role” (Morgan 2007: 139–140).

Tempel and Walgenbach (2007) identified a further shortcoming of new institutionalism relating to the fact that it is not clear whether and to what extent institutional structures in national organizational fields *change* in the course of diffusion of new concepts. The business systems approach again posits a tight feedback loop between business systems and institutions which precludes the consideration of the extent to which *actors* can adopt deviant strategies and practices and may have more scope for the shaping of some practices than for others (Tempel 2001: 41). The supposed tight feedback loop thus places an emphasis on business system stability rather than change (Deeg and Jackson 2007). In this connection, criticism concerned the underlying tendency towards structural determinism (Wailles *et al.* 2003: 621) in considering organizations and managers as “passive pawns” that have little choice but to comply (Scott 1995: 132) rather than as active players. Thus, in recent research, MNCs and managers are seen rather as active agents whose behaviour and practices are influenced, but not determined by institutional environments (Tempel and Walgenbach 2004: 22). This approach reflects the underlying reasoning that “an entirely determinist argument is inappropriate, and needs to be balanced by the inclusion of human and organisational agency” (Redding 2005: 124). In this connection, Lane and Wood (Lane and Wood 2009: 532) suggest that there is “growing evidence that institutional rules and their implementation are not as tightly coupled as hitherto assumed and that agents wilfully or inadvertently may interpret rules in contrasting ways”. Similarly, Streeck and Thelen (2005: 14) have argued that there is always “a gap between the *ideal pattern* of a rule and the *real pattern* of life under it”. And also Ferner *et al.* (2012: 170) posit that, in practice, “institutional elements are more 'loose-coupled', and the national model less determinant”. Still other authors point to intra-model variety that has been

argued to be rather the norm than an anomaly (Crouch *et al.* 2009).

Institutionalist approaches to the cross-national study of organizations have also been criticized for concentrating on divergence whilst neglecting similarities and common systemic or transnational factors (Müller 1994; Smith and Meiksins 1995). The argument of the Aix Group of researchers that general influences – or, in the terminology used in the introduction, global macro-level influences – could only ever fit into the divergence of national systems and thus perpetuate the “non-identical reproduction of existing specificity” (Smith and Meiksins 1995: 252 citing Sorge), runs the risk of denying change that may result from the dynamic forces of international capitalism (Smith and Meiksins 1995). In view of the criticism that the business systems approach has received for putting too much emphasis on continuity and resistance to change of national systems, Whitley has considered such potentially converging influences in his framework. In the latter, he notably discusses influences that may arise from international economic integration and from the activities and power of MNCs to engage in cross-national transfer of practices (Tempel and Walgenbach 2004: 22; Whitley 2000a). Nevertheless, Tempel *et al.* (2005: 196) as well as Rees and Edwards (2006b: 37) highlight that the inherent risk of an over-emphasis on national distinctiveness is still present, while existing similarities between MNCs from different countries and business systems as well as the interaction of national factors with global, regional and organizational ones might be played down.

Therefore, in more recent research, authors tended to focus more on issues of hybridization, selective adaptation and change, as well as agency (Ferner *et al.* 2005b; Ferner *et al.* 2012; Morgan 2001; Wächter and Peters 2004; Wächter *et al.* 2003). While stressing the continuing importance of the macro-level of the nation state, this shortcoming has been addressed through the introduction of a “new dynamism” (Morgan and Whitley 2003: 611). Change and agency have been integrated in accounting explicitly for the embeddedness of local business systems into a wider global economy – the global macro-level – and in analysing how MNCs change their behaviour when internationalizing (Lane 2006).

Relating to the next issue of Tempel and Walgenbach's (2007) comparison, the *unit of analysis*, we have seen that new institutionalism focuses on institutional fields whereas the business systems approach emphasized the nation state. Though, the borders of institutional fields have traditionally been equated with national borders as studies have focused on North America (Tempel and

Walgenbach 2004: 14). There is hence a neglect of cross-national dimensions of organizational fields. On the other hand, as the business systems approach equates the borders of a business system with national borders and emphasizes stability rather than change, it plays down the effects of international activity on business systems. In this connection, Tempel (2001: 47–48) particularly points to the work of political economists who emphasize the dynamism of *regime competition* (Streeck 1991: 336) and the exploitation of external change by institutional actors such as MNCs (Lane and Wood 2009: 536; Tempel 2001: 48; Wächter and Peters 2004; Wächter *et al.* 2003).

Furthermore, not only the supranational level has been neglected, but also the *sub-national* one. Recent work suggests that varieties within national business systems at a sub-national level should thoroughly be taken into account when discussing contextual effects on IHRM (Almond 2011a, 2011b; Lane and Wood 2009). In this connection, Almond (2011b: 533) argues that the dynamism of regime competition for FDI has led host governance to shift away from imperative regulation in the sense of coercive institutional arrangements and imposition of constraints towards the “competitive provision of supports for MNCs and the local firms dependent on them”. This argument is of central relevance for the subject of HRM practice transfer as we know that the transferability of certain practices is conditional on the presence of institutional “props” or supports, as for example in the field of dual vocational education and training (2006d: 92). In this respect, Heidenreich (Heidenreich 2012: 550) takes up arguments worded by Meyer *et al.* (2011) about inter-organizational forms of learning and knowledge exchange with proximate companies that are supported by institutions. In this process, the latter are seen to shape the cooperation among heterogeneous actors and to provide collective competition goods comprising qualified employees, basic research, advanced technological competences, reliable infrastructures, cooperative labour relations or subsidies.

Moreover, the relative importance of the sub-national level of governance is argued to be strengthened by a change in orientation of modern states away from the Keynesian welfare state towards a Schumpeterian workfare state. This, in turn, implies a shift away from government with centralised imperative coordination towards “governance” and hence, societal guidance strategies (Jessop 1993: 10). This process is considered to lead to a re-scaling of state coordination and governance involving an upscaling of authority to supra-national institutions, and a downscaling of responsibilities to sub-national levels (Boggs and Rantisi 2003). Such downscaling of responsibilities to the sub-national level concerns substantial elements of the institutional

infrastructure around MNC units involving the coordination of relations between firms, universities and other research organizations and training systems, hence pointing directly to typical examples of institutional props as discussed earlier. State arrangements in Germany that are giving a high degree of autonomy to sub-national levels, often predate such recent economic shifts (Almond 2011b: 533). Concerning Switzerland, a similar point can be made, since state organization in this case is also federal and highly decentralised according to the principle of subsidiarity (Bender *et al.* 2007: 178; Braun 2003; Weibler and Wunderer 2007: 256).

Further arguments for an increasing importance of the sub-national level are linked to the *advantages of spatial proximity* for the knowledge-based or learning economy (Lundvall and Johnson 1994). following this vision, MNC units exercising more strategic functions and entertaining closer links to regional firms and institutions are considered to be embedded in learning regions or localised clusters of economic activity. Spatial closeness is supposed to back up innovative activity by face-to-face communication, shared conventions, personal relations and trust (Cooke and Morgan 1998; Porter 1998), hence creating intangible assets at sub-national levels and providing firms with sustainable competitive advantages (Almond 2011b: 534) by capitalising on “geographically specific inter-firm relations” (Lane and Wood 2009: 543; Meyer *et al.* 2011: 246–247). Almond (2011b: 538) summarizes the arguments presented above in stating that “[t]o the extent that host effects have shifted from constraints to competitively offered resources, at a time where MNCs have more choices of location than was previously the case, then local institutional arrangements also have the potential to affect the location decisions of MNCs”. MNC actors may deliberately choose to strategically segment their HRM policies in order to better profit from only locally available human resources since such advantages may outweigh those related to lower costs through uniformity (Almond 2011a: 264–266, 2011b: 539).

Lane and Wood (Lane and Wood 2009: 542) also call attention to the fact that “firms can make greater or lesser use of a range of alternative institutional supports” that are operating at different levels. Almond (2011b: 542) suggests that, *inter alia*, the ability of the MNC to engage with high trust relations with local firms and governance actors and the degree of sub-national business system autonomy will affect their sub-national host embeddedness.

In order to better understand these issues, the relations between MNC units and sub-national governance structures and actors should be taken into account. This necessarily involves an actor-centred perspective with due attention to outside actors such as governance actors and firms

entertaining strong relationships with the MNCs under research (Almond 2011b: 546). As we will see in some more detail in the presentation of the methodological approach adopted in this investigation, following these suggestions we have conducted several interviews with external experts including the employer's association, representatives involved in the governance of regional cooperative training schemes as well as union representatives.

Regarding the next issue of their comparison and critique, the *definition of institutions*, Tempel and Walgenbach (2007) refer to Djelic and Quack (2003) who have pointed out that new institutionalism focuses in particular on Scott's (1995) normative and cognitive institutions, whereas the business systems approach rather emphasizes structural-regulative institutions. The latter are often underpinned by coercive mechanisms and argued to be most prevalent in shaping economic activity. While a weakness of the new institutionalist focus lies in the openness for *local interpretation* of management concepts and practices that do not necessarily contain clear and unambiguous prescriptions, the business system view tends to play down the influence of supranational institutions and the diffusion of normative and cognitive concepts by *global actors*. The issues of interpretation and global actors and their treatment in latest contributions have already been discussed above and will therefore not be repeated here.

Finally, relating to the *portrayal of organizations*, both approaches tend to adopt a view of organizations as passive pawns (Scott 1995: 132) as we have already seen earlier. While new institutionalism emphasizes factors that are making actors unlikely to recognize or act in their interests (DiMaggio 1988: 4), the business systems approach underlines the strong feedback loop between business system and institutions. It hence neglects the fact that even in highly regulated, tightly integrated and cohesive business systems as the German one, actors were able to find some room for manoeuvre to introduce deviant practices (Müller 1998: 741; Quintanilla and Ferner 2003: 364; Royle 1998, 2004: 59; Tempel and Walgenbach 2004: 21).

Tempel and Walgenbach (2007: 11) advocate inter alia an *extension of the borders of organizational fields* through engagement in *cross-national research* into institutional entrepreneurs. The latter comprise actors such as MNCs, consulting firms, professional associations and academics who legitimize organizational forms and practices and thus contribute to their diffusion. First steps in this direction have already been made by various groups of researchers (Kipping 1996, 1997; Kipping *et al.* 2004; Meyer 2000; Meyer *et al.* 1997; Sahlin-Andersson and Engwall 2002).

Regarding the business systems approach, Tempel and Walgenbach (2007) propose to look beyond national borders in considering *global actors* and the mechanisms they use to diffuse practices. At the same time they suggest to loosen the tight feedback loop between business systems and institutional frameworks. This might be achieved through considering the extent to which firms are subject to multiple and potentially conflicting *belief systems* – an idea that is reflected in recent work on *competing socialised rationalities* held by actors within organizations (Almond 2011a: 260; Edwards *et al.* 2007b: 202)(see our precedent discussion of the jurisdiction of belief systems in organizational fields as proposed by Scott 1994). Besides, Tempel and Walgenbach (2007: 16) suggest to treat embeddedness of different business system characteristics as a variable to account for convergence in some activities and divergence in others, thus taking up arguments of other researchers in the field (Quintanilla and Ferner 2003: 364).

Kostova and her colleagues (Kostova *et al.* 2008) expressed some fairly radical provocations to central concepts of new institutionalist thinking when applied to the study of MNCs. A first issue concerns the *notion of institutional field* where they argue against the existence of such external fields in the traditional sense in the case of MNCs. Introducing the notion of *meso field* when referring to the MNC with its multiple subsidiaries, they build on conceptions of the MNC institutional environment as being marked by multiple, fragmented, nested and often conflicting institutional environments (Kostova *et al.* 2009: 172; Morgan *et al.* 2003: 389), where spatial, language and organizational barriers preclude sufficient interorganizational interactions for such a field in order to become sufficiently structured. In such circumstances they argue that pressures stemming from the intraorganizational field or internal institutional environment (Kostova and Zaheer 1999: 67) of the MNC, that is backed up by the formal authority structure, may be stronger than the external field traditionally discussed in new institutionalism (Kostova *et al.* 2008: 998). A second argument challenges the *notion of isomorphism*. In this regard, they argue that a single, clearly defined organizational field does not exist for MNCs at the meso level that is rather marked by multiplicity and ambiguity of fields. This argument may be linked back to earlier ideas about the jurisdiction of belief systems within organizational fields. In cases where two or more strong, competing or conflicting belief systems are present, these become less determinant and make alternative interpretations and negotiations possible (Scott 1994: 212). This situation is rather likely to be found in foreign subsidiaries of MNCs. In addition, earlier discussed ideas about intra-model variety and institutions being more loose-coupled, would lend further support to the suggestion that

the traditional concept of isomorphic pressures as they would exist in a single, clearly defined organizational field, is not necessarily applicable to MNCs (Almond 2011b; Crouch *et al.* 2009; Ferner *et al.* 2012; Lane and Wood 2009). MNCs are hence considered to be exposed to multiple, but weaker pressures. These are giving MNC units “broader latitude in picking and choosing which models to adapt and to what extent they should respond to institutional influences” (Kostova *et al.* 2008: 999). While the existence of pressures from the local host country environment is not denied, these are argued to be rarely for isomorphism since MNCs are considered to bring something distinctive that is valued to their host country, or they may even be viewed as belonging to a different class and therefore be excluded from isomorphic pressures. Thus, expectations would be limited to compliance with regulatory and legal domains. While MNCs would therefore benefit from a high degree of *institutional freedom* as they are exempt from normative and cognitive pressures, similarity among firms might nevertheless be observed. However, this would rather be the result of deliberate choices than attributable to compliance with external isomorphic pressures, once again pointing to the “critical importance of agency in MNCs” (Kostova *et al.* 2008: 999). Following from these arguments, isomorphism is not necessarily seen as a condition for *legitimacy* or *survival*, hence making *decoupling and ceremonial adoption* of practices needless for MNC subsidiaries. Only on the *meta level* where a narrow set of global standards around issues of corporate governance and ethics has become institutionalised for the organizational field of MNCs, increasing transparency would make manipulation risky, hence leading to actual adoption, backed by internal monitoring. Lastly, while *legitimacy* is considered essential for MNCs to overcome their liability of foreignness (Zaheer 1995), the MNC context is argued to challenge the traditional new institutionalist *mechanism* where legitimacy is achieved through isomorphism. Since conformity with multiple and conflicting regulatory, cognitive, and normative institutional expectations is impossible, and moreover unnecessary, the status of *legitimacy* is considered to be *achieved through negotiation with actors*. Legitimacy in this view is hence “more a social construction than a function of isomorphism” (Kostova *et al.* 2008: 1001) and the issue of symbolic image building becomes crucial. MNCs may associate their units with other highly legitimate units that are known in a particular environment since “legitimacy gains (...) will tend to spill over“ (Dacin *et al.* 2007: 182). Moreover, *managers* may skilfully play different sources of legitimation against each other and *MNCs* may engage in practices that, while not required by the local institutional context, are viewed as socially desirable, and publicize well such activities to build additional support. In summary then, MNCs are seen to be “embedded in multiple, fragmented, ill-defined, and constantly

evolving institutional systems conceptualised at different levels of analysis, each characterized by a distinct institutional process and degree of determinism in shaping organizational behavior” (Kostova *et al.* 2008: 1001). Therefore, MNCs' relationships with their institutional environments are considered to be dynamic, discretionary, symbolic, and pro-active.

As we can see, this view is congruent with arguments presented earlier about the existence of a room for manoeuvre that MNCs have been able to find even within business systems that are considered to be highly institutionalised and constraining (Morgan and Whitley 2003: 611; Müller 1998: 741; Tempel 2001: 65; Wächter 2004). Furthermore, these arguments once more point to the importance of a due consideration of social agents in the MNC context that have to engage in a process of political negotiation to achieve a level of shared understanding about what constitutes the rule system, where power plays a major role (Ferner *et al.* 2012; Kostova *et al.* 2008: 1002–1003). When considering the relationship of multinational companies and their non-economic contexts in such a more dynamic, non-deterministic perspective, we may also point to the concept of co-evolution. Here, institutions, organizations and social actors are considered to reciprocally affect each other's evolution and hence, the mutual shaping of companies and their societal environments is analysed. Heidenreich (2012: 556) takes up key insights of our previous discussion in suggesting to look at institutions as “symbolic, economic, political and legally sanctioned orders which are reproduced and dynamically transformed by embedded social actors (both companies and individuals), who are, in turn, shaped by these institutions (*co-evolution*)”.

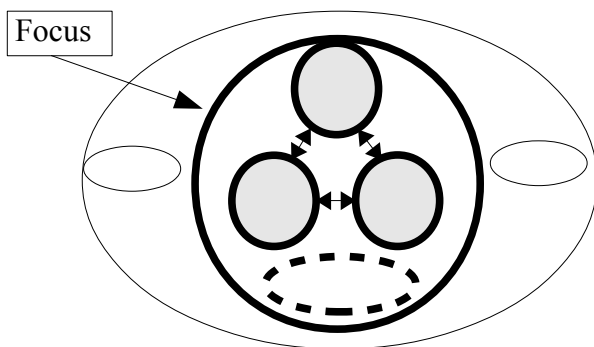
Tempel *et al.* (2005: 197) call attention to yet another issue for future research that is *interaction effects* which may arise from the interplay of country-of-origin and sectoral effects or country-of-origin and corporate structure and strategy. Therefore, they suggest to establish a link with the literature in the field of international management in order to investigate the interplay of institutional and organizational factors in MNCs more systematically. The need to account for the micro-level of the organization and the role of organizational effects is attributable to the influence of company strategy and structure on HRM policy as well as the configuration and resource distribution within the MNC network. In turn, different subsidiaries are playing different roles and offer different power resources to actors within the MNC network. These micro-level issues will be discussed in more detail in the following chapter 3, to be finally merged into an integrated conceptual framework for research into HRM practice transfer within MNCs in chapter 4. This

framework will take into account both institutional macro- as well as organizational micro-level factors, integrating issues of agency and change as well as interaction effects into the institutional perspective.

Chapter 3 Multinational company strategy, structure and agency

In the precedent chapter we have presented two strands of institutional theory and their approaches in accounting for the influence of external institutional contexts on organizations. As we have seen, one major weakness that has been identified with institutional approaches is their neglect of issues of power, agency and change as well as a focus that has traditionally been limited to the national level of analysis. Furthermore, some authors suggested that due attention should be given to interaction effects that may arise from the interplay between organizational and institutional factors.

Therefore, coming back to the conceptual framework presented in the introduction, in the following



Organizational-level factors: HRM, strategy, structure, and contingency factors

we will discuss important issues concerning MNC structure, strategy and agency in order to integrate these organization-level influences into our conceptual framework. The following discussion of these factors will be organized in two parts with the first one discussing differences between companies and the second one focusing on differences within companies. We will start the discussion of these issues with a consideration of how the macro-level

that was in the centre of the previous chapter can be theoretically linked to the micro-level of the company.

3.1 Agency in multinational companies and the concept of transnational social space

One major challenge in the field of research into cross-national transfer of HRM practices within MNCs is how to establish the link between the external macro-level and the internal micro-level of the MNC that are both influencing on MNC structure, strategy and HRM practices. As we have seen, the MNC is different from national organizations in that it straddles the boundaries of organizational fields as well as national environments (Westney 1993: 60). Due to this boundary-straddling nature, MNCs are confronted with different rules of the game leading to practices that worked routinely in their country of origin being problematized within “the 'transnational social space' that is the multinational” (Morgan *et al.* 2003: 389). In turn, the concept of transnational

social space implies a vision of the MNC as “an inherently disordered or, at the very least, segmented social space”(Rees and Edwards 2006b: 40). Such problems and the inefficiency of certain country-of-origin practices in foreign contexts may then trigger agency and institutional change. In this connection, Seo and Creed (2002: 241) explain that “(...) the seed of institutional change is likely to grow where and when institutionalised norms and practices conflict with day-to-day functional/efficiency needs, become incompatible with and unresponsive to changing economic and institutional environments, and/or no longer serve the interests and ideas of participants who enact those norms and practices”.

Following Morgan *et al.* (2003), corporate-level managers will try to order this space. To this end, they will employ formal means of control and coordination involving the creation of common policies and procedures as well as the application of formal rules and means for monitoring and accounting for performance. These are supplemented by informal forms of coordination and control, such as the creation of a common organizational culture, that are meant to further a common understanding of formal devices. In this connection, Ferner (2000b) highlighted the great importance of common understandings for the functioning of formal or bureaucratic controls.

To impose order, corporate headquarters (HQ) is seen to dispose of the following “*channels of influence*” (Ferner and Edwards 1995: 231): *formal authority* relations associated with decision-making power, *resource-dependent power* involving control of knowledge, uncertainty and financial resources and “the ability to manipulate and mobilise symbolic elements of corporate culture in order to legitimate decisions and courses of action“.

Ferner and Edwards (1995: 243) hypothesized that “different combinations and patterns of power relations are likely to characterize different kinds of MNEs”. In this regard, they have drawn an important distinction between *authority relations* that are operating exclusively from the centre to units, and *resource-dependent relations* that may operate not only from the centre to the unit, but also vice versa as well as between units. Therefore, “relations between different parts of the MNC may be characterized more by bargaining and trade-offs than by the authoritative flow of strategic objectives from the centre to the operating units” (Ferner and Edwards 1995: 238). Especially where resources are spread around the organization, the relationship between different units will hence resemble exchange relations. In this connection, Dörrenbächer and Gammelgaard (2011: 40) argue that while there being a *structural asymmetry* between HQ and subsidiaries, the former depends on subsidiaries in many cases to adapt to local environments, to leverage business

opportunities and to generate valuable resources.

Ferner and Edwards (1995) suggested a typology of four ideal types of MNCs with flows of influence within the organization depending on their organizational-structural characteristics. The *financial controller*, as for instance a diversified conglomerate, exposes strong authority flows from HQ and a strong resource dependence of units from HQ with both exchange and culture relations being weak. The second type of *integrated international company* stands for cohesive, organically grown transnational corporations where strong authority relations and high resource dependence of units on HQ are visible, but where units nevertheless possess a certain amount of resources leading to some degree of bargaining. Such firms would also be characterized by attempts to establish a strong corporate culture increasing the likelihood of country-of-origin effects and learning. The third type of *decentralised global network* comprises companies that grew primarily through acquisitions and where authority relations and units' resource dependence on corporate HQ are weaker since units possess their own power resources enabling them to engage in exchange relations with the centre. In this case, corporate culture that is influenced by HQ as well as units is considered important to bind together semi-autonomous units (Ferner and Edwards 1995: 244). Therefore, the potential of HQ to transfer centrally devised practices would be expected to be reduced whereas the stronger role of units might further learning and the transfer of practices throughout the company. Finally the *federal international firm* such as federal business services is based on an association of highly independent national partnerships characterized by strong exchange and cultural relationships. In this type of organization, there is weak corporate centre that has been created by the units and endowed with power to the extent that this has been accorded by the units. Such central power would relate to the establishment of common international practice standards in order to overcome centrifugal forces. While the country-of-origin effect in such units would be expected to be weak, units might be supposed to develop common approaches. The typology of these four ideal types of MNC is displayed in table 10 below.

Table 10: Channels of Influence in Multinational Enterprises

Flows of influence	Type of enterprise			
	Financial control MNC (e.g. Hanson)	Integrated international company (e.g. ICI)	Decentralised global network company (e.g. ABB)	Federal international firm (e.g. large auditing / consultancy partnership)
Resource-dependent power relations:				
centre → units	strong	strong	medium	weak
units → centre	weak	medium	medium	strong
unit → unit	weak	weak	weak	strong
Authority relations:				
centre → units	strong	strong	medium	weak
Exchange relations:				
centre ↔ units	weak	medium	medium	medium
unit ↔ unit	weak	weak/medium	strong	strong
Culture relations:				
centre → units	weak	medium/strong	strong	weak
unit → centre	weak	weak	medium	strong
unit → unit	weak	weak/medium	strong	medium

Source: Slightly adapted from Ferner (1995: 243).

The differences conceptualised in table 10 have two major implications: firstly that the willingness of corporate HQ to transfer HRM practices is likely to vary strongly according to different requirements following from corporate strategy and structure. Secondly, corporate initiatives and influence may be challenged by other groups within the MNC. Power relations within MNCs are hence seen as a crucial issue and central to the internal workings of MNCs (Ferner *et al.* 2012) in which extra-firm institutions at the macro-level and intra-firm political processes at the micro-level can be considered as strongly interconnected (Rees and Edwards 2006b: 40) in shaping the “range of indeterminacy” (Edwards *et al.* 2007b: 208) for the definition and transfer of HRM policy and practices within MNCs.

Very recently, Ferner *et al.* have further developed the argument about MNCs and agency in a contribution that discusses “how the analysis of power can be incorporated into an understanding of cross-institutional practice transfer” (Ferner *et al.* 2012: 164). They posit that power is to be understood in its institutional context since actors shape transfer through processes that draw on institutional resources on the macro level of the host business system as well as the micro level of the MNC. Such processes would then influence on transformations and adaptations that transferred practices undergo.

Following their argumentation, new institutionalists with their concepts of institutional distance and institutional duality (Kostova 1999; Kostova and Roth 2002) “suffer from a neglect of old institutionalist questions about power, coalitions, interests and competing value systems” (Ferner *et al.* 2012: 164; Powell 1996). These concepts are not taking into account actors' ability to shape institutions to their need and hence to influence the transfer process depending on what is at stake for them in the confrontation of cognitive, normative and regulative frameworks in the event of a practice transfer. While Kostova (1999) already discussed the issue of internalization, *i.e.* full assimilation to host employees' cognitive mindsets and normative frameworks, Ferner *et al.* (2012) name an array of possible outcomes involving several dimensions that we will present in some more detail in chapter 4.

Concerning agency and *power*, they distinguish between *three dimensions of power* (Lukes 2005) that may be related to MNC actors' behaviour in the event of practice transfer. They are adopting the terminology of Hardy (1996) who has termed the first dimension *power of resources*. This dimension concerns power that is derived from the control of scarce resources involving hiring and firing, rewards or expertise in order to influence behaviour in case of opposition. As we can see, this first dimension is also present in the discussion of channels of influence (Ferner and Edwards 1995) that we have presented above. The second dimension has been called *power of processes* and concerns the procedures and political routines incorporated in decision-making processes. Here, powerful actors can shape the agenda, determine processes and rules governing decision-making, and they can prevent some groups from full participation in decision-making while others may force their way into the processes. The third dimension has been labelled *power of meaning* and relates to how organizational groups “legitimize their own demands and 'delegitimize' those of others through the management of meaning and the deployment of symbolic actions” (Ferner *et al.* 2012: 166). While the power of meaning is built upon the resource power deriving from the primary economic activity of the firm, it also provides a link with new institutionalist arguments. The notion of meaning sheds light on how the cognitive and normative pillar of institutions (Scott 1995) embody power relations and serve the interests of certain actors. At the same time though, these pillars may be contested by others rather than being seen as set in stone. Meaning is considered to be particularly important since this hidden dimension is rendered visible (Ferner *et al.* 2005a) by the “collision of two sets of institutional rationalities” (Ferner *et al.* 2012: 166) when institutionalised practices are transferred across institutional contexts. Transfer hence potentially leads to conflicts of

institutional rationality that are resolved through the deployment of power capabilities. To understand the outcomes of transfer, Ferner et al. (2012: 167) therefore suggest that two questions are important: firstly, what are the power capabilities of MNC actors, and secondly, what interests are present regarding transferred practices?

Following Ferner et al. (2012: 177), the concept of institutional distance (Kostova 1999) should therefore be replaced by the concept of “*modified institutional distance*”. In this new concept, the impact of institutional distance upon transfer is modified by the *power of MNCs as actors*. While existing dominance effects may provide MNCs with power to manage meaning and to reduce normative opposition, MNCs also possess power as active rule makers that engage in “institutional work” (Lawrence and Suddaby 2006). This institutional work results in institutional variants or niches within the host setting and hence mitigates the constraining impact of institutional distance. Furthermore, configurations of *power capabilities and interests of actors within the MNC* are considered at the level of corporate HQ and in subsidiaries. They involve multiple actors who may oppose transfer, though without necessarily entailing overt resistance (Oliver 1991). This interplay and the respective power capabilities of subsidiaries in terms of resources, processes and meaning will therefore affect transfer outcomes, making it impossible to “read off” (Tempel *et al.* 2005: 188) transfer outcomes from institutional distance alone.

3.2 Differences between multinational companies and implications for IHRM

Drawing on contributions in the field of international management as suggested by Tempel *et al.* (2005: 197), we will provide an overview of important issues concerning MNC structure and strategy in order to account for differences in organizational-level effects between MNCs. These involve the implications that company strategy and structure hold for control, communication and coordination of international activities as well as different kinds of internationalization and market entry. Such organizational factors have also empirically been found to influence greatly on international HRM practice transfer within MNCs (Myloni *et al.* 2007) and hence deserve our special attention. We shall begin with a definition of the term strategy to discuss in the following key issues concerning strategy and structure within MNCs as well as other organizational factors influencing on HRM practice transfer.

3.2.1 A definition of the term strategy

Following Hyman (1987: 27–28), many modern definitions of 'strategy' refer to long-term planning as a central feature. Chandler (1962: 13) for example considered strategy to be the “determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals“. Though, Whittington (2001) has identified four different approaches towards strategy that can be distinguished along the two dimensions 'outcomes' and 'process'. The 'outcomes' dimension refers to whether a strategy is merely about maximizing profits or if it is pluralistic, referring to a range of goals out of which profit maximization is just one. Considering 'processes', Whittington distinguishes between a view of strategy as a product of deliberate planning or as emergent and hence being rather the outcome of accidents, compromise and opportunities.

The first, *classical* approach towards strategy sees the latter as deliberately planned with the aim of profit maximization. This is the approach underlying not only the aforementioned work of Chandler, but also that of Porter (1986a; 1986b; 1987; 1990). According to Edwards and Rees (2006c: 68) in this approach, where Chandler considered the multidivisional structure as the best suited for a strategy of product diversification, the notion of 'structure follows strategy' is evident. Though, as we have already outlined in the introduction, this vision has been criticized as being too

simplistic. It implies a view of managers as omniscient and able to develop a clear understanding of their environment and to implement a strategy while ignoring internal as well as external contradictions, tensions and conflicts that are likely to be particularly acute in MNCs.

The second approach called '*evolutionary*' also shares the vision of profit maximization as sole outcome of strategy, but it considers the environment to be too unpredictable to allow for any long-term planning in a classical sense. This approach adopts a view of senior managers having "bounded rationality" (March 1978). Here, strategies and structures are rather considered to emerge from accident and chance with a following process of selection through competition in markets. This is the perspective adopted by Williamson (1975) whose vision of selection through market competition has been criticized with reference to entry barriers and strong market positions of certain firms.

The *processual* approach is more centred on actors and sees strategy as emerging from a series of negotiations and compromises and hence as an outcome of political rather than purely rational processes or market forces. Cyert and March (1963) as well as Mintzberg (1987) are among the most well-known authors adopting such a view on strategy. Edwards and Rees (2006c: 69) note that, while this approach has been criticized for neglecting the embeddedness of organizational actors in their social contexts, the emergent nature of strategy and the divergence of interests that it explicitly addresses are of utmost importance for MNCs that straddle different business systems.

Finally, the *systemic* approach posits that the structural context of a firm strongly shapes the nature of its strategy. Objectives and practices of strategy are considered to be dependent on the particular social system in which strategy making takes place. One important contribution of this perspective is seen in the fact that it highlights differences between countries in corporate strategies and hence the issue of embeddedness that has been neglected by the processual approach. An empirical illustration of how strategy formulation and implementation in the escalator industry differs across countries has been delivered by Matten and Geppert (2004). Whitley (2000a) and Lane (1995) have explored how the structural context of a particular country influences on strategic priorities of firms that do not necessarily have to focus exclusively on profit maximization. Though, criticism of this approach concerned once more the neglect of divergences of interest within organizations and their influence on corporate strategy making.

Concerning HRM in MNCs, the systemic perspective holds some important implications since it demands a thorough appreciation of the way an MNC's country of origin influences the way it

operates at the international level. This influence gives rise to the country-of-origin effect stemming from the embeddedness of an MNC in the national business system of its country of origin. In this connection, authors like Edwards and Rees (2006c: 80) argue that the distinctiveness of national business systems is still important despite economic globalization, because most MNCs remain firmly rooted in their country of origin. The concentration of key activities and power in their home country results in the centre assuming the status and role of a “field dominant” (Ferner *et al.* 2012: 171; Levy 2008), pointing to “asymmetric power relations” (Almond 2011a: 260) with other units within the MNC. Thus, HQ is seen to influence disproportionately on strategy formulation with strategies reflecting significant country-of-origin effects. As Edwards and Kuruvilla (2005: 7) put it: “Whether or not there is a conscious attempt to ‘export’ the style and associated practices of the home country, the fact that key strategic decisions are taken there, largely by nationals of the home country, informs the behaviour of the firm at the international level. In many MNCs, this legacy creates a ‘country of origin effect’ that is carried over directly to the foreign subsidiaries (...)”.

3.2.2 Differences in strategy and structure between multinational corporations

As we have seen, one key feature of MNCs concerns their operating in a variety of national contexts and hence their “multiple embeddedness” (Meyer *et al.* 2011). On the one hand, this circumstance gives rise to multiple institutional pressures (Forsgren *et al.* 2005; Westney 1993) resulting in “institutional duality” (Kostova and Roth 2002; Tempel *et al.* 2006a) and conflicting pressures for internal and external legitimacy (Kostova 1999) on MNC subsidiaries. The mechanisms behind these pressures have been discussed in chapter 2.

On the other hand, MNC strategy and structure is subject to other pressures that are attributable rather to market forces. In chapter 1.1.2 of the introduction, we have outlined three key forces acting on managers in MNCs that have been identified by Bartlett and Ghoshal (1998). These are firstly pressures towards *local differentiation* in response to continued differences in consumer tastes across nations and cultures, secondly pressures towards *global integration* in many industries where economies of scale have to be achieved at the international level, and finally pressures for *worldwide innovation* to successfully compete in rapidly evolving markets due to shortening life cycles of products and technologies. In this connection, we have also summarized some criticism concerning the transnational solution proposed by Bartlett and Ghoshal (1998). While some authors adopting a systemic perspective on strategy have pointed to restrictions on strategic choice that are due to institutional pressures (Tempel *et al.* 2005: 183; Wächter 2004: 3), others have

highlighted the vision of MNCs as “political animals” (Edwards 2011; Edwards and Rees 2006c: 84; Ferner *et al.* 2012), hence following a more processual view on strategy. In the precedent paragraph, we have seen how these different perspectives can be integrated in considering the MNC as a “transnational social space” (Morgan *et al.* 2003).

In this section, we will focus on the organizational level and on how the three competing pressures are influencing on MNC strategy to different degrees depending on sector and time period. Bartlett and Ghoshal (1998) have identified various *organizational forms* that are more or less suited to meet these competing demands. Furthermore, they argue that the nature and strength of these pressures have changed in the course of the twentieth century and that particular organizational forms were evident in certain periods.

The first organizational form they described resembles a decentralised federation and has been termed “*multinational*”. This form was evident in the period between 1920 and 1950 called “multi-domestic” era, when competition took place mainly in national markets that were protected and marked by widely differing consumer tastes. The strategy and associated structure best suited to such conditions is a collection of national companies managing their local business largely independently from HQ. This form allows for a maximum of national responsiveness and is rather similar to Perlmutter's (1969) “*polycentric*” firm as well as Porter's (1986b) “*multidomestic*” approach.

Due to the fact that country subsidiaries in such organizations are highly independent and decision-making in employment practice is decentralised, a key *implication for HR* is that there is likely to be very little influence on personnel policy and practice from HQ on subsidiaries (Beechler *et al.* 1993; Schuler *et al.* 1993). As decisions will be left to local managers, it is likely that there is not a significant number of expatriate managers. Flows are mainly limited to capital, whereas flows of persons and knowledge between HQ and subsidiaries are very limited and operational controls are loose. Furthermore, as all parts of production or service provision are carried out in one location, there is also little requirement for knowledge transfer across units and borders in such organizations. In order to avoid confusion with the term “multinational” in the typology of Bartlett and Ghoshal (1998) that is used more generally when referring to “multinational companies” in this investigation, we will use the closely related notions of *polycentric* or *multidomestic* to designate the organizational form.

The second form described by Barlett and Ghoshal, a centralised hub, is typical for the period between 1950 and 1980 and has been termed “*global*”. During this period, the cost for transportation and communication began to fall, trade was being liberalised and the minimum efficient scale fell, hence making economies of scale more important. US firms internationalised through FDI particularly in Europe with an aim of realizing economies of scale through the creation of “mini-replicas” of home country operations. This approach was well-suited to produce standardized goods in a highly cost-efficient way and thus to achieve economies of scale and efficiency through global integration. We can hence identify similarities with Perlmutter's (1969) *ethnocentric* approach where the focus is on the dominance of home country values and practices, and where foreign subsidiaries are seen and managed as a cultural extension of the parent.

Concerning HR, this means that certain home country practices are implemented in foreign subsidiaries (Dörrenbächer and Gammelgaard 2011: 42), particularly in the field of work organization. This implies a distinctive parent company approach towards HRM and hence involves a higher degree of cross-national HRM practice transfer (Myloni *et al.* 2007: 2060; Rosenzweig and Singh 1991). In this case, expatriates are placed in key positions in order to control and enforce HQ policy and practices. Such organizations are marked by tight financial as well as operational controls with strategic decisions being centralised, involving unidirectional flows from HQ to subsidiaries. Typically, foreign operations in such firms were low value-added production operations while high-tech and high value-added operations such as research and development remained concentrated within the home country.

The third form, that is comparable to a co-ordinated federation, was also typical for the period between 1950 and 1980 and has been termed “*international*”. In this case, the organizational form has been designed to take account of the growing importance of spreading innovations across the company. Therefore, the strategy of this group of companies is “based primarily on transferring and adapting the parent company's knowledge or expertise to foreign markets” (Bartlett and Ghoshal 1998: 17). This kind of organization is less centralised than the global firms, allowing local management to adapt the nature of products or services to the national market, without being as decentralised as the multinational firms. In terms of Perlmutter's (1969) terminology, this type of organization would hence be placed between the *polycentric* and the *ethnocentric* firm. Since in this case centrally developed innovations are to be transferred towards local subsidiaries, in such

companies there are unilateral flows of knowledge from HQ to subsidiaries. Local managers are responsible for the implementation of HQ innovations, and to ensure that knowledge and expertise from the centre are exploited. Therefore, while control is unlikely to be as strict as it is in global firms, there will certainly be some requirements from HQ that subsidiaries have to comply with. Expatriates in such organizations are less controllers and enforcers than facilitators of the transfer of expertise and knowledge from the centre and hence an important contact point.

Finally, over the last two decades, Bartlett and Ghoshal have argued that, due to developments in technologies and markets, more and more industries would be subject to simultaneous pressures of local differentiation, global integration and worldwide innovation as explained above. The “*transnational*” form is hence proposed as a solution to deal with these competing pressures and is argued to be “necessary for every company that operates in an international environment” (Bartlett and Ghoshal 1998: 20). This form involves the creation of an *integrated network* where every plant has a distinct role and is specialised in a particular part of the production or service provision process. Disposing of some freedom to respond to local factors, such companies would at the same time achieve scale economies through their integration of international operations within the network. Furthermore, knowledge and expertise would be diffused within this interdependent network and hence be conducive to worldwide learning and innovation. This form has much in common with Perlmutter's (1969) *geocentric* firm, while the notion of the integrated network also relates to Hedlund's (1986) *heterarchy*. Such organizations are marked by large flows of people, resources and knowledge in various directions between interdependent units, and they are coordinated through shared decision-making. The practices in place in every unit partly reflect innovations stemming from other parts of the network with expatriates from different plants and countries bringing about this exchange of knowledge and expertise.

According to Edwards and Rees (2006c: 75–76), especially the concept of an *integrated network* as it is present in the transnational organizational form holds *major implications for IHRM*. Schuler et al. (1993: 427) highlight that MNCs are realizing that “a systematic approach to developing human resource policies and practices may give competitive advantage” since a major goal of MNCs is to facilitate learning and the transfer of this learning across units. In this connection they argue that HRM can assist in the systematic integration of regions with HR policies and practices, supposed that they are “consistent with the needs of the business to achieve competitiveness, be flexible and

facilitate the transfer of learning across units” (Schuler *et al.* 1993: 431). This consistency as “finely tuned interrelationship of practices” (Evans *et al.* 2002: 55) is considered to be highly important for performance in that it provides the organization with the staff and competencies necessary to implement corporate strategy. For example, an integrated network will need a group of internationally experienced managers that have gained knowledge about different units and countries where the MNC operates. In order to facilitate cross-country and cross-unit mobility of expatriates, in turn, certain corporate-level standards will have to be defined and implemented in the field of HR, e.g. a common framework for performance and career management. Scullion and Starkey (2000) argue that many MNCs have less difficulty in strategy definition than in implementation and the associated adaptation of control structures to the imperatives of globalization. In global firms, problems of control are exacerbated due to considerable geographic and cultural distance as well as complex and heterogeneous environments. Therefore, bureaucratic and output-based forms of control are seen to leave more and more way to more subtle cultural forms of control (Martinez and Jarillo 1991: 441) through socialization. This, in turn, implies more frequent transfers of expatriates and a transformation of organizational culture. The growth in importance of cultural-social forms of control is due to management tasks that are getting more unstructured and more uncertain as for example in the case of cross-national mergers. In this connection, the HR process is considered of utmost importance since “HR strategy emerges as the primary device for strategic implementation and control in the global/transnational firm” (Scullion and Starkey 2000: 1075). Evans *et al.* (2002: 39) also point to the failure of structural solutions to the problems of coordination and control, highlighting once more the central role of HRM as “the crux of today's challenges of knowledge management” in providing cohesion to the MNC. We will discuss different forms of control in some more detail in chapter 3.3 when considering differences within MNCs.

Table 11: Overview of organizational forms

organizational form	multinational polycentric multidomestic “decentralised federation”	global ethnocentric “centralised hub”	international in-between ethno- polycentric “co-ordinated network”	transnational geocentric heterarchic “integrated network”
Strength of flows HQ→subsidiaries	weak	strong	medium	strong
Strength of flows between units	weak	weak	weak	strong
Direction of flows between units	bidirectional HQ↔subsidiaries	unidirectional HQ→subsidiaries	unidirectional HQ→subsidiaries	multidirectional
Locus of decision- making	decentralised, country subsidiary	strongly centralised at HQ	strategic decision guided by centre, adaptation decisions at local level	shared decision- making involving several levels and units
Coordination needs	weak	medium	medium	strong
Interdependence (total)	weak	strong	strong	strong
Dependence on HQ	weak	strong	strong	medium
Subsidiary interdependence	weak	weak	weak	strong

Source: Own compilation based on concepts proposed by Bartlett and Ghoshal (1998), Perlmutter (1969), Porter (1986a), Hedlund (1986), Harzing (2000).

On the other hand though, this need for internal consistency may be challenged by needs for external legitimacy as national institutional constraints on practices for example in the field of performance evaluation and compensation of employees may counteract MNC internal HR policy and practices (Kostova 1999; Kostova and Roth 2002; Tempel *et al.* 2006a).

Therefore, at this point we can establish the link to a basic problem of IHRM in MNCs that is how to reconcile the need for internal HR consistency arising from company competitive strategy and structure on the one hand, and the need for local adaptation on the other that is due to the fact that the HRM function is subject to strong local institutional pressures and therefore does not lend itself easily to standardized, integrated practices (Ferner *et al.* 2012: 165; Rosenzweig 2006: 39; Rosenzweig and Nohria 1994; Rosenzweig and Singh 1991). It is this dichotomy of competing pressures stemming from the *organization* on the one hand and multiple *environments* on the other that is important when considering the origins of the widely discussed *tension between global integration and local adaptation* as a guiding framework in IHRM (Björkman 2006: 466; Björkman and Stahl 2006: 4–5; De Cieri and Dowling 2006: 16; Dowling *et al.* 2009; Doz and Prahalad 1991;

Rosenzweig 2006; Stiles and Trevor 2006: 50).

3.2.3 Diversification strategies and international integration

Differences in firms' *diversification strategies* may have important influences on the strength of global HRM policies and practices. In this respect, we can distinguish between spatial diversification into new markets in order to realise *synergistic economies* on the one hand, and diversification into new products to secure *financial economies* on the other (Hill and Hoskisson 1987). Based on this distinction, Marginson (1992: 534) argues that, whilst synergistic economies can be achieved through coordination of international activities by corporate HQ, the realization of financial economies that may arise from arbitrage⁵ requires a great degree of autonomy for each division. Therefore Coller and Marginson (1998: 6) conclude that corporate HQ intervention and influence is likely to be greater in companies that attempt to realise synergistic economies than in those targeting financial economies.

Furthermore, and closely linked to the precedent argument around synergistic and financial economies, Ferner (1994: 81) highlights the consequences of the spread of organization around operationally independent *international product divisions* in MNCs that he considers to be “likely to encourage the growth of 'multi-centred' companies”. Related to this tendency, he also points to a number of cases where MNCs have transferred the head office of international business divisions outside the home country, thus strengthening the interdependence of different corporate units and reducing the central role of corporate HQ as it is described in the integrated network structure of transnational corporations. Table 12 below gives an overview of different forms of integration and their corresponding implications on the strength of global HR policies.

5 Ghemawat (2007) defines arbitrage as a way of exploiting differences across countries, treating these as opportunities instead of constraints. For example, thanks to differences in tax arrangements MNCs may engage in transfer pricing to manipulate their liabilities. The idea of arbitrage can hence be linked to the argument about regime competition Streeck (1991). Meyer *et al.* (2011: 241) argue that arbitrage is made possible by the multiple embeddedness of the MNC both in home and host country environments, enabling the MNC to capture gains from trade through the internalization of market transactions.

Table 12: Forms of international integration and strength of global HR policies

Form of integration			Implications for international HRM		
Financial economies or synergistic linkages ?	Segmentation or replication?	Differentiate or standardise?	Development and mobility of key staff	Standard pattern of work organization	International code or agreement
Financial economies	-	-	Weak	Weak	Weak
Synergistic linkages	Segmentation	Differentiation	Strong	Weak	Moderate
		Standardisation	Strong	Weak	Strong
	Replication	Differentiation	Moderate	Moderate	Moderate
		Standardisation	Strong	Strong	Strong

Source: Edwards (2011: 493).

3.2.4 Contingency factors and further influences on IHRM in MNCs

In his model for strategic HRM in MNCs, Dowling (1999) further suggests that *industry* and *size of the domestic market* are two important variables that influence on the strategy and structure an MNC will adopt.

Concerning *industry*, Dowling draws on the work of Porter (1986a: 11) who argues that “there are some questions for strategy that are peculiar to international competition (...). These questions all revolve (...) around how a firm's activities in one country affect or are affected by what is going on in other countries – the connectedness among country competition“. In this respect, he identifies the industry as “the arena in which competitive advantage is won or lost” (Porter 1986a: 11). He describes that the pattern of international competition differs markedly from industry to industry. At one end of this spectrum he places *multidomestic industries* where competition in each country is essentially independent of competition in other countries. A multidomestic industry is therefore present in industries where competition takes place on a country basis and intangible assets have to be employed in and adapted to each country. Competitive advantages are hence largely country specific. On the other end of the spectrum, Porter identifies what he termed *global industries* where firm's competitive position in one country is heavily influenced by its position in other countries. Such industries are “not merely a collection of domestic industries but a series of linked domestic industries in which rivals compete against each other on a truly worldwide basis” (Porter 1986a: 12). *Transnational pressures*, in turn, combining the need for local adaptation and global integration have been strongest in certain industries such as pharmaceuticals and automobiles. In these

industries, firms must be close to local authorities and consumers while at the same time utilizing global efficiencies in research, product development, manufacturing and marketing.

On the contrary, in industry environments where global or local pressures clearly prevail, the development of a differentiated transnational approach would not be appropriate. This is because unnecessary organizational complexity in a “simple” environment can be as unproductive as an unresponsive simplistic structure in a highly complex business environment. In this respect, Evans et al. (2002: 30–31) are pointing to the *principle of requisite complexity* in organization theory, underlining that the internal complexity of an organization should reflect the complexity of its external environment.

Concerning *HR implications* of these different *industry characteristics*, Dowling (1999: 35) concludes that in multidomestic industries “the role of the HR department will most likely be more domestic in structure and orientation” implying hence a minimum of integration requirements. However, the contrary is true for MNCs operating in global industries where the “imperative for coordination” (Porter 1986a: 36) requires the HRM function to be structured in order to deliver the international support required by the primary activities of the multinational. The positive effect of a global strategy on HRM practice transfer has also received empirical support in a quantitative study carried out in eighty Greek subsidiaries of European and American MNCs (Myloni *et al.* 2007: 2063). As we can see, these industry characteristics and their influences on HRM are analogous to those of our previous discussion of organizational forms and the resulting strength of corresponding pressures for internal HR consistency or local adaptation.

But also *company size* as a classical contingency factor can be supposed to influence on HRM practice transfer. According to Child (1973) and Kimberly (1976), there is a curvilinear relationship between company size and structural complexity. Thus, greater company size, especially in combination with other variables as technology, location and environmental variables predicting complexity, has a direct relationship with formalization of practices. Therefore, the larger the company size in terms of employees is, the more formalised and standardized practices in the field of HRM including bureaucratic controls, might be expected. Furthermore, formalization and standardization themselves may serve as transmission channels for the cross-national transfer of HRM practices, as is typically the case in many US MNCs (Edwards and Ferner 2002; Ferner *et al.* 2004b: 366; Quintanilla *et al.* 2008: 682).

Furthermore, strong commonalities between operating units in industries that are marked by *standardized production* associated with *centralization of decision-making on IR* issues, is also likely to boost transfer of practices, as we have already seen in some more detail in the previous section (Edwards 2011; Edwards *et al.* 2010: 617–618; Edwards and Rees 2006d: 101–102).

Concerning the *size of the domestic market*, Dowling (1999: 37) argues that “[a] very large domestic market influences all aspects of how a multinational organizes its activities”. When firms grow in a large domestic market, they are considered to be more likely to use an international division to organize international operations rather than global product structures, and managers will mostly dispose of domestic market experience. Such senior managers are therefore supposed to be likely to under-emphasize international operations and to fail to recognize important differences between countries (Dowling 1999: 38) in the sense of an ethno- rather than poly- or geocentric mindset (Perlmutter 1969). This argument is further supported by other authors (Ferner *et al.* 2004b: 378) who have come to the same conclusions, describing a “tradition of parochial, inward-looking HR” in many US-American MNCs, where for instance diversity policy was driven ethnocentrically as a global policy and disseminated in a standardized form. Dowling *et al.* (2009: 14–15) are also referring to the United Nations transnationality index, showing that US MNCs originating in the world's greatest domestic market have a much greater domestic orientation when compared to MNCs originating in countries like Switzerland or Sweden whose domestic markets are small.

Another related aspect that has been discussed in this connection is the method by which MNCs have expanded overseas and the *mode* they have chosen to *entry new markets*. Where firms have chosen to grow organically via the establishment of *greenfield* sites, HR policy and practices were found to be more integrated when compared to situations where the firm grew internationally via acquisitions of *brownfield* sites (Björkman 2006: 466; Evans *et al.* 2002: 179; Rosenzweig and Nohria 1994: 234). Harzing (2002) has shown that companies following a multidomestic strategy preferred acquisitions whereas global companies were more likely to enter new markets through greenfield investments. Furthermore, acquired subsidiaries that generally displayed a higher level of local responsiveness were allowed to operate more independently and enjoyed lower levels of control than greenfield sites. Though, the management modes of greenfield and brownfield sites seemed to converge over time, hence pointing to the influence of *subsidiary age* as a contingency

factor (Harzing 2002: 222).

Therefore, the transfer of practices from the country-of-origin is supposed to be easier in the case of greenfield sites whereas the potential for reverse transfer and diffusion of new innovative practices originating from subsidiaries may be expected to be greater in the case of growth via acquisitions (Edwards *et al.* 2010: 618; Tempel 2001: 117).

Finally, *international experience of the MNC* has been identified as an important factor influencing positively on HRM practice transfer. This finding has been explained with the tendency of internationally more experienced MNCs to adopt more informal types of control. This, in turn, involves especially international managerial training and development programmes to socialise managers, thus strengthening the degree of informal control that is exercised on subsidiaries (Myloni *et al.* 2007: 2066–2067).

3.3 Differences within multinational companies and implications for IHRM

In the precedent section, we have seen how differences between MNCs concerning industries and markets, entry mode, diversification, strategy and structure as well as firm size are associated with different configurations or organizational forms. These forms, in turn, influence on the strength of various “channels of influence” (Ferner and Edwards 1995), and the power resources of several actors within the MNC. Furthermore, we have seen that certain organizational forms like the transnational one that implies the establishment of an integrated network, involve greater flows of knowledge and people than others, and hence require more coordination and HR consistency (Evans *et al.* 2002: 55). On the other hand, we have seen how these demands for internal consistency are opposed by local isomorphic pressures and market needs. The tensions arising from these opposed pressures have been integrated into IHRM research as integration-responsiveness framework (De Cieri and Dowling 2006: 16; Rosenzweig 2006). We have further presented the concept of transnational social space (Morgan *et al.* 2003). The latter may help us to understand and to establish the link between the internal micro-level of the MNC, including issues of corporate strategy and structure as well as agency and various channels of influence with the external macro-level of institutional environments.

In the following section we will focus on differences within MNCs. These involve different *mechanisms of control* that are meant to enable HQ to coordinate and steer the organization strategically. We will continue by discussing how *differences in resources and knowledge flows* that are associated with various types of subsidiaries will affect HQ's need for control on the one hand, and the power of subsidiaries to resist central control and influence on the other. Furthermore, we will consider which *subsidiaries* are likely to be targets of HRM practice transfer or may themselves serve as sources of practices that are then transferred back into the network of the MNC.

3.3.1 Control, coordination and communication within multinational companies

As we will see in further detail in the next section, vertical linkages between HQ and subsidiaries as well as lateral relationships between affiliates are closely related to specific strategic roles that different types of subsidiary assume. The multiplicity of vertical and lateral relationships within an MNC, in turn, points to issues of control and coordination. In this connection, *coordination and*

control may be understood as “all the mechanisms instituted to tie the operations and decisions within and across components into a larger whole and establish coherence of meaning and purpose within the large enterprise” (Harzing and Sorge 2003: 190). *Coordination*, in turn, can be linked to *communication*, and hence, to *organizational conduits*. Edwards *et al.* (2010: 618) call attention to the fact that the richness of transmission channels between HQ and subsidiaries is central to the transfer of expertise across borders (Gupta and Govindarajan 2000).

As we have seen earlier, coordination demands in HRM will vary according to corporate strategy. Moreover, as Evans *et al.* (Evans *et al.* 2002: 465) explain, there is also further *differentiation of HR activities within firms* going beyond the binary scale of global-centralised or local-decentralised since “a middle ground came into the picture – what should be coordinated?”.

Accordingly, today there is a *wide variety of HR delivery mechanisms* including outsourced, brokered activities, centralised or tightly coordinated integrated activities, locally undertaken tasks and those that are undertaken by global or regional service centres or regional centres of excellence. Finally, there are complex activities that are best performed by international project groups. Distinguishing between the extent of integration on the one hand and differentiation of HR tasks on the other, Ulrich (Ulrich 1997) opens up a matrix where different HR tasks and activities can be located. Following this scheme, the positioning of various HR tasks and activities can be shortly discussed (Evans *et al.* 2002: 465–469).

Accordingly, *service brokers* would perform tasks that are marked by low integration and low differentiation such as payroll processing or responding to standard employee questions about benefits or pensions, and delivery of basic generic training. *Corporate staff* would be responsible for highly integrated, lowly differentiated tasks including high potential management development. *Business units or local subsidiaries* would assume the HR role in highly differentiated but lowly integrated areas encompassing IR and collective bargaining or recruitment and technical training of the operational workforce. Though, local responsibility can well be combined with coordination through best practice sharing or *centres of expertise*, thus raising the level of integration. The latter as well as *service centres* or regional structures would take a middle position in areas where both, some measure of integration and differentiation is needed, like in the case of expertise in managing expatriation. Finally, concerning highly complex matters like performance management or global recruitment process design, high differentiation and high integration are needed. In these cases,

integrated solutions like cross-boundary project groups would seem to be most suited.

Another characteristic related to coordination and control is the *existence of intermediate tiers of organization* between local subsidiaries and HQ such as *international business divisions or regional HQ*. The existence of such intermediate structures was found to be associated with greater higher-level control of subsidiary HR policy “multiplying the scope for control particularly in large and heterogeneous firms and the standardization of products and services beyond national markets” (Ferner *et al.* 2011: 500, 503). Therefore, we may expect particularly high degrees of central control and standardization of HR policies in large MNCs with internationally standardized products or services that are additionally exposing intermediate structures.

In this respect, we can hence assume *cross-national practice transfer* to happen *mostly in areas where a high level of integration and consistency is needed, affecting certain HR issues more than others*. These propositions are largely in line with empirical findings of other authors (Bae *et al.* 1998; Lu and Björkman 1997; Rosenzweig and Nohria 1994: 232–233; Vachani 1999) on internal differentiation of HRM practices within MNCs. They found that certain HR issues were more prone to transfer than others. The degree of transfer depended on whether the practice was considered critical to maintaining internal consistency following pressures for global integration and affected rather executives, or whether well-defined local norms were in place that affected rank-and-file staff. In a more recent study, Myloni *et al.* (2007: 2066, 2069) have found that *especially performance appraisal and training practices* were the ones with the *highest level of transfer*, whereas practices related to *compensation* were found to be the *least transferable* ones. Ferner *et al.* (2011: 500) found similar evidence with “performance items having lower discretion than rank-and-file items” and lower discretion over attitude surveys and employee information than for union recognition or employee consultation.

In any case, concerning the transfer of employment practices, an important question relates to the existence of *international channels* that the HR function has and through which HR practices and policy may be diffused. Distinguishing between codifiable and tacit knowledge (Kogut and Zander 2003; Szulanski 1996), Edwards *et al.* (2010: 618) resume that whereas “procedural channels” like international committees, information systems, databases and management audits are well-suited to transfer codifiable knowledge, “people-based channels” such as cross-national working groups or international assignments are likely to be more effective to diffuse tacit knowledge. Presence and

strength of international channels in the HR function were found to impact strongly on the *likelihood of reverse or upstream transfer*, especially when the source unit disposes of a large and well-resourced HR function (Edwards *et al.* 2010: 629). Furthermore, where strong international HR channels were present, local discretion in HR policy making was found to be lower (Ferner *et al.* 2011: 495). Overall, the issue of coordination and communication is of paramount importance for MNCs as they are becoming increasingly knowledge-driven (Meyer *et al.* 2011: 241).

As we have seen, diffusion of practices occurs through networking between MNC units, where conduits play an important part. Though, such networking is usually underpinned by HQ retaining control over subsidiary units and managers, and can therefore be termed “networking within hierarchy” (Edwards and Rees 2006d: 107; Edwards *et al.* 1999: 294). Concerning diverse *control mechanisms* used to monitor managers' behaviour, Harzing and Sorge (Harzing and Sorge 2003) have established a classification of control mechanisms on the two dimensions direct/explicit versus indirect/implicit and personal/cultural versus impersonal/bureaucratic/technocratic (see table 13).

Corporate control mechanisms are defined here as “the instruments that are used to make sure that all units of the organization strive towards common organizational goals” (Harzing and Sorge 2003: 198) and can be divided into four categories. The first set of control mechanisms is placed in the direct-personal category and involves centralization, direct supervision and expatriate control whereas the second category combines direct control with impersonal means resulting in standardization and formalization. The third category implies the use of indirect ways of personal control, taking the form of socialization, informal communication and management training practices. The fourth category combines indirect with impersonal ways of control and relates to practices such as output control and planning.

Table 13: Subsidiary control mechanisms - classification on two dimensions

	Personal/cultural (founded on social interaction)	Impersonal/bureaucratic/technocratic (founded on instrumental artefacts)
Direct/ explicit	Centralization, direct supervision, expatriate control	Standardization, formalization
Indirect/ implicit	Socialization, informal communication, management training	Output control, planning

Source: Harzing and Sorge (2003: 198).

Concerning corporate control practices, Harzing and Sorge (2003: 206) conclude in their empirical analysis that “control mechanisms remain firmly and primarily impregnated by the country of origin (...) The results provide further support for the existence of unique country patterns, even for the most internationalised companies in the world in their most supranational corner”. In this respect, US-American MNCs are known for the high degree of central influence they exert over their foreign operations and the formalised nature of this control (Almond 2011a: 261; Edwards *et al.* 2010: 615; Ferner *et al.* 2004b).

But also *subsidiary size* was found to influence on control. In this respect, larger subsidiaries are likely to experience a high level of indirect personal control from HQ (Harzing and Sorge 2003: 201). Equally, Myloni *et al.* (2007: 2069) found that, while mechanisms of co-ordination and control are generally important for the smooth transfer of HRM practices, specifically informal control practices had a considerable impact on the transfer of performance appraisal and training practices.

Furthermore, centralised control tended to be higher where subsidiaries are *located in CMEs*, but lower for *older* subsidiaries, where *union density* is high and where the subsidiary serves *local markets* (Fenton-O'Creevy *et al.* 2008).

As we can see, some of these control mechanisms have been referred to when presenting the channels of influence (Ferner and Edwards 1995) that corporate HQ disposes of to instill order into the MNC network, and when discussing how formal mechanisms of control are backed up by informal ones (Ferner 2000b).

3.3.2 Different subsidiary roles and implications for HRM and practice transfer

A typology of subsidiaries has been argued to be useful owing to its potential to reduce complexity of MNC organizational reality into “a manageable number of related characteristics, making it easier to understand and explain the functioning of multinational companies” (Harzing and Noorderhaven 2006: 196).

In this respect, several authors have developed typologies of subsidiaries of MNCs (Bartlett and Ghoshal 1986; Birkinshaw and Morrison 1995; Ghoshal and Bartlett 1988; Gupta and Govindarajan 1991; Roth and Morrison 1992) according to their strategic role. These typologies are largely based on *resource-dependence theory* (Aldrich 1976; Pfeffer and Salancik 1978) which suggests that an

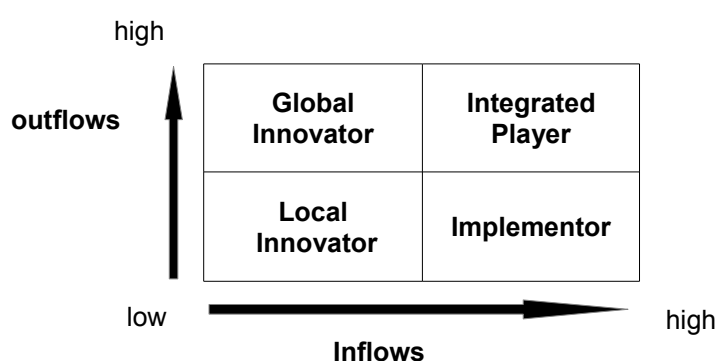
organization is dependent on other actors since it is not able to generate autonomously all resources that are needed to survive. In this regard, the strategic role of a subsidiary depends on the extent of discretion it has over the allocation of a resource, the criticality of this resource for the survival and maintenance of the organization, and on the existence of alternatives to the resource in question (Taylor *et al.* 1996: 974). Depending on the subsidiary's strategic role within the MNC, HQ's approach to HRM and control then is predicted to vary accordingly. Since the parent company relies on foreign subsidiaries for certain essential resources, it is dependent to varying degrees on subsidiaries and subsidiary employees, and will search to increase control over subsidiaries the more it depends on them (Ghoshal and Nohria 1989). In this connection, the effective and efficient *management of knowledge flows* is supposed to be the most important source of competitive advantage for MNCs (Bartlett *et al.* 2004; Doz *et al.* 2001; Gupta and Govindarajan 2000) and hence of paramount importance for organizational success.

Therefore, our discussion will focus on one typology of the different strategic roles of subsidiaries, which has been established by Gupta and Govindarajan (1991). These authors have built on the notion of the MNC as integrated network (Bartlett and Ghoshal 1998) to categorize subsidiaries on the basis of knowledge flows to and from the rest of the corporation, making their typology particularly relevant to the present investigation of the transfer of HRM practices. Furthermore, it is a typology that has been empirically validated, hence lending support to "the notion that subsidiaries can take on different roles within MNCs, that these roles can be meaningfully conceptualised based on knowledge inflows and outflows, and that these roles are associated with different control mechanisms, relative capabilities and product flows" (Harzing and Noorderhaven 2006: 212).

Gupta and Govindarajan (1991) distinguish between *outflows* of resources from the subsidiary either to the parent or to other parts of the organization, and *inflows*, that is resources flowing into the subsidiary from the parent or other parts of the organization. Based on the two dimensions *volume* and *direction* of resource flows, they propose four kinds of subsidiary roles as depicted in figure 3. The *Global Innovator* stands for a subsidiary that serves as a source of knowledge for other units, a role that has become more important with MNCs moving towards the transnational model where subsidiaries can act as centre of excellence. The second category is called *Integrated player* and depicts important nodes in the MNC network, that are receiving and transferring equal amounts of knowledge from and throughout the organization. These two subsidiary types may

hence be viewed as performing “creative” as opposed to “traditional” roles within the MNC network (Meyer *et al.* 2011: 242). Thirdly, *Implementors* are heavily dependent on inflows from other parts of the organization while not engaging in knowledge creation themselves, and hence provide little knowledge to other units. Finally, *local innovators* are self-standing subsidiaries that are marked by small amounts of knowledge in- and outflows, while locally engaging in knowledge creation. Following Harzing and Noorderhaven (2006: 197), this situation typically occurs when local knowledge is considered too idiosyncratic to be of use in other organizational units.

Figure 3: Typology of strategic roles of subsidiaries according to resource outflows and inflows



Source: Gupta and Govindarajan (1991: 774).

Concerning control of different subsidiary types, we can suppose that HQ will attempt to establish high levels of control especially on Global Innovators and Integrated Players as these are marked by large amounts of outflows towards HQ and the rest of the organization, thus increasing parent company dependence. Though, Global Innovators are themselves the least dependent on parent company inputs and would hence be expected to have the potential power to resist central control and influence (Taylor *et al.* 1996: 975). At the same time, Global Innovators also need a relatively high level of autonomy in order to be able to develop new knowledge and skills which is achieved through closer contacts with external local partners and suppliers (Harzing and Noorderhaven 2006: 198–199). This greater degree of local embeddedness into the host environment is important since it is here where the subsidiary controls critical linkages with key actors (Andersson *et al.* 2007; Geppert and Williams 2006). Further problems related to control of creative subsidiaries are linked to the fact that “unconditional enforcement of ownership rights through headquarters centralization can destroy valuable resources” (Meyer *et al.* 2011: 245), for instance when key personnel leaves or key contacts remain unleveraged (Mudambi and Navarra 2004). Subsidiary local embeddedness may also turn out to be a two-edged sword in cases where subsidiaries have to compete internally

for HQ's resources promoting inter-unit rivalry and inducing subsidiaries to be unwilling to cooperate and to share knowledge (Greenwood *et al.* 2010; Mudambi and Navarra 2004). We can therefore conclude that the design of “control structures to implement dual embeddedness [*i.e.* in the local host environment and in the MNC internal network] is a delicate balancing act” (Meyer *et al.* 2011: 245).

While on the one hand, *Implementors* can easily be controlled through the use of formal mechanisms thanks to their unilateral resource dependence on HQ, on the other hand, due to greater interdependence in the case of *Integrated Players*, informal means of control through socialization and networks are considered to be more adequate. For *Global Innovators*, the extent of control through socialization and networks would be medium. Overall, Taylor et al. (1996: 975) suppose that the “degree of similarity” between the HR practices at HQ and in subsidiaries as an indicator for control would be highest in *Integrated Players* and lowest in *Local Innovators*.

Concerning HRM practice transfer, we can argue together with Temple (2001: 126–127) that those subsidiaries exposing the greatest outflows of knowledge can be supposed to serve as sources for learning for other units within the MNC. Alternatively, we could say that “the more resources are controlled by the local HR function, the better placed will be the subsidiary to supply practices to the rest of the group” (Edwards et al. 2010: 619). *Global Innovators* and *Integrated Players* are hence the most likely to be in control of special skills, for instance expertise of local management in certain HRM practices, that HQ wishes to diffuse throughout the network. Such subsidiary types might hence potentially serve as source units for reverse transfer (Edwards 1998; Edwards and Tempel 2010; Hayden and Edwards 2001), for example of practices originating from dominant countries (Smith and Meiksins 1995). Evidence of learning in German MNCs about HRM practices of Anglo-Saxon origin from their UK subsidiaries is illustrative for such processes (Ferner and Quintanilla 1998; Ferner and Varul 2000a).

3.3.3 Evolving subsidiary roles and power resources within multinational corporations

We have now seen that different subsidiaries can assume, or be assigned by HQ, different strategic roles. These, in turn, are associated with specific control mechanisms and strongly influence the likelihood of certain types of subsidiaries to serve either as sources or rather as receivers of transferred practices.

Though, recent research has suggested and empirically confirmed that the subsidiary roles initially

assigned by HQ may be abandoned by *subsidiaries adopting subversive strategies* instead of boy scout behaviour (Delany 2000; Dörrenbächer and Gammelgaard 2006; Morgan and Kristensen 2006). This is due to lucrative business opportunities subsidiaries come across in their environment, to their interest in improving their position within the MNC, or to a more autonomous role perception of subsidiary managers who choose to take initiatives themselves (Dörrenbächer and Gammelgaard 2011: 31). Such subsidiary strategizing may then be interpreted by corporate HQ either as valuable contribution to organizational success since these subsidiaries may deepen comparative advantages through upgrading local capabilities and taking advantage of local configurations of skill, cooperation and knowledge transfer, or it might be viewed as insubordination and arrogance. In the latter case, HQ might adopt “hardball strategies”, drawing on its formal authority and resource power in order to bring deviating subsidiaries back in line by installing tighter control mechanisms, laying off local subsidiary management or even closing the subsidiary. For subsidiaries, this implies that they should be well aware of their own power resources they can rely on in case of conflict with HQ, and what level of autonomy and strength is associated with them (Dörrenbächer and Gammelgaard 2006: 31).

The classic concept of power as defined by Dahl (Dahl 1957: 202–203) meaning that “A has power over B to the extent that he can get B to do something that B would not otherwise do”, is applicable to headquarters in this case. Though, it has been argued that for subsidiaries it makes more sense to adopt another notion of power referring to “the subsidiaries' ability to influence their parent companies in their strategic and operational decision-making activities” (Dörrenbächer and Gammelgaard 2006, 2011: 31). Therefore, in this case, the distinction between “formal authority”, pointing to the right to decide and “real authority” referring to the effective control over assets and decisions (Aghion and Tirole 1997), is relevant. This is because the latter type of authority corresponds to the type of power subsidiaries possess (Dörrenbächer and Gammelgaard 2011: 32). In this respect it may also be argued that “while headquarters has ownership rights, the extent to which they translate into enforceable property rights depends [on] the outcome of the bargaining game between the headquarters (...) and the subsidiary” (Meyer *et al.* 2011: 245 referring to Foss and Foss 2005).

Dörrenbächer and Gammelgaard (Dörrenbächer and Gammelgaard 2011: 32–34) now distinguish between the following *four types of subsidiary power*: micro-political bargaining power, systemic

power, resource-dependency power and institutional power, that are varying in strength and sustainability. *Micro-political bargaining power* is associated with subsidiary management's lobbying behaviours (Dörrenbächer and Geppert 2006, 2009), combining own initiatives, issue selling (Ling *et al.* 2005), strategic information politics and manipulative behaviour (Surleremont 1998). In this connection, Cantwell and Mudambi (Cantwell and Mudambi 2005: 1112) have argued that “[a] subsidiary’s capacity to evolve to the point at which a competence-creating mandate becomes viable depends upon the ability of its own managers to develop and exercise a ‘voice’ in the wider corporate group”, where HQ's attention can be considered a vital commodity (Bouquet and Birkinshaw 2008). Therefore, also potentially precious resources such as the location in a highly attractive cluster have to be skilfully used by subsidiary managers in bargaining processes in order to provide the subsidiary with power (Bélanger and Edwards 2006). Micro-political bargaining power is overall considered to be important. However, it is neither particularly strong, since it often depends on the ownership of valuable resources and can be counterbalanced by HQ's bargaining skills, nor sustainable, since negotiation skills of subsidiary managers are not necessarily uniquely located in one specific subsidiary. *Systemic power* of a subsidiary is derived from its position within the corporate value chain, where single subsidiaries often operate selected parts (Roth and Morrison 1992) or are responsible for a specific function in the intra-firm division of labour. However, the power derived from such a situation is not very strong as its use is constrained to inside the MNC network. Furthermore, its sustainability is questionable since HQ might reconfigure the value chain in the long run, unless the value-chain specialization is linked to the locally contained availability of critical resources making HQ unable to change the configuration without creating major disadvantages (Dörrenbächer and Gammelgaard 2011: 33). *Resource-dependency power* is the kind of power that has been discussed in the previous section about different subsidiary roles and is linked to its position within the MNC network and the control over critical resources. Such power is considered to be strong when subsidiaries control critical resources such as market access, market knowledge or membership in an innovative business network that might be essential for the performance of the MNC as a whole (Dörrenbächer and Gammelgaard 2011: 34). Furthermore, resource-dependency power is stepped up by the fact that it is highly difficult for corporate HQ to evaluate the quality and significance of the subsidiaries' local business environment. Learning about all the local business networks worldwide would be an overwhelming task “owing to bounded rationality and the headquarters' limited information-processing capacity” (Andersson *et al.* 2007: 808). Lastly, *institutional power* is viewed as a strong

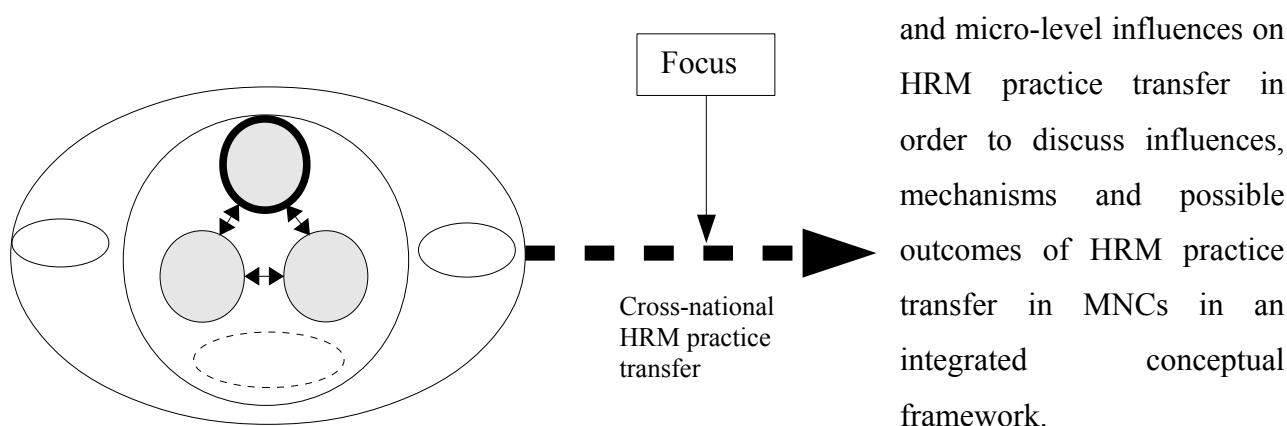
and sustained resource for subsidiaries (Geppert and Williams 2006) that does not even have to go hand in hand with a deep local embeddedness. In certain environments, subsidiaries can use institutional structures in a proactive way in asking for subsidies or in fending off the introduction of undesired standardized practices and policies. In the latter case, subsidiary management might call HQ's attention to legitimation problems in case of a violation of host country laws and regulations (Kostova and Zaheer 1999; Tempel 2001: 212) or to high costs associated with plant closures in coordinated market economies (Dörrenbächer and Gammelgaard 2011: 34; Tempel 2001: 207). Such power is sustainable since institutional structures usually change only slow and incrementally and the handling of host country institutional settings is difficult for outsiders. Moreover, it has been argued that “[m]ore subtle and tacit cognitive and normative elements of institutional frameworks are even more subject to insider exegesis” (Ferner et al. 2012: 174).

Notwithstanding its comparative weakness and non-sustainable character, micro-political bargaining power is yet considered to play a central role in internal negotiations. Its importance is due to the fact that the use of every other form of power needs “to be enacted in a politically sensitive way” (Dörrenbächer and Gammelgaard 2011: 39) in order to avoid the risk of HQ's retaliation. Therefore, special attention should be given to the way power is communicated. Moreover, subsidiaries have to be aware of the erosion of their power resources over time and the need to nourish existing and to develop new ones. This, in turn, involves inter alia an engagement in micro-political manoeuvring on HQ level to gain re-allocated resources and mandates in order to ensure that HQ stabilises or increases the amount of leeway granted instead of reducing it. To be able to engage successfully in such micro-political bargaining, subsidiaries will need to understand their relative system position. Such politically sensitive information is usually spread informally and access is therefore conditional on connections to HQ and other subsidiaries “on a broad basis through multiple personal ties based on trust” (Dörrenbächer and Gammelgaard 2011: 41). In this respect, communication skills, a good reputation and a subsidiary management that has an interest in the long-term development of the subsidiary are pre-requisites to build up micro-political bargaining power (Dörrenbächer and Geppert 2010; Vora and Kostova 2007). In this respect, the argumentation of Morgan and Kristensen (Morgan and Kristensen 2006) would lead us to expect to find locally embedded and hence more long-term developmentally oriented managers rather in subsidiaries that are located in coordinated market economy environments. Furthermore, Kristensen and Zeitlin (2005) have shown that acquired subsidiaries that used to be independent have a stronger power position than greenfield sites, while Dörrenbächer and Gammelgaard (2011: 42)

point to the potential influence of corporate strategy with subsidiaries in multidomestic companies having a supposedly stronger position as compared to other strategy variants (see also Edwards and Rees 2006d: 101).

Chapter 4 Influences, mechanisms, dimensions and outcomes of HRM practice transfer within multinational companies – an integrated conceptual framework

While in chapter 2 we have seen how external societal-level institutional environments impact on HRM practices and policies, chapter 3 focused on internal organizational factors and their respective influence on HRM. Therefore, the factors and mechanisms discussed in chapter 2 are attributable to the global, national and local macro-level, whereas chapter 3 treats micro-level factors. The present chapter will now build on the insights derived from this discussion of macro-



Discussing macro-level institutional influences on HRM practice transfer within MNCs has allowed us to better understand the origin, nature and strength of country-of-origin, host country and dominance effects. In this connection, *institutionalist research into MNCs* with its concepts of country-of-origin and host country effects has helped us to “reveal the socially embedded nature of the power relations, the goals, strategies and tactics that shape the various negotiations of order at different levels of the firm, creating and delimiting 'corridors of choice' for the various actors within its productive system” (Almond 2011a: 268).

4.1 Some preliminary conclusions about influences on HRM practice transfer within MNCs

In our discussion of the various macro-level influences on HRM practice transfer within MNCs, we have sought to understand how the embeddedness of MNCs in an institutional environment gives rise to country-of-origin effects and in what ways host country institutional factors can influence on cross-border transfer of practices.

Concerning the *nature of country-of-origin effects*, we have learned that they do not just directly reflect home country models and practices, but that it is rather “embedded managerial norms” (Almond 2011a: 265) that are the subject of attempted transfer and that these may be distinct from the empirical reality of country-of-origin practices. Nevertheless, the original argument about the persisting influence of the societal context of the country an MNC originates from, remains valid (Edwards and Rees 2006b: 59, 63; Ferner 1997; Rees and Edwards 2006b; Wächter and Peters 2004; Wächter *et al.* 2003).

Considering the *strength of country-of-origin effects*, we have seen that on the global macro-level *country-of-origin and dominance effects interfere* with each other. On the one hand, this may lead to a strengthening of country-of-origin effects in MNCs originating from dominant countries (Edwards and Rees 2006d: 96, 100). On the other hand, dominance effects may essentially contribute to an erosion or transformation of country-of-origin effects due to learning from dominant role models and reverse diffusion of Anglo-Saxon practices in MNCs from smaller countries (Ferner and Quintanilla 1998; Hayden and Edwards 2001). Therefore, it is not surprising that US-American MNCs originating from the dominant country of the 20th century (Djelic 1998) have been found to expose strong country-of-origin effects and a strong tendency towards transferring HR policies and practices. In this case, the latter have usually been centrally devised by actors that are embedded in the US American business system and hence reflect the “socialised rationality” (Almond 2011a: 260) of home country actors or the “rationale” of this particular societal environment (Redding 2005: 126, 136; Witt and Redding 2009). This attitude and approach has been described as “a ‘myopic view of the world that was *Home Town*-centric” (Edwards *et al.* 2005: 1273, citing an American respondent).

Especially in the field of HRM, Pudelko and Harzing (2007) found that the U.S. model seems to serve as the strongest source of inspiration for the design of international HRM policy and practices within German MNCs. Based on new institutionalist thinking, this fact may be interpreted as a form of “global inter-corporate isomorphism” (Ferner and Quintanilla 1998: 714) and put down to the strong influence of *dominance effects* (Smith and Meiksins 1995) on a global level. These are inducing managers of German MNCs to adopt practices of Anglo-Saxon origin (Ferner and Quintanilla 1998) and to model their HRM systems on “dominant 'global' ideas about best practice” (Almond 2011a: 262–263).

On the one hand, new institutionalist research has discussed how international consultants and

academics have contributed to the international diffusion of Anglo-Saxon models (DiMaggio and Powell 1983: 151; Meyer 2000: 242; Meyer *et al.* 1997: 166). On the other hand, research following the business systems approach has emphasized the role of US American MNCs as innovators in host countries like Germany where they transferred their country-of-origin policies and practices and hence challenged traditional ideas about HRM and IR (Singe and Croucher 2005; Wächter and Peters 2004; Wächter *et al.* 2003). These arguments also point to the active role of MNCs as actors, where especially US-American MNCs have been found to be “reactive” (Pulignano 2006: 512) rather than acquiescent (Oliver 1991) and to sideline host country institutional influences (Geppert *et al.* 2003b: 625). This behaviour points to the power of MNCs as actors to engage in “institutional work” (Lawrence and Suddaby 2006) and to “mould the host system into something 'acceptable'” (Almond 2011a: 264) and thereby to reduce or “modify” institutional distance (Ferner *et al.* 2012). Thus, MNCs should not just be conceived of as rule-takers, but also as active rule-makers (Ferner *et al.* 2012: 169; Streeck and Thelen 2005).

Even though it has been argued that traditional concepts of new institutionalist thinking around institutional fields and local isomorphism may not apply unchanged to the meso field of the MNC (Kostova *et al.* 2008), empirical evidence on the spread of global models of best practice in the field of HRM across MNCs of various countries of origin seems to indicate that at least mimetic forms of isomorphism are present among MNCs. Acquisition of practices in the case of mimetic isomorphism mirrors a deliberate choice of actors inside the organization and hence points to the cognitive pillar of institutions (Scott 1987: 504). This deliberate choice, in turn, can be linked to belief systems (Scott 1994) or to embedded ideological norms of socialised actors (Almond 2011a: 260, 265). If these actors are globalised managers, they may feel as part of an international managerial community of expatriates (Moore 2006: 406) having developed multiple identities (Delmestri 2006). When such actors interpret best practice models, their preferences may hence well be de-nationalised since “‘global' (or dominant) economic, managerial and cultural norms can be regarded as intervening in the construction of identities of actors at all (...) levels” (Almond 2011a: 263).

While the arguments about global influences on actors' identities and socialised rationality basically also apply to host country actors, our discussion of *host country effects* revealed still further elements. Traditionally the influence of host country effects on cross-border practice transfer

has been considered as some form of constraint imposed on MNCs. These may take the form of coercive institutional pressures or lacking institutional supports that are needed for a successful transfer of certain country-of-origin practices (Edwards and Rees 2006d: 92; Streeck 1997b: 243-244, 252; Tempel 2001: 64, 66).

However, our discussion of *sub-national levels* of embeddedness (Almond 2011b; Lane and Wood 2009) has shown that it is reasonable to think of *host country effects* not only in terms of constraints, but rather to actively consider the “competitive provision of *supports* for MNCs and the local firms dependent on them” (Almond 2011b: 533) since “institutions may serve as resources as well as constraints” (Almond *et al.* 2005: 281). Moreover, we have seen that in order to be able to benefit from locally available resources, an MNC subsidiary has to be locally embedded, *i.e.* integrated into a locationally immobile “web of value-creating linkages” where informal institutions and membership in “clubs” is considered to be important (Meyer *et al.* 2011: 247). As we will see in more detail in our analysis of the Swiss host country business system in chapter 6, such arguments around the importance of the sub-national level of national business systems seem to be particularly pertinent.

In a second step, we have discussed the influence of micro-level factors. In this connection, we have seen how various *company-level factors* including structure and competitive strategy (Bartlett and Ghoshal 1998; Porter 1986a, 1986b, 1987), but also entry mode and international degree of standardization and integration of production or service provision may require varying degrees of international HRM integration (Edwards and Rees 2006c; Schuler *et al.* 1993) and hence practice transfer within MNCs. Depending on the complexity of the environment the MNC faces, different structures and strategies will be adopted which imply different needs for coordination and integration (Evans *et al.* 2002: 30–31). Where MNCs face highly complex environments and try to develop an integrated network in order to evolve towards the transnational form, coordination demands in HRM are highest, whereas multidomestic companies are likely to see little advantage in international standardization of HRM practices and policies (Dowling 1999; Harzing 2000, 2002). Strong incentives for standardization in the field of HRM are furthermore found where companies try to realise synergistic economies based on the international provision of standardized products or services (Edwards 2011). Where companies try to exploit international differences through arbitrage and access location-specific knowledge and resources, different subsidiaries will assume different strategic roles and control certain resources, thus creating situations of interdependency within the

MNC network. Moreover, our discussion of different HR tasks and activities (Evans *et al.* 2002: 465–469) has shown that there are different needs for integration and differentiation in different functional areas of HRM, implying that transfer is likely to happen first and foremost in those areas that are marked by higher levels of integration.

As we have seen, *different types of subsidiaries* can be distinguished as based on their respective knowledge in- and outflows (Gupta and Govindarajan 1991; Harzing and Noorderhaven 2006), that demand different control and HRM practices (Taylor *et al.* 1996). Though, subsidiary roles are not set in stone and evolve over time, a process in which their endowment with different kinds of *power resources and agency* play a central role. In this respect, national and local institutional environments once more play an important part. Not only are they the basis of institutional power, but they also strongly shape locally available resources, and hence, influence on the resource dependent power of subsidiaries (Dörrenbächer and Gammelgaard 2006, 2011; Dörrenbächer and Geppert 2006, 2009).

In this respect, the suggestion to think of MNCs as “political animals” (Edwards and Rees 2006c: 84), thus highlighting the “contested nature of organizational life in MNCs” (Edwards 2011: 487; Ferner *et al.* 2012) seems very useful to understand and capture the highly important micro-political processes and strategizing within MNCs. Such strategizing of actors who are seizing opportunities to obtain stronger power resources to engage in bargaining processes with other units and HQ is largely in line with a more processual view of strategy (Whittington 2001).

Moreover, agency and strategizing is by no means confined to actors and units within the MNC, but entails furthermore the whole MNC as actor who can engage in negotiations with local authorities to gain legitimacy (Kostova *et al.* 2008) or in institutional work (Lawrence and Suddaby 2006) to modify institutional distance (Ferner *et al.* 2012). These forms of agency are particularly important when a MNC wishes to introduce innovative or deviant practices (Pulignano 2006; Tempel 2001: 59; Wächter 2004).

4.2 An integrated conceptual framework for HRM practice transfer within MNCs

In the extant literature, the influences previously discussed have been integrated into a framework for research into the transfer of employment relations and practices within MNCs. In this framework, influences have been grouped into *four key influences*, namely *country-of-origin effects*, *dominance effects*, *pressures for international integration*, and *host country effects* (Edwards and Ferner 2002). In the following, this framework has successively been enlarged and refined by integrating issues of *power*, *agency* and *change* (Almond *et al.* 2005; Edwards *et al.* 2007b; Ferner *et al.* 2012). Following the logic of this enlarged framework or “political economy approach” (Edwards *et al.* 2007b: 201), the MNC is viewed as “a highly complex configuration of ongoing micro-political power conflicts at different levels in which strategizing social actors/groups inside and outside the firm interact with each other and create temporary balances of power that shape how formal organizational relationships and processes actually work in practice” (Morgan and Kristensen 2006: 1473).

In the present investigation, we will largely build on this framework while integrating a more fine-tuned analysis and consideration of the sub-national level of business systems (Almond 2011b; Lane and Wood 2009; Rees and Edwards 2006a: 22–24) and applying the most recent conceptions of power and agency of, and within MNCs (Dörrenbächer and Geppert 2006, 2009; Ferner *et al.* 2012; Lawrence and Suddaby 2006).

In this connection, actors can be conceptualised on three levels. In a first step, we can discuss *MNCs as actors* and rule-makers (Ferner *et al.* 2012) who are engaging in institutional work (Lawrence and Suddaby 2006) and negotiate legitimacy directly with local authorities (Kostova *et al.* 2008). Secondly, we can investigate into *subsidiaries as actors*. In this case we can further distinguish between agency related to the local embeddedness of subsidiaries into their external institutional environment where the membership in informal clubs is important to benefit from locally available resources (Meyer *et al.* 2011), and the internal leverage of these resources by managers who may engage in subversive strategies in order to develop their subsidiary's strategic role and assets (Cantwell and Mudambi 2005; Delany 1998; Dörrenbächer and Gammelgaard 2011; Morgan and Kristensen 2006). This, in turn, is linked to the third level of actors being *managers*, their career orientations and degree of local embeddedness. According to their personal interests and career orientations, they may decide to take different courses of action (Dörrenbächer and Geppert

2009, 2010; Morgan and Kristensen 2006). Furthermore, as we have seen, local managers also act as interpreters of local institutions, especially of cognitive and normative elements of the host country environment (Tempel and Walgenbach 2007: 17–18), and might hence play a key role in the local implementation or adaptation of transferred practices. An overview of this classification is provided in table 14 below.

Table 14: Three categories of actors and aspects of agency

Actors	Aspects of agency	
MNC	Rule-making, institutional work, reducing institutional distance Negotiating legitimacy	
Subsidiary or MNC unit	<i>Internal:</i> subsidiary strategic role and subversive strategizing, competition for resources and mandates communicating in a politically sensitive way about local constraints micro-politics of information shaping	<i>External:</i> local embeddedness – membership in informal networks and clubs granting access to valuable resources
	<i>Short-term US-American MNCs:</i> focus on quick returns, no engagement in long-term commitment and development of existing institutional advantages, focus on accountability of managers to HQ, use of budgets, targets and benchmarks as disciplinary mechanisms in investment bargaining	<i>Longer-term German MNCs:</i> despite international growth through mergers and acquisitions and hence lost impunity to outside financial market scrutiny, managers remain sensitive to achieving long-term change and improvement; use of budgets, targets and benchmarks rather for negotiating improved performance in local sites than as disciplinary mechanisms in investment bargaining
Managers	Degree of local embeddedness and career orientation, multiple identities	
	<i>Short-term US-American MNCs:</i> managers as part of the authority structure of the MNC managerial hierarchy, passive relationship with particular social and institutional context of site	<i>Longer-term German MNCs:</i> long-term focus of senior managers who are identifying strongly with the firm, potentially more active relationship with institutional context of site

Source: own elaboration largely based on Ferner et al. (2012), Almond (2011b), Kostova et al. (2008), Tempel and Walgenbach (2007), Lawrence and Suddaby (2006), Morgan and Kristensen (2006), Dörrenbächer (2004: 445, 447), Dörrenbächer and Gammelgaard (2011), Dörrenbächer and Geppert (2009), Meyer et al. (2011), Moore (2006), and Kristensen (2007).

Referring to transfer of HRM practices, we can distinguish between *direct and indirect mechanisms* (Liu 2004: 507) that are used by MNCs. *Direct mechanisms* comprise guidelines and rules with subsidiaries being asked to comply with a set of corporate HRM policies. In this case, HQ employs “procedural” channels (Edwards *et al.* 2010: 618) to pass HR policies and practices as a form of codifiable knowledge to subsidiaries (Taylor *et al.* 1996). The use of these channels points to formal

authority relations between HQ and subsidiaries (Ferner and Edwards 1995) and will hence regularly be backed up by formal systems of management control involving rewards and penalty systems. In this respect, benchmarking, coercive comparisons and competition for corporate investment among subsidiaries are widely used means to ensure the identification, diffusion and adoption of corporate-wide standard practices (Coller and Marginson 1998; Sisson 2006: 243, 246-247). Relating to the use of such direct transfer mechanisms, Liu (Liu 2004: 508) argues that, while an advantage lies in the speed of transfer, possible strong objection from employees may be viewed as a major disadvantage, especially when transferred practices are believed to damage their benefits. Corporate best practice schemes might also be added to this category (Coller 1996; Martin and Beaumont 1998; Müller and Purcell 1992; Sisson 2006: 246; Tempel 2001: 131). *Indirect transfer mechanisms* are different from direct ones in that the HR practices that are to be transferred are attached to some carriers. These may include corporate culture or expatriates from HQ and will rather concern HRM practices that relate to the company way of doing things representing more tacit knowledge that is better transferred using people-based channels (Edwards *et al.* 2010: 618; Liu 2004: 508). Thus, international management training courses, a strong and explicitly communicated corporate culture and international mobility of expatriate managers as well as regular international meetings may all serve to socialise managers in the company way (Coller 1996: 165; Myloni *et al.* 2007). Expatriates have also been argued to play “a considerable role as interpreters and implementers of HR and business strategy” (Harris and Holden 2001: 85). These indirect mechanisms are hence rather related to cultural relations between different units of a MNC (Ferner and Edwards 1995). As we can see, the different *mechanisms used to transfer HR practices* are actually all some kind of *control or coordination mechanism*. In this respect, direct transfer mechanisms are attributable to the category of direct-impersonal control involving standardization and formalization. Indirect mechanisms can be linked to direct-personal control including expatriates, and indirect-personal control practices relating to socialization, informal communication and management training (Harzing and Sorge 2003: 198).

Due to the fact that cross-national *transfer* of HRM practices is highly complex, we can distinguish between several *dimensions and outcomes*. Starting with the *dimensions* of practice transfer, we can distinguish between the degree of adaptation or hybridization of practices, the degree of internalization, the functionality, and finally the directionality of transferred practices (Ferner *et al.* 2012: 164). While *hybridization* refers to a combination of the transferred practice with host

country practices (Becker-Ritterspach 2009), *internalization* is about the extent of assimilation of a practice to the working assumptions, cognitive understandings and normative frameworks of subsidiary employees and managers. Thus, this dimension is directly linked to the socialised rationalities (Almond 2011a) of local actors. *Functionality* concerns the question of whether the transferred practices perform the function intended for them by HQ actors, or whether they work in unintended or even dysfunctional ways. In this respect we can also point to cases where functional equivalents of practices related to German dual VET, that are hard to transfer, were found in Central and Eastern European countries (Bluhm 2001: 161). Finally, *directionality* relates to the fact that transfer may basically happen in three *directions*: “downstream” or “forward” diffusion from HQ to subsidiaries, “upstream” or “reverse diffusion” from a subsidiary back to HQ, and “multi-directional”, “flow” or “horizontal” diffusion, where practices originating in one set of foreign operations are spread throughout the company to another one (Edwards 1998: 696; Edwards *et al.* 2010: 614; Edwards and Rees 2006d: 97; Tempel 2001: 57).

In this respect, especially the earlier discussed power of meaning takes on great importance since “institutional” (Ferner *et al.* 2012: 167) or “socialised” rationalities of actors (Almond 2011a: 260) are mirroring normative-cognitive frameworks. These, in turn, are susceptible to be influenced by the shaping of corporate cultures, codes and other socialization practices referred to earlier as indirect transfer mechanisms.

Taking into account different constellations of institutional distance, power capabilities and interests of involved actors, Ferner *et al.* (Ferner *et al.* 2012: 177–181) have developed a model of transfer outcomes. As we have seen earlier, these authors have argued for the need to replace institutional distance in a Kostovian sense (Kostova 1999: 312) by the concept of modified institutional distance as a way of taking into account the modifying influence of dominance effects and MNC power as active rule-makers on institutional distance and cross-national practice transfer. Furthermore, depending on the specific configuration of power resources and interests, subsidiary actors can take either a supportive or oppositional stance, while the latter does not necessarily imply overt resistance (Oliver 1991). As a result of this complex interplay of various factors, six typical scenarios can be identified that are based on differentiation along the dimensions presented above. A first outcome would be *successful transfer* where functional practices are internalised. This would be most likely to happen in situations where HQ actively wants to transfer practices, where institutional distance is low, dominance effects and institutional space or room for manoeuvre are

high, HQ disposes of strong power capabilities, and interests of HQ and subsidiary are concordant and homogeneous among subsidiary actors. A second scenario involving increased institutional distance and more resource power of the subsidiary could lead to *functional hybridization* including some adaptations. This is likely in cases where practices are transferred by means of broad framework policies where local adaptation is expected in HR and employment relations areas such as performance management, variable pay, and employee involvement (Edwards *et al.* 2007a). An alternative third scenario would instead result in *resistive hybridization*. In such circumstances, low internalization is likely “where transfer disrupts internal accommodations and/or is seen as dysfunctional for subsidiary performance, and where subsidiary actors have sufficient power capabilities, such as interpretive control of local meaning frames” (Ferner *et al.* 2012: 178). Furthermore, weaker dominance effects, more constrained institutional space and subsidiary interests that diverge from HQ's interests would increase the probability of such an outcome. A fourth outcome would be a *failure of transfer* which is likely to happen when dominance effects are absent, institutional distance is high, the subsidiary disposes of strong power resources and its interests diverge from those of HQ. Where institutional space as well as subsidiary resource and process power are moderate but interests of subsidiary actors are different from those at HQ, this fifth situation makes *ceremonial compliance* probable. Contrary to the argument furthered by Kostova *et al.* (2008) about ceremonial compliance being unnecessary in case of MNCs due to the non-existence of a strong and clearly defined institutional field, in the typology proposed by Ferner *et al.* (2012), ceremonial compliance would be a possible transfer outcome under certain conditions. Finally, in situations where interests are concordant and where subsidiary's power capabilities are considerable – for example in cases of strong local embeddedness allowing the subsidiary to develop scarce resources of great value for the whole MNC – *reverse transfer* might happen. Especially in situations where the subsidiary's host system is more dominant than the MNC's parent system, the conditions of reverse transfer are ideal, as has already been found for example in the case of UK-based “vanguard” subsidiaries of German MNCs (Ferner and Varul 2000a). Although this model of six transfer outcomes is not exhaustive and both, other outcomes and other combinations of variables leading to the same outcomes are possible, such a typology nevertheless seems useful to us thanks to its capacity to reduce complexity (Harzing and Noorderhaven 2006: 196). Table 15 below summarizes our discussion of cross-national HRM practice transfer and provides an overview of key influences, mechanisms, dimensions and outcomes associated with practice transfer.

Table 15: Overview of the integrated conceptual framework for HRM practice transfer

Key influences on macro and micro level	Mechanisms		Channels	knowledge characteristics	Associated measures	Dimensions	Outcomes
Macro institutional: Country-of-origin effect (cross-national isomorphism)	direct	Guidelines, structures and rules	Procedural channels	Codifiable knowledge	Coercive comparisons, benchmarking, explicit formal systems of management control, resource-power of HQ (investment decisions, rewards, careers)	Degree of adaptation or hybridization	Successful transfer (functional practices are internalised)
Macro institutional: Host country effect (local isomorphism)		best practice schemes				internalization	Functional hybridization
Macro institutional: Dominance effect (global inter-corporate isomorphism)	indirect	Socialization mechanisms linked to corporate culture	People-based channels	Tacit knowledge	International management training and development, international project groups	functionality	Resistive hybridization (low internalization)
Micro: International integration effect, global strategy, coordination and control (corporate isomorphism)		International transfer of managers				Directionality: - Forward or downstream diffusion - Reverse or upstream diffusion - Multi-directional, flow or horizontal diffusion	Failed transfer
Micro: Political aspects of power and agency, subsidiary roles							Ceremonial adoption
							Reverse transfer

Source: own compilation based on Edwards and Ferner (2002), Ferner and Edwards (1995), Ferner and Quintanilla (1998), Ferner et al. (2004b), Almond et al. (2005), Edwards (1998), Hayden and Edwards (2001), Edwards and Ferner (2004), Edwards et al. (2005), Edwards et al. (2010), Edwards and Tempel (2010), Tempel (2001), Edwards et al. (2007b), Ferner et al. (2012), Almond (2011a), Almond (2011b), Edwards (2011), Dörrenbächer (2001), Dörrenbächer and Gammelgaard (2006), Dörrenbächer and Gammelgaard (2011), Liu (2004), Meyer et al. (2011), Szulanski (1996), Taylor et al. (1996), and Yu and Wu (2009).

PART III: NATIONAL BUSINESS SYSTEMS AND HRM PRACTICE TRANSFER WITHIN MNCs – GERMANY, THE USA AND SWITZERLAND

As we have seen, our choice to compare German and US-American MNCs is theoretically informed. Germany and the USA differ markedly in terms of the institutional structuring of their business systems and are considered to be situated on opposed poles on the spectrum of capitalist economies in many respects (Farndale et al. 2008; Hall and Soskice 2001a: 22; Wächter et al. 2004: 85) with Germany “(...) epitomising the CME” (Fenton-O’Creevy *et al.* 2008: 153) and the USA being “(...) a typical liberal market economy” (Hall and Gingerich 2004: 8).

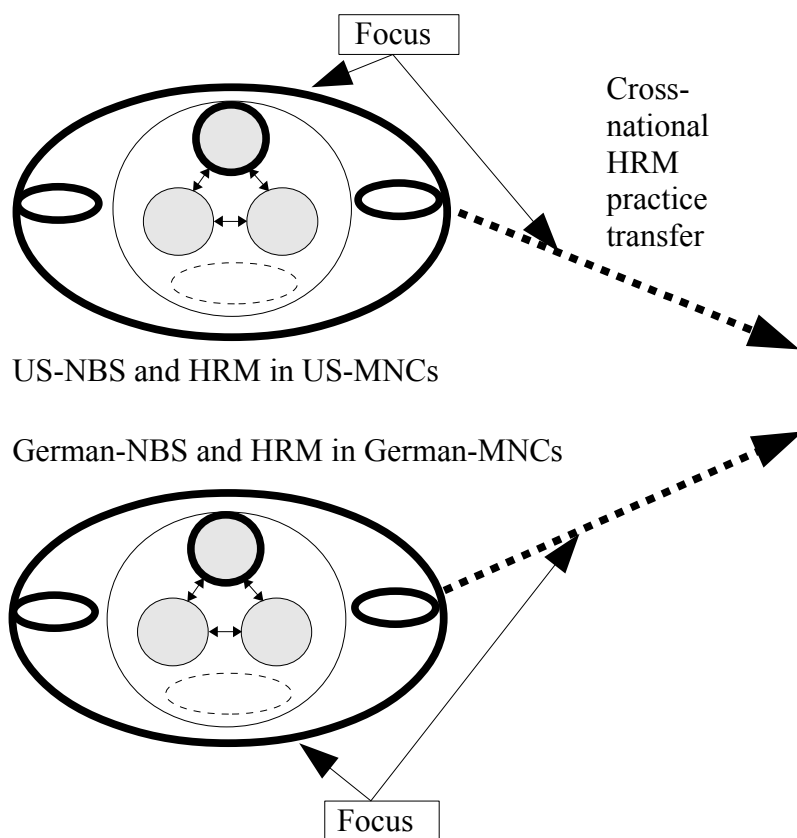
In chapter 2.3 we have presented the analytical framework of the business systems approach (Whitley 2000a) with its key institutional arenas as well as different categories of ideal types of business systems and firms. We have illustrated how this approach allows for a more subtle distinction between, and analysis of, institutional environments than the varieties of capitalism literature (Hall and Soskice 2001b) that proposes only two large categories of CMEs and LMEs. In our discussion of the business systems framework, we have seen that the USA are an example of a compartmentalised ideal type of business system. In this type of NBS, isolated hierarchies have become established as the dominant type of firm, with work systems that are rather Taylorist in nature. On the other hand, Germany is an example of a collaborative business system where dominant firms are cooperative hierarchies, where negotiated work systems with delegated responsibility have developed.

In our integrated conceptual framework presented in the precedent chapter, we have identified *five kinds of influences* on cross-national HRM practice transfer within MNCs. Three of these factors, dominance, country-of-origin and host country effects, have been attributed to the institutional macro-level, whereas the remaining two have been categorized as micro-institutional influences acting primarily on organizational level. In chapter 2.4 we have discussed how isomorphic pressures and the nature of business systems shape the kind, direction and strength of macro-institutional dominance, country-of-origin and host country effects in the event of cross-national HRM practice transfer within MNCs.

Part III of the present investigation is now dedicated to the three macro-institutional influences and their effects on HRM and cross-national practice transfer in our three country constellation

involving the USA and Germany as country-of-origin and Switzerland as host country to MNCs.

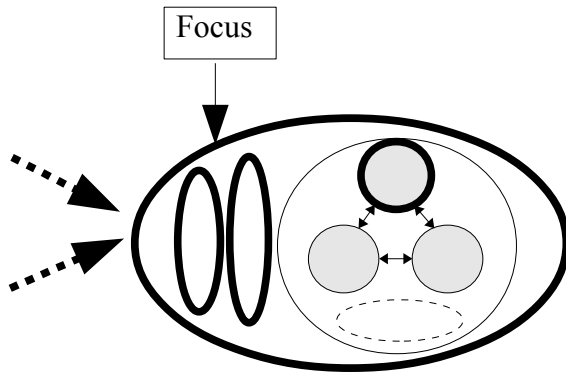
In chapter 5, we will provide an overview of salient features of the German and US-American national business systems as concrete examples of a collaborative and a compartmentalised business system where German and US-American MNCs are embedded in, respectively. In this connection,



embeddedness points to the “contextualization of economic activity in on-going patterns of social relations” (Dacin *et al.* 1999: 319).

In a second step, important results of empirical investigations into cross-national HRM practice transfer in German and US-American MNCs, and their ways of approaching different host country institutional environments will be presented. This empirical evidence complements our theoretical information about the embeddedness of these

organizations in their respective business system. Moreover, it provides some empirically validated information on typical *country-of-origin* and *dominance effects* within German and US-American MNCs. Therefore, we provide a review of recent studies that investigated into how German and US-American MNCs were dealing with different kinds of host country business systems' constraints and opportunities in the event of HRM practice transfer.



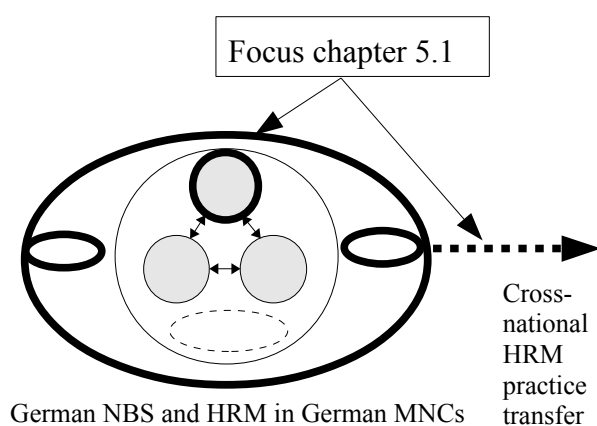
Cross-national HRM practice transfer towards the Swiss host country NBS

In a second step, chapter 6 will then focus on the most important features of the Swiss host country institutional environment. This time, the focus is on isolating possible local influences on HRM and HRM practice transfer in terms of *host country effects*.

Chapter 5 German and US-American MNCs – country-of-origin effects and HRM practice transfer

Chapter 5 is organized according to the country of origin. Therefore, in a first step we will focus on country-of-origin effects and HRM in German MNCs, before discussing the same issues for US-American MNCs in a second step. We will start with an overview of salient features of the respective national business systems in order to understand the nature of firms, and influences of the national business system on “domestic” HRM in Germany and in the USA, respectively, where the MNCs under scrutiny have historically grown. The overview of business system characteristics will then be complemented with a literature review of empirical studies dealing with the transfer of HRM practices. This is done in order to isolate typical patterns and approaches of German and US MNCs in dealing with different host-country environments. Such patterns will then be used to formulate propositions about expected approaches towards transfer of German and US MNCs in Switzerland, that can be matched with our own empirical results.

5.1 German MNCs – country-of-origin effects, overall approach towards transfer and host country effects



The following section is organized in three parts. In a first step, we will provide a short overview of salient features of the German national business system and its influences on German “domestic” HRM. In a second step, evidence on German MNCs' overall approach towards transfer will be summarized. Here, our aim is to detect concrete evidence of the influence of country-of-origin and dominance effects as macro-level institutional

influences on cross-national HRM practice transfer. Based on this more general information, a more detailed analysis of empirical evidence on German MNCs in different host countries will be done. This third section is hence aimed at an analysis of specific outcomes of the interaction of German country-of-origin, dominance and host country effects. This analysis yields important insights into how German MNCs related to the institutional settings of other host countries, which allows for the formulation of concrete propositions concerning their expected ways of approaching the Swiss

environment.

5.1.1 Salient features of the German national business system and domestic HRM

Firms, markets and MNC internationalization

German firms as “collaborative hierarchies” (Chandler 1990) have for long relied on the export of high quality products while focusing on the realization of *economies of scope* within a flexible production system termed *diversified quality production* (Geppert *et al.* 2003a; Geppert and Williams 2006; Hollingsworth 1997a: 272, 284; Lane 2000a: 210). Flexible production systems require firms to be in close technical contact involving coordination and even cooperation with other producers and a highly skilled workforce which is achieved through collective forms of governance. Therefore, German firms are considerably less isolated than their US-American counterparts. *Long-term cooperation* between capital and labour and between competitors within rich networks that are based on long-term relationships, are nurtured by relatively *high levels of trust between economic actors*. Moreover, the German environment is marked by communitarian obligations, and a certain degree of external coercion is exercised on economic actors to adhere to these obligations (Hollingsworth 1997a: 272–275; Streeck 1997a). Underlying these characteristics is a *vision of firms as social institutions* rather than as mere networks of private contracts or as the property of shareholders. Thus, “their internal order is a matter of public interest and is subject to extensive social regulation by law and industrial agreement” (Streeck 1997b: 241).

German MNCs are embedded in a cohesive and tightly integrated business system that is rich in institutional supports and inter-organizational mechanisms of governance and coordination. Due to this local embeddedness, both the *transferability* of German practices that are dependent on the provision of institutional supports, and the *willingness* of German MNCs to engage in transfer – especially of practices associated with co-determination – have been repeatedly questioned (Dickmann 2003; Dörrenbächer 2001, 2004).

German MNCs are known for their *relative tardiness* in establishing production and large scale employment outside Germany when compared to their Anglo-Saxon counterparts (Cantwell and Bellak 1998; Ferner and Quintanilla 1998; Ferner *et al.* 2001: 109). As Kristensen and Morgan (2007: 201) explain, only recently, “a combination of political and economic pressures has led the

largest firms in Germany to grow internationally through mergers and acquisitions (...) to ensure that they are not outperformed by much larger US- or UK-based multinationals”. The overall preference of German MNCs for *growth and foreign market entry via acquisitions* has also been underlined by Dörrenbächer (2004: 445, 447). In order to carry out these large-scale merger and acquisition activities, German firms had to enter international financial markets and convince international investors through foreign listings and improved transparency to gain access to the funds needed (Geppert *et al.* 2003a, 2003b: 622; Lane 2001, 2006). Even though German MNCs have lost some of their “impunity from outside scrutiny” when undertaking long-term investment, German managers are still sensitive to long-term change and improvement which is facilitated by the continued presence of some patient capital that provides a buffer against frequent short-term reconfigurations (Kristensen and Morgan 2007: 201–202). We will come back to this last argument in the section dealing with the financial system and corporate governance.

The state and economic coordination

While the German state is not developmental or risk-sharing in nature and generally limits its interventions to defining the regulatory framework that governs economic activity, it is *highly supportive of intermediary associations*. As Streeck (1997b: 242) explains, “[i]t is through state-enabled collective action and quasi-public, 'corporatist' group self-government that the German political economy generates most of the regulations and collective goods that circumscribe, correct and underpin the instituted markets of *soziale Marktwirtschaft*”. Rich institutional supports as well as inter-organizational mechanisms of governance and coordination include in particular strong industry-based business associations and trade union federations that are firmly integrated into the *corporatist state* (Hall and Gingerich 2004: 14; Kenworthy 2003: 11; Streeck 1997b; Streeck and Schmitter 1985). These intermediaries assume an important role in coordinating economic activities including the diffusion of new technologies, inter-firm cooperation within research networks (*Verbundforschung*) (Lane 2000a: 211) and common technical standard-setting (Hall and Soskice 2001a: 26). Besides, the German state supports private firm efforts through high public spending on research and development (Streeck 1997b: 242). Furthermore, in contrast to the U.S., German contract law may be seen as complementary to the presence of strong business associations since it encourages relational contracting among companies. For associationally enabled technology transfer, tightly written, formal contracts are often inadequate whereas relational contracting

sustains such relationships (Casper 2001).

Adopting a systemic view of corporate strategy (Whittington 2001), we may therefore argue together with Hall and Soskice (2001a: 27) that under these conditions, corporate strategies are encouraged that focus on product differentiation and niche production rather than direct product competition with other firms in the same industry.

The German state also plays an important role in the joint coordination and financing of the comprehensive system of dual initial vocational education and training (dual VET) as we will see in some more detail in the section on the German education and training system below.

The state and labour market regulation

Contrary to the USA, Germany is considered a heavily regulated environment (Quintanilla *et al.* 2004: 130) where institutional regulations impose important restrictions on managerial prerogative. According to Müller, “German labor market institutions restrict management's right to manage” (Müller 1999b: 132) and can hence be considered in direct opposition to U.S. ideals of “organizational autonomy” and “the right to manage” (Brewster 1995: 1–3). In the German environment, “managers of large German firms face capital and labour markets that are highly organised, enabling both capital and labour to participate directly in the everyday operation of the firm and requiring decisions to be continuously negotiated” (Streeck 1997b: 241). Therefore, in the field of labour market regulation, the German state plays a significantly more important role than the U.S. federal state.

Following the “principle of status” (Streeck 1987), in Germany there is a marked tendency towards *juridification of the employment relation* which is accompanied by a strong formalization and standardization of regulations (Avery *et al.* 1999: 22; Royle 2004; Wächter and Stengelhofen 1992: 25). Thus, we may say that employee relations are “currently strongly influenced by legislative safeguards” (Williams and Geppert 2006a: 48). This is also reflected by rather strict employment protection legislation above OECD average (Venn 2009: 8). In this connection, Harcourt *et al.* point out the fact that, while German just-cause rules are allowing for redundancies in wider circumstances than this is the case in France, “Germany's dismissal procedures are in many ways more onerous” (Harcourt *et al.* 2007: 964) because they require greater levels of worker involvement. Worker involvement in restructuring and redundancies, in turn, is closely linked to the representative organ of the works council since “the measures provided for under a redundancy plan stem from negotiations between the employer and the works council, and such negotiations must

result in an agreement between the parties” (Morin and Vicens 2001: 51).

Regarding German labour market organization, three key institutions governing the German labour market have been repeatedly highlighted: *collective bargaining*, *dual VET*, and *co-determination* (Giardini *et al.* 2005; Guest and Hoque 1996: 53; Lane 2000a: 212; Müller 1997: 613, 1999a, 1999b; Wächter and Müller-Camen 2002). While both, the system of collective bargaining and dual VET will be discussed in separate sections, we will first have a closer look at workplace representation and co-determination.

Based on the German Works Constitution Act (Betriebsverfassungsgesetz 1972), works councils are endowed with far-reaching statutory co-determination rights in the area of social affairs which gives them a strong influence on HRM practices. In this regard, Williams and Geppert (2006a: 57) explain that “management is forced to seek the agreement of the works council on any changes to areas such as working time, work scheduling, bonuses and performance targets of employees, the payment of wages and salaries, workplace training, data held on employees and monitoring of workers”. Furthermore, Giardini *et al.* (2005: 68) point out the fact that “(t)raditionally, strong ties exist between the works council and the trade union of the respective industry, as many employee representatives are also member of a trade union”. However, they guard explicitly against the common, but improper oversimplification to assume that works councils' influence in a company equals trade unions' influence. In fact, we may recall that works councils are legally obliged to give priority to corporate interests and the welfare of their company (Bluhm 2001: 163) which may at times differ from trade unions' political objectives. In this respect, also Lane (2000a: 212) points to a “clear separation of functions between unions and works councils”.

Streeck considers works councils' co-determination rights as “social constraints” that are imposed on economic actors by authoritative state intervention. In his view, such constraints support cooperative, trust-based relations between economic actors through the creation of additional, non-economic incentives. He therefore argues that “(c)redible information that the other side has noneconomic *in addition to* economic reasons not to defect accelerates and consolidates the growth of trustful relations” (Streeck 1997a: 202). Furthermore, he distinguishes between two types of noneconomic reasons in this sense. These may either consist of culturally supported moral commitments precluding opportunistic behaviour, or of impersonal rules like formal law, providing

for “sufficiently strong sanctions to make opportunistic withdrawal from reciprocal obligations highly unlikely to factually impossible” (Streeck 1997a: 202). According to this distinction, co-determination rights of German works councils clearly belong to the second kind of noneconomic incentives as they are based on the Works Constitution Act. Similarly, works councils' statutory rights as well as employment protection legislation may be viewed as a “‘control in being’ that entices the parties involved to bargain for a compromise at the level of the firm, without running the incalculable risk of the vagaries of an outside decision” (Wächter and Stengelhofen 1992: 27). In this way, Wächter (1992: 23) has argued that union influence and codetermination have served as an important building block of German social market economy (*Soziale Marktwirtschaft*) thanks to their “mitigating impact insofar as the side-effects on employment, working conditions, etc. have attracted considerable attention and have become part of management's decision process”. We may hence expect these institutional constraints on managerial decision-making to impact on the “societally informed rationality” (Almond *et al.* 2005: 281; Wächter and Müller-Camen 2002) of German management actors. This proposition is further supported by Kostova and Roth's (2002: 218) suggestion to view organizational actors as “carriers of institutions” whose cognitive profiles and judgements of practices are influenced by the institutional context.

German management may hence be considered to be *institutionally forced into the adoption of a consensual style* in the field of employee- and industrial relations since works council representatives are legally endowed with important institutional power resources (Ferner *et al.* 2012: 173–174). The latter may object changes in such central areas as working time, work organization or performance appraisal. Works council opposition to restructuring plans, including the obligation to achieve an agreement in case of redundancies, may render management's life difficult and yield high costs. Thus, it is not astonishing that Wever (1995) described the German approach to structuring the relationship with human resources as “negotiated”.

Industrial relations

The field of IR seems especially well-suited in order to illustrate the interaction between HRM practices in organizations and institutional environments since IR institutions are central to the regulation of the employment relation. As we have seen, we can distinguish between permissive and constraining IR systems (Tempel 2001: 52) in different business systems. Being aware of various

difficulties that are making international comparisons of IR systems problematic, we can refer to Hyman (2001: 211) who explains that one dominant analytical premise in recent Anglo-American research is “the principle that ‘institutions matter’”. He explains that the institutional framework of IR that became “established either by law or by historic compromises between the organizations of workers and employers (...) generates norms, practices and mutual expectations which acquire considerable inertia” (Hyman 2001: 211). Though, besides *institutions*, IR systems and their comparison also involve the *functions* of these institutions and the *issues* they are dealing with (Hyman 2001: 14–20). In this connection, Tempel (2001: 49) argues that industrial relations institutions can be “defined against the background of common problems associated with the employment relationship” – hence pointing to issues – that she locates in the conflict inherent in the employment relationship, the indeterminacy of the labour contract and the inequality of bargaining power. Therefore, considering the functions of IR institutions, these can be considered as regulating the nature of the employment relationship and the ways in which this is done. IR institutions may consequently be defined as “the rules which are made by industrial relations organizations or actors to regulate the problems which are inherent in the employment relationship” (Tempel 2001: 50). We can distinguish between the way rules are made – unilaterally or joint –, the form that they take, as they may “have their basis in law, a written collective agreement, an unwritten agreement (...) or merely an understanding that has the force of custom” (Edwards 1995: 5) and the scope of rules that may regulate at national, industry, company, establishment or work group level (Purcell 1995).

Concerning IR, Germany has been described as a “constraining” environment (Giardini *et al.* 2005; Wächter and Müller-Camen 2002; Wächter and Stengelhofen 1992) as opposed to “permissive” ones like the UK (Ferner 1994, 1997; Marginson *et al.* 1993; Tempel 2001: 21). Strong constitutional protections are in place to guarantee collective bargaining autonomy for unions and employers' associations, allowing them to regulate wages and working conditions in a relatively centralised and coordinated form on industry level (Lane 2000a: 212; Venn 2009: 16) without government interference (Streeck 1997b: 242).

In Germany, IR have traditionally been “characterized by codetermination and co-operation” (Wever 1995: 606) and “business and labour are known as the ‘social partners’” (Wever 1995: 607). Lane (2000a: 212) emphasizes German industrial relations' “capacity of promoting social peace” and to influence via codetermination and collective agreements on the quality of labour. It is

therefore not astonishing that German industrial relations have been characterized by a very low level of conflict (Glunk *et al.* 1997: 100; Lesch 2004: 15).

Social justice and carefully negotiated consensus within the German model of co-determination at the workplace level are considered to be closely linked to the ethos of the *Betriebsgemeinschaft* (*works community*) incorporating the notion of a community of interests (Calori and Dufour 1995: 64; Ferner *et al.* 2001: 109; Ferner and Varul 2000b: 82; Schlie and Warner 2000: 35; Wächter and Stengelhofen 1992).

Concerning collective bargaining, we may say that traditionally *industry-based collective bargaining* led to high levels of collective bargaining coverage and a relatively egalitarian wage distribution. These, in turn, promoted solidarity as well as union strength and made wage demands predictable for employers (Lane 2000a: 212).

However, recently several authors have highlighted signs of vertical disintegration within German industry and of changes within the system of industrial- and employee relations towards disarticulation over the last twenty years (Doellgast and Greer 2007; Tüselmann *et al.* 2006: 67). Guertzgen (2009: 326–327) describes a trend towards more decentralised forms of wage determination starting in the early 1990s that has been driven by three developments. First, the absolute number of firm-specific collective wage agreements that have been negotiated between an individual firm and an industry-specific trade union has increased sharply. Second, wage determination without collective bargaining coverage is growing in importance and may either take the form of individual wage contracts or of plant-specific agreements (*Betriebsvereinbarungen*) between works council and management. Third, even within centralised wage agreements there is a tendency to allow more flexibility at firm level through the inclusion of contractual opt-out clauses (*Öffnungsklauseln*) or hardship clauses. Such opt-out clauses delegate issues that are usually specified in the central collective agreement such as working-time and pay conditions to the plant-level. Hardship clauses enable firms that are close to bankruptcy to be exempted from the central agreement. These developments have led to a sharp decline in industry-level collective bargaining coverage of wages and working conditions starting from approximately 90% in 1989/90 and falling to 71% in Western- and 57% in Eastern Germany by 2001 (Schmidt *et al.* 2003: 224–225). These rates have continued to decrease until 2010 and have reached 56% in Western and 37% in Eastern Germany with co-determination reaching 45% of employees in the private sector in Western and 37% in Eastern Germany (Ellguth and Kohaut 2011: 242–247).

Besides the marked regional differences between Eastern and Western Germany, further differences have been found between firms of different sizes. While overall collective bargaining coverage in Western Germany is clearly above the level in the eastern part, this difference decreases with growing firm size. While firms with more than 1 000 employees in the west showed a collective bargaining coverage rate of 81,2%, firms of similar size in the east reached a comparably high level of 77,0% (Schnabel 2006: 170). This result received further support by Van Klaveren and Tijdens (2011: 68) who found higher levels of unionisation, collective bargaining coverage and employee representation in MNCs than in other firms. Bluhm (2001: 166–167) who found similar results with German MNC affiliates in Eastern Europe explained this trend towards a more cooperative attitude of management in bigger firms with the concentration of union activities and the presence of the most powerful works councils with strong union ties in larger firms.

In view of such marked differences in IR within the German business system between regions and classes of firm sizes, it becomes apparent that differences within national business systems need to be accounted for duly (Royle 2004: 52). Such differences may translate into interaction effects between organizational structure and size, industry or regional specificities with institutional country-of-origin effects (Tempel *et al.* 2005: 197). Since various effects may overlap or even amalgamate, this complicates the task of isolating clear country-of-origin effects that are linked to the national business system institutional configuration. Such differences in terms of “variation at the source” (Meardi *et al.* 2009: 505) will have to be analysed carefully since they may shape the approach of German MNCs abroad. While this does not contradict the existence and influence of country-of-origin effects, however we should keep in mind that the latter do not necessarily need to be homogeneous across all MNCs from one country when these differ along other dimensions like size, industry, and region. In this connection, Tüselmann (2006: 69) also reminds us that “(...) the home country effect is not fixed, but evolves in line with changes in the institutional infrastructure” and hence, the nature of the country-of-origin effect among German MNCs is well susceptible to reflect changes that the German system of IR has undergone during the past twenty years. Furthermore, due to important international influences, some authors are describing tendencies among MNCs to put their embeddedness into national systems of IR into question and to substitute these with organization-specific systems (Coller and Marginson 1998; Marginson and Sisson 1994).

Education and training systems

As we have seen, German firms have grown in a social system of diversified quality production requiring a highly skilled workforce that may operate with minimal supervision (Hollingsworth 1997a: 272). Therefore, the comprehensive German *system of dual vocational education and training* (dual VET) may be considered as complementary since it provides firms with employees disposing of such industry-specific or firm-specific skills (Hall and Soskice 2001a: 25; Soskice 1999: 206–207). Currently, about two thirds of school leavers in Germany opt for vocational training of some kind, with three quarters of these going into the dual system and one quarter into school-based training (Bosch and Charest 2008: 433). This system is governed jointly by a tripartite arrangement involving the government that runs vocational training schools and the social partners. The latter are consisting of employer associations and trade unions who are designing curricula, with the employers implementing vocational training through the chambers of commerce (Bosch and Charest 2008: 436; Hall and Soskice 2001a: 25; Soskice 1999: 206). The involvement of social partners is even legally defined as an inherent element of the German system of dual VET (Winterton 2007: 287).

As distinct from the U.S., the level of vocational specificity and standardization of the quality of education is rather high (Kerckhoff 2001: 5) in dual VET thanks to nation-wide minimum standards that are detailed in the federal law on vocational education and training (Berufsbildungsgesetz (BBiG) 2007; Winterton 2007: 288). Following the typology established by Winterton (2007: 284), the German system of dual VET hence corresponds to the workplace-focused, state-regulated type of VET system. In this kind of system, the participation of the social partners is a decisive factor in maintaining the close linkage between training system and labour market when developing occupational profiles for initial and upgrading training, and it facilitates the recognition of training certificates on the labour market as well as their embeddedness in the wage system of German firms (Bosch and Charest 2008: 433). German students entering the dual system are prepared to carry out the duties of a particular occupation, leading to a much “stronger education-first job association in Germany than elsewhere” (Kerckhoff 2001: 9) which stands in sharp contrast to the U.S. educational system that focuses on general skills.

Another interesting feature of the German educational system is the fact that an increasing

proportion of apprentices with the Abitur (high school diploma) go through a so-called dual study programme which is a hybrid between vocational training and tertiary education, or first complete an apprenticeship before entering university (Bosch and Charest 2008: 435–436; Kerckhoff 2001: 16).

In view of recent substantial structural changes in the economy, *i.e.* the introduction of new technologies and forms of work organization as well as the expansion of the service sector, Bosch and Charest (2008: 436) come to the conclusion that dual VET “can still be an important instrument for creating an intermediate tier of skilled workers” allowing German firms to continue in developing “one of the world's most skilled labor forces” (1997a: 287). Though, the recent decline in collective bargaining coverage is considered a potential threat to the foundations of the dual system in Germany since it entails an increase in the share of low-wage skilled workers in various sectors (Bosch and Weinkopf 2008) which might considerably undermine the attractiveness of vocational training for young people (Bosch and Charest 2008: 437).

Overall, the German education system provides *strong technical education* at all levels with a relatively good quality of primary and secondary education. Traditionally, German managers were trained as engineers rather than doing an MBA as in the USA (Schlie and Warner 2000: 37). *Technical expertise* is held in high regard in Germany and it is not only the most important basis for middle managers' *authority*, but quality of skill and amount of experience are also the most important promotion considerations in German firms (Glunk *et al.* 1997: 98; Stewart *et al.* 1994; Streeck 1997b: 243; Warner and Campbell 1993). In line with this focus on technical expertise, *internal functional career paths* with low job hopping and high firm loyalty (Calori and Dufour 1995: 68; Glunk *et al.* 1997: 99) are hence typical for German management development (Evans *et al.* 2002: 376–377; Klarsfeld and Mabey 2004; Kristensen 2003).

Financial system and corporate governance

Traditionally, the German financial system has been bank credit rather than capital market-based and marked by extensive cross-holdings in the ownership structures of large firms shielding them from take-overs and pressures for high short-term returns that are emanating from shareholder control (Lane 2000a: 211). The traditional German system hence corresponds to the type of bank-

oriented, insider-dominated, stakeholder-focused Rhineland model of corporate governance (Weil 2002). These characteristics of the financial system are considered to be related to the notion of German *stakeholder capitalism* in a sense that the “objectives of the firms have to balance the pursuit of profit by a consideration of social justice” (Lane 2000a: 211). The notion of stakeholder capitalism in this sense can hence be linked back to a more systemic notion of strategy as discussed earlier (Whittington 2001).

Other authors (2004: 3, 13) have underlined the link between the two-tier board structure of German companies, and the German stakeholder approach and social partnership. In German companies, supervisory and managerial leadership are separated and 50 per cent of members of the supervisory body are coming from the employee side. Since the supervisory board appoints the members of the management board, top management has to consider shareholder and employee interests at the same time. This difficult task, in turn, requires a process of decision-making that is marked by careful cooperation with and consultation of stakeholders within network structures. Social partnership in Germany is therefore embedded in an institutionalised approach of problem-solving through compromise and consensus rather than confrontation, just in the sense of the “negotiated approach” described by Wever (1995).

Although recently the relationships between German banks and business firms continue to evolve and the historic importance of banks in coordinating the German economy is declining (Hollingsworth 1997a: 285), OECD data on stock market capitalization and firm financing suggest that bank credit, and hence some patient capital (Hall and Soskice 2001b: 22), still continues to play an important role for German firms (Kristensen and Morgan 2007: 202; OECD 2004: 19–20). As we have seen above, when expanding their activities internationally through FDI, especially large MNCs had to access funds on international capital markets and hence, the system has undergone some important changes towards more transparency and protection of shareholder rights in the recent two decades. Though, in the German stakeholder society (Schlie and Warner 2000: 35), the adoption of the shareholder value philosophy is not as straight out as it is in the U.S. (Jürgens *et al.* 2000; Schlie and Warner 2000: 45–46) since important elements of the insider model such as cross holdings are still intact (Almond *et al.* 2003: 439–441). Goutas and Lane conclude that, even if German MNCs like Daimler and Volkswagen have adopted the idea of *shareholder value*, this concept has been *translated into the German context*. In this process, the ownership structure of

firms has played an important role. German MNCs have succeeded in maintaining access to patient capital via institutional investors like pension funds (Goutas and Lane 2009: 341–342). This analysis supports earlier arguments forwarded by Ferner and Varul (Ferner and Varul 2000a) who considered shareholder value as an “objet trouvé” that was integrated into a pre-existing stakeholder context. They argued that the significance of shareholder value “is very different where shareholders are family members and house banks, rather than arm's-length institutions and individuals looking to maximize short-term returns” (Ferner and Varul 2000a: 137). This theses is furthermore supported by Vitols (2004) who introduced the notion of an augmented stakeholder system where, interests of institutional investors are integrated into the old stakeholder coalition of interests. He argues that, on the level of practice, this leads to the adoption of a negotiated shareholder value model where shareholder value must be negotiated within the augmented stakeholder coalition including employee representatives. This, in turn, translates into compromises as for example in the area of performance management, where performance-based pay is introduced, though not unilaterally imposed as in U.S. companies, but negotiated with works councils “which generally requires elements of collective regulation and limits on the extent of performance pay“ (Vitols 2004: 370). The term “negotiation” hence appears to run like a thread through our discussion of the German business system.

Conventions governing trust and authority relations

The strength of formal social institutions generating and guaranteeing trust between relative strangers has been emphasized in our discussion of institutional arenas in Chapter 2. Especially property rights and reliable institutionalised procedures when making business commitments are therefore central aspects of a business system. Such aspects are reflected in the rule of law and a well-functioning and independent jurisdiction with a low level of corruption.

Therefore, in this last section, we will consider the strength of formal institutions generating trust between potential business partners and the reliance of institutional procedures when making business commitments in Germany. For this purpose, we will draw on the latest publications of Transparency International to find out about the comparative level of corruption in Germany and potential effects on business relations. With a score of 8.0 out of 10, Germany is ranked 14 out of 183 countries in the Corruption Perceptions Index (Transparency International 2011a), being in the

second best group of countries together with, *inter alia*, Japan, Iceland and Switzerland. A closer look at the Global Corruption Barometer (Transparency International 2011b) reveals that, similarly to the situation reported for the USA, a large majority of 70% of people asked perceived an increase in corruption. However, although political parties are believed to be the most affected by corruption, with a grade of 3.7/5, they still seem to do fairly better than their U.S. counterparts. Relating to police, public officials and judiciary, the values of 2.3, 3.2 and 2.4/5 reveal significantly lower levels of corruption than in the USA concerning central institutions for doing business.

Authority relations are difficult to discuss when adopting a purely institutional perspective. Yet, as explained in section 1.4 of the introduction, we follow authors like Koen (2005: 5) and Wächter (2004: 4) in considering institutionalist and culturalist contributions in comparative international management research to be complementary rather than mutually exclusive. Several cultural dimensions identified by Hofstede (2001) or Trompenaars and Hampden-Turner (2012) can help us to better understand and describe authority relations within organizations. Since these cultural dimensions are fairly common to researchers in comparative international management, they will not be presented and discussed in further detail in this place. We will hence draw on culturalist contributions in order to analyse these aspects of the German business system.

Hofstede (2001: 377) classified German-speaking countries with their small power distance and strong uncertainty avoidance in his matrix of implicit models of the organization. Here, the corresponding organization type is the work-flow bureaucracy and the implicit model of the organization is that of a well-oiled machine, where clear structures and processes reduce the need for hierarchical control. These features provide a suitable basis for large spans of control together with a low degree of social and moral distance between leaders and led. Furthermore, these characteristics are in line with the classification undertaken by André Laurent (1985: 49) who found that German organizations are perceived as role formalization systems with a strong emphasis on detailed job descriptions and well-defined functions. This implies rather high degrees of autonomy within the realm of well-defined jobs and the governance of superordinate discretion by formal rules and procedures as they are typical for works systems with delegated responsibility (Whitley 2000a: 98). The corresponding institutional feature may well be seen in German labour law, especially the Works Constitution Act (*Betriebsverfassungsgesetz* 1972), that defines a range of statutory rights for employee representatives and significantly constrains unilateral managerial prerogative, as we have seen in some more detail in our earlier discussion of German HRM and IR.

Laurent furthermore underlines that German, like Swiss and American managers, “seem to report a more rational and instrumental view of authority that regulates interaction among tasks or functions (...) [where] authority (...) appears to be more an attribute of the role or function” (Laurent 1985: 46). This evidence strongly suggests that Germans share a formal political culture with US-Americans as well as Swiss people. Furthermore, evidence of “social engineering” (Calori and Dufour 1995: 64) and the establishment of “productivity coalitions” (Windolf 1989), the generally cooperative style in IR and the fact that German managers stress the value of mutual support and team spirit (Stewart *et al.* 1996: 209) just in the sense of the ethos of the works community (*Betriebsgemeinschaft*) (Ferner *et al.* 2001: 109), seem to strongly suggest that common interests may be invoked more easily in claims for compliance with superiors' instructions than this might be the case in the U.S.. As we have seen in our discussion of the educational system, access to superordinate positions and authority is legitimated in Germany through technical expertise that is acquired throughout long functional career paths within the same company (Barmeyer and Davoine 2008: 11; Bauer and Bertin-Mouroit 1996; Calori and Dufour 1995: 68; Evans *et al.* 2002: 376–377; Glunk *et al.* 1997: 99; Kristensen 2003; Lawrence 1980).

5.1.2 HRM in German MNCs and cross-national HRM practice transfer

German HRM has been described as “essentially reactive to the statutory framework of codetermination” (Ferner *et al.* 2011: 488). In this connection, bureaucratic principles, rules and procedures as well as a tendency towards juridification (*Verrechtlichung*) have been identified as important features of German personnel management (Avery *et al.* 1999: 22; Wächter and Stengelhofen 1992: 24–25). Therefore, much of the work of the personnel manager in Germany consists in interpreting and applying legal regulations as well as implementing collective agreements on pay and working conditions reached on higher levels. The German personnel manager is hence essentially a mediator between corporate management and the workforce and works council (Ferner and Varul 2000b: 82; Wever 1995). Though, Ferner and Varul (2000b: 85) found that overall, the bureaucratisation of international HR policy in German MNCs was only very partial with detailed guidelines for a narrow range of issues. Therefore, at the time when their study was carried out, apparently the degree of formalization of German MNCs' international HR policies seemed to be rather low.

Generally, unilateral managerial prerogative and the freedom to design HRM policies are fairly *constrained* in the German business system due to the institutions of dual VET, co-determination

and collective bargaining that are governing the German labour market and require a pluralist style of HRM (Giardini *et al.* 2005). In addition, German labour law with its labour protection legislation imposes further constraints or “legislative safeguards” on ER and HRM (Royle 2004; Williams and Geppert 2006b: 48). Therefore, the room for manoeuvre and for experimentation in the field of HRM and IR within the German business system has historically been comparatively small.

On the other hand, German firms are embedded into an integrated CME or collaborative business system environment that provides rich *institutional supports*, and where the local institutional context demands for collaboration (Saka-Helmhout and Geppert 2011: 573–574). For this reason, practices of German firms, especially those that are linked to co-determination and dual VET (Dickmann 2003), might be expected to be *less context-generalizable* (Taylor *et al.* 1996) than those of their U.S. counterparts. As we have seen, practices in coordinated business systems have generally been argued to be “more institutionally embedded in a range of inter-locking structures and arrangements” (Ferner *et al.* 2011: 488) and hence, to rely more on the interaction of a greater range of context-specific actors and organizations. In such environments, relationships between actors often depend on non-market mechanisms such as business associations and long-term trust-based networking among firms for the development of their core competencies.

Probably linked to the institutional embeddedness of German HRM practices that are less context-generalizable than U.S. practices, German MNCs were found to be more likely to send out *expatriates* to their subsidiaries than their U.S. counterparts or those from the UK, and to make more use of informal, personal control and feedback mechanisms (Ferner and Quintanilla 1998: 725; Harzing 2001). Further, German MNCs were found to be marked by *higher levels of decentralisation* (Ferner and Varul 2000b: 87, 91), allocating more resources, competencies and organizational as well as financial autonomy to their subsidiaries. This approach should allow for the *development of local networks* in host countries, similar to those that are found in the German industry (Ferner *et al.* 2011: 487; Geppert *et al.* 2003b: 629; Kristensen and Morgan 2007: 204; Lane 2000b; Saka-Helmhout and Geppert 2011: 573). HRM in German MNCs has traditionally been described as *long-term oriented* and less concerned with short-term financial ratios and performance indicators (Dickmann 2003: 267; Ferner and Quintanilla 1998: 725). Furthermore, Dickmann (2003: 267) points out *management-employee cooperation* and their search for *consensus* as well as a *developmental orientation* of HRM. In this respect, German education and

VET institutions support high levels of professional skills and knowledge within one function up to the intermediate management level. Therefore, a strong emphasis is put on personal development and further training. Co-operation on plant level is facilitated by collective bargaining on industry level, since contentious issues such as wages are taken out of the workplace (Dickmann 2003: 267; Dörrenbächer 2001: 9). The consensus orientation and co-operative IR are also reflected in the fact that German-owned MNCs continue to be significantly more likely than their U.S. counterparts to have *representative arrangements* (Marginson *et al.* 2010: 165; Tüselmann *et al.* 2003; Tüselmann *et al.* 2006).

Overall, the available evidence suggests that German MNCs seem to be *less inclined or able to transfer* their country-of-origin HRM and IR practices leading to a rather *subtle country-of-origin effect* (Dickmann 2003) and only a *selective transfer* of practices (Dörrenbächer 2004). In this connection, Ferner *et al.* (2001: 123) explain that “the exertion of country-of-origin influence may occur in quite subtle ways. The nationally embedded culture of cooperative relations between workforce and management, for example, is not transferred through formal institutional arrangements such as works councils, but is specifically adapted to the constraints of the host environment”. Tüselmann *et al.* (2006) and Dickmann (2003) come to a similar conclusion in stating that, due to its strong institutional embeddedness, the specific configuration of the German model is probably not transferable. This is arguably the case for dual VET in the UK where necessary institutional supports are not available (Dickmann 2003: 276; Ferner *et al.* 2001: 116). A similar lack of supports also rendered the transfer of lean production models towards the USA infeasible (Friel 2005).

However, transfer has been argued to be possible to a much greater extent concerning *basic principles of the home country model* in the sense of a more general managerial style, an ethos or a *mindset* serving as a frame of reference (Dickmann 2003; Meardi *et al.* 2009: 492; Tüselmann *et al.* 2003; Tüselmann *et al.* 2006: 69). Such German mindset has been found to include more openness for and use of collective or dual forms of representation (Tüselmann *et al.* 2006: 75) and co-operative IR (Dickmann 2003; Müller 1999b: 129). Furthermore, a social partnership orientation (Warner and Campbell 1993: 89–90) which is linked to the notion of works community or *Betriebsgemeinschaft* (Ferner *et al.* 2001: 109) and a concern for employment security (Dickmann and Müller-Camen 2006: 586; Friel 2005: 51) were frequently present in German MNCs.

Empirical research showed that German MNCs in permissive environments like the UK, USA and Hungary partly did not recognise unions and did not transfer co-determination practices (Dickmann 2003: 274), nor did they attempt to transfer representative organs or parts of German dual VET (Beaumont *et al.* 1990; Dörrenbächer 2001: 17, 2004: 450; Ferner *et al.* 2001). In this respect, Guest and Hoque (1996: 64) stated about German MNCs in the UK that “German-owned establishments are not particularly enthusiastic about trade unions and collective arrangements, and they seem less enthusiastic than other national categories about training. (...) it is also worth noting in passing that the German parents exerted a rather low level of influence”. The last finding on rather *decentralised* structures in HR and IR is once more supported by Chang's (2006: 250) research of German MNCs in Southern Korea where all three German subsidiaries decided autonomously on issues such as recruitment, personnel development, pay and negotiations with unions. And also the case study findings of Stehle and Erwee (2007) seem to point once more into the same direction. In their case studies of three German MNCs in Indonesia, Thailand and Singapore, HQ's respondents indicated that practices could be adapted according to local needs within the parameters of some guidelines or basic principles, and these decisions were to be taken by the subsidiaries (Stehle and Erwee 2007: 76).

In the UK (Ferner *et al.* 2001; Ferner and Varul 2000a) and Hungary (Dörrenbächer 2001, 2004), German MNCs took advantage of this new flexibility to free themselves from their institutional heritage and to make use of the greater latitude in the sense of a *differentiation by choice* of their HRM and IR abroad (Geppert and Mayer 2006: 27; Tempel 2001, 2002, 2003; Tüselmann *et al.* 2006: 67).

As we have seen, German MNCs do neither originate in the dominant business system nor do they have a long-standing international experience as many of their Anglo-Saxon counterparts. These facts may as well provide additional explanations for their cautious approach towards the transfer of country-of-origin practices. Furthermore, it has been argued that these same factors have raised German MNCs interest in U.S. style HRM innovation. The greater international experience of *Anglo-Saxon* MNCs and their innovations in HRM stimulated German MNCs' *desire to learn* from the former (Ferner and Quintanilla 1998; Müller 1999b: 139; Tüselmann *et al.* 2006: 69), including *reverse transfer* from their foreign subsidiaries (Ferner and Varul 2000a). Findings of Pudelko and Harzing (2007) lend further support to the argument about Anglo-Saxonization in showing that the

USA are serving as the greatest source of inspiration and provider of best practice models in the field of HRM for German MNCs in the sense of a strong dominance effect.

Table 16: Overview of HR practice transfer in German MNCs

Typical HR architecture	Attitude towards transfer	Transfer mechanisms	Practices subject to transfer
Traditionally more decentralised than US MNCs in HR/IR policy making and practices	<p>Subtle, selective transfer of country-of-origin HRM/IR</p> <p>differentiation by choice: freeing themselves abroad from certain elements of their institutional heritage</p> <p>since early 1990s considerable learning from Anglo-Saxon MNCs including reverse transfer ("Anglo-Saxonization")</p>	apparently less emphasis on single use of formal channels including some more use of expatriates than US MNCs	<p>transfer of mindset and basic principles:</p> <p>pluralist tradition of co-operative IR, consensual style and partnership, job security, ethos of community of interest or works community (<i>Betriebsgemeinschaft</i>)</p> <p>more use of collective forms of ER/IR and indirect forms of communication than US MNCs</p> <p>long-term developmental HRM / training culture informed by experience with German dual VET</p> <p>no transfer of certain elements of the German system like co-determination that are felt to be constraining</p>

Source: own compilation based on Royle (2004), Chang (2006), Giardini *et al.* (2005), Dickmann (2003), Dickmann and Müller-Camen (2006), Friel (2005), Ferner and Quintanilla (1998), Dörrenbächer (2001), Dörrenbächer (2004), Ferner and Varul (2000b), Ferner and Varul (2000a), Ferner *et al.* (2001), Tempel (2001), Tempel (2002), Tempel (2003), Ferner *et al.* (2011), Taylor *et al.* (1996), Wächter and Stengelhofen (1992), Müller (1999b), Meardi *et al.* (2009), Guest and Hoque (1996), Beaumont *et al.* (1990), Geppert *et al.* (2003b), Kristensen and Morgan (2007), Avery *et al.* (1999), Williams and Geppert (2006b), Harzing (2001), Lane (2000b), Saka-Helmhout and Geppert (2011), Marginson *et al.* (2010), Tüselmann *et al.* (2003), Tüselmann *et al.* (2006), Friel (2005), and Geppert and Mayer (2006).

5.1.3 German MNCs in different host countries

In the following, we will analyse German MNCs' approaches towards transfer in different host countries in more detail in order to learn about out how they dealt with specific local constraints and took advantage of opportunities. This information is important in order to formulate propositions or expectations concerning German MNCs' probable ways of relating to the Swiss host country.

In their recent survey on IR/ER practices of German MNCs in the permissive host country setting of the UK, Tüselmann *et al.* (2006) found that German MNC subsidiaries showed a “pervasive home country imprint in the form of a consensual and co-operative ER style and ethos” and that only a small minority had the strategic desire to escape the German model to pursue low cost labour flexibility strategies (Tüselmann *et al.* 2006: 75). *Dualistic approaches* towards ER/IR where representative channels of labour are involved in the introduction and operation of direct involvement practices (Wood and Fenton-O'Creevy 2005), and that are based on commitment to pluralism, were especially found in German MNCs with a high degree of international exposure. While the uptake of high performance- (HPWS) or high involvement work systems (HIWS)⁶, that are considered a global best practice, appeared to be a universal feature across German subsidiaries, MNCs operating in more internationalised industries were most likely to blend US style ER innovations into collective ER (Tüselmann *et al.* 2006: 77). Tüselmann *et al.* (2006: 78) hence argue that German MNCs do not operate a traditional collective approach, but that there is a *dual approach emerging*, resulting in a German style hybrid ER that “embodies a selective and integrative appropriation of best practice elements of the US model” that may represent an alternative to the individualistic high road approach of the US model. Tüselmann *et al.*'s (2006) findings about German-based MNCs tendency to recognize trade unions in the UK context is supported by Marginson *et al.* (2010: 173), but less so their conclusion about German MNCs embracing a new dual model of ER, where equal weight is given to direct and indirect forms of employee consultation.

Contrary to the results of these recent studies, in earlier survey studies, Beaumont *et al.* (1990) as

6 Edwards and Wright (2001: 570) see high involvement work systems to entail at least some combination of schemes to promote employee discretion and autonomy, systems of upward and downward communication and serious attention to the development of employee skills. Furthermore, they may or may not deploy performance-based pay and other features of HRM. According to Gmür and Schwerdt (2005: 229), besides the notion of 'high performance work system', we can also find the term 'high involvement work system' in the literature which is similarly operationalised.

well as Guest and Hoque (1996) found high degrees of and *preference for non-unionism* among German subsidiaries in the UK. However, Ferner and Varul (2000a) who found considerable intra-model variation among German MNCs including non-unionism in some UK subsidiaries, located this finding rather in the *devolution of responsibility for IR policy to subsidiary managers* than attributing it to a U.S.-style anti-union ideology. This might also explain that German MNCs' subsidiaries in the USA differed greatly from the parents' practices in terms of vacation days and benefits (Rosenzweig and Nohria 1994: 247–248). In her detailed case studies of German MNCs of the chemical and pharmaceutical industry, also Tempel (2001: 226) found that IR issues, and especially the decision of whether or not to participate in collective bargaining, was devolved to subsidiaries and adapted to local British practices.

Moreover, she found an interesting country-of-origin effect in one of her German case study MNCs in the UK, that was directly linked German co-determination. As we have seen earlier, German co-determination requirements entail lengthy negotiations with works councillors, leading to high costs for lay-offs. Although an internal comparison showed British operations to be more favourable, redundancies were made in Britain, while German jobs were protected. Therefore, Tempel (2001: 209) concludes that “(t)he willingness and ability of the German parent company to carry out redundancies in Britain is shaped by the permissiveness of the British industrial relations system and stands in stark contrast to the agreements made in Germany to protect the German locations and German workforce”. In this case, a German country-of-origin influenced mindset and major institutional constraints pushed German management to take advantage of the permissive nature of the British host national business system to carry out such painful measures as a mass lay-off in Britain, even if employees there had performed better than in Germany.

Moreover, during the past twenty years, major changes in the German system of IR as well as continued learning from Anglo-Saxon MNCs suggest still further possible reasons for the contradictory findings on German MNCs' approaches towards IR abroad. As we have seen earlier, in the 1990s the German system of IR was still marked by a very high coverage rate of collective agreements on a sectoral level. At that time, HR/IR in many German MNCs was also still marked by a pronounced parochialism (Ferner and Varul 2000b: 87), while international policies were not yet well-developed. By the year 2000, as part of their learnings from Anglo-Saxon MNCs, many German MNCs had already established international HR/IR meetings and working groups devising international policy guidelines and frameworks, and adopted Anglo-Saxon style policies and

practices like performance management systems and the use of culture as a formal management tool (Ferner *et al.* 2001: 111–114). At the same time, the German system of collective IR has become more flexible, including many opening clauses for sectoral agreements or firms negotiating their agreements on firm or plant level. It may therefore be that German MNCs do not any more feel as constrained in their HR/IR approach as they did twenty years ago. Moreover, they may equally have capitalised on their experiments and learning abroad to develop new international HR/IR policies as a blend of positively viewed German-inspired and Anglo-Saxon elements as proposed by Tüselmann *et al.* (2006).

Intra-model variation between German MNCs in their ER/IR approaches as found in some studies (Meardi *et al.* 2009) might also well be due to differences in their respective production model and industry characteristics as proposed by Dörrenbächer (2004). Therefore, such differences might also, at least partly, be attributable to interaction effects (Tempel *et al.* 2005: 197).

Further findings of Ferner *et al.* (2001: 118) about German MNCs in the *UK* point to a common *commitment of German MNCs to training*. However, the transfer of a German-style system of vocational training was rare due to problems of retaining the staff in a labour market context that encourages mobility. In his case study on German MNCs' subsidiaries in the *UK and Spain*, Dickmann (2003) found a strong willingness to pursue *long-term HR policies* abroad. Long-term HR instruments and a long-term horizon were reflected in career plans, succession schemes and development plans. Interestingly, half of the case study firms had *dual VET programmes* both in Britain and Spain due to *perceived training gaps*, although they had proportionately fewer staff on these programmes than in Germany (Dickmann 2003: 275). Yet, successful implementation of dual VET was not guaranteed in the UK because of the lack of exogenous support factors. One of the banks for example terminated the scheme after having lost their graduates to the external labour market as a result of the absence of German high-quality, abundant labour supply and long-term career patterns (Dickmann 2003: 276–277, 280), confirming the earlier findings of Ferner *et al.* (2001).

In none of these studies, any company wanted to transfer *formal industrial relations rights* such as co-determination.

Spain as a host country is characterized by a *highly legalistic framework of labour and labour market regulation*. Issues such as redundancies, the nature of employment contracts and IR are governed by legal regulations. Rights and structures of unions and their representatives are hence

laid down in detail. Furthermore, a statutory framework granting worker representation on plant level in companies with 50 or more employees is in place. Therefore, despite low levels of union membership, unions have been able to exert considerable influence within firms through the support they receive in workers' committee elections. Until recently, also job and skill classifications as well as grading structures within firms were tightly regulated by sectoral labour statutes. This system, that was characterised by considerable rigidity, has meanwhile been replaced by sectoral collective agreements (Ferner *et al.* 2001: 117).

In their German case study MNCs in Spain, Ferner *et al.* (2001: 118) found that German-style training systems were transferred, but served more as a selection procedure than as a training system. Though, they reported that a perceived low level of general standard skills in the Spanish labour market combined with strong internal labour markets and low mobility encouraged a high investment strategy involving dual VET. Concerning *IR*, a *more adversarial* stance of local unions in Spain was sometimes hard to understand for German managers coming from an essentially cooperative culture. An interesting case of *transfer of German cooperative mindset* towards Spain was found in some German MNCs, where management was able to pursue “*productivity coalitions*” (Windolf 1989). Such coalitions are aimed at strengthening the position of the firm in the interests of both, management and workforce, and have in one case led to a successful fight against plant closure together with the local works committee. Another case is about an HR team pioneering a *flexibility agreement over working time* with its unions being another evidence of how the legalistic Spanish system, if operated skilfully, leaves considerable leeway for new practices (Ferner *et al.* 2001: 119–120). German companies were hence successful in cases where they achieved in adapting the German orientation to cooperative ER to the peculiarities of the Spanish context. In their approach to operating the local context, German MNCs' approaches stood hence in sharp contrast to US MNCs whose “global preference for non-unionism produced a determination to find ways round even the toughest environmental constraints. Such behaviour (...) would be rare in German companies abroad” (Ferner *et al.* 2001: 120). Another interesting aspect about the Spanish host country concerns the lack of a well-established national managerial style in the MNC sector and great U.S. influence in management education through MBA programmes. This was reflected in a lack of local managerial confidence making Spanish managers less likely to challenge German practices and policies coming from HQ than was the case with their British counterparts (Ferner *et al.* 2001: 121). Finally, the vivid contact of some Spanish managers with U.S. management

practices through their education or previous professional experience also allowed German companies to further learn from their foreign subsidiaries, a bit similar to the cases reported from their Anglo-Saxon vanguard subsidiaries (Ferner *et al.* 2001: 122; Ferner and Varul 2000a). Dickmann (2003) found that two small German banks in *Spain* did not have a *works council*, possibly as a result of their small size, and local management attempted to treat employees in such a way as *not to provoke incidents* that might result in the constitution of works councils (Dickmann 2003: 275). Furthermore, in Spain a number of *informal employee involvement mechanisms* were seen as a means for achieving better management-labour relations (Dickmann 2003: 276). As we will see in chapter 5.2, similar approaches to prevent conflict with unions have been chosen by US MNCs in Spain. *Manufacturing firms*, in turn, accepted works councils and trade unions in Spain, but none of them had a works council in the UK.

Ferner et al. (2001: 123) thus conclude that German influence may manifest itself in different forms in different host environments. While in Britain cooperative relations may involve bypassing unions, in Spain it means to find a *modus vivendi* with unions and the works committees. They also pointed to the fact that management choice and orientation are important factors in determining how regulatory constraints impact on HR/IR policy making in practice. Since the impact of formal institutions can be negotiated, the same structures can function in very different ways.

In *Poland* and the *Czech Republic*, Bluhm (2001: 157) found that operations in the production sites studied were dominated by German managers and hence, *expatriates* represented an important channel through which companies transferred organizational as well as IR practices. Most of the firms in Bluhm's sample had tried to transfer *working time accounts* as they were implemented in most of the firms in Germany as a negotiated form of working time flexibility following the German pluralist and co-operative tradition in IR. Though, the transfer of these accounts proved to be *difficult* for two reasons: local working time regulations are more restrictive than in Germany, and low basic wages made well-paid overtime work very attractive, raising incomes to a level people can live on so that local employees had no interest in such a model. Furthermore, the increased job security was not very attractive since local employees in urban centres could easily find another job somewhere else (Bluhm 2001: 159). Therefore, the four cases out of six that successfully implemented working time accounts negotiated a compromise including better basic pay, corresponding to a strategy that was not solely based on cost minimization. Concerning *dual*

VET, especially the SMEs in Bluhm's sample were less disposed to provide in-house training facilities. This was partly attributed to the low level of skills required for the kind of manufacturing processes shifted to the Czech and Polish plants, but it also reflects a lack of institutional support by the state, chambers and associations, and difficult legal requirements in this field. However, even if a straight transfer of training practices to central Europe appeared to be rather the exception than the rule, Bluhm points out that 6 out of 18 larger sized firms established close relationships with local vocational schools by providing practical training to teach apprentices required skills. Some local schools, adapted the contents of their curricula to meet the demands of the German firms for special skills. This approach of cooperating with local vocational schools has been classified by Bluhm (2001: 161) as a "*functional equivalent*" to the provision of in-house vocational training, while both options are shaped by the rationality underlying the German system of dual VET. These apprenticeships were considered an *efficient recruiting strategy* preferable in the long run to recruiting from the external labour market. With such an approach, firms can ensure that apprentices acquire firm-specific skills, and it allows for the selection of candidates before employing them regularly. Moreover, young people can be socialised in expectation of relatively long-term employment, hence reflecting the strategy pursued also at home (Bluhm 2001: 162). Concerning IR, there was no common behaviour pattern observable in Bluhm's sample. Once again, the most important differences existed between small and large firms. Large firm size was the best predictor of cooperative behaviour towards unions. Bluhm (2001: 167) speculates that this might be due to the stronger concentration of union activity on large firms, to the fact that larger German MNCs also have the most powerful works councils with strong connections to unions at home, and to the existence of European works councils in such firms, fostering cross-border monitoring, information exchange and collective bargaining. On the other hand, most small and medium-sized enterprises (SMEs) adopted a non-cooperative approach and a strong anti-union attitude in dealing with formal labour representation, again largely reflecting what they did in Germany. Three family-owned SMEs established some kind of works council in a top-down manner with the aim of keeping unions out of the enterprise. Nevertheless, closer analysis allowed to trace some influence of the German rationale underlying the works council system. The larger firms cooperating with a union tried to oblige the latter to give high priority to company welfare, just as German works councils are legally obliged to do. Bluhm's (2001: 163, 166) explanation of this behaviour is that "managers interpreted the plant-level representation system primarily as a workers' representation of their *own particular* firm and much less of more general union interests. In fact, it was not accidental that in

the interviews many German expatriates referred to the union committees in their plants as 'works councils' [...] and not as union organizations”.

In *Hungary*, a rather permissive host country environment, the German firms investigated in a case study carried out by Dörrenbächer (2004) showed a full transfer of their respective *production models* towards Hungary. Though, different models were already in place in Germany, comprising post-Fordist, Fordist and project-based models. On the other hand, in the field of *labour relations*, the companies deviated from the German model in important ways. *Trade union representatives* were present in only about a quarter of the companies, *works councils* were weak and rather served the communication needs of management, and *wages were mostly negotiated individually* or informally on company level with a *total absence of collective agreements* on sectoral level. Such policies and practices hence rather reflect an individualised Anglo-Saxon approach than the traditional German model (Dörrenbächer 2004: 449–450). Furthermore, hire and fire, use of temporary workers and frequent overtime was common in several companies. In line with the findings of Bluhm (2001), Dörrenbächer also found that the *larger German companies* generally felt more obliged to stick to the social partnership principles of the German model, arguing that “[e]xporting the social partnership attitude abroad appears to be more an issue of potential public pressure on the large, highly visible MNCs or by those smaller MNCs who gave their Eastern European subsidiaries a strategic role in the overall development of the MNC” (Dörrenbächer 2004: 453). Yet, even in these cases, companies only transferred parts of the IR model that did not put into danger the advantages of a permissive environment such as high production flexibility and favourable production costs.

In their recent study comparing German and US MNCs in *Hungary, Poland and Slovenia*, Meardi et al. (2009: 497) found that German country-of-origin effects were manifest in an emphasis on *technical knowledge, multi-skilling, job rotation, internal mobility* and, in line with Bluhm's (2001) earlier findings, *annualised working hours* as preferred form of working time flexibility. Furthermore, they made more generalised use of open-ended rather than temporary contracts than their US counterparts. No evidence of country-of-origin effects was found in the field of *ER*. German firms neither were more likely than their U.S. counterparts to use indirect employee participation through works councils or unions, nor were they less likely to embrace direct participation mechanisms. *Control* practices from HQ, the use of *teamwork* and *pay flexibility*

emerged as “disembedded” forms of global best practices in all of the German MNCs of the case study. Again in line with earlier findings of Bluhm (2001), also the German MNCs of Meardi et al.'s (2009) study exposed *great intra-model variation*, reflecting corporate culture, or in other words, the company's traditions and approach at home. One company with a strong stakeholder tradition stroke collective agreements and operated a sophisticated system of consultation, made extensive use of expatriates and provided considerable amounts of training. The latter included co-operation with local schools, departing from the traditional German model only in that pay was much more variable than in Germany. Another German MNC exposed a corporate culture that was much less German, reflecting the fact that employment in foreign subsidiaries exceeded that in Germany. This company was blamed by trade unions of undercutting previously achieved standards of social dialogue and collective bargaining over pay has been fraught so that IR were overall more adversarial. Though, also in this plant, the organization of production was more typically German with an emphasis on multi-skilling, training including co-operation with local schools through apprenticeships and annualised working hours. These differences also reflected different degrees of centrality of the German production and international integration of production with other plants, with both elements being higher in degree for the first MNC (Meardi *et al.* 2009: 502). Though, even between the Polish and the Hungarian plant of the first case MNC there were important differences. The Hungarian plant was first used for experimenting with new practices, and union recognition was achieved only after several years of conflict, intense pressure from the German IG Metall and changes in the local labour market situation with shortages and high turnover.

In *Korea*, Anglo-Saxon *performance-related pay* was introduced, but blended with pre-existing local seniority-based practices into a new *hybrid practice*. Furthermore, a similar *distinction* as in Germany has been found between workers covered by *collective agreements* and *exempt* managerial or clerical employees that negotiate their pay individually with their employers (Chang 2006: 245-246, 252). A *high investment in training* was visible in major efforts to train local employees, though without transferring German-style dual VET. Function-specific trainings and courses were rather delivered internally via coaching, and in one case study company, such training could even include a long-term stay at German HQ (Chang 2006: 247). *ER/IR* in Korean subsidiaries of the German MNCs were found to be *cooperative*. In two out of three investigated MNCs, Chang (2006: 248) found that collective negotiations with unions took place. In the remaining third MNC, a labour-management-council was in place that consisted of employee and employer representatives in equal measure, and the union was endowed with consultation rights.

Yet, due to a feeble membership level and hence a lack of representativeness, until then no collective bargaining was in place. Were unions and collective agreements were in place, issues related to overtime work, working conditions and vacation had to be agreed on in negotiations, whereas training and promotions were decided upon unilaterally by the employer (Chang 2006: 249). Furthermore, in line with findings about German MNCs showing *comparatively high levels of decentralization* in terms of *HR and IR*, all the three Korean subsidiaries of Chang's (2006: 250) study decided rather independently from HQ on major issues such as recruitment, personnel development, pay and wage negotiations with unions.

As Yu and Wu (2009: 123) pointed out, especially German MNCs' approaches towards collective representation deserve further investigation. As we have seen in our review of empirical research on German MNCs in the UK and in Middle-Eastern Europe, there is mixed evidence on their approaches towards HRM and IR in institutionally permissive business systems. As we have seen, especially earlier studies undertaken in the UK found that responsibility for IR was devolved to local subsidiaries with the result of IR practices being local and hence not involving collective representation. On the other hand, later studies found some extent of German influence shining through in the sense of an overall cooperative social partnership approach. Such influence was also found in Middle-Eastern European countries and may or may not lead to collective representation or the establishment of forms of functional equivalents to German institutions like works councils or dual VET. This evidence suggests an overall creative, cooperative approach towards transfer and dealing with local host country constraints and opportunities, at least among the bigger and well-embedded German industrial MNCs. German MNCs may hence combine some degree of “differentiation by choice” (Tempel 2001; Tempel *et al.* 2005: 193, 2006b: 27) as in the area of employee co-determination, where to the best of our knowledge no study has found such practices to be transferred abroad, with “social engineering” (Calori and Dufour 1995: 64), “productivity coalitions” (Windolf 1989) and the establishment of local functional equivalents (Tempel 2001: 57) for dual VET as well as cooperative relations with unions. The latter have been found to be treated somehow similar to German works councils (Bluhm 2001) and hence reflect a potentially unconscious (Edwards and Kuruvilla 2005: 7), but nevertheless present influence of a mindset, philosophy or ethos, that is deeply embedded into the German model. This, in turn, seems to support the suggestion made by Bluhm (2001: 156) that “(...) institutional choice is a matter of bounded rationality. Actors can change their policies, but they cannot control entirely their

expectations (and the expectations of others) or the social norms and routine practices to which they are accustomed”.

Table 17 below summarizes key findings of the most important empirical investigations on cross-national transfer of HRM and IR practices in German MNCs towards different host countries.

Table 17: German MNCs in different host countries – overview of empirical evidence

Host country, authors	Constraints and opportunities	German MNC reaction
UK, permissive environment (Beaumont <i>et al.</i> 1990; Dickmann 2003; Ferner <i>et al.</i> 2001; Ferner and Varul 2000a; Guest and Hoque 1996; Marginson <i>et al.</i> 2010; Tempel 2001; Tüselmann <i>et al.</i> 2006)	Low absorptive capacity: lack of institutional supports for dual VET and no comparable long-term career patterns as in Germany inter alia due to flexible external labour markets and less emphasis on technical competence great freedom in the field of IR	No transfer of formal IR rights (co-determination) studies carried out in the early-mid 1990s revealed many non-unionised subsidiaries; recent studies found greater use of collective ER approaches than in US MNCs; some evidence of collective ER being combined with individual HIWS into a dual approach as a blend of German consensual/partnership-oriented approaches and individual Anglo-Saxon practices some cases of transfer of dual VET with mixed success HR/IR policy often determined locally at subsidiary level
Spain, constrainng environment (Dickmann 2003; Ferner <i>et al.</i> 2001)	Highly legalistic framework of labour regulation / organization of the labour market covering: redundancy, nature of employment contracts, statutory model of worker representation within companies, rights and structures of unions and their representatives lack of qualified labour strong internal labour markets and low mobility IR more conflictual than in Germany	Introduction of dual VET schemes in some cases rather as a selection tool, in other cases in response to a perceived lack of adequately skilled employees on local labour markets generally greater ease with apprenticeship training schemes due to stronger internal labour markets with less mobility in some cases preventive measures to avoid industrial conflict; use of informal communication channels to improve management-labour relations cooperative tradition in ER/IR was reflected in creative ways of dealing with local structures: in some cases productivity coalitions were achieved together with local works committees, in other cases collective agreements were negotiated to introduce flexible working time schemes or standard- instead of temporary contracts were used in order to increase organizational commitment manufacturing firms accepted works committees and unions in Spain, whereas some banks did not have

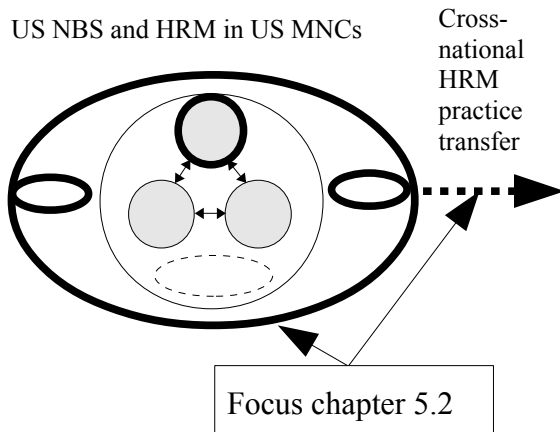
		a works committee
<p>Korea, constraining environment</p> <p>(Chang 2004, 2006)</p>	<p>Strong role of the state (investment in education and infrastructure, subsidies, policies to promote exports, control over financial resources)</p> <p>strong local norms and traditions (seniority, lifelong employment, gender-based pay differentiation, subjective evaluations including personal traits)</p>	<p>Introduction of Anglo-Saxon performance-related pay blended with local seniority-based pay leading to new hybrid practices</p> <p>developmental HRM with strong focus on technical training; no transfer of German dual VET, but exhaustive training for local staff that was sometimes delivered in Germany</p> <p>overall cooperative IR including unions and collective agreements</p> <p>differentiation between workers covered by collective agreements and exempt managerial and clerical employees</p> <p>comparatively high level of decentralization in HR/IR decision-making</p>
<p>Czech Republic and Poland, permissive environments</p> <p>(Bluhm 2001),</p>	<p>Working-time regulations more restrictive than in Germany</p> <p>local labour market with very low salaries</p>	<p>Overall considerable variety especially between SMEs and large-sized MNCs, and selective transfer of the German model via a) a transfer of selected elements of the German system that are positively viewed and b) the interpretation of local institutions in ways that translate important German concepts and the rationality underlying German institutions:</p> <p>difficulties in transferring working-time accounts due to restrictive local working-time regulations and unwillingness of local employees to participate (low salaries and need of <i>paid</i> overtime work or second job); successful transfer/implementation in cases where local employees were persuaded in negotiations including the outcome of better basic pay</p> <p>an important part of the larger German firms cooperated with local vocational schools to provide a functional equivalent to German dual VET, hence following the same rationality underlying the German system; a major motivation for this approach was that firms considered apprentice training an efficient recruitment strategy, that was considered preferable in the long run to recruiting from the external labour market</p> <p>large companies provided more dual VET-like training schemes and accepted unions with regular bargaining over wages and working conditions, SMEs showed non-cooperative and anti-union attitudes</p> <p>the rationality underlying German works council-management relationship showed through in large companies' cooperative approach towards union committees in that they tried to oblige the union committee to focus on the well-being of the firm rather than on general political aims of the union. This directly reflects legal obligations of German works councils at home.</p>

<p>Hungary, permissive environment</p> <p>(Dörrenbacher 2004)</p>	<p>Weak unions and works councils, rights often not enforced</p>	<p>Full transfer of the production model used in Germany (Fordist low-skill / low-cost; post-Fordist high-skill; project-based) according to needs of the industry</p> <p>only selective or no transfer of labour relations model: no collective agreements, no or weak works councils, individual or company-level wage agreements based on informal discussions</p> <p>many Anglo-Saxon style individualised practices (e.g. wage determination)</p> <p>large companies felt more obliged to respect social partnership rules than smaller ones</p>
<p>Poland, Hungary, Slovenia, permissive environments</p> <p>(Meardi 2007; Meardi <i>et al.</i> 2009)</p>	<p>Constraints rose with tightening of the local labour market for skilled workers, high turnover and the need to recognize more assertive trade unions since 2000</p>	<p>Control practices from HQ, teamwork and pay flexibility emerged as “disembedded” global best practices</p> <p>strong emphasis on technical knowledge, generally more reliance on multi-skilling, job rotation, internal mobility</p> <p>emphasis on training including co-operation with local schools for apprentice training</p> <p>annualised working hours as preferred form of working time flexibility</p> <p>no general country-of-origin effect in ER; German MNCs were no more likely to use indirect employee participation through works councils or unions – and not less likely to embrace direct participation mechanisms than their U.S. counterparts</p> <p>differences between German MNCs and between Polish and Hungarian plants of the same MNC reflecting disintegration of the German model at home and hence differences in corporate culture, different degrees of international production integration, and local labour market constraints</p>

Source: own compilation based on Beaumont et al. (1990), Guest and Hoque (1996), Ferner and Varul (2000a), Ferner et al. (2001), Tempel (2001), Bluhm (2001), Dickmann (2003), Chang (2004), Chang (2006), Dörrenbacher (2004), Tüselmann et al. (2006), Meardi (2007), Meardi et al. (2009), Marginson et al. (2010).

5.2 US MNCs – country-of-origin effects, overall approach towards transfer and host country effects

US NBS and HRM in US MNCs



Similar to our discussion of the German NBS, German HRM and HRM practice transfer in German MNCs, the following chapter is organized in three parts. In a first part, we will provide an overview of salient features of the U.S. national business system and its influence on domestic U.S. HRM. In a second step, based on an analysis of available empirical evidence, typical patterns and approaches towards transfer among US MNCs will be isolated. Finally, a more

detailed review of studies investigating HRM practice transfer within US MNCs towards different host countries will be provided in order to learn about their approaches in dealing with host country constraints and opportunities. Again, information obtained from this three-step analysis will provide the basis for the formulation of propositions or expectations concerning probable approaches of US MNCs towards HRM practice transfer and their ways of relating to the Swiss institutional context.

5.2.1 Salient features of the US-American national business system and domestic HRM

Firms, markets and MNC internationalization

A first overriding feature of the US-American business system is its “relative under-institutionalization, compared with the strong, relatively rigid institutional arrangements of (...) Germany” (Ferner *et al.* 2004b: 379). Owing to the *relative lack of institutional regulation*, US-American MNCs were free to experiment and to develop innovative practices, making them less tolerant of institutional constraints in host environments than other foreign firms (Ferner 2000a: 35, 39). In this respect, Godard (2002: 259) points to U.S. employer norms that are marked by an exceptional antistatism and may explain their great resistance to labour laws as a form of state regulation.

US-American MNCs have historically grown through *standardized mass production* for a *large and homogeneous domestic market*, focusing on economies of scale (Hollingsworth 1997a: 268). In this environment, firms have early developed *formalised hierarchies*, Chandler's “visible hand” (1977), and innovative organizational structures such as the multidivisional form (Chandler 1962). The *organizational capabilities* of large domestic firms in production, marketing and distribution as well as financial control of geographically remote operations that have been created within mass markets later provided the basis for their pioneering role in internationalization (Chandler 1990; Ferner 2000a: 6). The USA are therefore considered to be an “*old*” *investor country*, whereas Germany is seen as a “*young*” one (Cantwell and Bellak 1998: 103). As we have seen above, the enormous size of the U.S. domestic market and the strong performance of the U.S. economy throughout the largest part of the twentieth century was conducive to a rather ethnocentric orientation of US MNCs.

Within the hierarchical system of management adopted by U.S. firms excelling in mass production, management tended to adopt strategies of deskilling their employees and engaging in more opportunistic “*arm's length* dealings with suppliers and distributors” with “*hard-nosed bargaining over prices*” (Hollingsworth 1997a: 269, 296). As we will see, it is in this kind of *arm's length relations between economic actors* where dominant contractual forms of authority (Whitley 2000a: 52–53) as a recurrent feature of the U.S. business system are reflected.

The state and economic coordination

US-American “*competitive managerial capitalism*” evolved in an environment emphasizing market competition as opposed to German “*cooperative capitalism*” (Chandler 1990). Coordination problems in the liberal US-American market economy are hence resolved through firms' *reliance on market relations* and sharply separated hierarchies, while there is less institutional support for non-market forms of coordination (Clark and Almond 2004: 540; 2004: 66; Hall and Soskice 2001a: 27). This reliance on market relations is supported by strong legal institutions and a strict interpretation of written contracts following the principle of “*sharp in by clear agreement; sharp out by clear performance*” (Macneil 1974: 738) whereas relational contracts with other firms get little assistance from the U.S. legal system (Hall and Soskice 2001a: 31). In the U.S., *business associations and trade unions are weak* which has been led back to the large size of the country and the great number of firms with differing interests (Hollingsworth 1997a). Therefore, in the U.S., neither do employers generally coalesce around issues of concern to them specifically as employers,

nor are industry associations generally concerned with defining or defending the interests of member firms as employers (Wever 1995: 608).

Strict *anti-trust legislation* limiting the scope for cooperation between firms, and the absence of an explicit industrial policy further sustained these characteristics (Ferner and Müller-Camen 2004: 67). Hall and Soskice (2001a: 31) illustrate this issue with the example of research consortia, where US firms ran the risk of being sued for triple damages under antitrust law until the National Cooperative Research Act of 1984 had been passed, and also subsequently only an estimated part of 1 to 7 per cent of funds spent on research and development in the U.S. private sector are devoted to collaborative research.

In such an environment characterized by *competitive intensity*, which is additionally marked by a highly *individualistic ideology* (Brewster 1995: 2–3, 2007: 773; Guest 1990: 390; Hofstede 2001), employment as well as inter-firm relations usually take the form of *contract-based, arm's length market relationships* (Ferner 2000a: 8; Ferner and Müller-Camen 2004: 67; Hall and Soskice 2001a: 29–30; Redding 2005: 142).

Moreover, the emphasis on markets has been strengthened by the historical *weakness of the state as an economic actor* whose primary role has been to “set parameters for the behaviour of other economic actors” (Ferner 2000a: 7). However, we should guard against a simplistic view of a liberal, non-interventionist U.S. state. In this respect, O'Sullivan (2005: 553) points to “the historical importance of the U.S. government in shaping technological development“ in the military-industrial complex as well as biotechnology and pharmaceutical industries. In these fields, research funding provided by the U.S. government is of utmost importance to commercial innovation and hence, success in radical innovation can be considered a product of “distinctively non-liberal institutions” (O'Sullivan 2005: 554).

The state and labour market regulation

Concerning *labour market* regulation, the US-American federal state has been utterly reluctant concerning the imposition of statutory regulations on the employment relationship. This liberal attitude is manifest in the fact that the U.S. state “does not guarantee paid annual leave, maximum length of working week, a mandatory day of rest, or evening or night shift premiums” (Phelan *et al.*

2007: 351) and U.S. employment protection legislation standards are the least strict among all OECD member states (Venn 2009: 7). This utterly weak legal regulation of employment relations reflects the “employment-at-will doctrine” (Muhl 2001). These characteristics correspond to a *principle of contract* (Streeck 1987: 68–73) and cover the bulk of non-union private sector workers (Harcourt *et al.* 2007: 964), where “employers face few constraints in making redundancies” (Edwards and Rees 2006a: 292).

On the other hand, Wever (1995: 610) adds an important qualification concerning the nature of U.S. government involvement: while “government's involvement in employment relations matters is not extensive, (...) where it is involved its engagement is quite intensive, detailed and controlling”. In this connection, she points to the system of exclusive union representation and government regulation of IR with laws regulating substantial areas over which employers and unions may or may not bargain. Still another notable exception to the absence of statutory regulation in the field of employment relations is *discrimination*, where “Federal legislative protections (...) from wrongful discharge based on race, religion, sex, age, and national origin” (Muhl 2001: 3) have been established starting in the 1960s. The particular “diversity agenda in the USA” (Ferner *et al.* 2005a: 308) is closely linked to the historical legacy of social and racial heterogeneity with the associated social tensions deriving from slavery and mass immigration (Kurowski 1999, 2002).

The utterly great flexibility of the U.S. labour market that imposes hardly any constraints on numerical flexibility has encouraged firms' reliance on *external labour markets* (Ferner 2000a: 11; Ferner and Müller-Camen 2004: 70). The focus on external labour markets, in turn, limits the development of long-term stable relations between employers and employees. Yet, the latter is considered a prerequisite for a highly skilled and broadly trained workforce (Hollingsworth 1997a: 271). Especially the developments since the 1980s, involving increasing job insecurity, a rise in contingent employment and layoffs, have been critically commented upon (Uchitelle 2006). In this respect, some authors point to the breakdown of “the old social contract – job security in return for commitment” in the 1990s (Phelan *et al.* 2007: 553). In this connection, Kochan (2006: 378) observes that “layoffs became acceptable as a strategy of first rather than last resort” since evidence from the stock market showed no negative effect on share prices. Osterman (2010: 408) concludes on recent trends on the U.S. labour market that employment has become less secure, and employee voice and power expressed via unions has declined, while at the same time new high commitment

systems have spread. While on the one hand jobs are on average more skilled, on the other hand a very substantial low wage labour market has persisted and there is overall evidence of growing diversity of employment practices.

Industrial relations

Concerning IR in the U.S. business system, the latter has been described as a “deregulated and lightly institutionalised IR setting” that is marked by an individualistic management philosophy and deeply rooted *management preference for non-union* employment relations (ER) policies (Tüselmann *et al.* 2008: 1624). On the one hand, this preference may in part be due to the wish to circumvent the rigidities imposed by detailed government regulation in specific areas as discussed above. On the other hand, management antipathy to unions is also reflecting the ideal of organizational autonomy and the concept of the “right to manage” (Brewster 1995: 1, 3). Facing a legitimacy crisis beginning in the 1930s that revolved around concerns about the concentrated market power of trusts, employers perceived a threat to management power and prerogatives from both, unions and the state (Godard 2009: 92–93). This philosophy is incorporated in a “*unilateral*” approach to structuring the relationship with human resources (Hall and Soskice 2001a: 29; Wever 1995). The U.S. system of IR has traditionally been viewed as more *conflictual* and more strongly driven by the strategies of the employers than the German one (Wever 1995: 606). This is manifest in a considerably higher amount of working days lost per 1 000 employees due to industrial conflict when compared to Germany (Lesch 2004: 17). In Godard's (2009: 87) view “perhaps no other country’s labor history contains more tales of working-class struggle and sacrifice than America’s”.

Generally, the prevalent arena of IR in the U.S. is the company level. The collective agreement coverage rate of 13% is one of the lowest among OECD countries (Venn 2009: 18) and union membership rates of 11.8 and 11.4 per cent for 2009 and 2010 respectively are clearly below the OECD average of 18.4 and 18.1 per cent (OECD 2012c).

In view of the *lack of co-ordination* among both unions and employers' associations on a national level (Wever 1995: 608), it is not surprising that the focus in the field of HRM and IR/ER has always been on the organizational or sub-organizational level with the underlying assumption of great organizational latitude with regard to the management of personnel (Brewster 2007: 770). Though, it has been argued that this US-American core assumption does not readily apply to a

European setting of HRM that is marked by several internal as well as external constraints on organizational autonomy (Brewster 1995: 11).

Historically, also the U.S. have seen a period when IR was collectively organized and fairly regulated. Kochan et al. (1994) provided a well-known description of the *New Deal* industrial relations system, including the rigidities emanating from legal regulations such as the Wagner Act of 1935, the National Labor Relations Board and *job control unionism* (Wever 1995: 609). This particular IR system was especially well-suited to the needs of standardized mass production (2000a: 14). Yet, starting in the 1960s a new, more flexible *non-union model of employment relations* emerged that was better suited to the needs of new, rapidly growing industries such as computing, electronics and services, while the union model started to decline. In this connection, Jacoby (Jacoby 1997) has coined the term “*welfare capitalism*” to describe this new non-union model where “the business corporation, rather than government or trade unions, would be the source of security and stability in modern society” (Jacoby 1997: 1). As distinct from the continental European corporatist-statist or Scandinavian social democratic types of welfare state, the liberal U.S. welfare state provides only residual social benefits and hence leaves large space for companies to jump in and fill the gap (Esping-Andersen 1990b). Welfare capitalist firms started to introduce innovative techniques to win the commitment of their employees. Such techniques included individualised, performance-related pay systems, new team-based, high performance or high involvement work systems and a variety of social science techniques like employee surveys and communication programmes. Furthermore, these firms established internal labour markets, offering a high degree of employment security based on functional flexibility of well-trained staff. Sophisticated techniques of recruitment and selection assured the hiring of candidates with the right qualifications and potential, and firms took up the German notion of *Gemeinschaft* or *community of interests* between employer and employees (Jacoby 1997: 40, 47, 238).

The existence of *union and non-union sectors and geographical regions* in the U.S. has been argued to be at the origin of a “competitive tension in the domestic environment between unionised and non-unionised sectors” (Beaumont and Townley 1985; Edwards and Ferner 2002: 103). In this respect, the GM Saturn plant is often referred to as a paramount example of the union model, where management and labour representatives have intended to take stakeholder interests more seriously into account (Kochan and Rubinstein 2000). This has been argued to be difficult in the U.S.

business environment where generally the “importance of developing HRM systems that address the concerns of all key stakeholders is not widely recognized” (Schuler and Jackson 2005: 17). In this connection, Godard (2002: 272) argues that “[u]nless appropriate institutional and cultural support systems are in place, stakeholder, consultation, and representation rights may prove of limited effectiveness”. In any case, the existence of two competing models of employee relations within the U.S. NBS may be viewed as an example of “variation "at the source", leading to employment systems that are "moving targets": both internally varied and evolving, or "recombinant"” (Meardi *et al.* 2009: 505). Such variation may be conducive to different approaches towards IR and HRM between firms from different sectors or geographic regions although they may be embedded in the same national business system.

As we have seen earlier, recent developments starting in the 1980s involving greater competition, unstable product markets and reduced margins led to an erosion of the welfare capitalist model. While contemporaneously pressures for short-term financial results and shareholder value increased, commitment and loyalty of employees was undercut by downsizing and layoffs (Ferner and Müller-Camen 2004: 78). In his critical discussion of welfare capitalist employment practices, Osterman (1999: 144) does not “come away convinced that the manors represented anything other than a collection of specific practices aimed at keeping out unions combined with unusually strong antiunion animus on the part of the chief executives of these firms”. In his opinion, employment stability as the most salient and distinct element of welfare capitalist firms “seems more attributable to product market advantage than to employment practices” (Osterman 1999: 144). Ferner and Müller-Camen (2004: 78) also call attention to the fact that even within welfare capitalist firms, dual internal labour markets continued to exist with managers and engineers being treated quite differently from low-skilled production workers. Furthermore, within the non-union strand of firms, in sectors like fast food and retail, low-road variants of non-unionism prevailed.

Overall, referring to the framework for the analysis of employee relations proposed by Guest and Conway (1999), we may argue that the U.S. NBS, while exposing a dualism between union and non-union models of employment relations, has a strong bias towards individualised approaches with some sectors having developed high-road approaches including HIWSs and others adopting low-road individual approaches.

Education and training systems

In the U.S., the education and training system is complementary to the highly fluid external labour markets in that its institutions provide formal education that focuses on certification in general skills (Hall and Soskice 2001a: 30). The decentralised system of IR did not encourage the social actor's involvement in the apprenticeship system which, in turn, is not feasible without close collaboration with the labour market. Since apprenticeship training in the U.S. was dependent on collective bargaining or on employers' willingness to train, the number of apprentices fell together with the decline in trade union density and coverage by collective agreements. Therefore, except for the construction industry, today the apprenticeship system is not highly developed and formal apprenticeship is not an important component of initial vocational training in the USA (Bosch and Charest 2008: 437). While companies often work closely together with community colleges and other training providers when extending their own training, the training provided is not based on generally recognized industry standards to which program sponsors would be bound, which is due to the highly decentralised nature of the U.S. educational system (Lerman 2008: 74–76). Thus, Kerkhoff (2001: 5) ascertains that standardization “is by far the lowest in the United States” when compared to France, Germany and Great Britain. This is due to the fact that the National Skill Standards Board that has been created in 1994 did not succeed in establishing a national system of skills standards. One of the reasons for this is the weakness of employers at the national level (Bosch and Charest 2008: 438). Thus, “[m]ost American students obtain general credentials (a high school diploma or a bachelor's degree) that seldom have vocational meaning, and they obtain them from educational institutions that are among the least standardized in the world” (Kerckhoff 2001: 7). While the Office of Apprenticeship within the Employment and Training Administration of the U.S. Department of Labour oversees the U.S. system of apprenticeship training, its budgetary resources are minimal and its responsibilities concern rather protection of safety and health and the prevention of discrimination than the content of vocational training (Lerman 2008: 73–74). The estimated share of vocational programmes among the population with completed upper secondary education in 2005 was of only 5% (Bosch and Charest 2008: 432) and there is a continuous shortage of skilled labour in the intermediate tier (Bosch and Charest 2008: 440). In this connection, a recent survey carried out in the spring of 2007 (Lerman *et al.* 2009) found that nearly all of the participating registered apprenticeship sponsors reported that the apprenticeship program helps them meet their skill demands. Still another interesting finding of this survey concerns the risk of

poaching or free-riding of competitors that is theoretically considered a disincentive for firms to provide their employees with general skills (Edlund and Gronlund 2008: 247). Lerman et al. found that only about one quarter of surveyed sponsors regard poaching as a significant problem and even among those, about 85 per cent still recommend apprenticeship to others (Lerman *et al.* 2009: 20-21, 42).

Schlie and Warner (2000: 37) summarize that the US educational system is marked by a relatively poor technical education at the shop floor and a relatively poor quality of primary and secondary education. In this system, *managers are trained as generalists* rather than as specialists or technical experts, and MBA programmes are well-developed and play an important role in management training. Managers who received such a high-level general education are then usually marked by *great functional and inter-firm mobility* along their career.

Financial system and corporate governance

The U.S. model of corporate governance can be characterized as *market-oriented, outsider-dominated and shareholder-focused* (Weil 2002). As Perlitz and Seger (2004: 11) explain, in such systems “one finds a tendency to please the shareholder in the short term” and “managers seek short-term profit at the expense of long-run market positions”. In the USA, there are no close-knit corporate networks capable of providing investors with inside information on company progress which makes dispersed investors dependent on publicly available information to value the company (Hall and Soskice 2001a: 28–29). U.S. firms have a unitary board structure where neither employee representation on supervisory bodies nor separation between supervisory and managerial leadership is required (Perlitz and Seger 2004: 3). The development of a *strong market for corporate control* particularly in the 1980s (O'Sullivan 2000: ch. 5) and the model of shareholder capitalism have had profound consequences on corporate behaviour and HRM/IR (Ferner 2000a: 9) taking the form of short term strategies and short term financial goals (Geppert *et al.* 2003b: 624). For U.S. firms that are relying on liquid capital markets for the provision of capital (OECD 2004: 19–20), creating shareholder value is one of the major drivers of senior management decision-making (Froud *et al.* 2000; Lazonick and O'Sullivan 2000). In the U.S., shareholders currently are predominantly *institutional investors* which actively monitor share prices and engage in frequent transactions on the capital markets to maximize returns in the short term (Kristensen and Morgan 2007: 200). The

financialization theses (Froud *et al.* 2006) hence posits that managers translate capital market pressures for performance gains into financial performance targets inside the firm. For this purpose, sophisticated business planning techniques are used that are sustained by powerful IT systems (Ferner *et al.* 2004b) to set and monitor targets and to make different performance levels between units visible. While the impact of downsizing and layoffs on employee commitment have already been discussed above, radical shifts in business strategy (Almond *et al.* 2005: 299) and frequent restructuring of firms have been led back to the sharp shareholder value orientation of U.S. firms (Froud *et al.* 2000).

Conventions governing trust and authority relations

Lastly, we will consider the strength of formal institutions generating trust between potential business partners and the reliance of institutional procedures when making business commitments. Analogous to our analysis of the German NBS, we will hence take a closer look at the trustworthiness of relevant institutions like the legal system, and the level of corruption in the U.S. NBS.

Individual property rights are strongly protected by the fourth and fifth amendments of the US Constitution (United States of America 1789). Concerning reliable institutional procedures, an independent jurisdiction and the rule of law, we can draw on the latest publications of Transparency International. On their Corruption Perceptions Index, the USA are ranked 24th of 183 countries with 7.1/10 points and are thus part of the third best group of countries, together with, inter alia, Ireland, Belgium and France (Transparency International 2011a). A further look at the Global Corruption Barometer 2010/11 (Transparency International 2011b) reveals that a large majority of 72% of U.S. citizens asked perceived that the level of corruption has increased in the last three years. This concerns mostly political parties that are judged with a 4.3 on a scale ranging from 1 for not at all corrupt to 5 for extremely corrupt. Public officials, police and judiciary are significantly better rated with 3.8, 3.3 and 3.4. For doing business in a country, we would expect public officials and the judiciary being the most important institutional elements since these bodies decide on licences, permissions and sanctions or help individuals to enforce contractual obligations when a business partner fails to deliver. When comparing the current U.S. corruption rating with other advanced OECD countries, we might expect that business is not excessively influenced by corruption. Formal institutions may be considered sufficiently reliable to serve as a formal-institutional guarantee for

contractual obligations to be respected and for administrative processes to be delivered correctly and equally. Though, a 24th rank with a negative development in recent years, a very negative judgement on political parties and a moderately high extent of perceived corruption concerning public officials is far from being a desirable status for the world's leading market economy.

As we have done for Germany, we will again draw on culturalist contributions in order to learn about the nature of authority relations in the U.S. Hofstede (2001: 377) considers power distance and uncertainty avoidance values to span a matrix of four different implicit models of organization. In this matrix, the USA are part of the Anglo-Nordic cluster exposing a small power distance score of 40 together with an equally weak uncertainty avoidance, displaying an index of 46 (Hofstede 2001: 500). In such cultures, the implicit model of the organization would therefore resemble a market and be implicitly structured. The small power distance furthermore implies that there is few social and moral distance between leaders and led. Furthermore, the USA are the highest ranking nation on individualism (Hofstede 2001: 500), pointing to high degrees of autonomy and working for individual rather than common interests. Trompenaars and Hampden-Turner (1996: 53; Trompenaars and Hampden-Turner 2012) furthermore classified the USA as a universalist culture, where the respect of formal rules and laws is more important than the consideration of personal relationships. We might therefore also expect the relation between superordinate and subordinate to be governed by formal rules and procedures. Job control unionism during the New Deal, that we have discussed earlier, might serve as a good example of clear sets of rules governing IR, and hence the relation between leader and led. But also Luthans and Hodgetts (1996: 106) emphasize “a consistent system of abstract rules and standards which help ensure uniformity in the performance of duties and co-ordination of tasks” and “a spirit of formal impersonality in which duties are carried out” as elements of classical US-American organizational design. These features strongly qualify the USA as a formal political culture as opposed to paternalist ones. Lodge (1987) distinguishes between two varieties of formal political cultures, with Anglo-Saxon countries typically exposing contractual forms of authority, while in Scandinavian or continental European countries communal forms of authority are more widespread. As we have seen, there is a pervasive market mentality present in the U.S. NBS (Hall and Soskice 2001a: 29–30; Hollingsworth 1997a: 271; Redding 2005: 142), which confirms the classification of the U.S. as a formal political culture where *contractual forms of authority* are in place. Philippe d'Iribarne (1989), who identified the logic of a fair contract as the basic principle of U.S. management, lends further support to the thesis

of predominant contractual forms of authority in the USA. Legitimate access to superordinate positions and status in the USA are achieved through personal accomplishments (Trompenaars 1996: 62; Trompenaars and Hampden-Turner 2012), which are usually evaluated as performance against predefined plans and objectives (Luthans and Hodgetts 1996: 109). The motive of achievement is also very present in the writings of the U.S. psychological theorist and founder of a well-known motivational theory, David McClelland (1953; 1961).

5.2.2 HRM in US MNCs and cross-national HRM practice transfer

Following our overview of important features of the U.S. business system, we will now provide an overview of how country-of-origin effects translate into distinct HRM policies, practices and approaches towards transfer within US MNCs. In order to do so, we will summarize the main findings drawn from a body of recent empirical research on US MNCs' approaches towards transfer and HRM practices in their foreign subsidiaries.

A first characteristic distinguishing US MNCs from their counterparts of other countries-of-origin is their comparatively high degree of *centralization* with corporate HQ playing a strong role in global HR policy formulation (Almond 2011a: 261). This overall structural feature is accompanied by a strong tendency towards *formalization and standardization* (Ferner *et al.* 2004b: 366). US MNCs were at the forefront in introducing sophisticated, *IT-based systems of performance management* including *highly differentiated pay systems* and *tight financial control* (Ferner *et al.* 2004b: 365; Ferner and Quintanilla 1998: 715; Geppert *et al.* 2003b: 624; Kristensen and Morgan 2007: 200). These characteristics reflect strong market-based norms or a “market mentality” (Hollingsworth 1997a: 271) behind the employment relationship and US MNCs' “focused concern for shareholder value” (Fenton-O'Creevy *et al.* 2008: 156).

Taken together, the elements of centralization, formalization and standardization facilitate *cross-national transfer through formal channels* of more “context-generalizable” (Taylor *et al.* 1996: 964) HR practices and competencies that are commonly found among US MNCs (Ferner *et al.* 2004b: 367; Ferner *et al.* 2011: 488; Kristensen and Morgan 2007: 200). Such practices usually take the form of *codified and reproducible management systems* that can be managed from a strategic centre and that are easily transferable since they are not highly dependent on tacit knowledge (Ferner *et al.* 2004b: 367). These results are further supported by recent survey findings, confirming

that local subsidiaries of US MNCs generally dispose of lower levels of discretion in HR policy formulation than MNCs from other countries (Ferner *et al.* 2011: 495).

Another typical feature of US MNCs concerns their overall *willingness to transfer* domestic HR practices, leading to consistently strong country-of-origin effects. These are reflected in attempts to transfer HR practices and IR policies in a standardized manner on a global scale in order to leverage competencies and increase efficiency across plants internationally (Almond *et al.* 2005: 280; Ferner *et al.* 2004b: 367; Tüselmann *et al.* 2008: 1624–1625). According to Schuler and Jackson (2005: 20), U.S. firms putting a strong emphasis on strategic HRM have developed *high involvement work systems* (HIWS) where a whole set of HR practices is assumed to work in concert with each other as part of a complex system. The idea behind is that of HIWS bundles where complementarities exist between the constituent practices if these are internally consistent and mutually sustaining or reinforcing (Ichniowski *et al.* 1997). In such systems, “any performance effect may be conditional upon adopting of the full repertoire of high-involvement practices, and performance gains may fail to be realised if practices are implemented in a piecemeal fashion” (Edwards and Wright 2001: 577). Therefore, internal *HR consistency becomes a crucial issue* to many US MNCs. This is strong incentive for cross-national HR practice transfer in order to establish globally integrated HIWSs. Cross-national practice transfer also includes the diffusion of best practices that are considered as sources of competitive advantage, and hence, connected to firm financial performance (Schuler and Jackson 2005: 14, 20-21). The willingness of US MNCs to transfer on the one hand, and the receptiveness of European host business systems on the other, have been positively influenced by the fact that “an increasingly internationalised economic system appears to be dominated by the USA, a position that has since the 1950s encouraged other national business systems to ‘import’ American approaches to business in general and industrial relations specifically” (Clark 1999; Clark *et al.* 2005: 508; Gilpin 2000). For instance, “Ireland and Spain have for some time viewed foreign MNCs as partners in economic development and pursued permissive export-led strategies towards FDI” (Clark *et al.* 2005: 512–513).

The flexibility of the liberal U.S. NBS has encouraged employers to assume a “proactive” stance (Ferner *et al.* 2011: 488; Lawrence 1996) and to experiment, bringing forth *major innovations* in the field of HRM and IR. The great freedom in terms of HRM and IR practices that the U.S. NBS grants to firms and management, and the proactive approaches adopted by US firms, are therefore standing in sharp contrast to what we have seen in Germany. In the latter case, the freedom of

organizations in terms of their HRM practices is strongly restricted by institutional regulations, rules and procedures including co-determination (Ferner *et al.* 2011: 488) and an overall tendency towards juridification (*Verrechtlichung*)(Avery *et al.* 1999: 22; Wächter and Stengelhofen 1992: 24–25).

Some of the *innovative practices*⁷ transferred within US MNCs towards their European subsidiaries are related to *individualization* of HRM including *performance-related pay*, but also the *management of corporate culture* and *the use of formal corporate culture as a management tool* (Ferner *et al.* 2004a: 117) in the sense of “cultural engineering” (Alvesson 2002: 47–48). Furthermore, U.S. innovations in HRM comprised techniques developed or applied in welfare capitalist firms in order to *win the commitment* of their employees. The latter comprised inter alia general *welfare programmes* and benefits such as pension plans. Health care systems, unemployment insurance, and attractive remuneration. In sophisticated performance management systems, performance-related pay has been coupled with more flexible, individualised forms of performance appraisal, profit-sharing schemes and promotions. Moreover, such MNCs have tailored policies to new labour market segments, and hence, introduced family-centred policies. Still another important innovation was the use of *social science techniques* (Jacoby 1997: 220–228, 246) such as regular employee surveys (Ferner 2000a: 17; Ferner and Müller-Camen 2004: 75–77). Structural innovations in HRM concerned the *search for economies of scale* through the establishment of HR shared services (Ulrich 1995) as well as outsourcing and off-shoring of HR activities (Ferner *et al.* 2011: 488; Lever 1997).

Lastly, as we have seen in our discussion of salient features of the U.S. national business system, the *diversity* of the U.S. workforce has given rise to the elaboration of well-developed diversity policies and programmes (Kurowski 1999, 2002). Since one of the traditional roles of U.S. HR professionals is to assure compliance with legal regulations (Schuler and Jackson 2005: 13), they have developed diversity programmes partly because of a series of legislative measures following the civil rights movement (Bond and Pyle 1998; Dessler 2002: chapter 2), and partly because of demographic trends that are at the basis of the business case for diversity. In this connection, Ferner *et al.* (2005a: 308–310) point to unresolved tensions between equal opportunities and business case strands, arguing that despite the strength and visibility of the U.S. diversity agenda, equality legislation in the U.S. has lacked supporting systems of social regulation like unions and collective

7 In this connection, Wächter *et al.* (2004: 86) defined innovative practices as “those that deviate from common, widespread practices in a given context”.

bargaining that help to build and enforce legal rights in Europe. Limited evidence of small-scale studies suggests that US MNCs began in the latter part of the 1990s to *transfer diversity programmes* to their overseas operations (Egan and Bendick. 2003; Wentling and Palma Rivas 2000). Though, the findings of empirical research seem to indicate that overall initiatives abroad were fewer and less aggressive. Companies rather transferred the basic framework including a common global mission, corporate values, global diversity teams, common administrative structures and training programmes (Egan and Bendick. 2003). Within these frameworks, foreign subsidiaries were then given autonomy to adapt policy to local concerns. In European countries, especially *gender policies* were pervasive that included affinity groups and mentoring systems for women employees as well as targets or quotas (Ferner *et al.* 2004a: 121; Ferner *et al.* 2005a: 313; Gunnigle *et al.* 2004: 171). In some cases, women's quotas were perceived as a constraint by local management which led to tensions with HQ (Quintanilla *et al.* 2004: 146–147), or diversity was not at all perceived as a local management priority (Wächter *et al.* 2003: 105, 2004: 104–105).

Besides being conducive to various innovations, the freedom to experiment also led to a great deal of *variation* across sectors and regions within the U.S. NBS, pointing to a great amount of “variation at the source” (Meardi *et al.* 2009: 505) especially in terms of ER policy. Such variation comprises New Deal job control unionism (Kochan *et al.* 1994: 28; Wever 1995: 609) in some sectors and regions, high-road non-union HRM in welfare capitalist firms (Jacoby 1997) as well as low-road non-union HRM models as for example in the fast food business (Clark and Almond 2004: 540; Clark *et al.* 2005: 512). Thus, following Guest and Conway's (1999) framework for analysis of ER policy choices, within the US NBS, we can identify *traditional collective* ER involving collective voice mechanisms but no high involvement work systems (HIWS), *individual high-road* models including HIWS and *individual low-road* models where neither HIWS nor collective voice mechanisms are in place. Lastly, we might argue that innovations within the unionised sectors led or may lead to the establishment of *dual collective* ER models involving both, collective voice mechanisms and HIWS. Cases like the well-known Saturn plant might serve as an illustration of such developments (Kochan and Rubinstein 2000).

Though, in field studies, US MNCs have been repeatedly found to exhibit strongly *individualistic management philosophies* and a strong preference for direct forms of employee consultations which translated into a clearly *negative attitude towards unions* and collective forms of representation (Almond *et al.* 2003: 433; Clark and Almond 2004: 538; Ferner *et al.* 2005b: 703; Geppert *et al.* 2003b: 625; Marginson *et al.* 2010: 173; Tüselmann *et al.* 2008: 1624). These traits have been

argued to reflect the “antiunionism of major variants — union avoidance ‘low road’ and union substitution ‘HRM’ — of the American business model“ (Marginson *et al.* 2010: 155). Furthermore, wide-spread anti-union stances seem to have a strong *influence on the mindset of many American managers who consider union recognition equalling management failure* (Ferner *et al.* 2004a: 118; Wächter *et al.* 2003: 87, 2004: 95).

Individual performance appraisals, individual reward systems and merit pay as well as monitoring of the effectiveness of training have been identified as “characteristically US human resource management practices” (Gooderham *et al.* 2006: 1492) that are indicative for a *rational, calculative approach* (Gooderham *et al.* 1999). Such practices are based on an assumption of employer-employee unanimity where firms follow a *unitarist* rather than a social partnership approach (Sparrow and Hiltrop 1994).

Table 18 below summarizes key findings of previous research concerning US MNCs' overall approaches towards HRM practice transfer.

Table 18: Overview of HR practice transfer in US MNCs

Typical HR architecture	Attitude towards transfer	Transfer mechanisms	Practices subject to transfer
Comparatively strong centralisation, formalisation and standardisation; HQ as strong centre for decision-making in the field of HR/IR: central design of global policy, frameworks, processes and practices	Strong willingness to transfer inter alia linked to dominant systemic position of US NBS and introduction of high involvement work systems (HIWS) implying strong need for internal HR consistency; standardised and formalised practices are easily transferable	Heavy use of formal channels: standard policies, practices, processes and frameworks supported by IT-systems; HR coordination through regular international contact and formal reporting lines	Calculative HRM practices as part of HIWS involving sophisticated performance management systems relying on individualised, performance-related pay and broad-banding of salary levels non-union ideology: strong preference for individual forms of ER/IR and direct forms of communication clear and formal corporate culture integrated as part of management development/ socialisation practices diversity policy frameworks

Source: Own compilation based on Almond (2011a), Almond *et al.* (2003), Kristensen and Morgan (2007), Ferner *et al.* (2011), Ferner *et al.* (2005b), Ferner *et al.* (2005a), Ferner *et al.* (2004b), Ferner *et al.* (2004a), Ferner and Müller-Camen (2004), Ferner (2000a), Ferner and Quintanilla (1998), Geppert *et al.* (2003b), Almond *et al.* (2005), Wächter *et al.* (2003), Fenton-O'Creevy *et al.* (2008), Kurowski (1999), Kurowski (2002), Gunnigle *et al.* (2004), Quintanilla *et al.* (2004), Wächter *et al.* (2004), Gooderham *et al.* (1999), Hollingsworth (1997a), Tüselmann *et al.* (2008), Schuler and Jackson (2005), Jacoby (1997), Kochan *et al.* (1994), Kochan and Rubinstein (2000), Wever (1995), Guest and Conway (1999), Sparrow and Hiltrop (1994), Meardi *et al.* (2009), Clark *et al.* (2005), Clark (1999), Gilpin (2000), Lawrence (1996), Ulrich (1995), Lever (1997), Bond and Pyle (1998), Dessler (2002), Wentling and Palma Rivas (2000), Egan and Bendick (2003), Clark and Almond (2004), Marginson *et al.* (2010), and Edwards and Wright (2001).

5.2.3 US MNCs in different host countries

As we have done for German MNCs, in a third step we will now have a closer look at US MNCs and HRM practice transfer in distinct host countries in order to learn about their typical approaches of dealing with host country constraints and of using locally available resources. Based on this information, we can later formulate propositions concerning US MNCs' expected ways of relating to the Swiss host country.

When studying the cross-national *transfer of strongly individualised, calculative HRM practices* as part of US HIWSs, researchers investigating at the host country subsidiary level have focused their attention especially on IR systems and legal frameworks in CMEs. This is due to the fact that several CMEs constrain the freedom of firms to apply market driven management practices, particularly in regard to pay policy (Pulignano 2006; Quintanilla *et al.* 2008; Wächter and Peters 2004; Wächter *et al.* 2003). In this connection, Gooderham *et al.* (2006: 1496) pointed out a central difference between the US and the European setting in explaining that “[a]t a general level in Europe substantial firm autonomy and weak trade unions is the exception rather than the rule”. While empirical research generally confirms the picture of US MNCs' IR policies being strongly shaped by a non-union ideology, the IR practices and systems in place in their foreign subsidiaries were found to depend on a whole set of influences including host country regulatory environments, labour market constraints and micro-political issues. In fact, many US MNCs accept and comply with local norms in terms of union recognition and membership, be it for legal reasons or for the perceived costs of departing from established patterns and traditions in the field that may arise from bad morale and publicity or industrial action (Edwards and Ferner 2002: 102). Hence, different host country regulatory regimes as well as industry characteristics moderate the degree of US country-of-origin influence in IR and ER.

In the following section, we will have a closer look at empirical evidence on US MNCs in different host country environments in order to find out in how far and in what ways US country-of-origin influence is reflected in their transferred practices, and how US MNCs deal with different host country institutional as well as labour market constraints and opportunities. In this respect, especially *strongly regulated CME host country environments* as in *Germany* have been repeatedly found to impose major restrictions on the transfer of non-union IR policies and strongly

individualised, performance-based pay systems. Conforming to these arguments, in their survey study Gooderham et al. (2006: 1506–1507) found that calculative HRM practices in US MNCs' subsidiaries were significantly less common in the German, Danish and Norwegian CME settings when compared to the UK, Ireland and Australia. Case studies in several CME environments including Germany, Spain and Italy brought further insights into the nature of specific host country constraints and the way US MNCs dealt with the latter when trying to transfer HR practices.

As we have seen, in the *German NBS*, dual VET, industry wide collective bargaining and co-determination on plant level via the works councils and hence, a multitude of legal and collective regulations governing IR, have repeatedly been argued to represent the most important labour market institutions that are imposing important constraints on the transfer of individualised, firm-centred US HRM practices (Giardini *et al.* 2005; Müller 1997, 1998, 1999a, 1999b; Singe and Croucher 2005; Tempel 2001; Tempel *et al.* 2006a; Wächter *et al.* 2003, 2004; Wächter and Stengelhofen 1992; Williams and Geppert 2006a). Due to the strength of German labour market institutions some authors have even asserted that, in the German IR system, “simple union avoidance is not an option” (Almond *et al.* 2005: 291).

However, case study evidence suggests that, while US MNCs formally seem to comply with German regulations, they also engaged in extensive exploration of options. Clark et al. (2005: 507) observe that “US MNCs have presented the most direct challenge to the existing IR system in Germany, with both the sectoral bargaining system, and, to a somewhat lesser extent, the system of codetermination being targets of policy change” among some of their case study firms in the 1990s. Wächter et al. (2004: 94–101) have reported on pragmatic reasons for US MNCs to align their remuneration to the provisions of the collective agreement but on attempts to clearly separate unions and works councils. Strict avoidance of collective agreements and lay-offs of unionised workers running for election as works councillor in one US bank even caused a broad-based public campaign against the bank (Wächter *et al.* 2004: 96). Although open avoidance of works councils has not been discovered in the cases investigated by the group of researchers around Hartmut Wächter, US MNCs have extensively used the latitude granted by the German Works Constitution Act (*Betriebsverfassungsgesetz* 1972; Wächter *et al.* 2004: 98–99). Yet, other case studies revealed that certain US MNCs adopted works council avoidance strategies (Köhnen 2000; Müller 1998; Royle 1998; Royle and Towers 2002). Furthermore, while eager to clearly separate works councils and unions wherever possible, the former appeared to play an important role in many case

companies (Wächter *et al.* 2003: 105). There was rather close cooperation involved in most cases, while the extent of cooperation decreased with increasing union influence (Wächter *et al.* 2004: 98), suggesting that US companies tried to strongly influence the works councils. Kluge and Vitols (2001: 3) reported that Anglo-Saxon managers valued the legitimacy effect of works councils and explained that “[b]y successfully supporting restructuring, works councils can reduce foreign owners' mistrust and prejudices about German codetermination”. Also interesting in this connection is Cooke's (1997: 13–14) finding about US investors who generally seemed to be much less concerned about employee representation through works councils than with involvement of employers' associations or trade unions. In their review of empirical investigations, Singe and Croucher (2005: 131) came to the conclusion that US MNCs generally seem to allow works councils to be established on employee request, although preferring direct communication and rapid change, and that they are trying to exert strong influence on works councils. Companies prioritising overt works council avoidance were especially found in the fast food (Royle 1998; Royle and Towers 2002) and retail (Köhnen 2000) sectors. Since such strategies in these sectors are consistent with those of German competitors, it is hard to distinguish between country-of-origin, sectoral and company size effects (Singe and Croucher 2005: 132). Still another interesting contribution is the study undertaken by Tempel *et al.* (2006a). At a first glance, the German operations of three of their case study companies seemed to fully comply with local collective representation practices. They were covered by a collective agreement either on industry or company-level and had works councils in place. However, deeper examination revealed that subsidiary managers were put under intense pressure from HQ to deliver results regardless of local collective representation agreements. In cases where the subsidiary's performance track had been poor throughout the 1980s and 1990s, subsidiary management could not use local institutional arrangements as a buffer. Owing to the need to re-establish internal legitimacy, local subsidiary management decided to reorganize their operations into legally independent firms, hence separating the unionised production facilities from the rest. They left the constraining metalworking collective agreement and signed a framework agreement with a more moderate service-sector union that fixed only minimum standards and granted great latitude to introduce the company's new global variable pay system and to re-establish the 38 hours working week (Tempel *et al.* 2006a: 1557). Other companies were successful in avoiding union campaigns for collective bargaining by paying their employees more than the pay rates established in the collective agreement, or through introduction of communication channels and sophisticated HRM practices to retain good staff, thereby successfully avoiding demands from

staff for works council representation (Almond *et al.* 2005: 291; Tempel *et al.* 2006a: 1559). Still another way of dealing with collective agreements that would hinder performance-based pay increases was to agree with works council on a wage matrix, and hence, to consolidate collectively agreed wage increases into basic pay, and to act on additional forms of remuneration to ensure that poor performers would not gain (Almond *et al.* 2005: 297). These cases nicely illustrate how external constraints were defined and interpreted by central and local actors within micro-political processes, leading to differing modes of operation according to personal objectives and power resources available to subsidiary actors. Such option-exploring in the field of collective bargaining is also reported in other companies like IBM that have “a history of movements in and out of different employers' associations” (Singe and Croucher 2005: 133) as well as in further case studies (Wächter *et al.* 2003). Wächter *et al.* (2003: 388) argue that managers in German subsidiaries are under considerable pressure to remain union-free, while on the other hand US MNCs reluctance to join employers' associations might be due to the fact that the latter are dominated by large German employers, leaving US MNCs in a situation where they can exert little influence (Singe and Croucher 2005: 133).

All in all, concerning *US MNCs as actors* in the German host country, Singe and Croucher came to the conclusion that there are different types of behaviours ranging from support/innovation within the existing system over formal compliance/content avoidance and option exploration/system avoidance to public criticism. The authors express little doubt about US MNCs affecting the German business system. Especially the ones following a strategy of content or system avoidance are “certainly playing a role in eroding the articulations between unions and works councillors, and those between employers and mainstream employers' associations which have historically made the system function” while “doing so in ways consistent with many German employers' practices” (Singe and Croucher 2005: 134).

On the other hand, US firms seem to appreciate certain resources provided by this CME environment like the highly skilled labour. In fact, Vitols (2001: 14, 16, 17) found that the dual system of VET is appreciated by US firms as an important resource to them provided by the German host country.

In *Spain*, Quintanilla *et al.* (2004: 135–136; 2008: 690) pointed to the strong legalistic system of IR. This implies the compulsory application of terms of sectoral bargaining because of the extension to

non-signatory firms (Almond *et al.* 2005: 292) and a strongly regulated labour market where legal barriers to dismissal of permanent employees are high.

In this environment, the case study conducted by Almond *et al.* (2005) revealed that in companies operating a performance management system with forced distribution, permanent low-performers having already received a maximum of two years of intensive training were invited to leave the company with a generous severance pay to avoid union conflict (Almond *et al.* 2005: 298–299). Faced with the significant, legally enforced role unions play in Spain, US MNCs were found to take preventive measures (Quintanilla *et al.* 2004: 143–145; Quintanilla *et al.* 2008: 690) including the payment of higher than average salaries and additional benefits in order to prevent labour conflict while complying with legal requirements. Spanish works councils in reality were found to play a much weaker role than those in Germany and greatly dealt with routine administrative issues while management was less compliant in cases of weak works council organization (Almond *et al.* 2005: 290, 293). A greater constraint in the Spanish host country setting is indirectly linked to the education and training system which is causal to the local scarcity of qualified personnel that firms face on the local labour market. This constraint led US MNCs to put special emphasis on sophisticated recruiting processes of young university graduates from business schools which were approved by HQ, and on internal personnel development and career planning for high potentials (Quintanilla *et al.* 2004: 145; Quintanilla *et al.* 2008: 692).

Interestingly, similar constraints were also found in *Turkey*, where “as a result of the education and skills development system, qualified and educated employees still belong to a small 'elite' group” (Sayim 2011: 590). Facing the need for a multi-skilled and qualified workforce at operational as well as managerial levels, US MNCs responded to such labour market pressures in adopting an internal labour market approach in their Turkish subsidiaries and joint ventures (Sayim 2011: 589–591).

In *Italy*, Pulignano (2006) found that local unions established a national coordination programme to respond to the MNC's perceived anti-union attitude and its threat to trade union bargaining power. This led the company to guarantee a national inter-plant harmonization concerning pay and working conditions. However, union bargaining power in terms of the appraisal system was much more restricted due to the easy transferability to other lower cost locations in Europe. At the same time, the US MNC was able to establish a work-out system for employees whose performance was

judged insufficient, despite the existence of a common country-based framework of employment protection legislation. This was achieved by taking measures to establish that dismissal took place for legitimate reasons. Summarizing on the Italian host country, Pulignano (2006: 514) states that “more institutionalised national settings offer greater scope to constrain the networking of certain corporate practices among subsidiaries”.

However, even in generally more permissive *LME host country settings*, IR systems of US MNCs' subsidiaries are not invariably non-union.

In a recent survey study on ER approaches of US subsidiaries in the *UK*, Tüselmann et al. (2008) confirmed findings of previous studies on a distinct US country-of-origin imprint on ER. US MNCs were somewhat less likely than domestic firms to adopt a trade union approach and instead showed a clear preference for operating individualistic high involvement work systems. Yet, in the UK setting, ER approaches varied greatly according to *industry characteristics*. Non-union ER approaches were especially wide-spread in US MNCs operating in highly internationalised industries with associated strong pressures for international integration of their activities. High-road approaches were especially likely to be adopted in highly internationalised, skill-intensive industries, whereas the low-road variant was more wide-spread in highly internationalised, less skill-intensive industries (Tüselmann *et al.* 2008: 1631). Therefore, these findings provide clear support for the argument that “the country-of-origin impact is not *tout court*, but a matter of degree” (Tüselmann *et al.* 2008: 1624), by illustrating how it combines with industry characteristics to form diverse outcomes. Still further case study evidence (Clark and Almond 2004; Ferner *et al.* 2004a; Ferner *et al.* 2005b) suggests that there is no homogeneous pattern among US MNCs' subsidiaries in the UK in the field of IR. In fact, several subsidiaries of US MNCs in the UK continued with a pluralist IR tradition. This corresponds to common practice in certain industries and reflects a pragmatic approach of British managers who did not share in the same ideological anti-union stance of their U.S. colleagues. As long as British managers succeeded in establishing an efficient pattern of ER without losses of production their pragmatic local interpretations were accepted by U.S. HQ (Ferner *et al.* 2004a: 119–120). Local perceptions and interests that are related to the societally informed rationality of host country managers (2005: 281; Wächter and Müller-Camen 2002) and associated micro-political bargaining hence strongly shaped patterns of union relations and non-unionism in UK subsidiaries of US MNCs (Ferner *et al.* 2005b). Furthermore, “tighter competitive conditions in the UK prevent strategic choice and established preferences in approaches to

industrial relations from constraining investment activity“ (Clark and Almond 2004: 549) so that even traditionally strict non-union companies that formerly would not have invested in unionised businesses were forced by product market difficulties to accept collective representation practices. IR in the UK also included individual performance-related pay with the nature of individual performance management being strongly led by global managers. This is concordant with the characteristic trait of strong centralization in the design of HR and IR policy among US MNCs. Several of these systems also included forced distribution, and hence, the greater risk of dismissal for the low performers following the American concept of employment at will (Clark and Almond 2004: 550). Such characteristics have been described as “a clear shift away from sophisticated paternalism and towards policies of an increasingly 'hard', 'performance-driven' flavour” (Clark et al. 2005: 499).

In the case of *Ireland*, early U.S. investors rather used to follow the typical pattern of subscribing to collective bargaining. In contrast, US MNCs arriving after 1990 established largely non-union systems or “double-breasting” arrangements with some, but not all plants recognizing unions (Clark et al. 2005: 499). In this respect, Gooderham et al. (2006: 1499, 1507) pointed to the now dualistic nature of the Irish institutional setting since in its pursuit of FDI, Ireland granted considerable freedom in the field of IR to greenfield sites which was used by US MNCs to introduce a unitary management style. Gunnigle et al. (2004) also pointed out that, while plants established during the 1960s and 1970s were usually unionised, starting in the 1980s especially US MNCs more and more opted for non-union approaches. Where collective agreements exist, these are negotiated on plant level and establish pay increases for unionised workers whereas non-unionised ones receive more performance-related pay. Especially in the pharmaceutical industry, plant-level collective agreements offered above average pay when compared to the non-compulsory national agreements. In non-union plants, pay for nearly all employees was performance-based. Similar to the UK, the emphasis of diversity policies was put rather on gender than on ethnicity in Ireland.

In their recent case study of German and US MNC subsidiaries in *Hungary, Poland and Slovenia*, Meardi et al. (2009: 507) found that, compared to their German counterparts, country-of-origin influence among the US MNCs was reflected in their use of *unilateral forms of flexibility* including overtime, *appraisal-based variable pay* as well as *temporary employment*. IR arrangements varied according to entry mode and local labour market conditions. In one case of a sizeable, old, highly

unionised brownfield plant in Budapest, collective bargaining over pay on plant level was combined with extensive training on the job. In another case though, the initial strategy was sharply focused on labour cost-cutting. This involved extreme flexibility, though with a highly-skilled workforce. This strategy, that had been operated during the 1990s, had to be altered as from 2003 the arrival of new investors led to a tightening of the labour market for skilled workers, leading management to increase pay, to introduce social benefits, and to recognize a union as negotiating partner (Meardi *et al.* 2009: 503–504).

In *Lebanon*, Nakhle (2011) found that, while on the one hand there are few “hard” institutional constraints that might lead to coercive isomorphism, on the other, multiple strong local norms are present that can be linked to cultural value orientations and might as well be considered as informal institutions (Helmke and Levitsky 2004: 727). Due to the presence of local norms, the implementation of performance appraisals as part of globally standardized performance management systems was locally adapted in an informal way in order to allow employees to save their face. Strong local family ties and related norms were reflected in their flexible use when locally adapting recruitment practices. In this respect, personal relations were also found to play an important part since in this small country, managers employed in MNCs are being recruited from a very limited number of international business schools. Thus, this institutional element linked to the local education and training system as well as to the small size of the country, led to strong interpersonal relationships in the business community. The latter were also used in order to recruit good local staff. The strong role of personal relationships and family ties nevertheless led to a tightening of the corporate code of conduct in one case in order to prevent the risk of nepotism. Particularly interesting in this respect is the fact that this tightening of respective rules in the code of conduct was done by local Lebanese management. Compensation and benefits were adapted to include social security benefits in order to compensate for the rudimentary Lebanese welfare state.

Table 19 below summarizes key findings of the most important empirical investigations on cross-national transfer of HRM and IR practices in US MNCs towards different host countries.

Table 19: US MNCs in different host countries – overview of empirical evidence

Host country, authors	Constraints and opportunities	US MNC reaction
Germany, constraining environment (Almond <i>et al.</i> 2005; Clark <i>et al.</i> 2005; Köhnen 2000; Müller 1998; Royle 1998; Royle and Towers 2002; Singe and Croucher 2005; Tempel <i>et al.</i> 2006a; Wächter <i>et al.</i> 2003, 2004)	Important constraints imposed in the area of IR/ER: <i>works constitution act</i> : granting far-reaching co-determination rights to works councils on plant level; restricts unilateral decision-making power of management and imposes need for negotiation, e.g. in the area of performance appraisal practices <i>industry-level collective bargaining</i> : working conditions, working hours and overtime as well as base pay are traditionally decided upon outside the firm <i>comprehensive system of dual VET</i> : no legal obligation to participate, well-trained workforce available, contents of training determined collectively outside the company <i>strict employment protection legislation</i> : dismissal only for right cause, mass lay-offs are onerous, difficult to introduce performance management systems relying on forced distribution with dismissal of weakest performers	Legally compliant, though not acquiescent but reactive approach; challenging of the institutional framework; approaches towards handling of host country constraints comprising especially legal compliance with content avoidance and extensive option exploration with system avoidance restructuring activities in order to escape legal obligations (works council formation or employee representation on board level) strict separation of works council and unions trying to exert influence on works councils (in some cases on choice of members); co-operation with non-unionised works councils because of legitimising effect preventive measures like above-average salaries and direct communication channels to avoid unionisation or works council constitution reluctance to join German employers' associations seemingly because of limited influence of US MNCs in these structures if member of employers' association: frequent change of association to strike agreements with more moderate unions granting more latitude to firm-level adaptations active agency of US MNCs exacerbating tendencies of the system towards disarticulation
Spain, constraining environment (Almond <i>et al.</i> 2005; Quintanilla <i>et al.</i> 2004; Quintanilla <i>et</i>	Legalistic IR: provisions of collective agreements declared legally binding for whole sector legally empowered unions strict employment protection legislation scarcity of well-trained workforce on local labour markets	Compliance with legally binding collective agreements (treated as if it were laws) preventive measures to avoid unionism and industrial conflict: above-average pay, employee involvement and participation, generous severance pay in case of dismissal internal labour market approach with early recruitment from selected partner business schools and internal training including socialisation to corporate culture marginalisation of works councils (attribution of routine administrative tasks)

<i>al.</i> 2008)	works councils regularly less strong than in Germany	US HQ equal opportunity policies for women sometimes perceived as constraint by local managers
Italy, constraining environment (Pulignano 2006)	Strong employment protection legislation strong, assertive unions	Some concessions to unions concerning equal working conditions among all Italian plants threat of de-localisation used in negotiations with unions to push through performance management system with dismissal of poor performers; facing employment protection legislation, generous severance pay was granted and some effort has been undertaken to establish that dismissals took place for legitimate reasons
UK, permissive environment (Clark and Almond 2004; Clark <i>et al.</i> 2005; Ferner <i>et al.</i> 2004a; Ferner <i>et al.</i> 2005b; Tüselmann <i>et al.</i> 2008)	Traditionally stronger role of unions than in USA, no comparable anti-union ideology, permissive IR system liberal labour legislation	No evidence of institutional constraints opposing a shift towards more shareholder value-driven, hard performance management practices tolerance of British managers' pragmatic dealing with unions as long as results are delivered some US-inspired diversity policies perceived as inadequate to European setting; British managers bargaining with US HQ using own corporate policies to negotiate diversity issues or lay-offs, diversity transformed into equal opportunity/women policies in some businesses, increasing product market pressures forced US MNCs to accept the acquisition of unionised plants great differences according to choice of high-road or low-road individualistic approaches to ER in different industries (depending on knowledge intensity)
Ireland, permissive environment (Clark <i>et al.</i> 2005; Gooderham <i>et al.</i> 2006; Gunnigle <i>et al.</i> 2004)	Traditionally stronger role of unions and non-compulsory national collective bargaining agreements; overall rather weakly regulated IR/ER traditionally large supply in qualified labour, though strong decline of unemployment quota since mid-1980s caused a somewhat shorter supply of labour	Strong impact of dominant US FDI on economy as a whole while some older plants established in the 1960s and 1970s are unionised, starting from the 1980s/1990s investors are more and more following a non-union or double-vested approach (unions recognised at some plants only) where unions exist, non-compulsory national collective agreements are often taken as a first benchmark to offer higher standards in in-house agreements (especially pharmaceutical industry) unionised employees paid according to the collective agreement, non-unionised ones more performance-based; in non-union plants nearly all workers received performance-related pay

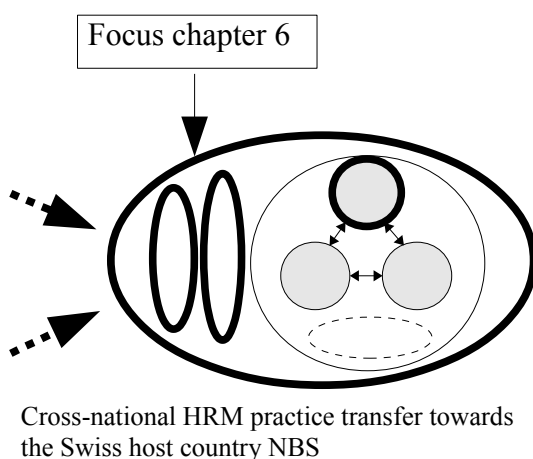
		emphasis of diversity programmes put on gender
Poland, Hungary, Slovenia, permissive environments (Meardi 2007; Meardi <i>et al.</i> 2009)	Constraints rose with tightening of the local labour market for skilled workers, high turnover and the need to recognize more assertive trade unions since 2000	Unilateral imposition of overtime work and flexible patterns of shift work importance of financial parameters stressed and less emphasis on technical knowledge than in German MNCs more variable pay subject to individual assessments by foremen extensive training taking place on the job in one case to achieve multi-skilling initial cost-minimizing strategy in one plant in Hungary had to be altered when facing a tighter labour market – higher pay and social benefits, recognition of union as a negotiating partner
Turkey (Sayim 2011)	Local shortage of qualified labour	Adoption of internal labour market approaches
Lebanon permissive environment (Nakhle 2011)	Few “hard” institutional constraints on HRM practice but strong cultural norms that might be considered as informal institutions (family bands, saving face, strong role of personal relations in business) multitude of personal networks stemming from recruitment of HR managers from very few international schools rudimentary welfare state weak unions	Implementation of formally standardized practices in the area of performance appraisal was informally adapted to local context corporate codes of conduct in one case tightened by local management to prevent nepotism local recruitment practices adapted in that local personal networks were used to recruit good staff local compensation and benefits practices adapted to include social security benefits

Source: Own compilation based on Tempel *et al.* (2006a), Wächter *et al.* (2003), Wächter *et al.* (2004), Wächter and Peters (2004), Wächter and Müller-Camen (2002), Wächter and Stengelhofen (1992), Edwards and Ferner (2002), Ferner *et al.* (2004a), Ferner *et al.* (2005b), Giardini *et al.* (2005), Müller (1997), Müller (1998), Müller (1999a), Müller (1999b), Almond *et al.* (2005), Quintanilla *et al.* (2004), Quintanilla *et al.* (2008), Gunnigle *et al.* (2004), Royle (1998), Pulignano (2006), Singe and Croucher (2005), Tüselmann *et al.* (2008), Gooderham *et al.* (2006), Clark *et al.* (2005), Clark and Almond (2004), Sayim (2011), Tempel (2001), Cooke (1997), Williams and Geppert (2006a), Royle and Towers (2002), Köhnen (2000), Kluge und Vitols (2001), Vitols (2001), Meardi *et al.* (2009), Nakhle (2011).

Chapter 6 The Swiss host country business system

In the following analysis of the Swiss host country NBS and its potential effects on HRM, a special focus is put on key institutions governing the Swiss labour market. An analysis of the financial system and issues of corporate governance is also included, even though we believe the nature of the financial system to exert influence on MNC strategy and HRM practices first and foremost directly in or via the country-of-origin of the MNC. Key strategic decisions about listings on domestic or foreign stock markets to finance internationalization or important research and development activities are usually still made at corporate HQ and not at subsidiary level (Edwards and Kuruvilla 2005: 7). Still, a thorough analysis of issues related to financial markets and corporate governance might hold the potential to gain some insight into embedded managerial ideological norms of Swiss managers (Almond 2011a: 265). However, we would strongly suggest that the financial system of the Swiss host country does not influence directly on the adoption of, for example, the introduction of performance management and accounting systems in the sense of a host country effect. Yet, the meaning and sense that managers ascribe to such systems might also be important to understand the degree of acceptance or ways of implementing specific practices.

6.1 Salient features of the Swiss national business system and domestic HRM



As we have argued earlier, Switzerland represents a particularly interesting case of a host country for US and German MNCs, because it combines features of liberal and coordinated institutional environments. In the following section, we will present these features in some more detail. The detailed comparative analysis of key institutions governing the Swiss labour market will provide us with a sound picture of institutional pressures and room for manoeuvre (Wächter 2004) for local firms.

As we have seen in our discussion of institutional environments and host country effects on HRM, institutions not only define the rules of the game, but they also shape managers' understandings of their role and the meanings of practices. Therefore, in the following analysis we will try to understand not only the effects of formal institutions in terms of coercive isomorphic pressures, but

also normative and cognitive elements that may have an important influence on local managers' socialised rationality (Almond 2011a: 260) and further our understanding of Swiss host country rationale (Redding 2005: 136).

As we will see, in Switzerland there are significantly less formal institutional constraints in place than in Germany. However, Tempel reminds that “(...) the potential influence of informal regulations and custom and practice on the management of human resources should not be underestimated” (Tempel 2001: 63). This argument once more underlines the necessity to take informal regulations duly into account in the analysis of a national business system and host country effects on HRM. At this point, we shall remind that we follow Koen (2005: 12) who suggests that informal and normative institutions are alike, both expressing customs, traditions and values, and that it is difficult to disentangle the impact of informal (North 1991: 97) and normative (Scott 1995: 37) institutions from that of culture. Accordingly, we do not consider cultural and institutional approaches as mutually exclusive but as complementary for our analysis of the characteristics of the Swiss national business system and potential host country influences. Similar to our analysis of the German and U.S. NBSs, we will start with a discussion of the characteristics of firms and markets before turning to the different key institutional spheres or arenas structuring business systems.

In order to achieve the most accurate description possible of the elements of the Swiss national business system and their working in reality, we opted for a triangulation of information sources. Therefore, additionally to our in-depth literature analysis, we conducted four expert interviews with specialists from the Swiss Employers' Association, the UNIA trade union, the State Secretariat for Economic Affairs SECO and the Aprentas joint training scheme of the Basel region. In this way, we could gain a deeper insight into the actual working of important labour market institutions thanks to the views held by actors who are actively involved as part of these institutions. This additional qualitative information revealed highly valuable, and corresponding interview extracts are used in the text in order to illustrate and to corroborate our literature-based findings. Further information on our methodological approach and triangulation is provided in the following chapter 7 on methodology and research design.

Firms and markets

In our analysis of the German NBS we have seen that firms are not isolated like in the compartmentalised business system of the USA, but deeply embedded into a rich framework of institutional supports and inter-organizational mechanisms of governance and coordination. In this collaborative type of business system, cooperation between economic actors is supported by networks of long-term relationships and relatively high levels of mutual trust. Moreover, the presence of communitarian obligations together with a certain degree of external coercion on actors to adhere to these obligations further sustain trustful and cooperative relationships (Hollingsworth 1997a: 272–275; Streeck 1987). Firms in this business system have therefore been described as “collaborative hierarchies” (Chandler 1990) that are considered to be social institutions rather than pure networks of contracts or simply the property of shareholders. This vision of the firm, in turn, gives rise to extensive social regulation by law and industrial agreement since their internal order is viewed to be a matter of public interest (Streeck 1997b: 241). Concerning Switzerland, considerable evidence suggests that a similar vision of firms as social institutions and socially instituted markets prevails in the Swiss coordinated market economy (Hall and Gingerich 2004: 9). In Switzerland, equally important institutional frameworks as in Germany are in place concerning educational institutions as well as associations. However, an important difference consists in the fact that “(...) Switzerland (...) being more of a people-networking society, it tends to be less legalistic than Germany” (Avery et al. 1999: 22).

For the growth and consolidation of trustful relations, Streeck (1997a: 202) has underlined the importance of credible information for business partners on the existence of non-economic in addition to economic reasons for the other side not to defect. These, in turn, are of paramount importance in collaborative business systems. As we have seen in Germany, such non-economic reasons not to defect primarily consist of impersonal rules and formal law as “control in being” (Wächter and Stengelhofen 1992: 27). Strict employment protection legislation and the Works Constitution Act provide for sufficiently strong sanctions to make opportunistic behaviour and withdrawal from reciprocal obligations between employers and employees as well as social- or business partners more generally unlikely. However, in the less legalistic Swiss national business system, we suggest that such reasons rather consist of “culturally supported moral commitments that preclude or inhibit opportunistic behavior“ (Streeck 1997a: 202), corresponding to the idea of

social constraints in Durkheim's sense (Durkheim 1997). Such elements may well take the form of informal regulations and custom and practice (Tempel 2001: 63). This might especially apply to the small Swiss society. Here, citizens have regional roots and multiple civil commitments including honorary offices in clubs, training seminars and so on, so that “one learns quickly about the possibilities of multiple encounters in life” (Weibler and Wunderer 2007: 283). The issue of honorary offices as an important part of Swiss citizenship has also been underlined and thus confirmed by our interviewee from the Swiss Employers' Association who explained:

“... the issue of honorary offices, this is still a matter of course in Switzerland. You are somewhere in a club and maybe your are working on the club's board, and the accountant just does the bookkeeping for the club which is easily done. Here, this is entirely part of our mentality...” (Swiss Employers' Association: 124, own translation)

Another striking feature of Swiss markets is the history of a “high tolerance for domestic cartels” as part of what David and Mach (2006: 1) call “institutions of domestic compensation”. Such institutions served to compensate those social groups that fell behind the developmental process and allowed to sustain social peace. An explanation for this high tolerance for cartels can be found in the dualism of Swiss economic policy between liberal external and highly protectionist internal policies (Mach 1998: 32) which reflects the dual economic structure of the country. In Switzerland, highly globalised export sectors are opposed by sheltered private and public sectors of the domestic market that are characterized by little competition, cartelization and high costs (Furgler 2000: 133). In this connection, Rentsch *et al.* (2004: 17) emphasize that only 15 per cent of Swiss firms are subject to international competition, while the great majority belongs to the domestic economy, preferring a policy of regulation and foreclosure of the domestic market. Complementary to this first contrast between domestic and export industries, there is another one between the strongly regulated product market, which is characterized by a long tradition of state interventionism on the one hand, and a very liberal labour market on the other (Armingeon and Emmenegger 2007: 194–195). Baudenbacher (2001: 359) recalls that Switzerland has for long been a “cartelist bastion” (*kartellistische Trutzburg*) whose antitrust legislation and enforcement practice stood in stark contrast to that of the European Economic Community and did not comply with international standards. It was only in 1995 that a paradigm change took place in Swiss antitrust law, leading *inter alia* to the adoption of the concept of effective competition. In 2001, deficits concerning the enforcement of antitrust law have still been criticized by experts (Baudenbacher 2001: 353) and

direct sanctions were not introduced before 2004 (Bundesgesetz über Kartelle und andere Wettbewerbsbeschränkungen (Kartellgesetz) 1995: Art. 49A). Armingeon and Emmenegger (2007: 197) also call attention to the fact that cartels are still recognized as lawful in Switzerland provided that they are in the public interest.

Swiss state organization, political system and political culture

Switzerland is a small state at the heart of Europe that has “a contradictory and paradoxical relationship to the European Union” (Boucher and Wickham 2003: 26). The EU literally surrounds the country since 1995 and constitutes Switzerland's main foreign market as well as the main foreign supply market (Furgler 2000: 128). Yet, Swiss citizens decided via a referendum in 1992 to stay outside the EU, while “government has had to adapt Swiss laws to meet European standards and practices whether it wanted to or not” and “without being able to share in making them” (Church 2000: 142; Mach *et al.* 2003). This is due to the close and asymmetric dependency on the EU that has severely restricted the scope of action for Switzerland to the autonomous adaptation of EU regulations and bilateral agreements (Armingeon and Emmenegger 2007: 196).

Following Imhof (2007), Swiss identity is strongly shaped by a self-conception of being a special case (*Sonderfall*). This self-conception is strongly linked to the great extent of ethnic, religious, cultural and linguistic diversity and to the consequent lack of a common language or other elements that are typically present and shape the identity of a nation. In 2000, around 64% of the Swiss population of roughly eight million inhabitants were German-speaking, 20% French, 6.5% Italian, 0.5% Rhaeto-Romanic and another 9% did speak other, non-official Swiss languages (Swiss Federal Statistical Office 2012b). However, linguistic research has found that one has to distinguish between multilingualism on institutional or societal level on the one hand, and on the individual level on the other. In fact, Swiss institutional and societal multilingualism does not automatically go together with individual multilingualism of Swiss citizens (Haas 2010: 22). Furthermore, among the Germanic population, the use of local Alemannic dialects is very widespread. They represent the everyday speech of all social environments (Widmer *et al.* 2005: 41) and are even present in Germanic Swiss television and electronic media (Widmer *et al.* 2005: 282). For Germanic Swiss people, the practice of local dialects is also linked to their local identity and consciously used to distinguish themselves from other German-speaking people like Austrians or Germans (Christen 2008). In a recent newspaper article published in the Feuilleton of the *Neue Zürcher Zeitung*

(Rumjanzewa 2013), the author reported on the increasing use of dialect in written communication like SMS and e-mails. This especially applies to the younger generation, even if there are no orthographic rules in place yet. It seems that dialect conquers more and more domains that have traditionally been reserved to standard German – a fact that the author explained by an emotional distance that Swiss Germanic people feel towards standard German.

The great amount of internal heterogeneity in Switzerland led to the adoption of the idea of unity in diversity, including multiple belongings (Imhof 2007: 31). Citizens of a federal state or canton are thus equally belonging to a linguistic and cultural group and at the same time may integrate a federal political party that bridges linguistic, religious and cultural divides. In this way, differences between single cantons or linguistic groups could effectively be bridged and potential tensions avoided by equally adopting a consociational democratic political culture (Andeweg 2000). Another element that helps keeping together this heterogeneous state and its citizens is their common wish to keep up their independence and self-determination, which are constantly perceived to be externally threatened. While in earlier decades this threat was seen in much bigger, expanding German, French or Soviet empires, it has been argued that nowadays the European Union seems to occupy this place in the eyes of conservative Swiss politicians of the political right wing (Boucher and Wickham 2003: 26; Imhof 2007: 46).

The country's internal heterogeneity is mirrored in the Swiss state organization and political system. The Swiss state is strictly federally organized on three levels: the municipalities, the cantons and the Confederation. The Swiss Confederation is unifying 26 constituent states or cantons that are highly autonomous and reflect the country's internal cultural, linguistic and religious heterogeneity. Braun (2003) distinguished Swiss from German federalism in classifying the Swiss variant as decentralised federalism, whereas the German case corresponds to the model of unitary federalism. In Switzerland, cantons have their own constitutions, legislations, financial resources, health care, tax and educational systems, as well as justice, police and social assistance (Trampusch and Mach 2011: 15). The high degree of autonomy of the cantons and the weakness of the Swiss federal state can be illustrated with the fact that the cantons have the privilege to raise their own taxes, and that the Confederation obtains only roughly one third of public incomes, whereas the cantons receive two fifths and the municipalities around one fourth (Kriesi 2007: 83; Linder 2003: 489). Under these circumstances of very reduced financial scope, the Swiss federal state has never been able to

conduct any kind of successful anti-cyclical fiscal policy (Armingeon and Emmenegger 2007: 181). Equally, the Swiss federal state does not have a conceptually applied, long-term economic and industrial policy, and hence, has reacted pragmatically, short-dated and on a sector level on industry demands (Linder 2003: 508).

This form of state organization has historically allowed for a high degree of self-regulation for the confessional communities and hence, for peaceful coexistence (Kriesi 2007: 85). In this way, this multicultural nation is held together through a common political culture of the federal state that is marked by the principles of federalism, direct democracy and neutrality (Kriesi 2007: 87) as well as the construct of a nation created by its own will and united by choice (*Willensnation*) (Imhof 2007: 31).

Within the Swiss political system, powers are separated in legislature, judiciary and executive authority. Furthermore, the principle of subsidiarity “pervades the Swiss political system” (Kriesi and Baglioni 2003: 6) and corresponds to the weak federal state (Linder 2003: 490), since the latter only assumes tasks like external affairs and national defence that neither municipalities nor cantons can accomplish.

Still another distinctively Swiss element is the existence of far-reaching direct democratic rights of co-determination for the citizens concerning all important or vital political questions without any general exceptions. These rights are exercised through the systematic use of referenda (Linder 2003: 494–498). The Swiss consociational democracy is also distinctive in that all linguistic groups are strictly proportionally represented (Linder 2003: 492). Also a unique feature of the Swiss political system is the absence of a single head of state. The Swiss executive has for decades been made up of a great coalition government consisting of seven Federal Councilors on an equal footing, integrating members of all bigger political parties. The office of the President of the Federal Council, who leads the sessions but does not dispose of any right to issue directives, rotates regularly between the colleagues, and all decisions are taken by a simple majority vote (Linder 2003: 490–492).

The state and economic coordination

The Swiss state is usually described as basically liberal concerning its own relations with, and the regulation of relations between, private actors (Bergmann 1994: 79; Christen 2006: 320). Though, as we have seen above, at the same time there are selective protectionist policies for certain industries in place, leading authors to speak of a “dualist structure” (David and Mach 2006: 3; Mach 1998: 32). David and Mach (2006: 9) follow Katzenstein (1985) in considering the Swiss state as liberal version of a corporatist state. This variety can be distinguished from the social corporatist model in that it exposes strong and centrally organized interests of the economy on the one hand, that are combined with a rather decentralised and weak labour and union movement on the other hand (Mach 2006). This type of corporatism which is similar to the Japanese system of “corporatism without labour” (Pempel and Tsunekawa 1979) has been argued to be atypical (Freitag 2003: 941) in that it does not concentrate on the regulation of the conflict between capital and labour. In this respect, also Linder (2003) underlines the fact that in Swiss corporatism, the workforce side is more weakly represented than in Austria or Norway. David and Mach (2006: 9) point out that the consensus achieved in Switzerland has often been dominated by parties of the political right and the umbrella associations of the economy. In this connection, Freitag (2003: 939, 941) speaks of a dominating “bourgeois bloc” that is accompanied by weak unions and socialist ideologies, together with a general predominance of conservative thinking. As we have seen in the case of Germany, a central characteristic of corporatist states is their incorporation of intermediaries, particularly associations, into the state, and the delegation of public tasks to private actors. Strongly related to this feature is the concept of “private interest government” (Streeck and Schmitter 1985: 127), which very much applies to the case of Switzerland. According to this concept, associations represent an additional form of social order, besides the community, markets and the state. While the leading principles of coordination and allocation in a society are spontaneous solidarity for the community form of social order, dispersed competition for markets and hierarchical control for the state, for the associational form of social order it is inter- and intra-organizational concertation (Streeck and Schmitter 1985: 122,125). Concerning Swiss corporatism and the relation between the state and associations, it has been noted that the weak or lean Swiss federal state has always been interested in the assistance of associations for the implementation and enforcement of laws, leading to a partial delegation of state prerogatives to private sector associations⁸ (Armingeon 2001: 413–414; Farago 1987; Linder 2003: 490, 500). Furthermore, the

⁸ A reform of economic policy on the federal level has not been undertaken before 1947 with the introduction of the

ability of these associations to mobilise their members and start a referendum campaign to achieve a popular vote on laws that contradict their vital interests represents another important reason for their integration into the process of policy formulation (Armingeon 2001: 411). In this connection, Linder (2003: 507) observes that it is rather the intermediary associations than government who are guiding policy development. Especially in the field of social and economic policy, also Mach (2002: 4) states that “(t)he parliament does not play a significant role in the definition of these policies”. Although, it has been argued that there has been a decline of concertation in the 1990s in the field of social and labour market policy “leading to a shift of decision-making from the sphere of interest groups to partisan politics and parliament” (Häusermann *et al.* 2004). The particularly strong role of associations in the Swiss political system was also confirmed by our unionist interviewee:

“Well, it is in the work of commissions where politics is finally done. And there, business associations have very strong positions. The influence, well I'd say that, when the biggest business associations, employee and employers' associations agree on certain issues, then politics has little chance to oppose them. Then it's just autonomous adaptation” (UNIA: 149, own translation)

Relating to the form of this cooperation between the state and associations, Armingeon (2001: 414) distinguishes three types: consultation during the notification procedure, cooperation in joint commissions, as for example in the case of militia administration, and delegation, where tasks and duties of the state are outsourced to associations. Areas where delegation can be observed are vocational education and training, the implementation of agricultural policy, or the definition of legally binding technical norms as for example in the machine industry. In our expert interviews, we could find a specific example of such delegation of state prerogatives that can serve to illustrate the working of this system:

“... well, when it comes to the examination of a firm in order to decide on whether or not that firm may obtain the permission to train apprentices, they ask us whether we can do it. The cantons don't have the specialists – who else could do it? So, we surely play a very important role.”
(Aprentas: 77, own translation).

Similar principles to those of state organization also apply to the organization of Swiss associations. These are organized either as parallel partner organizations on a regional, often cantonal level, who

„economic article“ in the federal constitution Linder (2003: 489). Art. 147 of the new federal constitution provides for an institutionalised and constitutionally guaranteed access of interest groups to the political system and an authorization of their instrumentalization for public purposes. The rights of interest groups thus comprise hearing before enactment and involvement in execution of economic measures Armingeon (2001: 406).

are then integrated on the federal level in an umbrella organization, or there is a single national association whose structures then publish their resolutions and publications in at least two or even three of the national languages (Armingeon 2001: 408, 413).

The state and labour market regulation

Institutions governing the Swiss labour market are especially important since Müller (1999b: 140) hypothesized that “[i]t is not unreasonable to assume that only if there is institutional pressure on companies will they follow a pluralist HRM approach. Such a condition may well be fulfilled in Europe, as European concepts of HRM need to reflect key values such as pluralism and tolerance, a balanced stakeholder philosophy and the concept of social partnership“. As we have seen earlier, in Germany, firms do face considerable institutional pressure to adopt a pluralist or negotiated (Wever 1995) HRM approach, whereas such pressures are widely absent in the US NBS. Institutional pressures in Germany are primarily stemming from co-determination and collective agreements on industry level. These have been repeatedly identified, together with the system of dual VET, as the key institutions governing the German labour market (Giardini *et al.* 2005; Guest and Hoque 1996; Müller 1997, 1999a, 1999b; Wächter and Müller-Camen 2002). While the Swiss education and training system as well as industrial relations will be treated in separate sections below, we will first draw a picture of other elements of Swiss labour market regulation.

While the German system of labour market regulation has been described as legalistic, demanding compliance with an important amount of legal regulations, in this respect, Switzerland differs in important ways. In Switzerland, there are significantly less legal regulations governing the labour market. This is clearly reflected in the low level of employment protection legislation, which is below OECD average and represents the lowest level throughout continental Europe (Bonoli and Mach 2001: 89–90; Nollert 2007: 161; Pelizzari and Schief 2008; Sousa-Poza 2004: 34; Venn 2009: 8). Swiss labour law is governed by private law and hence the code of obligations. Thus, apart from a three months notice period, Swiss law leaves employers with significant scope when it comes to the dismissal of employees (Bonvin 2007: 37). Mahon (2000: 13) underlines that Swiss law is marked by the sacrosanct principle of freedom of dismissal, so that even abusive or unjustified terminations are effective and put an end to the employment contract (Aubert 2005; Pelizzari and Schief 2008; Velo Roessl 2003: 45; Venn 2009: 8).

Our discussion of Swiss labour law would be somewhat incomplete without reference to Swiss equal pay legislation. In Switzerland, there is no comparably strong combination of legislation and law enforcement authorities in the field of diversity as there is in the USA. However, the Federal Act on Gender Equality prescribes that employees must not be discriminated against on the basis of their sex, and prohibits sexual harassment (1995). Furthermore, article 8 of the Federal Act on Public Procurement (1994) *inter alia* prescribes that Swiss contracting authorities may only award a public contract to providers who guarantee gender equality and equal pay among their employees.

Apart from the overall significantly more liberal labour law, there is a further important difference distinguishing Switzerland from Germany. In Switzerland, there is no legal equivalent to the German Works Constitution Act. Consequently, although Swiss law is based on Civil Law of German origin and Swiss companies also have a two a-tier board structure, there is no employee representation in supervisory bodies like in Germany (Perlitz and Seger 2004: 2–3). Most of all, in Swiss firms there are no works councils that would be endowed with far-reaching legal co-determination rights. The only Swiss law on the issue of employee consultation and co-determination is the *1993 Workers' participation Act (Mitwirkungsgesetz)* (Bundesgesetz über die Information und Mitsprache der Arbeitnehmerinnen und Arbeitnehmer in den Betrieben (Mitwirkungsgesetz) 1993). The latter stipulates mainly information and consultation rights, whereas co-decisional rights remain strictly confined to pension fund-related issues.

Moreover, in Switzerland, there is no legal obligation to draw up a social plan in the event of mass dismissals, and even if legal minimum requirements of consultation are not respected, the dismissal decision remains valid (Bonvin 2007: 37). Though, the Swiss Act on unemployment insurance AVIG (Bundesgesetz über die obligatorische Arbeitslosenversicherung und die Insolvenzentschädigung (Arbeitslosenversicherungsgesetz, AVIG) 1982) proposes an alternative to collective dismissals. It allows short-time working schemes or partial unemployment without a break of the working contract. In this case, benefits paid amount to 80% of the wage for a period of 12 months maximum, including the possibility of subsidizing working time reduction. However, the decision of whether or not to resort to such a mechanism is entirely left to the employer and there are no legal means at the hands of unions or workers' representatives to impose the adoption of such measures (Bonvin 2007: 38–39).

Therefore, while Germans heavily rely on statutory regulation such as strict employment protection

legislation and the provisions of the Works Constitution Act, a basic difference can be seen in the fact that Swiss „[e]mployers and workers share to a large extent a distrust towards legal solutions and a preference for voluntary collective bargaining“ as means of social regulation (Bonvin 2007: 38). Bonvin (2007: 39) therefore concludes that “Swiss law is characterised by the almost complete absence of mandatory provisions seeking to impose a strict regulation of the labour market in a top-down manner. Issues related to labour market regulation are left to the firm-level actors or social partners, in line with the principle of subsidiarity”.

Under these circumstances, an utterly flexible, extremely well-performing labour market emerged. The latter is characterized by very low levels of unemployment⁹, one of the highest employment ratios among OECD countries and moderate levels of earnings inequality, together with a comparatively small public sector (Bonoli and Mach 2001: 83). This great performance has been attributed to the interplay of several factors such as a strong level of part-time workers, a low degree of employment protection legislation, and sector specific regulative frameworks that are combined with a low tax wedge for low-skill employment (Armingeon and Emmenegger 2007: 185; Bender *et al.* 2007: 172–173; Bonoli and Mach 2001: 88–89; Nikolai 2005: 194–196). The comparatively generous unemployment compensation system results in a relatively high reservation wage. Together with effective and widely accessible vocational training that produces a workforce which is more likely to obtain decent salaries (Bonoli and Mach 2001: 89), this high reservation wage constitutes a *de facto* minimum wage for workers (OECD 1996: 95). These factors are hence at the origin of the moderate earnings inequality in Switzerland in comparison to the USA. In this respect, Switzerland can be considered an exceptional case, since states with a liberal welfare regime (Esping-Andersen 1990a) and flexible labour markets like the USA, that are conducive to high employment ratios, usually expose high wage inequalities. On the other hand, Scandinavian states with social democratic welfare regimes bought high employment ratios and low wage inequalities with a considerable expansion of employment in the public sector. Therefore, under the contemporary economic conditions, there is a jobs-equality trade off, that does not seem to apply to the Swiss case (Bonoli and Mach 2001: 85). Nollert (2007: 163) argues that Switzerland shows many elements of a flexicurity concept, similar to Denmark and Ireland, where high flexibility through a low level of employment protection is combined with a high level of social security through generous unemployment benefits. While in the 1980s, Switzerland was classified as a liberal welfare state, a cluster analysis of welfare state indicators for the year 2002/03 revealed that

⁹ The official unemployment rate was 3.1 per cent in 2011 Swiss Federal Statistical Office (2012a)

by then, the Swiss welfare state appeared to be located in the European cluster of conservative welfare states, being closest to the German model (Nollert 2007: 166).

A further interesting outcome in this highly flexible Swiss labour market that “gives management in Switzerland considerable discretion to pursue 'hire-and-fire' strategies” (Sousa-Poza 2004: 34), is the fact that comparative data on employment stability and job tenure in Switzerland show that job relations are stable and job insecurity is relatively low in Switzerland. These features are manifest in average completed job tenures of 20 years for men and 16 for women in 2001 and mainly voluntary job separations (Sousa-Poza 2004: 37-38, 44). The fact that a relative shortage of labour on the Swiss labour market has been identified as a challenge for MNCs (Naville *et al.* 2007b: 37) seems to underline the disciplining effect of a tense local labour market with low unemployment on employers. The “exit option” for employees who are not satisfied with their employer, as discussed by Meardi and colleagues (2007: 511–512; 2009: 508) in the context of Central Eastern European labour markets, seems to be even more applicable to the situation in Switzerland in a sense that “current labor market conditions affect the contemporary power balance in workplaces” (Meardi *et al.* 2009: 506). Furthermore, Souza-Poza (2004: 44–46) recalls the consensual and trust-based industrial and political relations, including their codification in labour peace clauses as we will see below, and rather stable management practices. The latter may be linked to the educational system which strongly revolves around an apprenticeship system and produces well-trained workers who are able to work autonomously, and who are held in high regard and trusted by employers (Sousa-Poza 2004: 44–46). Therefore, Switzerland seems to be a case where we can find “powerful incentives on both sides of the labor market that tend to preserve the continuity of the employment relationship” (Wanner and Neumark 1999: Siv).

Industrial relations

Swiss industrial relations can be described as cooperative and hence exposing a very low level of industrial conflict. The outstanding performance of Swiss cooperative industrial relations becomes clear in international comparison. While the OECD average of annual working days lost per 1 000 employees due to strikes for the period of 1970-2001 was 219 days, the already cooperative German system of industrial relations reported 28 days lost. The latter is still excelled by Switzerland that lost only one day (Lesch 2003: 31). Even if the freedom of strike has been formally included into

the Swiss Constitution in 1999 (Armingeon 2001: 405), we can say that in Switzerland, “collective conflicts in strikes and lockouts are exceptional” (Bonvin 2007: 38). Switzerland keeps this comparative top position of the least conflictual IR system also in a historical comparison, even if also on an international level the incidence of strikes has declined markedly during the last decades (Scheuer 2006).

Historically, the Swiss Peace Agreement of 1937 has strongly shaped Swiss industrial relations in the sense of behavioural norms of social partnership (Siegenthaler 1986: 250). As Broussolle (2009: 286) shows, this intensive form of cooperation between Swiss social partners is based on a high level of mutual trust, good faith and expectations of reciprocity with a mutual exchange of behavioural guarantees (Schmid 2001: 452). These elements are similar to the concept of *Treu und Glauben* in German civil law, and hence include ethical obligations that far exceed economic or juridical rationales. Furthermore, concerning enforcement of the Peace Agreement, Broussolle (2009: 292) underlines the important role of social control “whether based on a legal framework, or on the action of the organizations upon their members, or even on their action upon their immediate environment”. Moreover, he notes that a “cooperative ethos (...) assuming reciprocity and incorporated in a 'good faith' pledge, was also part of the formula” (Broussolle 2009: 292). Aubert (2005: 150–151) describes Swiss industrial peace as a socio-cultural rather than a legal phenomenon, with most important collective agreements containing unconditional or absolute industrial peace clauses. As distinct from relative industrial peace, when absolute industrial peace has been agreed upon, during the term of the collective bargaining agreements strikes are categorically excluded, including issues that are not covered by the collective agreement (Aubert 2005: 150; Schmid 2001: 451). Compliance with rules on minimum wages, that are fixed in certain collective agreements, is controlled and enforced via the classical corporatist arrangement of tripartite commissions. In case of repeated violation of contractual obligations, the latter may impose monetary fines (Oesch 2007: 353).

In comparative perspective, the Swiss system of industrial relations can furthermore be analysed in terms of union density, collective bargaining coverage and bargaining level. In political sciences, Switzerland is generally classified as a neo-corporatist state since institutionalised forms of coordination between the organized interests of capital and labour are in place (Oesch 2007: 337). A distinctive feature of Swiss neo-corporatism is that, on the one hand, in comparison to other neo-

corporatist states, Swiss unions are rather weak in their negotiations with employers. This weakness in collective negotiations with employers is due to a low union density (19% in 2002 Lesch 2004: 3) and collective bargaining coverage, the decentralised and heterogeneous system of wage bargaining, and to the fact that there is no works council system or other form of co-determination as for example in Germany. On the other hand though, Swiss unions are politically stronger integrated than their German counterparts. Similar to other associations, the referendum threat represents an important institutional power resource, guaranteeing access to the political arena and policy formulation process in expert commissions (Armingeon 2001: 416; David and Mach 2006; Pelizzari and Schief 2008). However, due to the structural weakness of the political left and the union movement in a system where corporatist institutions work strongly in favour of the business community, Pelizzari and Schief (2008: 5) described Swiss trade unions and employees to be in a state of “prosperous powerlessness”.

The possibility of launching a referendum in order to exercise political influence was also clearly confirmed by our unionist interviewee:

“We have the power to launch initiatives and referendums (...) Basically we can exercise the role of the opposition [in society]. We can positively influence on the legislative process or at least put the breaks on negative issues. And I believe that, in the political mechanism, this is utterly important. Switzerland is also called a referendum democracy. And of course, in this mechanism, unions play a central part” (UNIA: 151, 155, own translation)

As we have seen, the principle of subsidiarity is present in Swiss IR, where more flexible agreements between social partners are generally preferred to legal regulations (Bonvin 2007). Following this principle, the Swiss system of collective bargaining is significantly more decentralised than in Germany, and bargaining solutions are close to company level (Aubert 2005: 149). In comparison to Germany, especially collective wage bargaining is much more decentralised and usually takes place on the level of the firm, and not on industry level. On the other hand, this decentralization of wage bargaining is combined with a high degree of informal coordination of managerial wage policy through employers' associations (Flanagan 1999: 1152; Soskice 1990: 41). It is because of this informal coordination, and hence centralization, of Swiss wage bargaining that Switzerland has been grouped together with Germany into the fourth category of the Kenworthy wage coordination index, where 1 stands for fragmented bargaining and 5 for highly centralised bargaining (Kenworthy 2003: 41). Yet, a key difference between Switzerland and Germany lies in

the fact that central issues such as the wage level or the organization of the working week are often negotiated at the level of the firm (Bonvin 2007: 38). Streckeisen (2007) has analysed the developments towards further decentralization during the 1990s for the case of the Basel chemical industry. He could show that there has been a clear development where content of collective agreements was reduced to the definition of rules of procedure and framework conditions, whereas issues such as the automatic annual allowance for inflation have been abolished, wage negotiations have been taken out of the collective agreement to be negotiated on firm level, and daily or weekly working time regulations have been replaced by annualised working hours (Streckeisen 2007: 89, 94). However, starting in the mid-1990s, there has been a contemporaneous trend reversal towards a rise in collective bargaining coverage or a renaissance of collective agreements (Oesch 2007: 344). During this period minimum wages were established and included into certain collective agreements and since 1996, the government has declared more and more collective agreements generally binding. Therefore, the federal government extended the provisions of selected collective agreements on the whole sector where they apply also for foreign or non-signatory firms. Since 2003, the number of generally binding collective agreements that include provisions on minimum wages has sharply risen so that in 2007, three quarters of all employees who were covered by a collective agreement were protected by minimum wages (Fumagalli-Senn 2009: 9–10). Such provisions on minimum wages especially concern the accommodation and food service, and the construction industry (Ackermann 2008). This practice represents an innovation within the Swiss system of IR, where there are no legally defined minimum wages (Aubert 2005: 151). It can be considered part of the accompanying measures that have been accorded to unions in political bargaining processes in order to prevent the risk of social dumping with the entry into force of the agreement on the freedom of movement of people between Switzerland and the EU in 2002 (Fischer 2003; Oesch 2007: 348). This interpretation could also be validated in our interview with a labour market specialist from the SECO:

“(...) starting maybe 10 years ago, the interest in negotiating collective agreements rose on the employers' side. Maybe until the early-mid 1990s, there was a certain tendency on the employers' side to dissolve agreements, but with the accompanying measures, with the free movement of persons, interest rose again. (...) this is mainly in order to include the foreign competition. When a collective agreement has been declared generally binding and foreign firms come to Switzerland, they also have to respect the minimum wages that have been fixed in the collective agreement”
(SECO: 191, 193, own translation)

Overall collective bargaining coverage is around 50% in Switzerland (Ackermann 2008: 4; Flanagan 1999: 1152; Vernon 2006: 199; Visser 2000: 18), while only 35% of all collective agreements have an influence on wages (Maillard 2010: 6). This is due to the fact that collective agreements in important sectors like the chemical and mechanical industries do not contain any provisions on wages (Aubert 2005: 150). In view of the comparatively low collective bargaining coverage rate and union density, Ebbinghaus and Kittel (2006: 230) note that in this respect, Switzerland is clearly closer to Anglo-Saxon states like the USA, Ireland or the UK than to other corporatist states.

Education and training system

The Swiss education and training system is the last of the three key institutions governing the labour market that we have introduced above. A thorough analysis of the local education and training system is especially important in order to find out about the existence of institutional props (Edwards and Rees 2006d: 92) or supporting institutional environments (Streeck 1997b: 243-244, 252; Tempel 2001: 57) for certain HR practices that are linked to the German system of dual vocational education and training. A first notable feature of the Swiss education and training system is the fact that it is similarly organized as the state, that is, strictly federal. The responsibility for education and training mostly lies with the cantons and leads to the coexistence of 26 different school systems within the Swiss Confederation (Markees 2002). Furthermore, there are ten cantonal universities, seven federally recognized technical colleges of higher education (*Fachhochschulen*) offering studies that lead to a Bachelor's or Master's degree like in other European countries. The influence of the federal state in this respect is mainly restricted to the running of the two federal institutes of technology at Zurich and Lausanne and the co-financing of cantonal universities and technical institutes of higher education. Only recently, the Swiss Conference of Cantonal Ministers of Education as inter-cantonal coordination body has elaborated a concordat on a harmonization of obligatory education called HarmoS that entered into force in August 2009 (Swiss Conference of Cantonal Ministers of Education 2007).

Concerning vocational education and training, Switzerland has a highly developed, comprehensive system of dual VET that shows striking similarities with the German one (Schmid 2001: 451).

According to the distinction that has been introduced by Maurice et al. (1986a) and which is applied also by Whitley (2000a: 50), we can clearly identify the Swiss system as dual-specialised as opposed to unitary-generalist ones. Vocational training courses of a duration of three to four years are jointly organized by cantonal vocational schools and apprenticing companies. The content of corresponding curricula is negotiated in a tripartite arrangement incorporating employer and employee associations and the state (Gonon 1999: 48, 2005; Hanhart and Bossio 1998: 485–486; Meunier 2007: 11; Schröter and Davoine 2009). At the same time, a similarly high level of standardization of skills across the country as in Germany is achieved through the application of a federal law governing dual vocational education (Federal Act of 13 December 2002 on Vocational and Professional Education and Training 2002). Following Winterton (2007: 284), the Swiss system of dual VET can therefore be attributed to the same category of workplace-focused, state-regulated systems as the German one. An interesting development in Switzerland in this field are regional central training facilities and cooperative training schemes, which are usually sustained by larger firms. Examples of such facilities are Aprentas in the canton of Basel, CIMO in the canton of Wallis and AZW Winterthur in the canton of Zurich. Although recently there has been a tendency towards more general education leading to the *Abitur* (similar A-level or SAT-exam), dual vocational training is still important and highly appreciated by employers (Gonon 1999: 53). In 2002, a total of 64% of young Swiss people have undergone dual vocational training, while there are regional differences. In the German-speaking part of the country, this part was highest with 68%, while the French and Italian-speaking regions showed significantly lower levels of 52% and 55%, respectively (Amos *et al.* 2003: 34, 38). This strikingly high degree of similarity with the German system of dual VET is an interesting feature of the Swiss host country. Contrary to other host countries for German MNCs that have been researched until present, in Switzerland qualification profiles and institutional support infrastructures largely correspond to those present on the German labour market and should support German-style dual VET practices. Institutional distance (Kostova 1999: 312) between the German country-of-origin and the Swiss host country national business systems is hence minimal in this respect.

Conventions governing trust and authority relations

As done for the USA and Germany, the strength of formal institutions generating and guaranteeing trust between potential business partners will be assessed on the basis of the reports provided by Transparency International. In the Corruption Perceptions Index (Transparency International

2011a), Switzerland is ranked eighth out of 183 states with a value of 8.8/10, being part of the second best group of countries, near the best ones. A look at the Global Corruption Barometer (Transparency International 2011b) data reveals that 53% of the citizens asked thought that the level of corruption has increased during the last three years, while 41% perceived it to be unchanged. While a majority of people felt corruption has increased, the figures are still much better when compared to Germany or the USA, where this rate was 70% or above. These rather positive data, that are also confirmed by the World Economic Forum Global Competitiveness Report 2012/13 (Schwab and Sala-i-Martin 2012: 390–394), can also be further sustained. When regarding further information on which institutions are perceived to be the most affected by corruption on a scale ranging from one for not at all corrupt to five for extremely corrupt. In Switzerland, business is perceived to be most affected by corruption with a still admissible value of 3.3, while the central institutions police, public officials and judiciary were judged fairly well with 2.1, 2.6 and 2.3, respectively. We can therefore say that Switzerland has a very low level of corruption and central institutions for conducting business are generally perceived to work very well. These overall positive evaluations are also confirmed by research on social capital in Switzerland (Freitag 2001: 103). Furthermore, when discussing trust in formal institutions, in the case of Switzerland we also have to stress the country's outstanding history of political and institutional stability and continuity. As distinct from many other European states, Switzerland never underwent a fascist, communist or national socialist regime (Christen 2006: 319). This historical dimension is referred to by economic historians in order to explain the utterly good reputation of Switzerland as a solid, reliable and comfortable financial centre (Bergier 1990: 337, 340; Siegenthaler 1986: 270).

Another important aspect relates to Swiss civil society more in general. Here, we can point out the high level of participation and membership in associations, clubs etc., leading to remarkable social networking (Armingeon 2001: 408; Weibler and Wunderer 2007: 283). Moreover, since the Swiss state does not have a similar tradition of public administration and a civil service system comparable to those of France or Germany, the assumption of honorary or avocational offices is widespread, following the principle of a militia administration (Linder 2003: 508–509). Social networking and corresponding formal social integration via membership in associations (Freitag and Buehlmann 2009: 91–92) is an important indicator for the amount of social capital in a society, which in turn is an important factor fostering trust and community-based values (Gabriel 2002: 25). In this connection, social capital can be understood as individual relational resources, or as systemic capital of a society (Esser 2000: 237). The economic relevance of social capital lies in its reducing

transaction costs (Freitag 2004: 88). The concept of social capital is hence strongly linked to social integration and interpersonal trust. In this respect, Kriesi and Baglioni (2003: 9) have pointed out the positive effect of the small size of Swiss municipalities, especially in the central Swiss cantons. Here, Freitag (2004: 113) underlines the law of multiple encounters in life (*Gesetz des Wiedersehens*) and hence the possibility of strongly personalised social control. Furthermore, the fact that Swiss administrative authorities are perceived to be uncorrupted, that institutions of the welfare state reduce income inequalities, and that political interests are proportionally represented has been identified as further factors sustaining forms of generalised trust (Freitag and Buehlmann 2009: 20–21).

Relating to authority relations, we will again draw on culturalist contributions in the field of international comparative management in order to discuss these issues for Switzerland. Switzerland is part of the Germanic countries and shares several elements with Germany and Austria. In Hofstede's (2001: 377) matrix of implicit models of organization, Switzerland therefore belongs to the same category of the well-oiled machine-type of organization. Small power distance and strong uncertainty avoidance are leading to the definition of formal rules and procedures, and a low distance between leaders and led (1994: 89; Weibler and Wunderer 2007: 282) in the egalitarian Swiss society (Bergmann 1986: 367; Chevrier 2009: 176). In Swiss firms, subordinates enjoy a fairly high degree of autonomy and independent status within the realm of their job duties. In this respect, Chevrier (2009: 176) concludes that “(t)he quest for equality legitimates collegial power or the authority of a *primus inter pares*, that necessarily goes through consultation processes before making any decision, as the presidents of the numerous councils ruling Swiss political life actually do. Egalitarianism leads to consensus, endeavours to conciliate views, and search for concord”. Erten et al. (2004: 106) remark that Swiss leaders are managing “by consensus and understatement”. Bergmann (1990: 368) termed Swiss managerial style “management by persuasion”, which is marked by vertical consultation and horizontal consensus as central elements of Swiss decision-making. This predominantly egalitarian, consensus-oriented managerial attitude can further be led back to the fact that concordance may be considered a core element of Swiss constitutional patriotism (Imhof 2007: 28). In this connection, Erten et al. (2004: 103) also point out the great coalition government on Federal State level. Later research on national leadership styles confirm these elements. For instance, Weibler and Wunderer (2007: 272) identified autocratic and non-participative leadership as negative factors for successful leadership in Switzerland. Still another element that has been found to influence on Swiss leadership style with its low formal

distance is the role of Swiss militia army. The latter has been argued to improve social mix and integration, whereby consensus and low distance between leaders and led are furthered thanks to the fact that during military service, the hierarchical position can be completely opposite as in civilian professional life (Erten et al. 2004: 120–121). The conception of the organization as role formalization system is even more marked in Switzerland than this is the case for Germany (Laurent 1985: 50). The findings of later research into the Swiss way of management (Bergmann 1986, 1990, 1994) point into the same direction. Bergmann (1994: 32) found that in Switzerland, an instrumental conception of the organization is dominant, where hierarchy exclusively exists to assure rational task performance. But also Chevrier (2002: 149) describes that the Swiss principle of subsidiarity (Weibler and Wunderer 2007: 256) is accompanied by a clear definition of tasks and responsibilities. This feature is in line with Trompenaars (1996: 53; Trompenaars and Hampden-Turner 2012) classification of Swiss culture as strongly universalist, where people expect rigid adherence to clearly formulated, formally implemented rules and laws that are applicable to everyone without consideration of personal relationships or kinship.

All these findings strongly suggest the presence of a formal political culture in Switzerland, while Bergmann (1994: 32–33) further highlights that Swiss people tend to view the firm as a partnership of convenience, including the vision of common interests and the rejection of the logic of class struggle. Common interests can hence be successfully invoked in claims for compliance with superior's instructions and in negotiations between the social partners in the field of IR. Institutionally, these features are reflected in the unique Swiss institution of industrial peace, which would not be feasible if employers and employees were not convinced of their commonality of interests.

In Switzerland, where a Germanic career model is predominant (Davoine 2005), authority of superordinates is legitimated through detailed technical knowledge (Bergmann 1990: 368, 1994: 92; Tixier 1994: 18). Underlining these findings, also Avery et al. (1999: 19) note that “[c]ommon to the German-speaking nations is the predominant image of the manager as “master craftsman” who really knows the field thanks to thorough vocational training and extensive experience (...) It is assumed that vocational training and technical mastership also qualify a person for managerial tasks”.

Financial system and corporate governance

To complete our analysis of the Swiss host country institutional arenas following the typology proposed by Whitley (2000a), we will provide some basic information on the Swiss financial system and corporate governance. Although we do not believe that Swiss financial markets exert a direct host-country influence on HRM practices in Swiss subsidiaries of German and US-American MNCs, the analysis of this last institutional arena might nevertheless allow us to learn something about the Swiss managerial mindset. The latter might well be influenced by host country actors' "socialised rationality" and institutionally "embedded managerial ideological norms" (Almond 2011a: 260, 265), that may well be shaped to some extent by local financial markets and corporate governance practices and frameworks.

Concerning the Swiss corporate governance code, following Weil et al. (2002) we may distinguish between several categories following the criteria of a) board structure, b) employee representation in supervisory body and c) separate supervisory and managerial leadership. As we have seen earlier, Switzerland shares the legal origins with Germany and belongs to the group of states applying Civil law of German origin (Perlitz and Seger 2004: 2). Also similar to their German counterparts, Swiss companies have tow-tier board structures with separate managerial and supervisory leadership, though with the important difference that there are no employee representatives on the supervisory body (Perlitz and Seger 2004: 2–3). Thus, although several authors emphasize the strong consensus orientation of Swiss management (Bergmann 1990, 1994; Chevrier 2002, 2009; Davoine 2005; Davoine and Schröter 2010, 2009; Tixier 1994), this is not manifest in its legal-institutional framework representing the regulatory pillar of institutions (Scott 1995). In this respect, Davoine (2005: 93) underlines an important difference between German and Swiss consensus: whereas in Germany, consensus is the result of sometimes fierce confrontation that is watered down by institutional mechanisms and devices for conflict resolution between social partners, Swiss compromise is more connected with the democratic practice in small states. In this case, less intermediary institutions stand between the government and the individual, and industrial relations are more personalised and individualised. As we have seen above, informal institutions (Helmke and Levitsky 2004: 727) such as behavioural norms of goodwill and reciprocity are at the basis of mutual trust between social partners, thus supporting the institutionalised Peace Agreement. In this connection, also the important role of personalised social control has been stressed.

More generally, we can distinguish between the Anglo-Saxon and the Rhineland model. While the latter is more bank-oriented, insider-dominated and stakeholder-focused and based on a network structure of different insider groups and banks, the Anglo-Saxon model is more market-oriented, outsider-dominated and shareholder-focused (Weil 2002: 32). Switzerland as a coordinated market economy has traditionally been classified as Rhineland-oriented, especially due to the important weight of family or majority stock-ownership, and the significant influence of controlling shareholders together with important legal restrictions on voting rights and free transferability of different kinds of shares. Following Bergmann (1994: 76, 79), these financial and corporate governance structures were basically aiming at equity finance of firms disposing of major reserves and legal structures making hostile takeovers nearly impossible. Under such conditions, a market for corporate control like in Anglo-Saxon states developed only slowly during the 1990s, although “there have been serious attempts by many firms to adopt internationally recognised governance principles in recent years” (2006: 251). Following Ledentu (2007: 43), there is still considerable ownership concentration in Swiss companies with 73% of firms having a single stock owner who holds at least 20% of voting rights, compared to 37% in the UK and 90% in Germany. In about two out of three cases, this principle shareholder is a family or a non-quoted company, and in a further 10% of cases, it is the state. These more recent data largely confirm earlier conclusions of Bergmann (1994: 128) who attributed an important role to owner families as majority shareholders. In a study on corporate governance of Swiss firms, Ethos (2005) found that firms with a single shareholder who controls more than 33% of voting rights have an overall worse corporate governance rating than firms without such a controlling stockholder. Faccio and Lang (2002: 379) established that 48.13% of Swiss corporations were under family control¹⁰, and for 27.57% of companies shares are widely held. Comparing this Swiss ownership pattern to the German and British ones, who are located at opposite ends of the scale with ratios of 64.62% family-controlled and 10.37% of widely held companies in Germany, and 23.68% to 63.08% for the UK, we can see that Switzerland is closer to the Continental European model, although to a lesser extent than Germany. Furthermore, the Ethos study points out some important shortcomings of Swiss regulations as compared to Germany or the USA. Under Swiss law, share registers are considered to be of private character, thus leading to difficulties in finding more detailed information on the kind of shareholders, institutional or private investors, as well as on classification of shareholders according to their shares. Even when considering only companies that are listed in the SMI, only

10 These data are based on the assumption that 20% of voting shares are sufficient to ensure control Faccio and Lang (2002: 369).

31% of them publish more detailed information on their capital structure (Ethos Stiftung 2005: 13). But there are also diverse legal options to decouple voting rights and capital stock, for example via voting limitations, registered shares with restricted transferability or share certificates (Ethos Stiftung 2005: 23). In line with the results of the Ethos study, also Faccio and Lang found that more than 50% of Swiss firms used dual class shares, leading to their conclusion that there is more “substantial discrepancy between ownership and control” in Switzerland than elsewhere (Faccio and Lang 2002: 367). We can therefore conclude that elements consolidating majority shareholders' influence at the expense of minority shareholders are still present in Swiss Corporate Governance, although Mach *et al.* (2006) already detected various changes in this domain that have been caused by new actors and new preferences of already well-known old ones, which are due to international developments. According to the authors, the old, bank-centred insider model has begun to soften starting in the 1980s under the pressure of international developments and the appearance of institutional investors – especially pension funds –, financial analysts and auditors (Mach *et al.* 2006: 27). Such changes induced the strongly internationally oriented Swiss MNCs to modify their traditional practices and mechanisms of control which had increasingly lost their efficiency and legitimacy. This is the reason why the Swiss framework of corporate governance rules has been increasingly aligned with requirements of capital markets and minority shareholders in favouring greater stock market liquidity and transparency of accounting. Such changes are also visible in a recently conducted network analysis. It shows that banks, occupying a central position in a closely-meshed network of interlocking directorates until the late 1980s, have lost this pivotal position during the 1990s, and overall network density has declined in a significant way (Schnyder *et al.* 2005).

The results of a recent KPMG-study (2008) on the strategic financial focus of Swiss companies and OECD data provide additional information on Swiss corporate finance. KPMG asked chief financial officers of 85 mid- and big-sized companies with turnovers between 50 million and 10 billion Swiss Francs about the importance of equity capital, credit financing and external rating agencies and the signals they send to capital markets. An interesting result of the study is that bank policy is still seen as important qualitative criteria pertaining to the financial structure (KPMG 2008: 17). Furthermore, the rating of Swiss banks represents the third most important financial metric, while external rating and requirements of capital providers appeared to be less important (KPMG 2008: 17, 21). These results may be closely linked to another finding, that 60% of interviewees described their company

as cash rich, which at the same time was the most frequently cited reason for the absence of an officially approved, written financing strategy (KPMG 2008: 3, 14). Being well aware of the limitations of this study, it still seems to point to a certain importance attributed to bank financing. This finding is further supported by OECD data on sources of funds raised for private equity and venture capital as average for the period 1995-2000 (OECD 2004). These data confirm that, while banks are not equally important in Switzerland as they are in Germany, the Netherlands or Austria, their weight is still considerable, even if not overwhelming. This is especially true when comparing Switzerland with Anglo-Saxon countries like the USA, the UK or New Zealand, where pension funds play the most important role (OECD 2004: 20). At the same time, Switzerland has a highly developed capital market ranking first concerning the relative size of the latter measured in terms of market capitalization as a proportion of GDP, and second concerning its liquidity measured as the ratio of total value of shares to GDP (OECD 2004: 19).

Therefore, we can conclude with Theurillat et al. (2008) that Switzerland is paradoxical in that it is generally considered Rhenish, with banks and families taking a leading role in controlling business (Faccio and Lang 2002), whilst developing a pension fund system that has been attracting considerable funds since the mid-1980 and is still growing.

6.2 A comparison of salient features of the US, Swiss and German national business system

The present section shortly sums up salient features of the US-American, Swiss and German NBS and directly compares the corresponding feature characteristics for each institutional arena. We can hence make the point on our initial affirmation that Switzerland is in some respect in a middle position between the collaborative German and the compartmentalised US-American business system. In this direct comparison, we can now clearly discern which institutional arenas of the Swiss NBS are close to Germany and which ones are more similar to the USA.

As we have seen, the Swiss business system may be considered a sort of hybrid, merging some elements that are typical for coordinated market economies, with others that would rather be associated with liberal market economies. This hybrid character is particularly evident in the institutional arena of skill formation and control. On the one hand, the Swiss IR environment may clearly be classified as permissive, just as the systems in liberal market economies like the USA and the UK. In absence of strong statutory regulations and laws comparable to the German Works Constitution Act, structurally weak unions are faced with strong employers' associations and wage bargaining is highly decentralised. On the other hand though, Swiss IR are very cooperative and marked by the unique, institutionalised industrial peace agreement that has been continually renewed and included in collective agreements since the late 1930s. Such cooperative industrial relations and low levels of industrial conflict are a typical feature of coordinated market economies that have often developed in corporatist states such as Germany and Austria. Considering employment protection legislation (EPL), in turn, Switzerland has the lowest level of EPL of all Continental European states, and hence, is much closer to liberal market economies like the UK than to classic coordinated ones such as Germany. As we have seen, in most liberal market economies that are characterized by flexible labour markets and low EPL, average job tenure tends to be lower. Furthermore, such systems are typically rather combined with skill formation systems focusing on general skills. However, in Switzerland, a low EPL and flexible labour markets are combined with comparatively high job security, long average job tenures and a skill formation system that is very close to the German model and strongly evolves around a comprehensive system of dual VET that provides employees with job-specific professional skills.

Another interesting blend of features becomes evident when analysing the Swiss state. As already the notion of a liberal version of a corporatist state implies, a generally liberal stance of the state regarding the regulation of relations between economic actors is manifest in a significantly less legalistic environment that might influence on the management of human resources when compared to Germany. On the other hand, the characteristic feature of the incorporation of well-organized, centralised business and employers' associations into the state and political decision-making is very present in Switzerland. The concept of private interest government with public responsibilities being delegated under state licence to associations might even be argued to be more present in Switzerland than in other corporatist states like Germany. The utterly weak position of the Swiss Federal State with its unique tradition of a militia administration and strongly restricted financial scope and manning has led the latter to search the expertise and administrative capacities of strong associations. These organized business interests, in turn, have for long strongly shaped the political agenda in important fields like competition law and corporate governance, leading to a historically high tolerance for domestic cartels. This element stands in sharp contrast to the strict anti-trust legislation passed early on in the United States, and to the weakly organized and politically not incorporated U.S. associations. Furthermore, the Swiss welfare state model has developed since the early 1980s from a clearly liberal model towards the European model of a conservative type of welfare state.

Regarding the Swiss financial system, we have seen that the traditionally bank-centred system has undergone important developments with a pension fund system and highly developed capital markets standing side-by-side with banks that still continue to play an important part in corporate financing. Furthermore, family or majority ownership of firms is still widespread in Switzerland. These features seem to suggest that Switzerland has traditionally been more of a stakeholder-society, rather trying to balance the needs of different social groups than pursuing a strict shareholder value philosophy. In this respect, Swiss firms seem to be closer to their German than U.S. counterparts.

Lastly, referring to norms governing trust and authority relations, we have seen that the Swiss society possesses important social capital and high levels of generalised trust, which is typical for collaborative business systems. Long-term, trustful relations between business- and social partners are going hand in hand with communitarian authority relations in Switzerland as in Germany. This

stands once more in sharp contrast to the contractual authority relations, generally low levels of trust among business partners and arm's length relations in Anglo-Saxon business environments.

Though, an important difference between Germany and Switzerland lies in the mechanism leading to and sustaining trust and communitarian authority relations. On the one hand, in Germany, laws and institutional constraints act as a control-in-being that force actors to behave in socially accepted ways. On the other hand, in Switzerland, extensive local networks of personal acquaintances and the law of multiple encounters in life in a small society (Weibler and Wunderer 2007: 283) seem to act as social constraints of a different kind compared to those found in Germany.

The following table sums up and provides an overview of key features of the three business systems ordered by institutional arenas, with skill formation and control being subdivided into IR, employment protection and education system. It is has been designed to allow for a direct comparison of these spheres at a glance.

Table 20: Overview of key characteristics of the US-American, German and Swiss national business systems (NBS)

institutional arena (Whitley 2000a: 47)	USA compartmentalised NBS liberal market economy	Switzerland collaborative NBS coordinated market economy	Germany collaborative NBS coordinated market economy
Skill control: IR	<p>Permissive</p> <p>conflictual IR (Lesch 2003),</p> <p>low union density of 11.8% in 2009 (against OECD average of 17.9% in 2009) (OECD 2012c)</p> <p>no legal equivalent to German works councils and co-determination rights, right to manage-ideology (Brewster 1995) and</p> <p>unilateral style (Wever 1995)</p> <p>collective bargaining coverage very low around 13% (Hayter <i>et al.</i> 2011: 227; Venn 2009: 18),</p> <p>decentralised wage bargaining, widespread anti-union ideology among firms, comparatively weak unions</p>	<p>Permissive</p> <p>cooperative IR (Lesch 2003),</p> <p><i>industrial peace</i> and consensus orientation as socio-cultural rather than legal phenomena (Aubert 2005; Davoine 2005; Schmid 2001; Siegenthaler 1986) enforced through social control (Broussolle 2009)</p> <p>moderate union density comparable to Germany of 17.8% in 2009, in line with OECD average (OECD 2012c),</p> <p>no legal equivalent to German works councils and co-determination rights, yet</p> <p>rather negotiated style (Wever 1995)</p> <p>collective bargaining coverage approx. 45% (Hayter <i>et al.</i> 2011: 227; Venn 2009: 18),</p> <p>wages excluded from important collective agreements and negotiated on firm level <i>but</i> informal coordination via employers' association, unions comparatively weak in their negotiations with employers, <i>but</i> strongly integrated into the</p>	<p>Constraining</p> <p>cooperative IR (Lesch 2003),</p> <p>institutionally forced into consensus (Davoine 2005) ethos of works community (<i>Betriebsgemeinschaft</i>) (Calori and Dufour 1995: 64; Ferner <i>et al.</i> 2001: 109; Ferner and Varul 2000b: 82; Schlie and Warner 2000: 35; Wächter and Stengelhofen 1992)</p> <p>union density higher than in USA and Switzerland, 18.8% in 2009 slightly higher than OECD average (OECD 2012c)</p> <p>German Works Constitution Act gives far-reaching co-determination rights in the field of HR to works councils,</p> <p>negotiated style (Wever 1995)</p> <p>collective bargaining on industry level still covering important parts of industry, coverage around 65% (Hayter <i>et al.</i> 2011: 227; Venn 2009: 16),</p> <p>wages included in collective bargaining agreements although recently more opt-out clauses, comparatively strong unions</p>

		political system (Kenworthy 2003; Soskice 1990)	
	principle of contract (Meardi <i>et al.</i> 2009: 492; Streeck 1987)	rather principle of contract (Streeck 1987)	principle of status (Meardi <i>et al.</i> 2009: 492; Streeck 1987)
Skill control: Employment protection legislation	<p>Lowest among OECD countries with EPL-index of 0.21 in 2008 (OECD 2012b; Venn 2009)</p> <p>employment at will doctrine (Clark and Almond 2004: 550; Edwards and Rees 2006a: 292; Muhl 2001) easy to pursue hire-and-fire strategies, near absence of legal minimum standards (Phelan <i>et al.</i> 2007: 351)</p> <p>average job tenure in January 2010: 4.4 years (Bureau of Labor Statistics BLS 2010)(US data on average job tenure not included in OECD.Stat database)</p>	<p>Low with EPL-index of 1.14 in 2008 against OECD average of 1.94, lowest among Continental European countries (OECD 2012b; Venn 2009)</p> <p>individual as well as mass dismissals are easy from a legal point of view since Swiss labour law is based on the principle of freedom of dismissal (Aubert 2005; Pelizzari and Schief 2008; Velo Roessl 2003: 45; Venn 2009: 8), no legal obligation to draw up social plans (Bonvin 2007), hire-and-fire strategies are possible <i>but</i> do not seem to be practised (Sousa-Poza 2004)</p> <p>average job tenure in 2010: 9.7 years (OECD 2012a)</p>	<p>Higher than OECD average with EPL-index of 2.12 in 2008, especially high for regular employment (OECD 2012b; Venn 2009)</p> <p>just cause rules for dismissals, lengthy and onerous mass dismissals due to legal obligation to draw up and agree upon a social plan together with works council (Harcourt <i>et al.</i> 2007: 964; Morin and Vicens 2001: 51)</p> <p>average job tenure in 2010: 11.4 years (OECD 2012a)</p>
Skill formation: Education and training system	Focus on general skills, very low standardization of skills (Kerckhoff 2001), no equivalent to Swiss or German-style comprehensive dual VET system	strongly evolving around a comprehensive state-regulated, workplace-focused type of dual VET system (Winterton 2007: 284) and task-specific professional skills , high standardization of skills (national legal framework for dual VET)	Strongly evolving around a comprehensive state-regulated, workplace-focused type of dual VET system (Winterton 2007: 284) and task-specific professional skills , high standardization of skills (national legal framework for dual VET)
State	Federal state organization, rather unitary (Braun 2003)	Decentralised federal state organization (Braun 2003), federal state without tradition of civil service but <i>militia administration</i> (Linder 2003: 508–509), reduced capacity of federal state to actively formulate economic or industrial policy due to principle of <i>subsidiarity</i> and small budget	Unitary federal state organization (Braun 2003)

	<p>exceptional antistatism of US employers (Godard 2002: 259) associations and trade unions are weak (Hollingsworth 1997a)</p> <p>market form of social order (Streeck and Schmitter 1985)</p> <p>liberal state and strong reliance on market relations (Clark and Almond 2004: 540; Ferner and Müller-Camen 2004: 66; Hall and Soskice 2001a: 27) leaving much scope to individual entrepreneurs</p> <p>strong anti-trust legislation (Ferner and Müller-Camen 2004: 67; Hall and Soskice 2001a: 31)</p> <p>important equal opportunity and diversity legislation (Ferner <i>et al.</i> 2005a)</p> <p>classic case of a liberal welfare state regime (Esping-Andersen 1990b)</p>	<p>(Armingeon and Emmenegger 2007: 181; Kriesi 2007: 83; Linder 2003: 489)</p> <p>important <i>direct democratic elements</i> in political system (Linder 2003)</p> <p>liberal version of a corporatist/neo-corporatist state (Christen 2006; David and Mach 2006: 9; Hall and Gingerich 2004: 14; Katzenstein 1985; Kenworthy 2003: 11; Linder 2003),</p> <p>private interest government and associational form of social order (Streeck and Schmitter 1985) involving straight cooperation with strong associations that are exercising, under state license, delegated public responsibility (Armingeon 2001)</p> <p>generally liberal and less legalistic than German state in terms of IR/HRM-related legislation (Avery <i>et al.</i> 1999: 22)</p> <p>high tolerance for cartels (Armingeon and Emmenegger 2007; Baudenbacher 2001; David and Mach 2006)</p> <p>formerly liberal, now Continental European conservative type of welfare state regime (Esping-Andersen 1990b; Nollert 2007)</p>	<p>corporatist/neo-corporatist state (Hall and Gingerich 2004: 14; Kenworthy 2003: 11; Streeck 1997b; Streeck and Schmitter 1985)</p> <p>private interest government and associational form of social order (Streeck and Schmitter 1985)</p> <p>definition of strong legislative safeguards governing the employment relation (Royle 2004; Williams and Geppert 2006a: 48)</p> <p>certain tolerance for cartels, cooperation between economic actors of the same sector/industry encouraged (Wächter and Stengelhofen 1992: 22)</p> <p>Continental European conservative or corporatist-statist welfare regime (Esping-Andersen 1990b; Nollert 2007)</p>
Financial system and corporate	<p>Capital-market based (OECD 2004), strong shareholder-value philosophy (Almond <i>et al.</i> 2005)</p>	<p>Traditionally bank-centred, banks do still occupy an important role but capital markets are also highly developed (OECD 2004)</p>	<p>Traditionally bank-centred (OECD 2004) stakeholder-society (Ferner and Varul 2000a; Schlie and Warner 2000)</p>

governance		stakeholder society, many family- or majority-owner-controlled firms (Faccio and Lang 2002; Ledentu 2007)	many family- or majority-owner-controlled firms (Faccio and Lang 2002)
Conventions governing trust and authority relations	<p>Contractual authority relations (Hollingsworth 1997a)</p> <p>generally low trust between employers and employees as well as between business partners,</p> <p>competition and short-term arm's length relations (Ferner 2000a: 8; Ferner and Müller-Camen 2004: 67; Hall and Soskice 2001a: 29–30; Redding 2005: 142)</p> <p>formal institutions overall trustworthy and only moderately affected by corruption (Schwab and Sala-i-Martin 2012; Transparency International 2011a, 2011b)</p>	<p>Communitarian authority relations in a small <i>people-networking society</i> (Avery <i>et al.</i> 1999: 22) that is marked by strong <i>social constraints</i> (Durkheim 1997) and the possibility of personal behavioural control because of <i>multiple encounters</i> in life (Davoine 2005; Freitag 2004; Weibler and Wunderer 2007: 283)</p> <p>high generalised trust between social- and business partners,</p> <p>collaboration with competitors, long-term relations and important amount of social capital (Freitag 2001, 2003, 2004; Freitag and Buehlmann 2009)</p> <p>excellent trustworthiness of formal institutions, among best in the world (Schwab and Sala-i-Martin 2012; Transparency International 2011a, 2011b)</p>	<p>Communitarian authority relations (Hollingsworth 1997a: 272–275) with <i>institutional constraints</i> and labour law as control-in-being (Streeck 1997a; Wächter and Stengelhofen 1992)</p> <p>high generalised trust between social- and business partners,</p> <p>collaboration with competitors, long-term relations (Hollingsworth 1997a)</p> <p>trustworthiness of formal institutions better than in USA though lacking behind excellent level of Switzerland (Schwab and Sala-i-Martin 2012; Transparency International 2011a, 2011b)</p>

Source: own compilation based on sources as indicated within table; similarities between Swiss and US- or Swiss and German national business system emphasized in bold letters.

PART IV: THE EMPIRICAL INVESTIGATION

Chapter 7 Methodology and research design

In the following chapter, we will provide information about the research paradigm underlying the present investigation and important methodological choices. Furthermore, a final research framework will be established. In this framework, important key insights of the precedent chapters will be summarized. Furthermore, propositions will be formulated, referring to our expectations about the behaviour of German and US MNCs. These expectations concern their respective concrete approaches towards transfer, and ways of relating to the Swiss host country environment.

7.1 Research paradigm, ontology and epistemology

Following Guba and Lincoln (1998: 195), a paradigm can be defined as “the basic belief system or worldview that guides the investigator, not only in choices of method, but in ontologically and epistemologically fundamental ways”. These same authors present four paradigms that are competing for acceptance in qualitative inquiry: positivism, postpositivism, critical theory and constructivism. Postpositivism is also known as realism (Krauss 2005), critical realism (Hunt 1991) or neopositivism (Manicas and Secord 1983) and contains elements of both, positivism and constructivism (Krauss 2005: 716). All of these viewpoints have then consequences for the researchers ontological assumptions and epistemology. Following Bisman (2010: 5), “[o]ntological assumptions affect the way a researcher views the world and what he or she considers to be 'real'”, and hence, involve the philosophy of reality. Epistemology is the philosophy or theory of knowledge, its nature and limits, and how we acquire and accept knowledge about the world (Krauss 2005: 758).

Basic beliefs that are associated with the four alternative paradigms may be shortly resumed as follows (Guba and Lincoln 1998: 204–207; Healy and Perry 2000):

Positivist ontology assumes that there is an objective external reality that is driven by immutable natural laws and mechanisms that can be observed and understood, and truth can finally be found. In this positivist ontological view, there is hence a single, concrete reality (Bisman 2010: 9). Following a dualist and objectivist epistemological position, the investigator and the investigated object are assumed to be independent entities, and the researcher can hence study the object while

eliminating mutual influences. The associated methodology is experimental and manipulative with hypothesis and questions being formulated prior to empirical testing for verification, where possible confounding contextual influences must be controlled for carefully.

Postpositivism adopts a critical realist ontological position where an objective external reality is also assumed to exist. However, postpositivist or realist researchers assume that this reality is difficult to discern and to understand because of flawed human intellectual mechanisms and the complex and intractable nature of phenomena. Their ontology is therefore termed critical realism since they argue that claims about reality have to be critically examined in order to apprehend reality as close as possible, while a perfect understanding of reality is nevertheless excluded. Adopting a modified dualist/objectivist epistemological understanding, dualism is considered impossible to maintain, while objectivity is considered an ideal with a corresponding emphasis on external controls for objectivity. The latter may consist of a comparison with previous findings and the discussion with the critical community of editors, referees and professional peers. Findings obtained are considered to be probably true, while always subject to falsification.

Critical theory takes up the ontological stance of historical realism. Accordingly, an apprehendable reality that once was plastic is viewed to be the outcome of a shaping over time by a series of political, social, cultural, economic and other factors that finally have been crystallised into a series of structures that are now considered as real. The epistemology is transactional and subjectivist, where researcher and investigated object are considered to be interactively linked. In this constellation, the values of the inquirer inevitably influence the inquiry, leading to value-mediated findings. Methodologically, the transactional nature of inquiry requires a dialectical approach involving a dialogue between the researcher and the subjects under investigation. Such a dialogue has to be dialectical in order to transform ignorance and acceptance of historically mediated structures as immutable into more informed consciousness about possible change of these structures and corresponding action that would be required to achieve such change.

Constructivism adopts a relativist view. Realities are seen to be discernable as multiple, intangible mental constructions that depend on the individual persons or groups holding these constructions. Such constructions are hence not considered as more or less true or real, but rather more or less informed or sophisticated and changeable, just as their associated realities. Epistemologically, constructivists adopt a transactional and subjectivist stance where the investigator and object of investigation are assumed to exert mutual influence so that findings are created during the investigation. Thus, the distinction between ontology and epistemology disappears. Hermeneutical

and dialectical methodology is used here since the variable and personal nature of social constructions suggests that these may only be discerned through interaction between and among researcher and respondents. Constructions are then interpreted using hermeneutical techniques, and compared and contrasted with the aim of achieving a more sophisticated consensus construction.

Table 21 below summarizes ontological assumptions, epistemology and methodology that are linked to the four different research paradigms.

Table 21: Basic beliefs of alternative inquiry paradigms

	Positivism	Postpositivism	Critical theory	Constructivism
Ontology	<i>Naive realism:</i> a single “real” reality that is apprehendable	<i>Critical realism:</i> multiple perceptions about a “real” reality that is only imperfectly and probabilistically apprehendable – triangulation of sources	<i>Historical realism:</i> virtual reality shaped by social, political, cultural, economic, ethnic, and gender values; crystallised over time	<i>Relativism:</i> multiple, local and specific constructed realities
Epistemology	dualist/objectivist; findings are true (absolute truth)	Modified dualist/objectivist; critical tradition/ community; findings are <i>probably</i> true – value-awareness of researcher, triangulation of perceptions	Transactional/ subjectivist; value-mediated findings	Transactional/ subjectivist; created findings
Methodology	Experimental/ manipulative; verification of hypothesis; chiefly quantitative methods	Modified experimental/ manipulative; critical multiplism; falsification of hypothesis; may include both quantitative and qualitative methods	Dialogic/ dialectical	Hermeneutical/ dialectical
Characteristics of the qualitative-quantitative continuum	<i>quantitative:</i> explanatory, positivist/ mechanistic, nomothetic – experiment, quasi-experiment, survey	<i>quantitative and qualitative:</i> postpositivism, critical realism – survey, depth interview, case study	<i>qualitative:</i> exploratory, interpretive, idiographic – case study, ethnography, historical	<i>qualitative:</i> exploratory, interpretive, idiographic – ethnography, historical

Source: Guba and Lincoln (1998: 203), Healy and Perry (2000), Bisman (2010), Krauss (2005), Sobh and Perry (2006).

The present investigation is based on a postpositivist or realist paradigm. This choice is informed by the important limitations associated with the positivist paradigm (Guba and Lincoln 1998: 197–200) such as context-stripping and exclusionary designs that restrict applicability of research findings to other truncated or contextually stripped situations. Concerning the transfer of HRM practices within

MNCs, such stripping of context is firstly practically impossible, and secondly, not useful since highly complex and relevant contextual factors that are linked to the organizational and external institutional context will always be present and exert their influence. On the contrary, our investigation is especially concerned with the identification and understanding of such contextual factors. Furthermore, in purely positivist research, meaning is excluded. Yet, the purposes human actors attach to their activities, or in our case HRM practices, is highly relevant for the aim of our study. Still another important shortcoming of positivist inquiry concerns the exclusion of the discovery dimension and induction through the emphasis on verification of *a priori* hypothesis (Sobh and Perry 2006: 1197). The aim of the present investigation is rather the development of a model or theory on HRM practice transfer towards Switzerland than the testing of theoretically derived *a priori* hypothesis. Neither are experimental designs conceivable in the organizational context of a MNC, where each and every situation is not reproducible under the same circumstances. The aim of our inquiry is about explanation and knowledge accumulation on cause-effect linkages in the external “real” reality. Knowledge in our case consists of the formulation of non falsified hypothesis as probably true facts or laws, and is gained through a process of accretion, adding to the edifice of knowledge. These aims are consistent with a postpositivist stance, but much less so with critical theory and constructivism. Critical theory searches for structural-historical insights and individual constructions or historical revisionism, and constructivism aims to achieve sophisticated reconstructions of multiple realities (Guba and Lincoln 1998: 210–217). Therefore, for researchers following these paradigms, especially constructivism, “reality is perception” and hence, analytical generalization of research findings to theoretical propositions, or merely to another person's theory about reality, cannot be done (Sobh and Perry 2006: 1195). This, however, is exactly what the present study hopes to achieve. Earlier research into international HRM that has been conducted within this framework has already generated promising results (Nakhle 2011; Napier and van Vu 1998; Rowley and Benson 2002) and we hope to contribute to the knowledge about the phenomenon under investigation in the same fashion.

An important characteristic of research conducted under a postpositivist paradigm is the applicability of conventional criteria for the judgement of rigor being internal validity, construct validity, external validity, reliability and objectivity (Guba and Lincoln 1998: 213; Healy and Perry 2000). These criteria will be discussed in the following sections.

7.2 Selection of the research approach

With our research question asking for the “how” and “why” of the phenomenon under investigation, *i.e.* transfer and local adaptation of HR practices towards Swiss affiliates of MNCs, this study follows a qualitative approach (Yin 2009: 8). While the “how” refers to the understanding of processes, the “why” relates more to meanings. As we have seen, within the postpositivist or realist framework, basically both quantitative and qualitative methodologies are considered to be appropriate (Healy and Perry 2000). Thus, case studies involving unstructured or semi-structured in-depth interviews are acceptable and relevant within this paradigm (Bisman 2010: 9; Sobh and Perry 2006: 1195). Qualitative approaches involving multiple case study designs currently appear to be the most commonly used in the field of research into the cross-national transfer of HRM practices in MNCs based on comparative institutionalist theory (Almond *et al.* 2005; Dickmann 2003; Edwards *et al.* 2007b; Edwards and Tempel 2010; Ferner and Müller-Camen 2004; Ferner *et al.* 2001; Ferner and Varul 2000a; Tempel *et al.* 2006a; Wächter and Peters 2004; Wächter *et al.* 2003)

Case studies help the researcher “to go deep in complex matters, which are not wholly understood” (Stewart *et al.* 1994: 13) and allow for a detailed analysis of motives for behaviour, which cannot be achieved with survey research (Wächter *et al.* 2003: 7). As we have shown in our research framework, the phenomenon under investigation is highly complex, which is due to the multiplicity of influences to be taken into account. A multiple case study approach therefore suggests itself as appropriate research strategy. According to Eisenhardt and Graebner (2007: 26), case studies allow to draw a relative exhaustive set of factors explaining a complex social phenomenon, thus helping to produce inductive hypothesis, or giving illustration and validation to a theoretical model to “offer insight into complex social processes that quantitative data cannot easily reveal”. Furthermore, they argue that theory built from multiple cases is more robust, generalizable and testable than single-case research. This is because multiple cases allow for comparisons, thus clarifying whether findings are simply idiosyncratic to a single case or consistently replicated by several cases. In addition, the propositions derived from a multiple case study are more deeply grounded in varied empirical evidence. Gibbert *et al.* (2008: 1468–1469) argue that the particular strength of the case study as a research strategy lies in its internal and construct validity, which represent a *conditio sine qua non* for external validity and reliability (Cook and Campbell 1979: 83; Scandura and Williams 2000: 1261).

In order to improve the validity of qualitative research, Sinkovics et al. (Sinkovics *et al.* 2008: 696) follow Creswell (Creswell 1998) in advocating the approach to build on established theory and to build on and extend proven research design. We follow their advice in that our investigation is based on and strongly guided by comparative institutional theory that has been identified as promising theoretical framework for research into HRM practice transfer in MNCs (Tempel *et al.* 2005; Wächter 2004; Wächter *et al.* 2003). At the same time, we do not completely exclude culturalist contributions from our study, which are considered complementary rather than mutually exclusive with institutional approaches (Koen 2005: 5). This, in turn, allows for theory triangulation as a suitable means to increase internal validity of qualitative research (Gibbert *et al.* 2008: 1467). As we have seen in the introduction, the comparative institutional approach has been identified as a new fourth “distinctive line of inquiry within the international HRM field” (Quintanilla and Ferner 2003: 363; Tempel *et al.* 2005: 182) that has already been successfully used in an important number of investigations into this subject (see chapter 5) and may therefore be viewed as an established theory in the sense of Sinkovics et al. (2008).

Concerning the issue of proven research design, until present, the majority of work in this field is based on qualitative research methods, with case studies representing the most commonly used research strategy (Chang 2004, 2006; Dickmann 2003; Dörrenbächer 2004; Ferner and Quintanilla 1998; Ferner *et al.* 2001; Ferner and Varul 2000a; Koen 2005: 12; Nakhle 2011; Royle 1998, 2004; Tempel 2001, 2003; Tempel *et al.* 2006a; Wächter and Peters 2004; Wächter *et al.* 2003). In this field of research, Ferner et al. (2012: 182) attribute a critical role to in-depth case studies since they allow for deeper exploration of both, process of transfer, and how transferred practices are implemented in the subsidiary. According to them, case studies are therefore more suited than surveys to develop nuanced operationalizations and “more appropriate for exploring in depth the way transferred practices operate in reality” (Ferner *et al.* 2012: 182). Also Gooderham et al. (2006: 1508) brought into consideration the fact that the application of certain HRM practices does not indicate whether and to what degree of intensity or rigour similar practices are used in different contexts. In this connection, in his PhD thesis, Samer Nakhle (2011: 291) has provided illustrations of how a standardized performance management system has been differently implemented in the Lebanese setting. Dickmann (2003: 279) added another important argument concerning “subtle, informal influences that support a 'German way' abroad” that are usually not picked up in quantitative studies since these generally look at clearly formulated policies and practices.

We are also grateful to Hartmut Wächter who provided us with the interview templates used by his research team in previous research based on the same theory and methodological approach to investigate into the transfer of HRM practices of US-American MNCs towards Germany (Wächter and Peters 2004; Wächter *et al.* 2003). This material was very helpful in following the advice of Sinkovics *et al.* (2008) to effectively build on and extend proven research design.

According to Hartley (2004: 323), a case study is not a method but a research strategy. This research strategy involves a design that consists of “a detailed investigation, often with data over a period of time, of phenomena, within their context” with the aim “to provide an analysis of the context and processes which illuminate the theoretical issues being studied” (Hartley 2004: 323). In this connection, Gibbert *et al.* (2008: 1466) point to a key difference distinguishing case studies from other research strategies. This difference is that “case studies seek to study phenomena in their contexts, rather than independent of context”. Therefore, the researcher faces a “technically distinctive situation in which there will be many more variables of interest than data points” (Yin 2009: 18). This strategy is most appropriate to answer how and why questions about a contemporary set of events over which the researcher has little or no control (Yin 2009: 13), and where standard experimental or survey designs and criteria are hence not appropriate (Hartley 2004: 324). In our case, we are facing exactly such a research situation, with our research questions asking for the how and why of observed phenomena, and contemporary events that are beyond our control.

Within this broad research strategy then, a number of methods may be used. Case studies usually include several methods of data collection and sources of evidence such as observation, interviews and documentary analysis, with researchers being able to pursue both opportunistic and planned data collection (Hartley 2004: 324; Yin 2009: 18).

While the overall approach of case studies has been described as “generally inductive analysis focusing on processes in their social context” (Hartley 2004: 323), Yin (2009: 16) nevertheless reminds that case study inquiry “benefits from the prior development of theoretical propositions to guide data collection and analysis”. According to Johnson (2004: 165), the notion of induction refers to “the processes by which observers reflect upon their experience of social phenomena and then attempt to formulate explanations that may be used to form an abstract rule, or guiding

principle, which can be extrapolated and predict new or similar experiences”. Analytic induction then involves the extensive examination of a selected number of cases in order to empirically establish the causes of a phenomenon, and hence, the attempt to uncover causal relationships. In this connection, Johnson (2004) contrasts analytic induction with deductive procedures, where a conceptual and theoretical structure is constructed prior to observation, and then tested against empirical facts. Hartley (2004: 324) strongly argues for the value of theory in case study research, since the researcher needs a theoretical framework to inform and make sense of the data, to allow for their systematic examination for plausibility during the study, and to provide a sense of what is of more general relevance and interest. A case study conducted without a theoretical framework may provide interesting details, though without any wider significance. Adopting a purely inductive approach, it would hence be difficult if not impossible to achieve analytical generalizability of research findings.

The present research is strongly guided by an approved theoretical framework exposed in chapters 2, 3 and 4, that has been defined prior to observation. This framework is further supported by an in-depth review of relevant literature undertaken in chapters 5 and 6. This approach allowed for the development of theoretical propositions that are exposed in our research framework. Based on these propositions and key insights from theory, we can formulate sharp and insightful questions in our empirical investigation (Yin 2009: 14).

7.3 The research framework

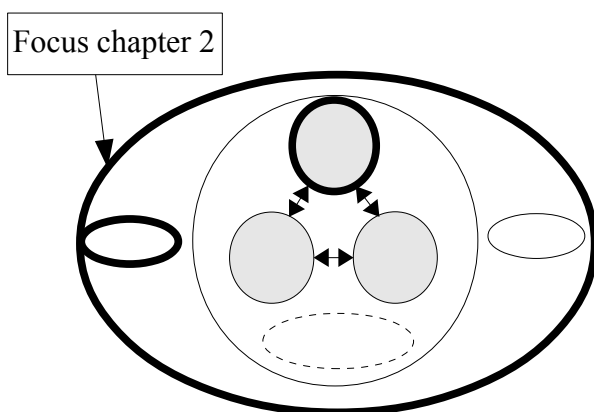
In the previous six chapters, we have developed the building blocks of a comprehensive framework for research into the cross-national transfer of HRM practices within MNCs. In the introduction, we have presented a graphic illustration for an institutional perspective on HRM and cross-national HRM practice transfer within MNCs (Wächter *et al.* 2003: 6 based on Tichy *et al.* 1982: 48). A simplified form of this graphical illustration then led us through the six precedent chapters of this investigation and served as a graphic guide or thread for the reader. In the present chapter, we will take these graphical illustrations up again and put the single parts together to build the final research framework of the present investigation. Furthermore, we will summarize some central insights derived from our theoretical discussion and literature review of the previous chapters.

In a first step, chapters two, three and four focused on a presentation of the institutionalist theoretical framework and organization-level variables influencing on HRM practice transfer. These two perspectives have been integrated into a comprehensive framework for research into HRM

practice transfer in MNCs. In a second step, this theoretical framework has been complemented with an in-depth analysis of the German, US-American and Swiss NBS, together with a literature review of HRM practice transfer in German and US MNCs towards different host countries. This was in order to gain a sound, theory-guided and empirically validated knowledge bases and understanding of the respective institutional rationalities (Ferner *et al.* 2012: 167) of the three business systems involved, of how NBSs have shaped domestic HRM in US and German MNCs, their respective approaches towards transfer, and ways of relating to different kinds of host country environments.

In the following, we will take up selected elements of the previous chapters as key insights, and point out why they are considered to be important for the present investigation. Furthermore, we will phrase some theoretical propositions that will guide our own empirical analysis in order to formulate sharp and insightful questions (Yin 2009: 14). However, these theoretical propositions are not to be mistaken for hypothesis. The latter are formulated in order to be submitted to deductive testing in quantitative studies. Since such deductive testing of hypothesis would a priori require much bigger numbers of organizations or data points, this is neither feasible with, nor the aim of this multiple case study that involves only a limited number of cases.

However, as our research framework is clearly derived from theory and literature, the additional formulation of propositions helps to establish a clear link between the available literature and our own research, and hence allows to strengthen internal validity through pattern matching. Pattern matching refers to a procedure during data analysis where researchers compare empirically observed patterns in their own data with either theoretically predicted ones, or patterns that have been established in previous studies and in different contexts (Denzin and Lincoln 1994; Eisenhardt 1989; Gibbert and Ruigrok 2010: 714, 717; Gibbert *et al.* 2008: 1466).



Chapter two started out with a detailed presentation of two strands of institutionalist organization theory, Northern American new institutionalism (DiMaggio and Powell 1983; Meyer and Rowan 1977; Scott 1987, 1994, 1995, 2003; Zucker 1988) and the European business systems approach (Lane 1994; Whitley 1994b; Whitley 2000a, 2000b, 2008). Following suggestions made by Tempel and

Walgenbach (2007), we have combined these two institutionalist strands of theory in order to step

up the explanatory power of our theoretical framework to explore what we have called the institutional macro-level. Key concepts and ideas of institutionalist organization theory have been presented, and the influence of institutional environments on HRM within organizations and MNCs has been discussed.

A ***first important insight*** for the present investigation can be drawn from Scotts (1994: 213, 215) argumentation that decentralised, fragmented and federalised state structures would give rise to more complex linkages among organizations in a sector, and that the state provides geographically variable arenas of political access to societal actors with distinctive clusters and conditions. Similar points have been made by Whitley when discussing the role of associations in collaborative business systems. Whitley explains that in such systems, associations are acting as intermediaries between the state and private actors, and that they are key actors in establishing and maintaining comprehensive systems of vocational education and training (Whitley 2000a: 60, 84, 2000b: 859). Furthermore, associations are important forums where exchange between HR professionals takes place, and hence, where normative as well as mimetic isomorphic processes (DiMaggio and Powell 1983) might be observed. We can now link these institutionalist theoretical arguments with insights derived from our in-depth analysis of the Swiss national business system. In this respect, especially the highly decentralised federal state structure (Braun 2003) and liberal corporatism (Armingeon 2001; David and Mach 2006; Katzenstein 1985) as well as the presence of a comprehensive, highly developed dual VET system are important feature characteristics. These imply that we should ***duly explore the role of local Swiss associations***, membership of HR managers as well as their activities, since such information may hold promising insights. Therefore, we have integrated questions about membership in, role and activities of local Swiss associations in our interview guide.

Secondly Scott's (1994: 208, 211, 212) argument about the exclusiveness of the jurisdiction of belief systems and the closely related idea of ***competing socialised rationalities*** (Almond 2011a: 260; Edwards *et al.* 2007b: 202) holds further potential for our investigation. Due to the very nature of MNCs that straddle organizational fields and national institutional environments (Westney 1993: 60) or business systems, it is very likely that different belief systems or socialised rationalities of involved actors are present in our study. This assumption seems to be even more likely as the institutional rationalities (Ferner *et al.* 2012: 167) or rationales (Redding 2005: 136) of the compartmentalised U.S. business system on the one hand, and the collaborative business systems of Germany and Switzerland on the other, are quite different. In this connection, probably contrasting

views of different actors might be notably due to the pervasive market mentality and short-term, contractual authority relationships in the USA (Hall and Soskice 2001a: 29–30; Hollingsworth 1997a: 271; Redding 2005: 142), that stand in sharp contrast to the more cooperative attitudes and long-term communitarian obligations (Hollingsworth 1997a: 272–275; Streeck 1997a) in the collaborative German and Swiss NBSs, as we have seen in chapters five and six. Which beliefs and rationalities are present among MNC actors is an interesting question for our research, since these shape their attitudes towards corporate HR practices. Again, actors' beliefs about what constitutes professional behaviour, their espoused norms and cognition or socialised rationalities and embedded ideological norms, are strongly influenced by their interaction with peers in professional associations via a process of acquisition (Scott 1987: 505). Exploring the role and activities of local associations and the beliefs, norms and attitudes of HR managers is thus promising in order to learn about local actors' socialised rationalities and finally to explore questions related to the power of meaning when two sets of institutional rationalities collide in the event of HR practice transfer (Ferner *et al.* 2012: 166). The exploration of meanings, in turn, demands a qualitative approach just as the one underlying the present research (Krauss 2005: 763). The socialised rationality of actors or belief systems are constituting the ***embedded managerial norms*** (Almond 2011a: 265) which, in turn, are underlying HRM practices, and incorporate managers' beliefs about ***desirable outcomes*** of practices (Almond 2011a: 258–259). To try and understand this socialised rationality of local Swiss as well as US-American and German actors is important since it may allow us to understand how the potential of the country-of-origin effect for shaping the transferred practices actually shows through in reality. The example of local adaptations in the implementation of a standardized performance management system in a US MNC in Lebanon (Nakhle 2011: 291) provides a good illustration to theoretical arguments about ***actors*** assuming the role of ***interpreters*** between diffused practices and local institutions, norms and rules. Here, institutions, norms and rules may be interpreted in contrasting ways (Lane and Wood 2009: 532). Much information on such an institutional rationality has already been gained from the in-depth analysis of NBSs and typical HRM practices in German and US-American MNCs, for example concerning attitudes towards unions, unilateral or negotiated approaches (Wever 1995), as well as calculative or collaborative HRM (Gooderham *et al.* 1999). It is hence interesting to find out about how patterns of embedded managerial norms show through and materialise in the Swiss setting.

Questions about such differences including the relationship with unions or the presence of calculative HRM practices and a unilateral approach are hence part of the interview template and

were systematically discussed with our interviewees.

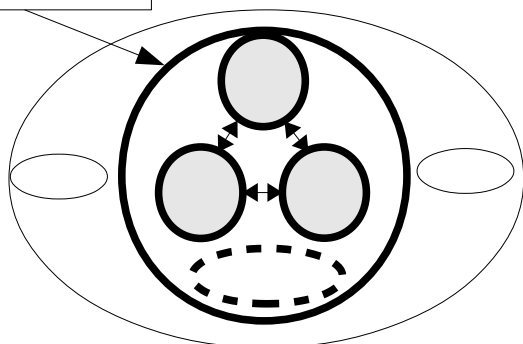
Thirdly, as we have seen, in recent contributions further arguments have been worded concerning the need to focus more on *sub-national levels of embeddedness* of international HRM. In this respect, especially the competitive provision of supports for MNCs by sub-national actors, and the advantages of spatial proximity have been highlighted (Almond 2011b: 533; Lundvall and Johnson 1994). It has been argued that under conditions of spatial proximity, personal relationships with frequent face-to-face interaction between various actors may stimulate the growth of trustful personal relations and the development of shared conventions (Cooke and Morgan 1998; Porter 1998). Where MNC subsidiaries are located in an environment where subsidiary managers are personally linked to multiple external actors through a network of trustful personal relationships, the latter may lead to deeper local embeddedness of the subsidiary. Such embeddedness, in turn, may allow the whole MNC network to capitalise on geographically specific inter firm relations (Lane and Wood 2009: 543; Meyer *et al.* 2011: 246–247).

Our in-depth analysis of the Swiss host country collaborative business system showed that the latter is marked by relatively high levels of generalised trust. Trust, in turn, is sustained in the decentralised and linguistically heterogeneous Swiss host country with its people-networking society (Avery *et al.* 1999: 22) through the law of multiple encounters in life (Weibler and Wunderer 2007: 283) that are due to the small cantonal societies, where people know each other personally. We may hence argue that it seems very likely that we will find forms of local embeddedness of subsidiary units and local Swiss managers, who may engage in “information shaping” (Morgan and Kristensen 2006: 1478) within their organization. Furthermore, we might expect to find certain forms of locally provided competitive supports for MNCs, since the latter are economically extremely important for the Swiss economy (Erten *et al.* 2004: 102; Naville *et al.* 2007a: 8).

Thus, in our interviews, we have included questions about local managers' participation in and activities of local external networks, the perceived benefits of membership in local networks, and the existence and use of locally provided supports for MNCs. Furthermore, we consciously tried to find out whether our interviewees had corporate or local career orientations.

Chapter three focused on what we have termed the organizational micro-level and hence the interplay and mutual influence of corporate structure and strategy as well as contingency factors on

Focus chapter 3



Organizational level: HRM, strategy, structure and contingency factors

HRM practices. In this respect, different notions of strategy (Whittington 2001), inter alia the systemic one that is present in the work of Richard Whitley, have been presented and discussed. Furthermore, organizational forms (Bartlett and Ghoshal 1998), mechanisms, structures and forms of coordination and control (Harzing and Sorge 2003; Scullion and Starkey 2000) and their influence on and interplay with HRM have been discussed. Still another important issue that has been treated in this chapter

is aspects of power and agency within MNCs (Delany 2000; Dörrenbächer and Gammelgaard 2006, 2011; Morgan and Kristensen 2006). In this respect, especially different subsidiary roles and associated power resources (Dörrenbächer and Gammelgaard 2011) within the MNC network and related challenges of coordination and control (Greenwood *et al.* 2010; Meyer *et al.* 2011; Mudambi and Navarra 2004; Taylor *et al.* 1996) of locally embedded subsidiaries with high knowledge in- and outflows (Gupta and Govindarajan 1991; Harzing and Noorderhaven 2006) have been presented.

Therefore, a *fourth* important insight obtained from our theoretical discussion concerns the need to ***develop a sound understanding of issues related to corporate strategy, structure and configuration***. For example, we need to gather information on corporate HQ's role as a field dominant (Ferner *et al.* 2012: 171; Levy 2008). Therefore, relevant information that should be sought and analysed includes the extent of concentration of activities in the home market and country, as well as centralization and HQ dominance in policy formulation. This information is crucial in order to evaluate the degree of home country embeddedness of the MNC. This, in turn, may allow us to infer on the possible strength of the country-of-origin effect and home-country managers' rationality. Furthermore, an understanding of whether a company is evolving towards the transnational form (Bartlett and Ghoshal 1998) or competes in global markets and industries as opposed to multidomestic ones (Porter 1986a) allows us to understand to what degree the respective MNC needs to achieve internal consistency (Evans *et al.* 2002: 55), and hence, to design and transfer standard corporate practices. The same is true for diversification strategies and the

connected logics of synergistic or financial economies. As we have seen, companies with synergistic linkages via diversification into new markets, replication and standardization may be assumed to have the highest degrees of standard HRM policies and practice transfer (Edwards 2011). Further points can be made about contingency factors such as size, since larger companies are usually marked by higher degrees of standardization and formalization which, in turn, represent processual channels for HRM practice transfer (Edwards and Ferner 2002; Ferner *et al.* 2004b: 366; Quintanilla *et al.* 2008: 682). Greater standardization and transfer of HRM practices may also be expected in large companies exposing intermediate structures such as global divisions or regional headquarters (Ferner *et al.* 2012: 500, 503). But also the company's growth history and preferred market entry mode plays an important role, as HRM practices were found to be more easily transferable towards greenfield sites that are more frequent in global companies, when compared to brownfield operations which are more common in multidomestic firms (Edwards *et al.* 2010: 618; Harzing 2002; Tempel 2001: 117). Though, concerning the role of the typologies proposed by Bartlett and Ghoshal (1998) and Ferner and Edwards (1995), it has been argued that these are empirically difficult to disentangle (Coller and Marginson 1998). Furthermore, the design of the present research with its clear focus on external institutional environments considerably restricts the extent to which the strategies and structures of, and relations in, the MNCs under investigation can actually be observed. Therefore, we follow Tempel (2001: 143) who, rather than trying to apply these typologies as an empirical framework, used them as an important reference point. This facilitates the identification of company level factors that may influence the extent to which, and how HRM practices are transferred in MNCs.

A first part of our questionnaire therefore deals exclusively with company-level factors in order to identify important corporate characteristics of strategy, structure, size, growth history and integration that are supposed to influence on the extent of standard practice transfer. Further information on geographical diversification, corporate structure and strategy as well as decisional power of HQs and other MNC units have been obtained from interviews as well as from the internet and document analysis.

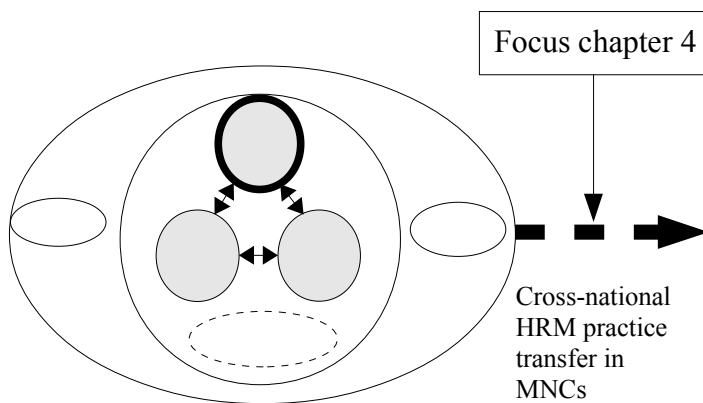
A *fifth* point can be made about certain HR functional areas that we expect to be generally more integrated than others. Such propositions can be derived from arguments about *varying degrees of integration and differentiation of different HR activities and practices*. The need for internal HR consistency can be expected to be more or less strong depending on the degree of integration and

differentiation of the respective HR domain (Evans *et al.* 2002: 465; Ulrich 1997). Issues such as high potential development and management training with high degrees of integration may generally be expected to be highly standardized, just as performance management and global recruitment process design or employee information and surveys. On the other hand, in line with the findings of previous empirical research, HR issues with low levels of integration but high levels of differentiation such as IR, collective bargaining, recruitment, compensation and shop floor technical training may be expected to be treated more locally with certain adaptations (Ferner *et al.* 2011: 500; Myloni *et al.* 2007: 2066, 2069; Nakhle 2011).

A *sixth* understanding has been obtained from recent contributions that have repeatedly and strongly argued for the need to duly account for the critical role of **organizational actors and aspects of power and agency** in the event of HRM practice transfer (Almond *et al.* 2005; Edwards *et al.* 2010; Edwards and Rees 2006c; Ferner *et al.* 2012; Tempel *et al.* 2005; Wächter and Peters 2004; Wächter *et al.* 2003). As we have seen, we can distinguish between three levels of agents being the individual manager, the MNC subunit or subsidiary, and the MNC organization as a whole. Issues of agency are, in turn, strongly interrelated with corporate structure and strategy. These are important factors defining the role of the local subsidiary as well as strategic objectives and the approach in the host country environment of the company as a whole. Again, as we have argued earlier, in a coordinated or collaborative host country environment, managers are more likely to be locally embedded. This **local embeddedness of managers** may be conducive to long-term, local **career orientations** (Morgan and Kristensen 2006). Furthermore, local embeddedness may grant privileged access to important location-specific resources and information for the MNC as a whole. However, it may also create problems in controlling and coordinating the activities of such locally embedded managers or whole units, especially when these are integrated players or global innovators (Gupta and Govindarajan 1991). As we have seen, Switzerland is a coordinated market economy or collaborative business system. In such environments, we might expect to find more locally embedded subsidiaries and managers (Morgan and Kristensen 2006). It has been further argued that such locally embedded managers are more likely to be subversive strategists than to adopt boy scout behaviours within the MNC network (Delany 2000; Dörrenbächer and Gammelgaard 2006; Morgan and Kristensen 2006). The framework of four sources of subsidiary power proposed by Dörrenbächer and Gammelgaard (2011) with micro-political bargaining, resource-dependent, systemic and institutional power can serve as another important reference point. This is especially true when combined with the contribution on power and agency made by

Ferner et al. (2012), that allows us to better understand how aspects of agency influence on HRM practice transfer in MNCs. Therefore, we sought to *understand the role and relative position of the Swiss subsidiary* within the company network of the MNC, its market orientation, local embeddedness and knowledge in- and outflows in order to get a picture of its power resources that may be mobilised in negotiations with HQ. To develop such an understanding of the power resources Swiss local subsidiaries and actors can draw on to defend their interests within the corporate network, an analysis of previously discussed corporate-level factors linked to strategy and structure as well as host country factors such as local networks and access to location-specific resources and supports, is highly important. Furthermore, the issue of embedded managerial norms and the role of local managers as interpreters of practices and desirable outcomes comes again into play. In this connection, Ferner et al. (2012: 174) emphasize that “[m]ore subtle and tacit cognitive and normative elements of institutional frameworks are even more subject to insider exegesis”. As we have seen in chapter 6, Switzerland is by far less legalistic than Germany, although institutionalised practices like industrial peace and a generally cooperative, consensual management style and long-term, stable employment relations imply the presence of strong social constraints (Davoine 2005; Durkheim 1997; Streeck 1997a: 202). We have further argued that these, in turn, are based on exactly such *cognitive and normative elements of the local context* that may remain invisible for outside actors like managers at US or German HQs as well as expatriates occupying key positions in subsidiaries.

In our interviews we hence consciously tried to collect information and evidence of local embeddedness of managers. We searched for concrete examples of how local embeddedness is linked with access to locally available resources, if and how these are used as power resource for subsidiaries and subsidiary management in internal negotiations, and if and how *insider exegesis* of local cognitive-normative frameworks plays a role in the event of practice transfer and implementation of standard practices. Another important aspect concerns the MNC as actor who may actively engage in negotiations with local authorities in order to gain legitimacy, following ideas proposed by Kostova et al. (Kostova *et al.* 2008, 2009). Therefore, we also consciously searched for evidence of such negotiation of legitimacy that might lend support to Kostova *et al.*'s theoretical suggestions.



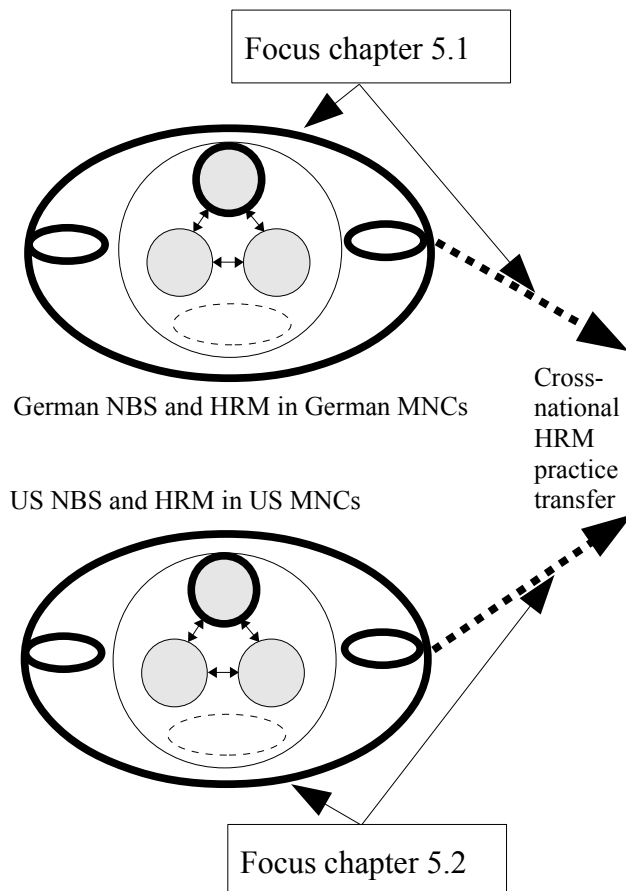
In *Chapter 4*, we integrated the macro-level institutional factors discussed in chapter 2 and the micro-level organizational factors exposed in chapter 3 into a comprehensive framework for research into cross-national HRM practice transfer in MNCs. We have summarized recent key contributions in the field of

research that have identified five key factors influencing on international HRM practice transfer. The three macro-level factors are country-of-origin effect, dominance effect and host country effect, whereas the two micro-level factors are the international integration effect, that can be linked to corporate strategy, structure and issues of coordination and control, and political aspects of power and agency (Almond *et al.* 2005; Edwards *et al.* 2007b; Edwards and Ferner 2002). Furthermore, we have distinguished between direct and indirect transfer mechanisms. Direct mechanisms consist of procedural channels and include guidelines, structures, rules and best practice schemes that are used to transfer codifiable knowledge. Indirect mechanisms relying on people-based channels include socialization mechanisms linked to corporate culture and international transfer of managers, and are rather employed to transfer tacit knowledge (Edwards *et al.* 2010; Liu 2004). Associated measures to secure practice transfer include, on the one hand, coercive comparisons, benchmarking and formal systems of control that are largely based on the resource power of corporate HQ. On the other hand, international management training and international project groups are used outside these formal power relations. As we have seen, these transfer mechanisms might actually be viewed as corporate coordination, communication and control practices.

Thus, a *seventh* insight obtained from our theoretical discussion is that it is *necessary to understand* how *communication, coordination and control* takes place in the MNC in order to single out transfer mechanisms, international channels (Edwards *et al.* 2010: 618) and associated measures used by the MNC.

Therefore, a whole section of our questionnaire is dedicated to obtaining information on these issues. We also asked explicitly about the existence of best practice schemes, guidelines and manuals for standard processes and practices as well as socialization practices, international transfer of managers and systematically undertaken comparisons between plants.

In *chapter five* we have analysed the key institutional features or arenas of the US American and



German NBSs. For this analysis, we closely followed the structure of the theoretical work of Whitley (2000a). The in-depth analysis of these two country-of-origin NBSs allowed us to develop an understanding of how domestic HRM in German and US MNCs is shaped by the characteristics of their respective national business system. Furthermore, we could gain insights into the relative “institutional rationality” (Ferner *et al.* 2012: 167) of our two countries-of-origin. The latter, in turn, has been argued to shape actors’ “socialised rationality” (Almond 2011a: 260) and to inform their global approach towards HRM and practice transfer. In this connection, we notably recall Bluhm’s (Bluhm 2001: 156) argument that “institutional choice is a matter of bounded rationality. Actors can change their policies, but they

cannot control entirely their expectations (and the expectations of others) or the social norms and routine practices to which they are accustomed”.

In a second step, we completed the analysis of these two country-of-origin NBSs with a literature review of empirical studies of HRM practice transfer in German and US MNCs. We could thereby obtain valid information on how and why German and US MNCs transfer certain kinds of HRM practices cross-nationally. Further, we could find out how they deal with different types of host country contexts with their specific constraints and opportunities. Based on this information, we can now develop further concrete propositions to guide our empirical research.

An *eighth* key insight of this discussion and review is, that we may expect to find **important differences between US and German MNCs**. As we have learnt from the existing literature, German and US MNCs typically were found to adopt different approaches towards transfer and towards dealing with different host country constraints and opportunities. General differences in their respective approaches towards HRM practice transfer reported in previous studies have

already been discussed at length and summarized in tables 16 and 18. Thus, at this point we will only recall some key differences that we would expect to play an important role for German and US MNCs, their approaches towards HRM practice transfer, and their ways of relating to the Swiss host country environment.

US MNCs have been repeatedly found to be highly centralised, formalised and standardized in comparison to MNCs from other countries-of-origin (Almond 2011a: 261; Edwards *et al.* 2010: 615; Ferner *et al.* 2004b). These features suggest a heavy reliance on procedural channels for transfer of mostly codifiable knowledge. Furthermore, probably due to the sheer size of their domestic market, many US MNCs were found to have a tradition of parochial, inward-looking HR, are likely to fail to recognize differences and to under-emphasize international activities (Dowling 1999: 37; Ferner *et al.* 2004b: 378). We have also seen that, due to the dominant systemic position of the USA throughout the twentieth century, US MNCs have grown in the dominant economy, where they have developed numerous innovations including HIWSs with HR bundles in a very liberal environment (Schuler and Jackson 2005: 20). These factors may explain, together with their high levels of formalization and standardization, their pronounced will to transfer standard corporate practices downstream. These usually evolve around best practice schemes and standard processes that are designed at HQ, and a pronounced corporate culture in order to obtain internal consistency and competitive advantage. On the host country side, it has been argued that the dominant systemic position of the USA and the performance of their MNCs led to a high receptiveness for US HRM practices (Clark *et al.* 2005: 508). Finally, subsidiaries of US MNCs were found to have lower levels of autonomy and discretion in HR policy formulation than those of other nationalities (Ferner *et al.* 2011: 495).

Concerning the ***institutional rationality*** of the US national business system, we have seen that US organizations are isolated hierarchies in a compartmentalised business system. Market competition is the central means of resource allocation in this utterly liberal system, where relationships between market participants are generally short-term and arm's length in nature. Moreover, the US business system does not provide major institutional supports for firms, and business as well as employers' associations are fragmented and not incorporated into the political system. Furthermore, not only business and employers' associations are weak, but also trade unions representing the employee side. As we have seen, relations between employers and unions have historically been marked by conflict rather than by a spirit of cooperation and social partnership, and bargaining between employers and employees is highly decentralised and individualised. These factors may inter alia

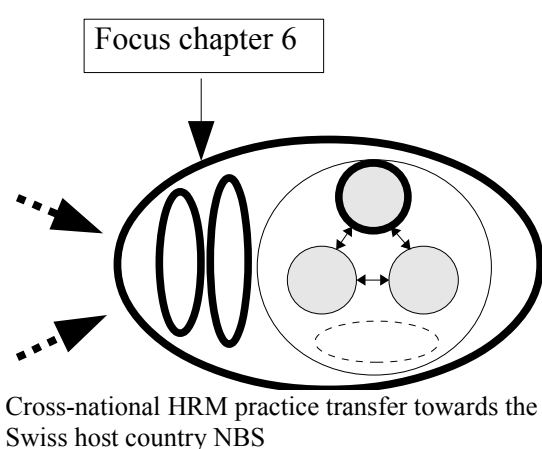
help us to understand why there is no encompassing system of vocational education and training in place in the USA.

As we have seen, in previous studies US MNCs have been found to *transfer* especially sophisticated performance management systems with calculative HRM practices, diversity frameworks, strongly individualist non-union approaches in their employee relations involving direct communication, and a strong corporate culture and associated socialization mechanisms (Ferner *et al.* 2004a: 117). We would therefore expect to find these broad characteristics of a 'US MNC approach towards transfer' also in Switzerland.

German MNCs, in turn, show some important differences when compared to their US counterparts. Structurally, German MNCs have been found to be usually more decentralised concerning HR and IR policy making and definition of practices (Chang 2006; Ferner and Varul 2000b: 89; Guest and Hoque 1996: 64, 69), leading to local adaptation and hence, greater similarity with host country practices. Moreover, their overall approach towards transfer of country-of-origin practices in the field of HR and IR has been described as more subtle and selective, and marked by differentiation by choice. For instance, certain practices linked to the heavily institutionalised German IR system like co-determination have not been transferred (Dickmann 2003: 274). On the other hand, they have tried to do so with other practices like dual VET, though with varying degrees of success. Starting in the early 1990s, many lately internationalizing German MNCs have started to learn from more advanced international MNCs of Anglo-Saxon origin and to adopt elements of Anglo-Saxon HRM, leading to an Anglo-Saxonization “in the German manner” (Ferner and Quintanilla 1998: 724) that is reflected in their HRM practices. Such learning also involved upstream or reverse transfer from Anglo-Saxon subsidiaries. The available literature suggests that German MNCs seem to rely less heavily on the single use of formal mechanisms since they make some more use of expatriates than their US counterparts (Ferner and Quintanilla 1998: 725; Harzing 2001).

In terms of German *institutional rationality*, German firms are typically collaborative hierarchies that are deeply embedded into a collaborative business system. In such systems, long-term cooperative relationships between market participants and especially between members of a sector or industry are common, and resource allocation is secured not only by market forces, but rather by associational coordination. Strong business and employers' associations are incorporated, together with trade unions, into the state. Together with the state, collaborative social partners are able to run an encompassing system of dual VET, and industry is the traditional level where collective bargaining takes place.

The content of *transfer*, then, may rather refer to a mindset and basic principles than to concrete practices. Such a mindset concerns a cooperative, consensual style in IR, the ethos of the works community, as well as some more use of collective representation and communication in ER/IR. Furthermore, long-term developmental HR inspired by the German system of dual VET with heavy emphasis on training, and internal careers based on increasing technical competence (Barmeyer and Davoine 2008: 11; Calori and Dufour 1995: 68; Evans *et al.* 2002: 376–377; Glunk *et al.* 1997: 99; Kristensen 2003) have been identified as typically German-flavoured practices. These broad features of German MNCs, and their distinct approach towards transfer, are expected to be present also in Switzerland.

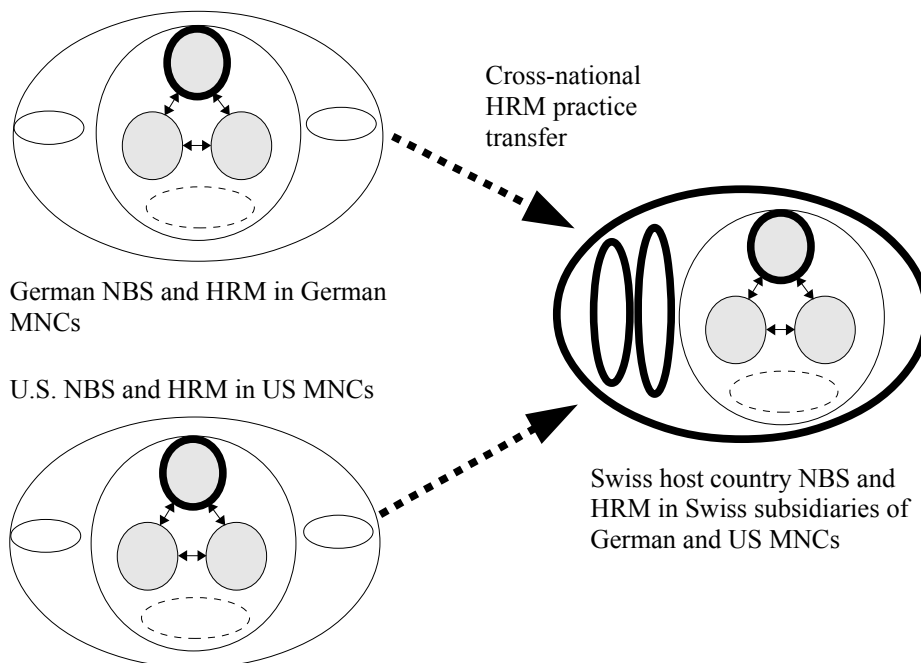


In *chapter six*, we focused on the Swiss host country NBS in order to learn about possible host country effects. As we have seen, host country effects consist of locally imposed constraints as well as resources (Almond *et al.* 2005: 281) that may influence on HRM policy and practice. Our in-depth analysis of the Swiss business system allowed us to systematically compare the configuration of key institutional features or arenas of Switzerland as host country with those of Germany

and the USA as countries-of-origin. This analysis and comparison that has been summarized in table 20 allowed us to make the point on our initial affirmation that Switzerland in some respect takes a middle position between the cases of Germany as a classic example for a collaborative, and of the USA as a compartmentalised business system. We have shown that on the one hand, the Swiss system of IR is permissive and lacks an equivalent to German works councils and co-determination rights. On the other hand, it is however marked by cooperative relations. Collective agreements do exist and cover an important part of the Swiss workforce. Yet, these agreements are concluded between institutionally weak unions and strong, well-coordinated employers' associations, and wages are mostly excluded and determined at firm or plant level. Swiss labour law is liberal with a low level of employment protection legislation, and labour markets are flexible. However, these institutional features did not lead to short-term hire-and-fire policies with a strong emphasis on external labour markets like in the USA, but employment relations are stable with long average job tenures. Switzerland has a comprehensive system of VET emphasizing professional skills, that shows striking similarities with the one found in Germany. Relations between Swiss

economic actors including public and business organizations as well as employers and employees, are marked by high levels of generalised trust and communitarian rather than contractual Anglo-Saxon style authority relations. Furthermore, also similar to Germany, associational coordination or private interest government plays a central role in the Swiss economy. A lean, decentralised federal and liberal corporatist Swiss state co-operates closely and on an institutionalised basis with, and even delegates tasks to, private interest associations. In our analysis we have built on points made by other authors about a Swiss people-networking society (Avery *et al.* 1999) where people in small cantonal communities have multiple personal encounters in life (Freitag 2004; Weibler and Wunderer 2007). This gives rise to strong forms of social control that are typical for small, direct democratic societies (Davoine 2005). Moreover, it may explain outcomes like co-operative IR and a consensual, rather negotiated style resembling those in Germany, despite important differences between these two collaborative business systems. As we have seen, in Switzerland, there are no comparable institutional safeguards or statutory rights such as employment protection legislation, co-determination rights and strong unions in place. Such formal institutional elements that could be considered as obvious, clearly defined “control in being” (Wächter and Stengelhofen 1992: 27), and that are at the basis of coercive isomorphic pressures in Germany, are widely absent in Switzerland. The somehow puzzling evidence in Switzerland is that outcomes are similar to those in Germany, while at the same time, local coercive isomorphic pressures are widely absent. This points to the existence and working of informal institutions and to the normative and cognitive pillars of institutions. Since informal institutions refer to usually unwritten socially shared rules that are created, communicated and enforced outside of officially sanctioned channels (Helmke and Levitsky 2004: 727), it suggests itself to have a closer look at the presence and working of such unwritten rules that may very well be sanctioned, though not through official channels. In this respect, the local media and personal relationships, *inter alia* those between economic and political elites, might probably play an important role in sanctioning infringements of unwritten rules in the Swiss people-networking society.

Our following *propositions* now concern *expected differences* in the ways German and US MNCs will deal with the Swiss host country environment. Following Morgan (Morgan 2007: 139), we try



to achieve a specific understanding of *how these organizations relate to the particular institutional settings of Switzerland* and how they take advantage of local resources and deal with constraints.

Following Lane and Wood (2009: 542), we can expect different types of MNCs to make greater

or lesser use of a range of alternative institutional supports. Furthermore, the ability of MNCs to engage with high trust relations with local firms and governance actors has been argued to affect their sub-national host embeddedness, together with the degree of sub-national business system autonomy (Almond 2011b: 281).

In tables 17 and 19, we have summarized findings of previous empirical studies illustrating how German and US MNCs have dealt with other coordinated and liberal host country environments. Putting together the findings of these empirical investigations with our information on key features of the Swiss host business system, we can formulate some concrete questions and propositions about expected German and US-American ways or forms of relating to the Swiss host country institutional environment.

a) A *first* question is about whether and how German and US MNCs locally engage in *symbolic image building* (Kostova *et al.* 2008: 1001), and if yes, which sources of legitimacy they use? Due to the different institutional rationalities between Germany and the USA, we would expect to find different approaches. We may speculate about a connection between the sources of legitimacy used being somehow related to different perspectives on corporate social responsibility that might be rather regulatory in Germany as opposed to a more managerial or shareholder perspective in the USA (Bonvin 2007: 36–37).

b) **Secondly**, the existence of an encompassing system of **dual VET** in Switzerland raises the question if and in how far German and US MNCs take advantage of corresponding locally available institutional support structures?

Contrary to other host countries that have been studied so far, the presence of such structures *a priori* allows **German MNCs** to reproduce German-style vocational training and associated practices in Switzerland. As we have seen, German MNCs have been found to transfer this system or to establish functional equivalents in several countries for several reasons and with mixed success. While in some cases, management aimed at providing their workers with broad-based skills that were not available on local labour markets, in other instances, dual VET was rather used as an efficient recruitment tool, or in order to establish early ties with their young workers through socialization. Even in rather adverse environments like the UK, where the structure of the labour market and career patterns are highly different from Germany, some German MNCs tried to establish dual VET training schemes. We might therefore **expect German MNCs to engage with much ease in dual VET** also in Switzerland, since the Swiss training system and skill profiles that determine the structure of the local labour market as well as career patterns are very similar to Germany, and all necessary institutional supports are readily available. Also the Swiss associational mode of governance of the dual VET system is very similar and should therefore be common to German MNCs as collaborative hierarchies that are used to co-operate with other firms of their sector or industry with the coordinating and mediating role of associations.

For **US MNCs**, dual VET is a rather unfamiliar training practice from their home business system. Yet, several of the US MNCs which are active in Switzerland might already know the system due to a long international experience. For example, in Germany, survey findings suggest that dual VET is considered a highly valued local resource among foreign MNCs (Vitols 2001: 14, 16, 17). We might therefore speculate that internationally more experienced US MNCs might as well take advantage of the apprentice system. However, US investors showed scepticism about (Cooke and Morgan 1998: 13–14), and US MNCs were found to be reluctant to join employers' associations in Germany (Singe and Croucher 2005: 133), a fact that might be explained by the overwhelming dominance of big German firms in these associations (Wächter *et al.* 2003: 88). Yet, it is these associations that play a central role in the coordination and working of the dual VET system in Switzerland as in Germany. This argument might be even stronger for the Swiss regional cooperative training schemes that are sustained by local networks of bigger employers. Such cooperative practices and networking with competitors involving even some exchange of information on production

techniques might arguably seem to be a suspect practice in the eyes of higher-level Anglo-Saxon managers who are used to the strict anti-trust legislation, requiring every firm to stay on her own, thus strictly confining the scope for cooperative practices.

Furthermore, we may reasonably expect that the kind of activities performed in Switzerland, and hence, the respective need for certain types of qualifications, will determine whether or not MNCs will engage in apprentice training or not. Interesting in this respect are the findings of Hanhart and Bossio (1998: 496–497) who suggest that there are several reasons to locally engage in apprentice training, that might equally apply to foreign MNCs. These same authors found rational-economic as well as social reasons for Swiss firms to invest in apprentice training. On the one hand, the opportunity to secure labour with skills exactly matching the firms' needs, and a reduced risk in recruiting were classified as rational-economic reasons. On the other hand, the improvement of training available in a region, the facilitation of transition between school and work, firm tradition, and finally, corporate image, represented social reasons for training apprentices. Therefore, it seems promising to *explore the reasons of German and US MNCs to engage or not to engage in apprentice training*, and to find out in how far rational-economic versus social considerations and corporate image play a role also for foreign MNCs. As we have seen in the precedent paragraph, such social considerations might well be linked to MNC efforts of symbolic image building in order to gain legitimacy locally, just as local Swiss firms do.

c) A **third** question, that is closely related to the precedent point, is about *how US MNCs will deal with the local associational mode of coordination and cooperative practices* in the Swiss host country context. Similar to the German one, the latter is supposed to demand for collaboration (Saka-Helmhout and Geppert 2011: 573–574). As we have seen, evidence from US MNCs in Germany suggests not only a reluctance to join local associational networks, but even active agency exacerbating tendencies of the system towards disarticulation (Singe and Croucher 2005: 123). Based on theoretical grounds and the available empirical evidence, there is no reason to expect any kind of deep embeddedness and sustained engagement of US MNCs with associations or other kinds of local networks.

For *German MNCs*, in turn, we would expect active membership in associations in order to obtain information from other professionals, to engage in collective bargaining and in political lobbying, corresponding to their country-of-origin practices.

d) **Fourthly**, the presence of a strong *anti-union ideology* and a preference for direct communication runs like a thread through *US MNCs'* approaches in the field of IR and ER. In cases where unions were accepted, this was due to acquisitions of plants with a history of unionisation combined with difficult market conditions, or to institutional pressures. However, in certain cases, even institutional pressures for collective representation in Germany could successfully be fended off by putting pressure on local management (Tempel *et al.* 2006a). Since in Switzerland, unions are institutionally weak in their bargaining relations with employers (Armingeon 2001; David and Mach 2006; Oesch 2007; Pelizzari and Schief 2008), we have no reason to expect any other policy than union avoidance for US MNCs in Switzerland. Yet, collective agreements might well be used as benchmark in order to offer higher standards, as US MNCs in the pharmaceutical industry did in Ireland (Collings *et al.* 2008: 249). Generally, It seems rather likely that especially wage policy in US MNCs will involve some kind of labour market benchmarking, involving wage surveys and a positioning above the mean level. This has also been identified in Spain as part of preventive measures adopted to keep unions out and to avoid industrial conflict. US MNCs seem to prefer to pay higher wages if this allows them to keep unions out, and hence, to preserve a maximum of managerial prerogative. We would overall expect US MNCs to be marked by rather top-down, *unilateral* decision-making, and emphasis on managerial prerogative with explicit exclusion of outside actors such as trade unions.

On the other hand, as we have seen, *German MNCs* generally showed more *cooperative industrial relations* and no comparable anti-union ideology as their US counterparts. Contrary to the USA, in Europe, there has been a common acceptance of the idea that both government and unions should play an active role in the regulation of the labour market and of the social state (Phelan *et al.* 2007: 355). In fact, collective agreements between trade unions and employers' associations on industry level have been repeatedly identified as one of the major institutions governing the German labour market (Giardini *et al.* 2005; Müller 1999b; Wächter and Müller-Camen 2002). On the other hand, in other host countries like the UK with permissive IR systems, German MNCs were found to free themselves from constraining elements of their home business system. This differentiation by choice (Tempel *et al.* 2005: 193, 2006b: 27) was especially evident in case of co-determination rights of works councils and employee representation on board level, which have not been transferred abroad. As we have seen, also in the Swiss IR environment is basically permissive as there are no comparable constraints like German co-determination rights. However, cooperative IR are based on the notion of social partnership. These framework conditions in Switzerland are hence

consonant with the German cooperative ethos. Furthermore, German MNCs were found to have rather decentralised policies on IR (Ferner and Varul 2000a: 132, 2000b: 89; Guest and Hoque 1996: 64, 69), with the latter being commonly adapted to host country practices. Thus, where German MNCs employ those categories of workers that are typically covered by collective agreements, we would expect especially larger German MNCs to engage in negotiations and to entertain cooperative relations with unions and worker representatives, and to negotiate collective agreements. Corresponding to common local Swiss practice, wages would be excluded and negotiated at firm or plant level. German MNCs might also combine collective employee relations involving some kind of representative works committee and individual HIWSs as they did in the UK (Tüselmann *et al.* 2006: 75). This approach might be especially viable where employees are highly skilled knowledge workers. Furthermore, German MNCs might be expected to use local co-operative ER and IR structures creatively in order to achieve local productivity coalitions, or to introduce negotiated forms of flexibility such as working time schemes. Thus, we expect German MNCs to be marked by less unilateral and more *negotiated* decision-making with more involvement of inside as well as outside actors such as works committees and unions, who are generally considered as social partners. On the contrary, all available literature suggests that there is no reason to expect German MNCs to transfer formal co-determination rights towards Switzerland.

e) *Fifthly, German MNCs* were found to be marked by *developmental HR* with a heavy emphasis on training and the development of technical knowledge, together with internal functional careers that are based on the acquisition of technical knowledge (Barmeyer and Davoine 2008: 11; Calori and Dufour 1995: 68; Evans *et al.* 2002: 376–377; Glunk *et al.* 1997: 99; Kristensen 2003). We expect this approach with potential influences on personnel development and career planning to inform their practices also in Switzerland. However, it is difficult to predict in which ways this influence will concretely manifest itself. There might be a stronger focus on internal labour markets, just in line with the German figures on long average job tenure, and a stronger training orientation than in their US counterparts. Though, as Tempel (2001: 157) reminds, it is highly problematic to find meaningful and internationally comparable indicators to investigate aspects of employee development. Thus, we do not aim to undertake direct and quantifiable comparisons in this field. Concerning *US MNCs*, the available evidence suggests that internal labour market approaches with *intensive socialization* practices were chosen especially *in difficult labour markets*, which might arguably be the case in Switzerland with its very low level of unemployment. Yet, we would not expect functional careers or a nexus between a career progression and the acquisition of technical

knowledge as this might be the case in German MNCs. Furthermore, contingent on corporate-level factors such as corporate culture and history, some US MNCs might be more orientated towards external labour markets than their German counterparts, while others might have developed internal career approaches as part of a welfare capitalist heritage.

f) Our *sixth* proposition is about US MNCs that are expected to show *elaborated diversity policies* and to transfer corresponding frameworks also towards Switzerland. These frameworks may or may not be adapted to the European context, where they might potentially focus more on equal opportunities for men and women.

In German MNCs, such diversity frameworks are not expected to play an equally important part in their international HRM policy.

7.4 Selection of the research sites and access to the field

It has been stressed that the provision of a clear rationale for the case study selection and details on the case study context are of great importance. Such information is crucial as it allows the reader to appreciate the researcher's sampling choices (Cook and Campbell 1979: 83). This, in turn, represents an important criterion for the judgement of external validity or generalizability of the case study findings (Gibbert *et al.* 2008: 1468). External validity refers to the belief that theories have to be shown to account for phenomena in other settings than the one in which they are studied (McGrath and Brinberg 1983). In fact, neither single nor multiple case studies allow for statistical generalization, and hence, to infer conclusions about a population (Numagami 1998: 3). However, case studies do not rely on statistical, but on analytical generalization, referring to generalization of a set of results or empirical observations to theory rather than a population (Sobh and Perry 2006: 1195; Yin 2009: 43). To achieve analytical generalization, Eisenhardt (1989) suggests that a cross-case analysis involving four to ten case studies provides a good basis.

We have followed her advice and selected five out of our sample of 19 firms that seemed particularly interesting cases for closer observation of the phenomena under investigation. In these firms, we have conducted more in-depth case studies with further participants disposing of international experience within their organization and knowledge of corporate headquarters. This was in order to obtain information from several points of view, especially from persons who were able to compare practices back at home and in the Swiss subsidiary. Expatriates and other employees with international experience, as well as employees occupying other positions or functions than HR have been consciously chosen to carry out additional interviews. This was done in order to reduce negative effects on validity due to single source bias (Björkman 2006: 467; De Cieri and Dowling 2006: 22). In a similar vein, we completed four external expert interviews in order to further triangulate our sources of information. We could hence compare HR insider perceptions within MNC subsidiaries with those of experts working in local Swiss institutions concerning issues like dual VET, IR, and labour markets.

Referring to criteria for sample definition and recruitment of participants, “most qualitative studies set a premium on diversity, because (...) they seek to show the range of ways that a phenomenon is experienced within the chosen context” (King 2004a: 16–17). In this way, the sample may

encompass variations that are expected to be of theoretical and applied interest. In the following, we will resume the criteria used to define our sample and to choose participants. These sampling criteria follow the principle of a search for theoretically meaningful variations and are hence based on the key insights and propositions presented in our research framework.

The present investigation is part of a larger research project conducted at the chair of human resource management and organization of the University of Fribourg in Switzerland. Starting in 2008, several PhD Projects, Bachelor's and Master's thesis have been dedicated to the investigation into the cross-national HRM practice transfer in MNCs. Inter alia, a first PhD thesis on US and European MNCs in Lebanon (Nakhle 2011) has been published, and several Master's thesis have been completed that dealt with the subject of HRM practice transfer. For example, Master's thesis on HRM practice transfer in French and US MNCs towards Switzerland (Python 2011), HRM practices in an acquired subsidiary of a French MNC in Switzerland (Stern 2010), cross-national HRM practice transfer and the role of European HQ of US MNCs (Diogo 2011), and HRM practices of Swiss MNCs (Ganz 2012). Further investigations including a PhD theses on foreign MNCs in the Russian Federation and Ukraine (Olga Novitskaya) and in Switzerland (Christian Schober) as well as Master's thesis on the transfer of HRM practices in US MNCs towards Switzerland (Rebecca Warburton) are currently being conducted. Taken together, interviews in around 50 Swiss subsidiaries of foreign and domestic MNCs have been conducted, and data collection, analysis as well as results have been discussed with all participating researchers in order to increase the validity of our data analysis through triangulation. The present researcher supervised several of these Master students, accompanied the students to their interview appointments, and discussed the analysis of their transcripts with them. Thus, the total number of MNCs the present researcher has had the opportunity to get in touch with exceeds the nineteen cases presented in table 22, with the latter referring only to those cases he has analysed himself in depth for the present investigation.

The focus of this research project lies on the Swiss host country and its influences on HRM practice transfer, and on the different ways in which German and US MNCs relate to the Swiss institutional setting. Therefore, a first concern was to obtain similar numbers of German and US MNCs as participants in our investigation. Furthermore, as we have seen in chapter 6 and emphasized in our research framework, Switzerland is a country that is marked by strong cultural, religious and linguistic heterogeneity which is reflected in a highly decentralised state organization. Thus, the

geographical location of our research sites was a second important criterion. We tried to collect equal amounts of data in French- and German-speaking regions and cantons, since important powers concerning schooling systems, including the delivery of the school-based part of dual VET, and the imposition of taxes, are largely exercised on the cantonal level. Furthermore, in our research framework and theoretical propositions, we have argued that the sub-national cantonal or linguistic-regional level is the most important one for associational life and coordination of economic actors and activities, thus representing an important factor in the Swiss NBS. Last but not least, this research design allowed us to include different cultural-linguistic backgrounds that are present in Switzerland, and that might as well influence on local Swiss actors' perceptions of managerial styles and HRM practices at their workplaces. Research sites in the German and French-speaking parts of the country have been included, because otherwise, rich information linked to the highly diverse contexts within Switzerland might have escaped and significantly reduced the richness of our data. As displayed in table 22, the objectives of obtaining similar numbers of cases and interviews in US and German MNCs with a large geographical spread including subsidiaries in several German- and French-speaking cantons could be achieved to a satisfactory degree. This should serve as a good starting position to investigate the role and activities of local associations as well as issues related to sub-national embeddedness and competitive provision of supports (Almond 2011b: 533) that have been discussed and identified as important research questions in our research framework. Furthermore, comparable amounts of data for German and US MNCs should provide a sound basis for a systematic comparison of differences and similarities. This comparison is done between the two country-of-origin groups of MNCs with each group representing various kinds of organizations and sectors, in order to learn about their ways of relating to the local Swiss institutional context. However, one limitation of our sample consists in the fact that it does not include the Italian-speaking canton of Ticino and hence, the third cultural-linguistic region of the country.

A third sampling criterion was related to company-level variables as discussed in chapter 3 and summarized in the research framework. In this respect, our aim was to obtain interviews in a large variety of companies including differences in size, structure, industry and competitive strategy. As explained above, such diversity in the sample enables the researcher to include variations that are expected to be of theoretical interest and to see how and in how far such company-level variables influence on HRM practice transfer towards Switzerland. Relevant findings from our sample can then be compared with those obtained in previous research, hence holding the potential to further contribute to our understanding of interaction effects (Tempel *et al.* 2005: 197) between macro-level

institutional and micro-level corporate influences.

Overall, we would argue to have achieved this aim to a high degree. Our sample encompasses small MNCs with around 5 000 employees to very large ones with staff numbers of several hundreds of thousands. A considerable variety of industries is covered, ranging from electrical engineering over the chemical-pharmaceutical industry to consumer goods and food. Though, a clear bias of our sample consists in the fact that it contains considerably more MNCs from industry than from the service sector. Moreover, it does not contain matched pairs of German and US MNCs of the same size and industry. For example, to our regret, we could not gain access to a German MNC of the financial services industry. However, attempts to find matched pairs in order to exclude other sources of variation between firms such as age, structure and strategy brings with it the danger of missing the point. According to Ferner (1997: 23–24), differences in phases and patterns of internationalization or organizational structures may themselves be typical of different NBSs. As we have seen, the fact that German MNCs started to internationalise much later than their US counterparts is illustrative of this argument. Thus, it strengthens the case for grounding the research into differences between MNCs from different countries-of-origin in an analysis of the NBSs out of which they have emerged. This is actually the approach that has been chosen for the present investigation. A further important argument that has been worded by Ferner (1997: 24) in this connection is that “[f]eatures such as corporate size and structure “form part of a constellation or cluster of features and acquire their significance in relation to the cluster as a whole”. Therefore, the impact of small size in German companies may be different compared to small size in US MNCs. Attempts to match pairs of US and German MNCs might hence even result in the investigation of atypical companies. Similar arguments apply to the search for matched pairs of subsidiaries. An additional problem concerns the practicability of such an approach, since in reality it would be highly difficult to find such matched pairs of operations across companies possessing similar features (Tempel 2001: 149). Taken together, the arguments about the significance of constellations or clusters of features once more justifies the choice of a multiple case study approach. In such circumstances, the researcher typically faces “complex matters” (Stewart *et al.* 1994: 13) with a multitude of influencing variables that are difficult to disentangle, and to understand how they are interrelated.

Furthermore, as already explained earlier, we carried out four external expert interviews with a member of the board of a major Swiss trade union, a specialist of the SECO (state secretary for economic affairs) for collective agreements, a member of the board of the Swiss employer's

association, and a specialist of the collective regional training scheme of the Basel region called Aprentas. These interviews helped us to gather additional information from the point of view of actively involved actors on issues concerning important characteristics of the Swiss NBS such as the system of dual VET, collaborative IR, collective agreements, and local supports for MNCs, that have previously been discussed based on a comprehensive literature review.

Gaining access to the field, and hence to relevant interview partners in the organizations has for long been recognized as “a special methodological problem of organizational research” (Delany 1960: 448) where the “inaccessibility to organizations (...) has a tendency to cause serious limitations in any study” (Beloucif *et al.* 2010: 18). In this respect, it has been argued that especially in large profit-oriented enterprises, obtaining access can be more difficult “as their managers would value the cost of time” (Johl and Renganathan 2010: 42). In this respect, three current problems that are leading to access denial for researchers have been pointed out (Saunders *et al.* 2009: 172):

1. Many organizations deny access because they receive too many requests, and sometimes access is denied only because someone else was faster
2. A harsher economic climate lets managers increasingly feel that they and their staff have little time left to devote to academic research which is perceived of as non-productive activity
3. The researcher's organizational status influences on access to company documents and employees, and on how he or she is perceived by key informants

Although the problems of gaining access are well-known to business researchers, Laurila (1997: 409, 417) deplors that usually, research reports in management studies fail to provide systematic descriptions of how good access to companies and individual managers was actually gained. In order to do better, we decided to provide such a systematic description in the following section.

In order to obtain access, Bryman and Bell (2007: 445) advocate to “gain research through family or friends”, thus advising the use of the researcher's own social network. Buchanan *et al.* (1988: 54) recommend an opportunistic approach to fieldwork in organizations, arguing that “[w]hatever carefully constructed views the researcher has of the nature of social science research, of the process of theory development, of data collection methods, or of the status of different types of data, those views are constantly compromised by the practical realities, opportunities and constraints presented by organizational research”.

Concerning the strategy of gaining access that has been adopted for the present investigation,

personal contacts or contacts of a third party have been used wherever possible. In this connection, we would like to emphasize the most helpful and crucial role of the author's doctoral supervisor. Our personal experience in this respect is concordant with points made by Johl and Renganathan (2010: 42, referring to Feldman *et al.* 2003). The latter affirmed that gaining access to individual managers may require years of preparation, where researchers need to develop reputation for consistency and integrity in order to be trusted. This work has been accomplished by the present researcher's doctoral supervisor before the beginning of the investigation. By means of regular presence and presentation of research results in cantonal and regional HR professional associations involving informal conversations, and sustained engagement in advanced training for managers, the research supervisor has been able to establish a network of personal contacts with managers throughout the French-speaking part of the country.

However, concerning German MNCs and the German-speaking part of the country where the personal networks of the research supervisor were less developed, access proved to be considerably more difficult. One interview could be obtained by contacting a head of HR via his professional e-mail address. The latter was provided in an article that he had published on an issue closely related to our research project in the HR trade journal of the German-speaking regions called *Persorama*. Another interviewee could be recruited thanks to personal contacts of the researcher himself, and the remainder had to be found without the possibility to use existing networks. The procedure adopted in these cases was to establish a list with companies that would represent interesting cases for the purpose of our research, and that had a foreign subsidiary in a German-speaking Swiss canton. Once a list with around three dozens of firms had been established, it was completed with addresses and telephone numbers in order to contact these firms. A first, well-prepared phone call was made where the researcher shortly presented himself, his institution and the matter of his call and asked whether it would be possible to talk to the HR manager, or to obtain his or her name and professional postal address so that he could send an official letter from the university. In cases where the HR manager could be reached by phone, he was shortly informed about the research topic and project, and asked whether he or she would be generally willing to participate and to conduct an interview. In this case, a letter with additional information and contact details was sent. In cases where the HR manager was not available and the gatekeeper, usually the secretary or receptionist, could not give us the extension number for a later call, we asked whether we could send an official letter with our interview request. Where we did not obtain any answer within the following weeks, we took out follow-up calls. However, these attempts to gain access proved to be

arduous and did not result in as many interviews as we would have hoped to obtain. Only around one in ten HR managers accepted to participate. The remainder gave several reasons why this would not be possible. Several managers referred exactly to the reasons cited above (Saunders *et al.* 2009: 172), namely that they had been deluged with requests for research access, and that the harsh economic climate made it impossible for them to gain permission of their boss for such an interview. Still others refused to participate because of current corporate restructuring activities or simply because they were not interested in the research topic, indicating that they hardly had any contact with corporate HQ and thus, HRM practice transfer was simply not an issue in their work.

Table 22 below provides an overview of interviews, interviewees and MNCs included in the present investigation.

Table 22: Overview of interviews, interviewees and MNCs involved in the multiple case study

MNC name, sector/industry	MNC size (EM)	Location (SU)	Size of Swiss subsidiary (EM)	Number of interviewees	Number of interviews	International market orientation	Local market orientation
D1 machine construction, electrical engineering	>> 100 000	CHD	1 200	3	4	X (Global HQ for subdivision)	X
D2 chemical-pharmaceutical industry	> 100 000	CHF	90 (SU 1, CHF)	4	5	X (EMEA distribution HQ)	X
		CHD	450 (SU 2, CHD)	1	1		
D3 electrical engineering	5 000	CHD	500	1	1	X	
D4 commercial vehicles, power engineering	50 000	CHD	1 000	2	1	X	
D5 Business Software	50 000	CHD	400	1	2		X
D6 IT services	>> 100 000	CHD	450	1	1		X
D7 chemical-pharmaceutical industry	40 000	CHF	1 500	1	1	X	
D8 chemical industry	15 000	CHD	60	1	2	X	
D9 hospital and hygiene products and services	10 000	CHD	350	1	1	X	X
US1 assurance, consulting, tax	> 100 000	CHD	400	1	1		X
US2 Computer hard- and software technology, consulting	>> 100 000	CHD	400	1	1		X
US3 pharmaceuticals, medical equipment	50 000	CHF	500	2	3	X	
US4 Heavy equipment, engines, financial services	> 100 000	CHF	500	2*	3	X (EMEA HQ)	
US5 chemical industry	70 000	CHF	450	3	3	X (EMEA HQ)	
US6 food processing, commodity trading	> 100 000	CHF	170	1	1		X
US7 medical equipment	50 000	CHF	700	1	1	X (European HQ and production site)	
US8 banking, financial services	>> 100 000	CHF	700	1	1	X	X

US9 consumer goods	> 100 000	CHF	3 000	1	1	X (EMEA HQ)	
US10 foods, beverages	>> 100 000	CHF	70 (SU 1, CHF)	1	1	X (EMEA HQ)	
		CHD	120 (SU 2, CHD)	1	1	X (EMEA purchasing HQ)	
Total							
19	-		-	31	36	-	-
External expert interviews							
SECO, State Secretariat for Economic Affairs, Bern	-	CHD	-	1	1	-	-
UNIA, largest Swiss trade union, Bern	-	CHD	-	1	1	-	-
Swiss employers' association, Zurich	-	CHD	-	1	1	-	-
Aprentas, joint cooperative training system of the greater Basel area	-	CHD	-	1	1	-	-
Total							
	-		-	35	40	-	-

Source: own compilation, EM = employees, number of employees have been strongly rounded for reasons of anonymity, SU=subsidiary, CHF=French-speaking region, CHD=German-speaking region; *the third interview was a non-registered intensive discussion after presentation of final results with a high-ranking US4 HR-manager.

7.5 The data collection process

According to King (2004a: 11), “[t]he interview remains the most common method of data gathering in qualitative research”. This method of data collection has also been chosen for the present investigation, where we have opted for the use of semi-structured realist interviews. In the latter, information received from interviewees is considered to provide “insight into their psychological and organizational lives outside of the interview situation” (King 2004a: 12). The semi-structured interviews with HR managers had a duration of between 90 and 120 minutes, and those additionally conducted with expatriates and external experts between 60 and 90 minutes. All interviews listed in table 22 have been conducted face-to-face at the working place of interviewees and were tape-recorded when explicit permission was obtained to do so. In the great majority of cases, such permission was given and interviews could be transcribed for later analysis. In the few cases where interviewees did not want to be tape-recorded, the interviewer took as extensive notes as possible. Such notes as well as transcripts were systematically sent back to the interviewee for validation before starting the analysis. Additionally, conducting interviews at the workplace of interviewees allowed for the collection of some additional observational data. Although we would not dare to assert that we made sustained use of observations as a method of data collection, a personal visit to the company site still holds some potential for information collection. Such observations may especially concern the company building, and striking elements that attracted the researcher's attention. For example, the presence and layout of a company restaurant, the office layout, the presence of posters showing the company values and vision, matrix displays for an LED moving font informing employees and visitors in the reception area about the current share price of the company, or a presentation of the product portfolio and/or obtained quality certificates are just some examples of such elements that varied considerably between companies.

Face-to-face interviews have important advantages for the present investigation since they facilitate the clarification of important terminology used in the research. In fact, we had to clarify several times expressions that are current in the academic literature like “best practice schemes” that otherwise would not have been interpreted or understood by practitioners in the same way. Thanks to the possibility of direct interaction in face-to-face interviews, we hope to have effectively avoided the possible distortion of results caused by interpretation of terminology or whole questions in different ways, since we were able to provide explanations wherever necessary. While this

problem of interpretation basically concerns all types of investigation, it has been especially discussed as a threat to validity in survey research (King *et al.* 2004) where qualitative in-depth techniques have been advocated to strengthen validity (Mallinson 2002).

However, similar to the PhD research carried out by Tempel (2001), a key challenge of the present investigation lies in its cross-national and multilingual nature. As we have seen, the present research project demands comparisons between three countries and two nationalities of ownership, with their cultural-linguistic and institutional contexts. Even more importantly, Switzerland as host country which is at the heart of the present investigation, is a country where three administrative languages are officially recognized. Although our research was restricted to the German and French-speaking regions and only a small minority of interviewees preferred to conduct the interview in English, this already implied considerable linguistic challenges. Even though the presence of different languages is rather common in research on MNCs and international business, Piekkari and Welch (2006: 393) consider the use of foreign languages in interview studies to be “a neglected topic”, thus arguing for “a better appreciation of the intersubjective production of meaning in an interview”.

In this connection, Hantrais (1999: 104) stresses problems of equivalence of concepts across contexts and argues that “[i]n research that crosses cultural and linguistic boundaries (...) analysis of the social construction of concepts is an essential component in the characterization of national systems. Many concepts do not, however, travel well across national boundaries, and the question of the equivalence of concepts in different contexts has become a central issue in cross-national comparisons”. The 2011 special issue of the *Journal of World Business* where Rebecca Piekkari and Susanne Tietze reach out to “set the agenda for language-sensitive research in international business and management” (Piekkari and Tietze 2011: 267) is illustrative for the continuing challenges linked to the presence and use of multiple languages in international business research. Although we believe that our approach of an in-depth analysis of the two country-of-origin NBSs and the attempt to understand the socialised rationality of actors provides a suitable framework for a deeper understanding of different social concepts involved, we also faced linguistic challenges.

Therefore, following the suggestion made by Rubin and Rubin (1995: 173) to obtain acceptance, we chose to conduct interviews in the interviewee's native language. This advice has also been repeated by Welch and Piekkari (2006: 428) who found that the use of the interviewee's native language

produces “more authentic answers that exhibit more subtle nuances”. Furthermore, these same authors emphasized the use of the interviewee's native language as “a powerful means of establishing rapport and a sense of connection” (Welch and Marschan-Piekkari 2006: 430).

Conducting interviews in three languages requires the use of interview templates that are correctly translated so that basic concepts are sure to be understood in the same way. As most of the relevant literature used for the present investigation has been published in English, we did not face greater challenges concerning the construction of our English interview template since basic concepts and key expressions could directly be adopted from the relevant literature. Concerning the German and French versions, the researcher first produced a German version, cross-checking translations of key concepts with corresponding expressions used in the templates and publications used by the research team around Hartmut Wächter (Wächter and Peters 2004; Wächter et al. 2003). Contemporaneously, a French version of the template was elaborated, where key concepts have been discussed with the research supervisor whose mother tongue is French. The French and German templates have then been used and tested in our first interview series, where the feedback of HR professionals indicated that they were viable and key concepts had been well understood.

37 out of 40 interviews were conducted in the native language of the interviewees being German or French, while the remaining three interviews were carried out in English. In two of these cases, English was the mother tongue of the Interviewee. Only in the third case where the interviewee had a mother tongue that the interviewer could not speak, the interviewee chose English as interview language, that was also the company language of the MNC. Thanks to the high level of English proficiency of the respective interviewee and her long working experience in several MNCs using English as corporate language, we are however confident that we did not just obtain shallow answers and “company speak”, but “rich” responses (Welch and Marschan-Piekkari 2006: 428).

The following table 23 provides an overview of our interviewees and interviews including information on interviewee function, nationality, international professional experience, mother tongue and interview language.

Table 23: Overview of nationality, mother tongue, interview language and international professional experience of our interviewees

MNC	Interviewee nationality, status, function (if not HR)	Interviewee nationality	Interview language / = interviewee mother tongue (y/n)	Interviewee international experience (working and living outside Switzerland for a longer period of time)
D1	I1	Swiss	German /y	no
	I2, expatriate, marketing	German	German /y	yes
	I3, expatriate, customs	German	German /y	yes
D2	I1	French	French /y	yes
	I2, expatriate, marketing	German	German /y	yes
	I3, expatriate, marketing	German	German /y	yes
	I4	Swiss	German /y	no
	I5, assistant of the board	Swiss	German /y	no
D3	I1	Swiss	French /y	no
D4	I1	German	German /y	yes
	I2	Swiss	German /y	no
D5	I1	German	German /y	yes
D6	I1	Swiss	German /y	no
D7	I1	Swiss	French /y	yes
D8	I1	Swiss	French /y	no
D9	I1	Swiss	German /y	no
US1	I1	Swiss	German /y	no
US2	I2	Swiss	French /y	yes
US3	I1	Swiss	French /y	no
	I2, plant director	Swiss	French /y	no
US4	I1	Swiss	French /y	yes
	I2	Canadian	English /y	yes
US5	I1	Swiss	French /y	yes
	I2	Swiss	French /y	yes
	I3, expatriate	British	English /y	yes
US6	I1	French	French /y	yes
US7	I1	Swiss	French /y	yes
US8	I1	French	French /y	yes
US9	I1	French	French /y	yes
US10	I1	Bulgarian	English /n	yes
	I2	Swiss	English /y	no

Source: own compilation.

A further issue raised by Welch and Piekkari (2006: 431–432) is the use of what they call “contextualization resources” in order to produce shared understanding and intersubjective meaning. One of these issues that the present researcher would argue to be of special importance for investigations in Switzerland, is the association between nationality and language. The researcher was born in the South-West of Germany, near the French and Swiss borders, and grew up with the use of the local Alemannic German dialect. While his local German version of Alemannic dialect somehow resembles the very widely used dialects in Switzerland, and hence, makes an understanding of local Swiss dialects fairly easy, it still sounds different to Germanic Swiss people. This is to say that, while the nationality-language nexus could be to a certain extent neutralised in the interviews conducted in French and English, it was very present yet in those that were carried out in German. When interviewing German interviewees, the use of standard German language may be argued to have fostered rapport by emphasizing common national identities. On the other hand, when interviewing Germanic Swiss professionals, the author voluntarily encouraged interviewees to feel at ease and speak in their everyday speech being regularly some version of Swiss Alemannic German dialect (Widmer et al. 2005: 41). As we have seen earlier, the widespread use of local dialect may be linked to local identity, and the eagerness of Germanic Swiss people to distinguish themselves from Germans whom they do not wish to identify with (Christen 2008; Tixier 1994: 25). While the interviewer himself could not mask his own nationality, he could at least try to make interviewees feel more comfortable by encouraging them to speak in dialect, similar to the logic of conducting interviews in their native language as discussed above.

In fact, a feeling for the great importance of the use of local dialect in the Germanic regions as central part of people's local identity is by no means evident for a foreign researcher and has been learnt through a process of immersion in the history and contemporary life of the country during several years. This immersion including friendships with Swiss people from several linguistic regions finally allowed for an appreciation of the local community environment and the generation of a “localised understanding” (Welch and Marschan-Piekkari 2006: 432) which, in turn, sustains the process of meaning making in interview situations. Interestingly, and somehow illustrative of the great importance Swiss people attach to local dialects and identities, one of the interviewees who grew up in the Basel region even recognized right at the beginning of the interview that the present researcher grew up in a geographically close region because of his accent. In fact, such commonalities are a very pleasant means of establishing rapport with interviewees. In a similar vein, where interviews have been conducted together with a Swiss German native speaker, the

present researcher let the Swiss German introduce the researchers and the project in his own dialect, thus giving the interviewee a more comfortable feeling of common identity.

Related to the underlying realist or post-positivist epistemological position exposed in chapter 7.1, an approach involving realist face-to-face interviews implies a concern with the accuracy of data gathered. In order to assure accuracy, King (2004a: 12) suggests to compare interview findings with data obtained from other sources such as documentary analysis or quantitative survey data in terms of triangulation. To allow for a systematic comparison of data, realist interviews, and hence, the interview guides used tend to be more structured and to define more topics for discussion than other qualitative interview types (King 2004a: 15). Data triangulation involving, *inter alia*, archival data, interview data, direct observation and the review of transcripts and drafts by peers as well as key informants, have been highlighted as important means to achieve construct validity during the data collection process (Gibbert and Ruigrok 2010: 713; Gibbert *et al.* 2008: 1467; Marschan-Piekkari *et al.* 2010: 113–114; Yin 2009: 41). Construct validity as a quality criterion for judging the rigour of case studies refers to the identification of “correct operational measures for the concepts being studied” (Yin 2009: 40) or to “the extent to which a study investigates what it claims to investigate, that is, to the extent to which a procedure leads to an accurate observation of reality“ (Gibbert and Ruigrok 2010: 712 referring to Denzin and Lincoln 1994).

Therefore, we triangulated data obtained from interviews with other accessible sources such as company reports and relevant literature. Extensive use of additional sources of information was especially indispensable for our systematic description of micro-level organizational factors of all nineteen case study companies in chapter 8.1. Additional documents such as official company web pages, annual reports, SEC Form 10-k documents for US MNCs, and published articles were used to obtain relevant data on company history, total revenue and number of employees or geographical distribution of turnover and staff. This approach hence allowed us to compare and to complete information that we could obtain during our interviews with data provided through official documents. As we have seen in chapter 3 and in our research framework in chapter 7.3, we need to develop a thorough understanding and correct appreciation of important micro-level organizational characteristics. These are essential for a correct interpretation of our findings, since they have theoretically been identified as factors that may heavily influence on a company's willingness to engage in, and degree of, standardization and cross-national HRM practice transfer. Furthermore,

micro-level factors are key to understand what kind of cross-national organizational conduits do exist and how these are used. Relevant factors in this sense include company size, age, growth history and current degree of internationalization, strategy and structure, year and mode of market entry in Switzerland, the role of the Swiss subsidiary within the MNC network and its relation with HQ, as well as the mode of HR co-ordination and control.

While such information is essential to the current investigation, it could only partially be obtained during our interviews. Partly, this is due to time constraints, but also to a lack of knowledge of many interviewees concerning questions around the market entry mode in Switzerland, the percentage of sales achieved in different businesses and countries or employees employed in different world regions. Such information had to be mainly gathered through additional data sources. Other information concerning the role of the subsidiary and its relations with HQ or international conduits as well as certain HR practices that are widely published, e.g. diversity policies, corporate values and corporate codes of conduct, could be gathered during the interviews and cross-checked with corresponding information that we could obtain through additional information sources.

Since we are obliged to respect the anonymity of participating companies, we could not reveal the company name when referring to our additional data sources, including the links to their web pages. For this reason, when citing such additional sources, we substituted the companies' names by the same codes (D5, US8) used in our interviews. In this way, we achieved the highest possible degree of transparency concerning our additional data sources, while at the same time making sure that participating companies cannot be identified.

Furthermore, interview transcripts were systematically sent back to key informants via e-mail, reassuring them that they had the opportunity to read through and undertake any necessary modifications or delete information judged inaccurate or too sensitive to be used in any published document. When sending the transcripts, we also proposed a delay of around three weeks to communicate any changes or the intention to undertake changes to the researcher, indicating that we would otherwise consider the transcript to be validated and accepted for further analysis in the present form. In fact, the great majority of interviewees explicitly expressed their consent, some did not reply and were hence considered to agree, while only few of them undertook some changes. Furthermore, our four additional external expert interviews allowed for the triangulation of different views, especially those expressed in the literature against the perceptions of practitioners. In this

way, we could discuss important elements that we found in the literature and in our HR expert interviews with well-informed local Swiss actors who were not working in MNCs. Yet another, third form of triangulation could be achieved by carrying out a research project involving domestic Swiss MNCs and their HR practices, following the distinction made by Farndale *et al.* (2008) between foreign-owned and domestic MNCs. The present researcher supervised a Master's thesis (Ganz 2012) investigating Swiss HRM practices in Swiss MNCs based on the same theoretical and methodological approach, and had several in-depth discussions with the student on his findings on HR practices that could then be compared with those of German and US MNCs in the researcher's own sample.

Personal contacts of the research supervisor provided the starting point for the empirical investigation, through which ten participants, all HR professionals, could be recruited and interviews were carried out between December 2008 and April 2009. This first series of ten interviews might be considered a qualitative pre-study (Marschan-Piekkari *et al.* 2010: 113) that served to identify key issues for investigation through first direct contacts with HR professionals in the field, and allowed for further development, refinement of questions and structuring of our interview guide. In this first phases of fieldwork, we also undertook adjustments of the interview guide following continuous, contemporary literature analysis. Results of our literature analysis concerning the Swiss business system and suggestions derived from our first interviews have been presented and discussed with pairs at the ARGH colloquium in summer 2009 at Toulouse (Schröter and Davoine 2009). After completion and analysis of further interviews, a further paper with intermediate results was presented and discussed with pairs at a faculty doctoral colloquium, and at the summer 2010 EGOS colloquium Lisbon (Davoine and Schröter 2010). In summer and autumn of 2010, key results were also presented to participants in order to keep them informed on the progress of our research and to discuss our analysis. In this respect, we followed the advice of Dorothy Leonard-Barton (1990: 263) who argued that organizations expect some interim report or feedback, and that one should thus plan for research output already as the study proceeds, and not only at the end. Further presentations and discussions of results followed throughout 2011 at the Tutorat Grand Est at the École de Management de Strasbourg, at an event for HR professionals at the International Chamber of Commerce Lausanne, and at a doctoral seminar in March 2013.

Several authors have underlined the importance of two principles borrowed from Grounded Theory

(Glaser and Strauss 2010) as widely accepted quality criteria for qualitative case study research: constant comparison and theoretical sampling. While constant comparison refers to an iterative process of data collection and analysis, theoretical sampling relates to a continuous process of decisions on data collection according to the theory under construction (Fendt and Sachs 2007: 431; Gibbert and Ruigrok 2010: 711; Hartley 2004: 329). Therefore, beyond practical reasons concerning the expectations of participants, such a presentation and discussion of intermediate results with pairs as well as key informants in the field, paired with continuing desk research and literature analysis, corresponds to the principle of constant comparison. Moreover, this proceeding enabled us to follow the principle of theoretical sampling in the sense of a theoretically well informed decision on further data collection. In fact, these principles were extremely important for the present investigation since this proceeding gave the researcher the chance to gather important additional information, to validate intermediate findings, to discuss new or open questions, and to deepen rapport with key informants. Thus, the informants could be kept interested in the research project while contemporaneously strengthening the quality of our data analysis and collection decisions. Keeping informants interested, in turn, is essential, since “(i)t is important that (...) the informants are committed to help the researcher achieve his aims” (Laurila 1997: 411). In fact, these reunions opened up the possibility to discuss the feasibility of obtaining further interviews with interested and – in the sense of theoretical sampling – interesting employees for more in-depth case studies. In this way, further interviews could be obtained in five participating MNCs, sometimes involving access to an interviewee in a second Swiss subsidiary. A second series of interviews was conducted between October and December 2010. This time both, interviews involving further MNCs, and additional managers working in MNCs that already participated in the first series of interviews, could be obtained. A last series of interviews was conducted in May-June and October 2011, and final results were presented in October 2011 to an audience of around 40 HR directors at a local HR professional association in the canton of Geneva with which the research supervisor had established a research partnership for carrying out the present investigation. The president of this local association, in turn, who himself participated in the investigation, was a key gatekeeper, to whom we are most grateful for establishing the contact to further interested participants out of his network.

The fact that the research supervisor has obtained a good reputation and status in the local HR professionals' community opened up further ways of increasing construct validity through triangulation. It has been emphasized that the characteristics of individual researchers influence the findings obtained in the field (Leonard-Barton 1990: 263) which has been attributed to the fact that

“individual managers may be willing to address specific issues with one researcher but not with another” (Laurila 1997: 417). While some interviews were conducted solely by the present researcher, an important part was carried out together with either the research advisor or another graduate student working on his or her Master's thesis. Furthermore, the supervisor had several informal talks with HR managers. We could therefore realise that in such informal talks with the equal-status research supervisor, interviewees would raise issues of interest for the present investigation that they would not discuss in an interview with a graduate student. Discussing our interviews and findings together with the research supervisor and participating students thus helped us to gain a more complete picture of the organizations.

At this point, we can establish a link with certain difficulties in research interviews that King (2004a: 18–19) has discussed in relation with certain types of interviewees. Especially uncommunicative or high-status interviewees may be mentioned here, where it is likely that one obtains too little or only surface-level information. In order to avoid such situations as much as possible, we followed King's advice (2004a: 17–18) and assured confidentiality and anonymity to every potential participant, delivered explanations about how the research is carried out and what it hopes to achieve, and when and what kind of feedback participants would receive. Furthermore, once an interview was granted, we asked for permission to tape-record the interview. In most cases, interviewees gave their assent after specifying that they would obtain the transcript for validation, and that we would strictly respect the anonymity of participating firms and managers. In those cases where managers did not wish that the interview would be tape-recorded, extensive notes were taken during the interview, and equally sent back for modification and validation to the interviewees. As a doctoral student, the present researcher was usually in a situation where he faced senior managers and hence, had to deal with a considerable difference in status between the interviewee and himself as interviewer. In order to obtain as much interesting information as possible, we adopted tactics described by King (2004a: 18–19) and Laurila (1997: 410–411). For example, when interviewing high-ranking and internationally experienced managers we emphasized the view that they had the chance to teach the researcher as student in their discipline, asking them for help in solving an intellectual problem. Especially with high-status interviewees, we also consciously adapted the questions to the interviewee's experience in order to arise personal interest and to show the researcher's engagement with the topic. We tried to set the relationship at an appropriate level somewhere in-between over-familiar and nervous or submissive by showing a certain expertise in the field in order to be perceived as a serious interlocutor, while at the same time being highly

respectful in regard to their areas of expertise. One technique that proved to work out well was to draw on findings or opinions worded in previous interviews or research literature, and to ask the high-status interviewee for his or her point of view and experiences, and for concrete examples and situations he or she has experienced. Such questions referred to experiences with things that are not commonly known, but with which the informant was probably familiar because it was part of his professional life. In many cases, we could establish rapport during the interview with such a technique, after having had a rather difficult start. At the end of the interview, several managers even expressed that they had quite enjoyed the occasion to talk and reflect on such issues of their professional activity.

7.6 Selection of the human resource management areas

Similar to the research project on US MNCs in Germany and other Western European countries conducted by the group of researchers around Hartmut Wächter (Wächter *et al.* 2003, 2004), we included all key HR areas. Therefore, we had questions dealing with recruitment, managerial training and development, high potential selection and career development including criteria for promotion, performance appraisal and pay, industrial relations and social dialogue as well as forms of employee communication. Furthermore, as we have seen earlier, due to the specificities of the Swiss host country, we included questions about membership in, activities and importance of local associations and other networks. Therefore, opposed to the approach chosen by Anne Tempel (2001) when researching into home-, host country and learning effects in British and German MNCs, we did not *a priori* focus on one or two particular areas of HRM. This choice is due to the fact that, until present, comparatively few research has been conducted on HRM in Switzerland. As we have seen in our research framework, it is therefore often hard to formulate concrete theoretical propositions on how German and US MNCs will relate to the Swiss host country institutional context, and what kind of HRM area and practice might be influenced in what ways by the Swiss host country. Thus, restricting the focus of our research to *a priori* defined HRM areas would have born the risk of missing important local influences that might otherwise have been discovered. In our research framework, we have pointed to some expected systematic differences between German and US MNCs that encompass such different areas as IR, training and development, career progression and -planning or diversity policies. Furthermore, we explained general differences in institutional rationalities that might favour negotiated partnership approaches in Germany on the one hand, and unilateral approaches in the USA on the other. We have also pointed out that the local

Swiss context, similar to the German but contrary to the US-American one, demands for collaboration (Saka-Helmhout and Geppert 2011). However, it is rather impossible to anticipate in what ways and in which HRM fields exactly such a local demand for collaboration will show through and influence HRM practices and approaches in subsidiaries of German versus US MNCs.

7.7 The data analysis process

A key challenge for investigators conducting qualitative research and using semi-structured interviews as a method for data collection is the following analysis of large quantities of rich data (Waring and Wainwright 2008: 85). One way of dealing with these data is to apply template analysis, that has emerged from more structured approaches such as Grounded Theory (Glaser and Strauss 2010) and makes use of codes and coding of data, although not being as descriptive as Grounded Theory (Waring and Wainwright 2008: 86). Adopting a template analysis approach to coding and analysing data, interview transcripts were thematically analysed, following the principles outlined by King (2004b). This approach involves coding texts according to identified topics. Thus, text segments dealing with one topic are attributed and assembled to one corresponding code so that the following interpretive process can be completed. A code, then, is “a label attached to a section of text to index it as relating to a theme or issue in the data which the researcher has identified as important to his or her interpretation” (King 2004b: 257). For the present research project more than 6 000 thematic passages in our interview material have been attributed to corresponding codes. In the following, we will use a short MAXQDA extract of our D6 interview transcript in order to illustrate how we concretely proceeded in our thematic analysis. We will provide some example of how we identified topics or codes and attributed text passages to a corresponding code.

All interview documents were named with a code containing data on (1) the nationality of the MNC (D or US) and the number of the company, (2) the location of the subsidiary in the German (CHD) or French-speaking (CHF) part of Switzerland, (3) the number of the interviewee we met in this MNC and the number of the interview we conducted with the respective person, (4) the nationality of the respondent and whether he or she had work experience abroad (y/n), (5) his or her function and (6) the date when the interview was carried out. The interview transcript that we will use for illustrations therefore is named: D6-CHD_I1no1-CHn-HR_03.05.2010.

Crabtree and Miller (1999: 167) suggested that “(...) researchers can develop codes only after some initial exploration of the data has taken place, using an immersion/ crystallisation or editing organising style. A common intermediate approach is when some initial codes are refined and modified during the analysis process”. In the present investigation, we adopted such an intermediate approach. We started with a first list of a priori defined codes, and proceeded to identify further codes and sub-codes that have been derived by immersion/ crystallization through intense lecture and analysis of the interview material, which was accompanied by regular returns to the research literature. This manner of proceeding in the coding of interview material has been described as “a deductive leading to an inductive research approach with sub-codes emerging from the data and expressed in the particular discourse and language of the respondents” (Waring and Wainwright 2008: 90).

Applied to our research, when starting with the thematic organization or coding of transcripts, we firstly used topics that had been defined a priori according to those included in the interview template. In this way, a first set of largely defined thematic codes had been established to which corresponding information from our first interviews could be attributed. Roughly following the issues listed on our interview guide, these first codes were named “information on interviewee”, “micro-level variables”, “HR practice transfer”, “HR practices” and “typical elements” referring to country-of-origin or host country influences. At the beginning of our analysis, this coding system also contained some first sub-codes. For instance, the code “micro-level variables” had a first level of sub-codes distinguishing between micro-level information concerning the MNC network, and information on the Swiss subsidiary. A second and third level of sub-codes had been defined to attribute relevant information on organizational and structural variables. As we can see, at this stage, our coding system followed closely the thematic structure of our interview guide with codes being largely defined and descriptive.

Micro-level variables

Facts MNC

organization (Divisions, regions, matrix, int. integration)

Structural variables

Decisions

Coordination

Communication

Control

Facts Subsid

New topics respectively codes have then been successively defined and adapted by means of the

relevant literature, through immersion as well as through discussions with the research supervisor, peers and research participants. In the following research process, the coding system has successively and constantly been developed. This process included the definition of essentially descriptive as well as interpretive codes that are usually harder to define. Hierarchical coding served to define groups of codes that are clustered together to produce more higher-order codes. Parallel coding was done where the same segment of text can be classified within two or more different codes at the same level. Furthermore, the initial template has been successively revised by inserting new codes, by grouping codes into groups on a higher analytic level, by deleting old codes, by changing the scope of a code and, finally, by changing higher-order classification (King 2004b: 258–263).

In the following, we can illustrate this process based on the initial code “typically German” that had been defined as a code in our initial list of codes in MAXQDA. To this code, we attributed text segments where (a) the interviewee spoke about what he or she considered typically German influences, behaviours and practices, or where (b) information given by our respondent on specific features, behaviours and practices could be identified as typically German based on our knowledge of the literature. In the following, several sub-codes and more interpretive codes have been defined. For example, we defined a first-level sub-code called “institutional D-NBS effects” to code evidence in our interview material on German country-of-origin effects that could be linked to distinctive features of the German NBS. This first-level sub-code is an example of an interpretive code since it goes beyond the mere description of facts or practices in establishing a link towards theory and extant literature. In this way, empirical evidence is not only described, but explained and hence, first causal relationships are established. Our second-level of sub-codes now suggests itself as a nice example to illustrate how our coding system was further developed based on the relevant literature. As we have seen, in the extant literature co-determination through works councils, dual VET and collective bargaining have been identified as key institutions governing the German labour market and having strong effects on HRM and IR (Giardini *et al.* 2005; Müller 1999b; Wächter and Müller-Camen 2002). Furthermore, in several interviews, the experts directly referred to the strong influence of German works councils. We therefore decided to define a set of codes to which pertinent segments in our interview material could be attributed. Our corresponding second-level sub-codes are therefore called “works council effects”, “labour market institutions (collective bargaining, VET, labour law)”, and “CSR (see Schlie/Warner 2000, Kieser 2004)”. In case of the

code “CSR” the same logic applies, with the relevant literature even figuring in our code. A range of thematic text sequences that directly referred to German works councils, or where effects on HRM could be clearly attributed to German works council influence, were now coded under the second-level sub-code “works council effects”. In a next step, a third-level sub-code was defined called “institutional (forced) consensus”, with a fourth-level sub-code called “works council mindset_institutional influence on socialised rationality”. Finally, a fifth-level sub-code “rather 'humane' performance appraisal” was established, to which seven text segments have been attributed from our D1, D2, D3, D4, D6 and D7 interview material.

Below, the code “typically German” as part of our list of codes in MAXQDA is displayed, together with the branch of sub-codes as described above. In brackets we can also see the numbers of codings, *i.e.* text segments, that have been attributed to the relative code.

typically German [29]

 institutional D-NBS effects [1]

 works council effects [2]

 institutional (forced) consensus [7]

 Works council mindset_inst. influence on socialised rationality [20]

 more sensibility for local differences, more moderate than
 US-MNCs [2]

 rather "human" performance appraisal [7]

 labour market institutions (collective bargaining, VET, labour [105]

 CSR (see Schlie/Warner 2000; Kieser 2004 [39]

Based on this example, we can see how the level of abstraction increases from the final-level sub-code towards the first-level code, and vice-versa, how the sub-codes get more and more concrete.

In our D6 interview extract below, we asked about practices that our interviewee considered to be typically German. The interviewee suggested that there were German influences in the area of performance management, where he argued that practices like forced distribution as they are known from certain US MNCs would not be feasible in Germany. In this same context, our interviewee also mentioned the fact that German HQ regularly checked whether the Swiss subsidiary had respected potential regulations referring to co-determination. Therefore, we first attributed a bigger text segment to the second-level sub-code “works council effects”, and within this code, we further attributed those smaller text segments that deal with performance management to our final-level

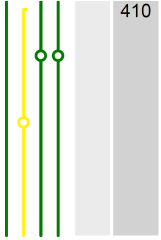
sub-code “rather 'humane' performance appraisal”.

	404	OS: Gut. Dann kommen wir noch zu einer interessanten Frage, bevor wir dann noch einmal zum Transfer kommen, das ist: Können Sie hier in Ihrer Landesgesellschaft gewisse Praktiken identifizieren, hauptsächlich natürlich wieder im HR, die Ihnen als typisch deutsch erscheinen und warum?
..rather "human"	405	CL: Als typisch deutsch? Ja es gibt schon welche, also zum Beispiel dass man in diesem <i>Performance</i> , also nicht in diesem Talentprozess, was ich Ihnen geschildert habe, der im Moment gerade läuft, dass man da nur die Potentialträger melden darf und identifizieren darf. Also die <i>Low-Performer</i> , die kuckt man sich nicht an.
	406	OS: Inwiefern bringen Sie das mit deutschen Managementpraktiken in Verbindung?
..rather "human"	407	CL: Ja, das geht in Deutschland gar nicht, oder dass man irgendwie über alle Mitarbeiter ein <i>Grid</i> macht, sechs Häuschen, alle die unten links sind müssen gehen. Das ist unmöglich.
..works council effects	408	OS: Das ist interessant, ich habe nämlich gerade erst vor ein paar Tagen in einem anderen Interview das Beispiel gehört, es gab, was die <i>Performance</i> ...für die <i>Performance Evaluation</i> ein Formular a bis e und da hat der Chef gemeint, also schlechter als c gebe es nicht. Und ja, wozu brauche ich dann d und e?
	409	CL: (Lacht) Dass du den Leuten sagen kannst du bist jetzt nicht d und e. Nein, aber das ist jetzt typisch deutsch oder amerikanisch. Da gibt es diese Glockenkurve, die ist einzuhalten, die untersten 10% ist zu kündigen. Also das ist ein Riesenunterschied, wie man an solche Themen herangeht.

The segments 409 and 410 below provide a nice example for parallel coding. As we can see, these segments have been attributed to three or four different codes. While still coded under the second-level sub-code “works council effects”, we have additionally attributed these segments to the third-level sub-codes “Works council mindset_institutional influence on socialised rationality” and “more sensibility for local differences, more moderate than US MNCs”. While the term “socialised rationality” has been adopted directly from the relevant literature (Almond 2011a: 260), the second code about more sensibility for local differences emerged from the interview material through immersion and crystallization.

Segment 410 has been attributed to still another code named “local practices (why?)” which is marked in yellow, and within this category of codes to the sub-code “local agency, power resources”. In this case, the interviewee provided a concrete example of a situation in Switzerland where he felt the absence of co-determination or comparable institutional power resources as

described by Dörrenbächer and Gammelgaard (2011: 34), so that we defined a new sub-code for such evidence.

<p>..more sensibility for ..Works council</p> <p>..local agency, power</p>		<p>410 Das andere Thema ist, dass man bei uns natürlich extrem, das Thema, uns auch den Auftrag gibt, sicherzustellen, dass die Mitbestimmung eingehalten wird. Das ist jetzt bei uns in der Regel kein Thema, aber da ist natürlich der Deutsche Konzern extrem sensibel darauf, dass alles seine Zeit braucht und die Franzosen, die kommen immer ungeschoren da weg, weil die haben gegen jedes Thema irgendetwas einzuwenden. Und da finden sie Verständnis oder, in Amerika finden sie überhaupt keine Verständnisse,</p>
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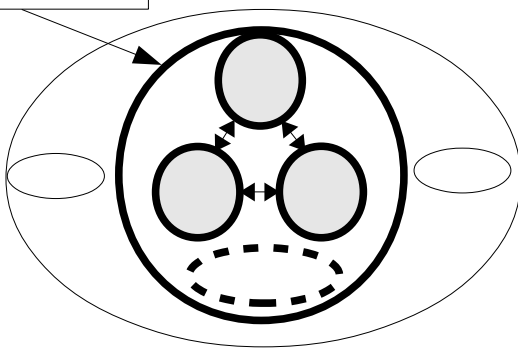
To achieve reliability in a qualitative interview-based multiple case study, Gibbert *et al.* (2010: 715; 2008: 1467–1468) advocate the construction of a case study protocol and database to increase transparency. In doing so, they follow Yin (2009: 45), who explains that reliability means that “(...) a later investigator should arrive at the same findings and conclusions”. To facilitate information retrieval for later investigators, and hence, enable replication of the study based on the same material, the present researcher thus followed the advice to establish a case study database and protocol. Moreover, in doing so we followed the advice of Sinkovics *et al.* (2008: 699) who argued for the use of computer assisted qualitative data analysis software to add rigour to the qualitative research process. According to them, the use of such software “helps and supports researchers in the analytical process of coding and analysing textual data, makes data easily accessible to collaborators and thus strengthens credibility, replicability and substance of research results” (2008: 709). Also King (2004b: 266) suggests that template analysis is particularly well-suited to computer-assisted analysis thanks to the central role of the template structure. Therefore, our case study database and protocol is not paper-based, but digital, since we used MAXQDA 10 as a powerful computer assisted qualitative data analysis software which enormously facilitates information retrieval. Sinkovics *et al.* (2008: 706) strongly argue for the use of such programmes due to their potential to facilitate theorising about content by search processes. Computer assisted qualitative data analysis software hence “enables researchers to trigger virtually unlimited searches” since “the software responds immediately with those text sequences which are related to the keywords” (Sinkovics *et al.* 2008: 706). Since this powerful search function is accessible not only to the present researcher, but also to later investigators, transparency and information retrieval for later replication can be optimized by using such a software. In appendix A2, the complete MAXQDA coding system is printed out so that the whole thematic analysis can be reconstructed by other researchers.

Chapter 8 Results of the empirical study

After having accomplished our research framework based on theory and a comprehensive literature review, we will now proceed to the presentation of results of the empirical investigation. The following chapter is organized into several parts. Corresponding to the structure of our literature review, the presentation of results is thematically ordered and subdivided into two groups according to the country-of-origin of the MNCs. This choice has been made in order to allow for a systematic comparison and discussion of issues raised in our research framework between the two country-of-origin groups.

The *first part* of this chapter provides important background information on the nineteen companies of our sample. As we have seen in chapter 3, such information firstly concerns *micro-level*

Focus chapter 3



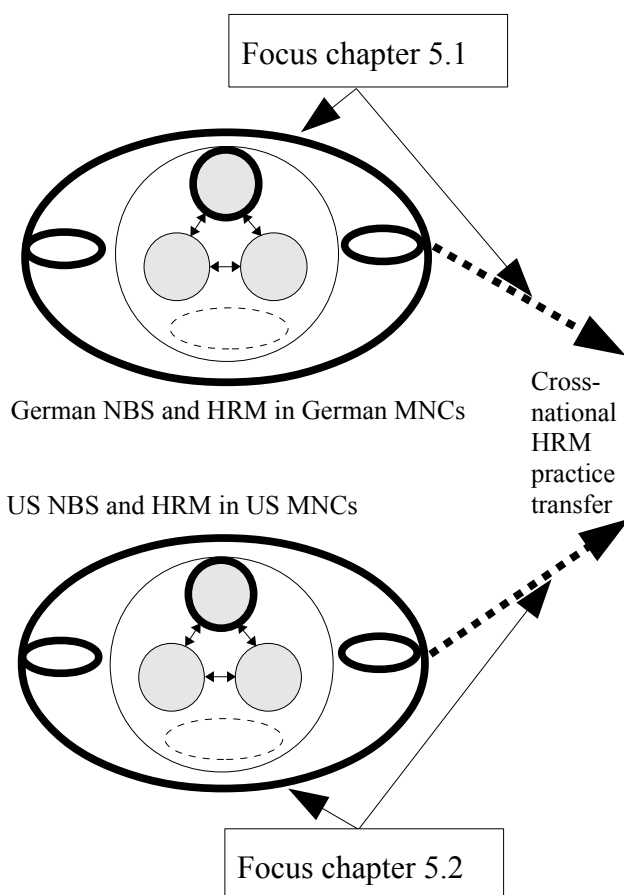
Organizational level: HRM, strategy, structure and contingency factors

organizational factors such as size, sector, market entry and growth history, as well as structure and strategy of the companies. Furthermore, additional information on the share of their sales or sales revenue generated, and employees located in- and outside their home country will be reported. In order to achieve higher validity and a more complete overall picture of the case study companies, information provided on these issues on official corporate web pages and commonly

accessible company reports will be complemented with information obtained from our interviewees. Such information has primarily been obtained in the first part of our interview template dealing with issues of organizational structure and strategy, decision-making, coordination, communication and control. As we have seen, such information is highly relevant for our understanding of the nature and richness of procedural or people-based international transmission channels or organizational conduits between HQ and subsidiaries (Edwards *et al.* 2010: 618). In this first part, we will also provide relevant information on the role of the Swiss subsidiary within the MNC corporate network. Although our interest is primarily focused on macro-level institutional influences, these micro-level factors are highly important and an indispensable basis against which institutional influences have to be discussed. In this respect, we have to keep in mind that earlier investigations found that, in

certain cases, organizational micro-level factors and effects may even override macro-level institutional ones (Tempel 2001). As we have seen in our theoretical discussion and subsumed in our research framework, such information on micro-level organizational factors is necessary to understand and interpret the how and why of HRM practice transfer. This information on the MNCs' respective approaches towards transfer may, in turn, be revealing about their ways of relating to the particular Swiss institutional setting.

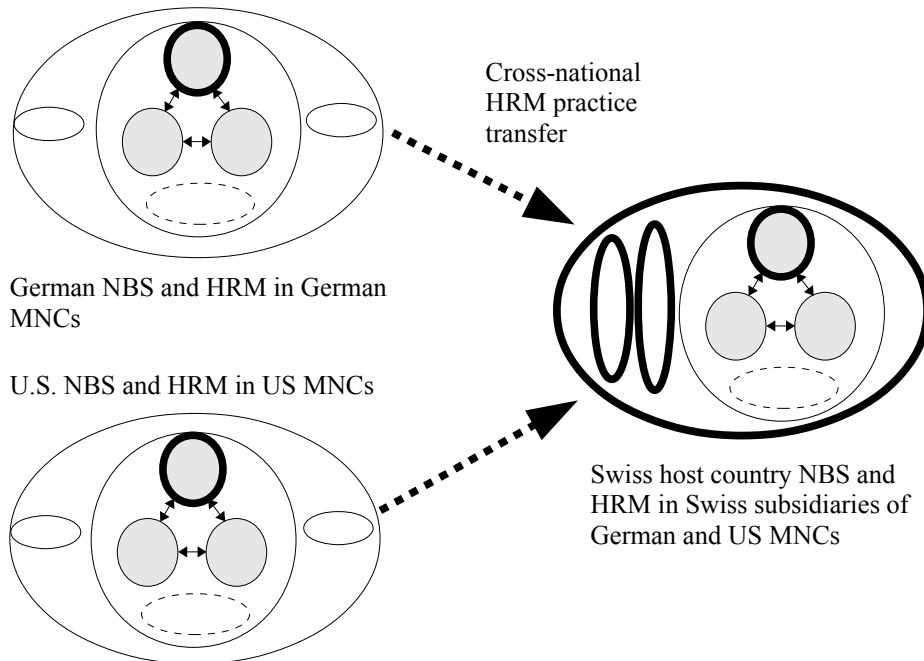
In chapter five, we have summarized results of earlier empirical investigations on characteristic traits and differences concerning HRM in German and US MNCs, and their respective approaches



towards cross-national HRM practice transfer. This review, together with theoretical reasoning and an in-depth analysis of the two country-of-origin NBSs, this information represents an important background to our own empirical investigation. The following parts two and three of the present chapter will report the findings of the present investigation against this background. The *second part* of this chapter will build on the micro-level information presented in part one in order to report our findings on the issue of HRM practice transfer. Information will be presented on the origin of HRM practices and policies, whether, to what extent and why the company is willing to engage in international HRM practice transfer, what is the direction of transfer, how the transfer process looks like, how strict the

company is on implementation, and whether there is a certain margin of manoeuvre for the subsidiary or not. We will then see a) whether common tendencies, patterns and similarities can be identified among the MNCs of our sample, and b) whether and how German and US MNCs differ systematically in their overall approach towards cross-national HRM practice transfer. These results are then discussed against the corresponding propositions formulated in our research framework.

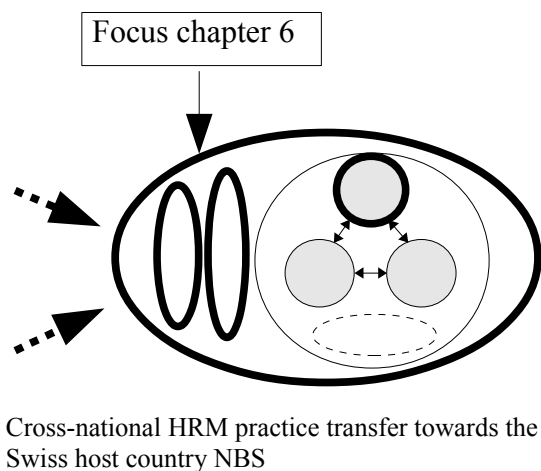
A *third part* goes more into the details of single HRM practices. Here, our findings on transferred standardized HRM practices are reported, and we will see in which domains or areas these are to be found. Once more, general tendencies, similarities and differences between German and US MNCs



are analysed and discussed against the propositions made in our research framework. Furthermore, evidence of institutional macro-level and organizational micro-level influences on cross-national practice transfer is discussed against the background of theory and findings of previous empirical investigations.

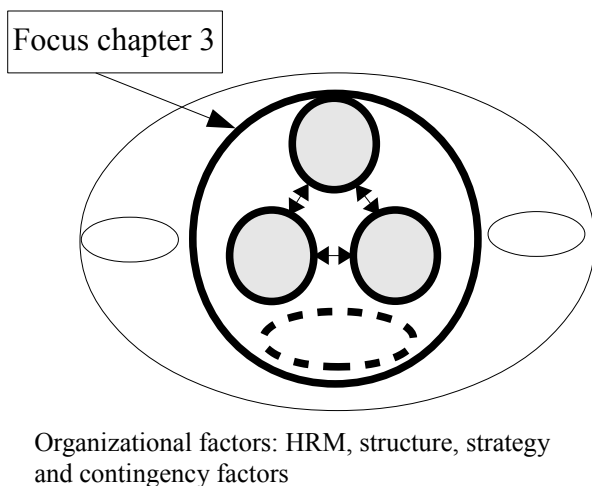
Therefore, this part deals with our second research question about differences between German and US-American MNCs concerning their respective approaches towards transfer and international standardization. Furthermore, it presents first elements of an answer to the question of whether there is a German versus a U.S. way of relating to the Swiss host country institutional context.

The same analysis is then undertaken in a *fourth section* for those HRM practices that are local or locally adapted. At this point, especially the underlying reasons for local practices or adaptations will be analysed in more detail. Therefore, this part especially deals with our first research question concerning Swiss host country effects. Once more, we will discuss empirical evidence against the specific propositions formulated in our research framework about expected differences between German and US MNCs regarding their HRM practices and distinct ways of relating to the Swiss host country institutional setting.



8.1 Micro-level organizational factors of the case study companies

In this section, we will present relevant information on organizational characteristics of the nineteen MNCs and their subsidiaries involved in the present case study. As we have seen in chapter 3, there



are several micro-level organizational factors that may have an important influence on cross-national HRM practice transfer. Such factors concern company strategy, size, industry, history and degree of internationalization, but also structural characteristics. In this way, we can learn about the MNC international HR architecture that we need to understand in order to find out about mechanisms, channels or conduits and measures associated with cross-national HRM practice transfer as illustrated

in our integrated conceptual framework in table 15. The same is true for the Swiss subsidiary. As we have seen, subsidiaries can have different roles within the corporate network. Different roles can then be associated with different degrees of local embeddedness and power resources that may be engaged in negotiations with corporate HQ. Therefore, we present corresponding key information for every MNC and the Swiss subsidiaries involved in this investigation. This information is based on publicly available data including web pages, annual reports or codes of conduct, as well as our interview material. As with the following chapters, micro-level factors are presented in two separate sub-chapters. The first sub-chapter deals with the German, and the second with the US-American MNCs. Information on every company is presented following the same structure. A first section starts with a short presentation of the MNC including information on industry, size, age and degree of internationalization. In a second step, the Swiss subsidiary, its role and relation with HQ are described. In a third part, the mode of HR co-ordination and control is discussed. At the end of each sub-chapter, a table summarizes key data on German and US MNC structural characteristics, respectively.

At this point though, we would like to underline once again that such micro-level organizational factors are not at the centre of the present investigation. As we have already discussed in our theoretical framework, typologies of different types of MNCs (Bartlett and Ghoshal 1998; Ferner and Edwards 1995) are empirically difficult to disentangle (Coller and Marginson 1998). This is

especially true for our research design with its clear focus on institutional environments. This research design, and our limited information on each company, represent major restrictions for our capability to correctly observe strategies and structures of the MNCs under investigation. However, being well aware of these limitations, we are convinced that it is highly useful to try and draw at least a rough picture of organizational structures and strategies as far as this is possible, and to use relevant typologies as an important reference point (Tempel 2001: 143). This procedure may then facilitate the identification of company level factors that can actually have an influence on the extent to which, and how HRM practices are transferred in MNCs.

8.1.1 German MNCs

D1 is a very large MNC founded in the 1880s in Southern Germany. Active in machine construction, mechanical and electrical engineering, D1 has several hundreds of thousands of employees who generated a sales revenue of more than 50 billion Euros in 2012. D1 has more than 350 subsidiaries in some 60 countries and is represented in around 150 countries on all continents. More than three quarters of D1's sales revenue is generated outside Germany, where nearly 40% of employees are located. The company's geographical division comprises the three regions Europe, Americas and Asia-Pacific. With some 30 billion Euros of sales, Europe represents the most important regional market for D1 (D1 group 2011: 41). The company is grouped into three big product divisions: automotive technology, industrial technology, and consumer goods and building technology, which are subdivided into seventeen business units (D1 group 2012). The founding family still directly holds shares and voting rights of 7%. Among the strategic objectives of D1 are sustainable and profitable growth, and thereby to reduce dependence on the automotive technology branch through growth in other product divisions. Our second D1 interviewee emphasized an excellent screening within the D1 strategy department, where potential acquisitions are planned. This is another important element of D1's strategy, as explained by one of our interviewees, since “... to be honest, D1 also buys in many innovations. That is to say, they acquire many SMEs... some of D1's central innovations have unfortunately not been developed by D1 itself, but by SMEs that have been acquired...” (D1_I2no1: 188, own translation).

D1 Swiss subsidiary and relations with HQ

D1's presence in Switzerland dates back as long as 1904, and today comprises eleven entities with more than 3 000 employees. Most of these entities have been acquired, several of them only

recently. The D1 subsidiary we could access (D1 big subsidiary) has been acquired in 1954, is firmly integrated into the D1 business unit power tools and employs more than 1 000 people who are located at two different sites. In 1986, *D1 Switzerland big subsidiary* has taken over global responsibility for the power tools accessories business. Its structure is therefore divided into development and production of power tools on the one hand, and a global head office function for the accessories business on the other. The two sites of D1 Switzerland big subsidiary are part of a global production network comprising facilities in the USA, Brazil, Malaysia, China and India, as well as further sites in Germany, the UK, Italy, Netherlands and Hungary (D1 Switzerland big subsidiary 2013). This fact has also been underlined by our first interviewee, the country HR director “*At D1 we very much refer to cross-national product divisions*” (D1_I1no1: 23, own translation). The development and production section of D1 Switzerland big subsidiary is a supplier of D1 with 90% of its output going to international markets. The accessories business structure represents the global centre for the entire product management and logistics, and co-ordinates the distribution and controlling of other foreign subsidiaries in China, Germany and Italy. D1 Switzerland big subsidiary holds certain core competencies in the fields of development and manufacture of components, and the know-how concerning product management in the accessories business, including the private label business. Especially D1 Switzerland big subsidiary's competences in the accessories business have also been underlined by our second interviewee, a German expatriate marketing specialist “*... the whole accessories business is concentrated here. And this is a very important pillar*” (D1_I2no1: 33, own translation). Important business decisions are normally made at the level of the D1 business unit. The room for manoeuvre for D1 Switzerland big subsidiary is considerably larger in the accessories section than it is in development and production. This can be directly explained by the head office function in the accessories business on the one hand, and by the integration into an international production network in development and manufacturing on the other. Generally, the process of decision-making at D1 has been described as transparent and comprehensible since it follows clearly defined authorization schemes.

D1 HR co-ordination and control

Co-ordination and communication is intense within the D1 business unit HR structures, including weekly consultations and controls. Additionally, HR activities of business units are co-ordinated via meetings of HR country directors on a regional level. Structured personal meetings are supplemented with regular conference calls. Control is exercised primarily within the business unit

line, usually taking the form of structured monthly business reports. Though, sometimes there are also direct inquiries from staff units at corporate HQ. Subsidiaries are compared and quality prizes are attributed to well-performing manufacturing plants. Finally, every four years, the internal revision controls intensively every subsidiary. The introduction of a common corporate HR-IT is another measure that has been put in place in order to facilitate certain kinds of reporting. Overall, control is felt to be rather strict *“It's a bit of an illness here” (D1_I1no1: 90, own translation)*. Interviewees have partly explained this fact by recent compliance scandals in other big German MNCs that are listed on the German DAX index, and partly it has been attributed to the sheer size of the company. Another interesting fact is the strong presence of German expatriates at D2 Switzerland big subsidiary, especially at higher managerial levels, and in recently acquired Swiss firms. Our expatriate interviewee explained that there was a very strong corporate culture and German presence at D1. The working languages are English and standard German, so that there is no Swiss dialect spoken in meetings, and that the subsidiary was led quite in a German manner. *“(…) The president is German (…) and out of five members of the board, four are also Germans (…). So, there is that saying 'fish always begins to stink at the head' (…) there is much German influence at the top, and the same is true for the department level.” (D1_I2no1: 54, own translation)*. On the other hand, the same manager told about a great degree of international presence in his own team *“(…) here in my team, I have a Brazilian, a Russian, and a Dutchman (…)” (D1_I2no1: 14, own translation)*. The presence of many expatriates may well be linked to D1 career development practices. These oblige managers to acquire some international experience in order to reach a certain rank *“There is a clearly defined, consciously formulated programme: they want people to go abroad” (D1_I2no1: 20, own translation)*. In fact, D1 has been described as a German pioneer in terms of its intercultural personnel development and corresponding trainings, that may well be linked to D1's long-lasting history of internationalization. Already in 1913, D1 generated around 80% of its sales volume outside Germany (Barmeyer and Davoine 2012: 771–773). D1 has several thousands of long-term assignments, with 40 % of them being impatriations of foreign employees towards Germany. Due to this fact, Barmeyer and Davoine (2012: 779) argued that the underlying model of coordination mostly corresponds to the geocentric model described by Perlmutter (1969; Perlmutter and Heenan 1974). This model is further supported by one of seven well-defined corporate values being “cultural diversity”. On this issue, we can find on the corporate web page the following statement: “We are aware of our company's regional and cultural origins and at the same time regard diversity as an asset, as well as a precondition of our global success“

(D1 group 2013). The strong emphasis on international mobility has also been acknowledged at D1 Switzerland big subsidiary, as the business unit's HR balanced scorecard contains clear goals on a doubling of international incoming mobility to Germany and Switzerland (*D1_Inno1: 172*).

The regional HR meetings on European level serve as a major forum or organizational conduit. Here, HR professionals from different countries throughout a region and from different business units can exchange on best practices, evaluate HR practices when establishing HR maturity models and discuss which measures should be adopted. Though, best practices presented in this regional forum normally serve rather as an inspiration than as mandatory practice for the subsidiary HR professionals.

Starting in 2005, D1 has introduced the D1 HR system prescribing certain global standards. Even before the introduction of the D1 HR system, HR policy guidelines were already in place. These prescribed general principles like the will to develop and promote managers from within the company, to give employees insight into several functions and units, and to promote international experience of managers. With the introduction of the D1 HR system, standardization went further, and now comprises also international trainee programmes and a global framework for personnel marketing, employer image and core competences. Furthermore, requirements for promotions like international experience have been clearly defined. In 2007, D1 has edited a corporate Code of Business Conduct with a heavy emphasis on compliance, thus completing D1's earlier defined corporate vision and values. Based on the latter, corporate leadership principles have been declined that are also written down in corporate manuals.

D2 is a large MNC active in the chemical-pharmaceutical industry. It was founded in the 1860s in North-Western Germany and employs more than 100 000 people who generated sales of some 35 billion Euros in 2011. Some more than 30% of D2 employees are located in Germany (D2 group 2011a). The D1 group consists of three independently operating subgroups or divisions representing the company's business areas health care, crop science and material science, as well as three service areas (D2 group 2013b). Geographically, D2 has defined the four major regions Europe, North America, Asia-Pacific and Latin America/Africa/Middle East. Among these regions, Europe is by far the most important market. Here, nearly half of all employees are located who generated more than 14 billion Euros of sales. Furthermore, around 140 out of some 280 subsidiaries are located in Europe (D2 group 2013a).

Strategically, D2 focuses on investment in its innovative capability and in emerging markets (D2 group 2011b: 5). Further, D2 searches growth in health care, nutrition and high performance material markets while contemporaneously realizing efficiency gains. Currently, the health care division accounts for around two thirds of total sales.

D2 Swiss subsidiary and relations with HQ

D2's presence in Switzerland dates back to 1954 when a first distribution unit was founded in Zurich (D2 Switzerland 2013). Today, D2 employs some 900 people in three legal entities. We could access two different entities, *D2 international* in the French-speaking part of Switzerland, and *D2 Switzerland* in Zurich.

The roots of today's D2 Switzerland subsidiary are going back to D2's first Swiss greenfield site, the distribution unit of 1954. It is D2's largest entity in Switzerland with around 450 employees, including one production unit that has been acquired in 2000. Apart from the steering of the production site, D2 Switzerland is responsible of the Swiss market cultivation and distribution of D2 products comprising all three major product divisions. D2 international originally emanated from an acquisition and employs some 100 people. From this unit, products of the material sciences division are sold to important growth markets in Eastern Europe, the Middle East and Africa. Therefore, D2 has high-ranking managerial staff and is marked by an important part of expatriates among its managers. *"I have an important population of expatriates mainly from Germany (...) If you look at the key functions, nearly all of them are occupied by expatriates except for HR and administration and finance/controlling, the latter has also been an expatriate until recently"* (D2_I1no1: 76-77, own translation). D2 international's specific competence resides in the in-depth knowledge of products and strategically important emerging markets of the D2 international managers. *"With their input, the D2 marketing and sales managers as delegates or expatriates, by means of their regular contact with corporate HQ, make sure that superiors at HQ may develop the necessary understanding for how these markets can be cultivated"* (D2_I2no1: 16, own translation). Furthermore, following our interviewees, the smallness of the D2 structure and its local SME-like working atmosphere allows for a great deal of informal communication between managers selling different products on a large variety of markets. Such information is then fed back to corporate HQ and helps improving corporate strategy. *"There is a long table in our staff canteen where everybody comes together. Even the subsidiary director regularly joins in"* (D2_I3no1: 28, own translation). Decisions on pricing are made by local D2 international managers, but the

business is co-ordinated from HQ in Germany. A further advantage that D2 international holds for the D2 group is the possibility to benefit from the local tax regime.

D2 HR co-ordination and control

At D2 international, coordination and control in the field of HR is primarily done within the corresponding business units of the material science division, and once a year there is a personnel conference for the whole material sciences division. Here, different categories of high performing employees are reviewed, and succession planning as well as career development for managers are discussed. The HR director of D2 Switzerland has the function of a country HR business partner, as well as business partner for the business units involved. The HR manager of D2 international is HR business partner for the material sciences business unit. On a national Swiss level, the three legal entities additionally have a common employee manual in HR, which is partially influenced by collective agreements. These three Swiss entities are also co-ordinated via regular meetings of their common country council where CEOs, CFOs and HR directors meet twice a year. The director of D2 international has also the function of country speaker and thus represents the three Swiss entities towards the HQ. Discussing the HR coordination model of D2 against the background of the Perlmutter (1969) typology, it is hard to make a clear-cut statement. On the one hand, Global HQ has clearly been identified as the important central hub where HR centres of expertise are located, and subsidiaries like D2 international are marked by a strong presence of expatriates coming from HQ. *“Basically, for me as HR, of course the HR head office at HQ plays a central role since there (...) is the centre of expertise” (D2_I4no1: 101, own translation).* On the other hand, the D2 international HR manager noted a great change concerning the international mindset and orientation within the company during the last years. *“We have an anglophone manager at the top of the material science division. I would say that there has been a very strong turn five or six years ago. And you also feel this when it comes to communication, which used to be exclusively in German six or seven years ago. Now everything is in English. I only have German-speaking colleagues around here, but all the manager meetings are in English. So to be polite with me, but also because this is a corporate practice. The mindset has changed a lot. (...) I have known different generations of managers coming in from Germany. You might call it arrogance (...). No, but now there is much less of it around. I don't feel that arrogance. 'We are the best' (...) I think this has become much more sane. (...) there is a willingness to be an international enterprise” (D2_I1no1: 223-227, own translation).* We might conclude that there is a historical presence of an important central hub at HQ

and managers traditionally used to have a rather ethnocentric mindset. This historic legacy is still manifest in the great part of employees being located in Germany and the strong presence of German expatriates at D2 international. Yet, in recent years, the company seems to have undergone important changes in its international orientation towards a more regiocentric mindset (Perlmutter and Heenan 1974: 123, 127), which is also structurally reflected in the strong European focus of D2 in terms of employees and sales.

D3 was founded in the early 1950s and is a wholly family-owned and not quoted MNC from North-Western Germany active in electrical engineering. With around 5 500 employees at year end 2011, D3 has generated sales of some 560 million Euros and represents by far the smallest MNC of our sample. It may be seen as a representative of German *Mittelstand*, medium-sized businesses that successfully internationalised and represent an important part of Germany's national economy. D3 has two major sites in Germany accounting for roughly 50% of total staff (D3 group 2013). The company is organized into two product divisions called electrical interconnections and automation, and has production facilities in Germany, China, France, India, Japan, Poland, Switzerland and in the USA. Moreover, D3 sells its products on all continents via a network of around 80 commercial agencies or representative offices (D3 group 2012a). Concerning D3's strategy, our interviewee was not implicated in strategic questions, and the firm does not publish much publicly accessible information on this issue. Though, on the corporate web pages, D3 proudly presents itself as being part of a regional, officially distinguished innovation cluster in electrical engineering at HQ's location. Furthermore, the company's history is presented exclusively in terms of landmark product innovations, and D3 recruits with reference to distinctions like being one of the top 100 employers for engineers in Germany. These facts suggest that there is a strongly engineering- and innovation-driven strategy, which is combined with sustained presence on many emerging markets. This presence not only includes the commonly referred-to big threshold countries China, India, Brazil and Russia, but also countries such as Columbia, Egypt, Kazakhstan, Pakistan or Ukraine.

D3 Swiss subsidiary and relations with HQ

The Swiss subsidiary of D3 has been established in 1977 as a greenfield site. It is one out of nine production sites worldwide with some 500 employees at year end 2011. Roughly 95% of the parts that are produced in Switzerland are exported, either directly to major customers around the world,

or to the second German site who then sells the products globally. The Swiss subsidiary has specific competencies in production, following strict quality standards, inter alia those of ISO 9001. Furthermore, our interviewee told about continuous improvement schemes where Swiss employees in production are encouraged to feed in their input and ideas, which are then treated at the research and development department at HQ. *“I know that there have been ideas originating from our local Swiss employees that have been put in place afterwards”* (D3_IIno1: 93). Otherwise, in terms of daily business as well as decisions on HR, the D3 Swiss subsidiary was described as very independent site, apart from financial consolidations. *“We are independent a priori. Of course, we have to report to Germany to consolidate the numbers of the group”* (D3_IIno1: 65, own translation).

D3 HR co-ordination and control

Concerning international HR co-ordination, the case of D3 clearly stands out because of the particular absence of such mechanisms. As our interviewee puts it: *“(...) on the group level, maybe there is some exchange done, but in any case this is not concerning HR. We do not have any particular exchange”* (D3_IIno1: 100, own translation). The local HR manager is also very aware of this lack of personal contact and of the problem of reinventing the wheel: *“(...) this is something that is missing because I can very well imagine what is going on in Germany. I know that we do not have the same Employment Act etc. - but I am absolutely sure that we are drawing up forms twice (...). We have to invent something that surely already exists in Germany. I also know that forms that I had created somehow have been transmitted some way or another to an HR manager who then asked me for the file. So, for sure, there are things that could be improved”* (D3_IIno1: 131, own translation). Basically, all co-ordination and communication between the Swiss subsidiary and corporate HQ in Germany passes via the plant directors (D3_IIno1: 184-185). There are no common international guidelines in terms of HR in place, and the only commonly shared procedures for example concerning recruitment are those prescribed by ISO (D3_IIno1: 169-177). Within the Swiss subsidiary of D3, there is a great deal of informal communication and a nearly familiar style and short distances *“(...) we are all in the same building, our directors regularly go through the different departments. This also stimulates discussion (...) I would really say that the employee who wants to pass a message can really do so”* (D3_IIno1: 120, own translation). On the other hand, there seems to be hardly any structured communication between all three directors and the HR manager, since there are no regular planned meetings (D3_IIno1: 124). The local HR

manager reports to the financial director with one formal annual feedback and very frequent personal meetings and discussions. At the time of our interview, there was no integrated IT system for consolidation and reporting installed (*D3_Inno1: 163-165*). Concerning a qualification of the D3 Swiss subsidiary according the Perlmutter (Perlmutter 1969) typology, we would therefore place it clearly in the category of a polycentric model where contact between HQ and subsidiary is reduced to a minimum, at least as far as HR is concerned. This may be surprising as the products of D3 are sold on global markets, thereby realizing synergistic economies that may be achieved by coordination of international activities by HQ (Coller and Marginson 1998; Marginson 1992; see also chapter 3.2.3). Though, certain contingency factors might help to explain this absence of HR coordination. D3 is a rather young, completely family-owned internationalizing *Mittelstand* firm that seemingly has not yet reached a sufficiently big size to demand more HR process and practice standardization.

The historical roots of D4 date back to the 1750s in South-Eastern Germany. With more than 50 000 employees and a sales revenue of around 16 billion Euros in 2012, it is one of Europe's leading manufacturers of commercial vehicles, engines and mechanical engineering equipment. 75% of D4's shares are owned by another, still greater German industrial group (D4 group 2013a: 23). Approximately 20% of sales have been generated on the German market, where some more than 55% of D4 employees are located (D4 group 2012). D3 is organized into four operationally independent divisions: commercial vehicles, power engineering, special gear units and propulsion, and D3 Latin America. With some 35 000 employees, commercial vehicles is by far the most important division, followed by power engineering with nearby 15 000. D3 Latin America leads the commercial vehicle business in the emerging markets of South America and Africa from its divisional HQ in Brazil. As of December 2012, the D4 group had 136 consolidated subsidiaries, 33 of them being located in Germany (D4 group 2013a: 110). Apart from Germany, important subsidiaries are located in Poland, Austria, Denmark, Brazil, Turkey, France, South Africa, Switzerland, Great Britain, China, Spain, Russia, USA and India. D4 has a remarkably strong concentration of employees in Germany, although the significance of the German market alone is more modest. In turn, Europe as a whole, where around 80% of employees are concentrated, accounts for 57% of total order intake followed by the Americas with 23% and Asia with 14% (D4 group 2012, 2013a: 36). Strategically, the D4 group focuses on technology leadership in the

growing markets for transportation and energy with the BRICS countries as geographical core areas (D4 group 2013a: 8–9). Furthermore, D4 continues to strengthen its after sales service business and customer orientation including the provision of new value-added services around D4 products (D4 group 2013a: 32–33).

D4 Swiss subsidiary and relations with HQ

The Swiss subsidiary of D4 has more than 1 000 employees and has been acquired in 2001 from a Swiss competitor. It is part of the D4 power engineering division and tightly integrated into an international production network that serves a global market for certain products. Within this international production network, D4 Swiss subsidiary has certain key competences that are complementary to those of the other sites of the engineering division. Engineering, production and sales are therefore done within an integrated production network, with 90% of products being sold on a global market. *“We have a distribution of competences concerning market cultivation. We have a distribution of competencies in engineering. And we have a distribution of competences in production. Let's say every unit has a focused expertise. Even though the process chain is complete, there are specific investments done in these areas”* (D4_I1no1: 61). There is an interesting detail about D4 Swiss subsidiary, that is linked to its brownfield history. A very large proportion of local employees, including the highest managerial level except for the head of HR, are employees that had already been working for the acquired company before 2001. Furthermore, the head of the strategic business unit oil and gas is located at D4 Switzerland. Overall, our interviewees told us that central control was not very intense and that every unit of D4 has a great deal of autonomy and its own culture. *“Well, let's say the subsidiaries have a great deal of autonomy”* (D4_I1no1: 259); *“The units are all very different. I'd say that there is no original D4 culture, these are distinct firms.* (D4_I1no1: 228) ; *“We don't have a strong control culture here”* (D4_I1no1: 241).

D4 HR co-ordination and control

As we have seen above, according to our interviewees, there is no common D4 culture, and hence, no or at least a low level of cultural integration, and control is felt to be reduced to a minimum. Only the headcount has to be co-ordinated between the plants of an international product division (D4_I2no1: 113). The head of HR of the D4 Swiss subsidiary is HR co-ordinator for the plants belonging to the subdivision oil and gas, covering plants in Germany, Switzerland and Italy (D4_I1no1: 13). Though, our interviewee emphasized that HR communication between facilities is

rather a matter of information and co-ordination (*D4_IIno1: 149*). The global head of HR of the D4 group provides an impetus and defines the strategic direction but is not involved in control of single heads of HR at the facilities. And local reporting is rather done with the local managing director (*D4_IIno1: 198-202*). Until recently, the heads of HR had a structured meeting every two months together with the managing directors and commercial managers of the other plants of their production network in order to discuss common HR issues. Though, due to the great autonomy of each plant, the number of common HR issues was rather limited (*D4_IIno1: 259*). During a recent internal reorganization, two formerly independent business divisions have merged. This internal reorganization has also affected the Swiss subsidiary, where new forms of HR co-ordination and processes within the now significantly enlarged international production network with fifteen plants including China, are just emerging. Currently, the heads of HR of the fifteen facilities that are part of the now enlarged division have regular conference calls every two weeks, where one is only for the German plants and one international (*D4_IIno1: 123*). SAP IT systems are not yet integrated and the single plants still have a declaration procedure of key figures (*D4_IIno1: 204*). Also, there are no coercive comparisons between plants in place (*D4_II,I2no1: 224-225*). It somehow came as a surprise that D4 seems to follow a rather polycentric mode of HR co-ordination. Due to the fact that markets for commercial vehicles and power engineering might be considered global, and maybe even subject to transnational pressures (Evans *et al.* 2002: 30), we would have expected more need for international HR co-ordination. However, the products of the power engineering division are not standardized, but highly customized, and every plant involved in the production network is fairly specialized and has its own processes in place. In such a setting, there is hence little incentive to diffuse practices since there would be little advantage in developing standardized employment practices. Still another explanation might be seen in what Brewster (1995: 3) has termed “restricted autonomy” in the European HR setting, where “[a]t a general level in Europe substantial firm autonomy and weak trade unions is the exception rather than the rule” (Gooderham *et al.* 2006: 1496). As we have seen, German MNCs have historically grown in an institutional environment that is marked by important constraints on their individual HRM. The same is true for several continental European countries like France or Italy, where the D4 group has major plants, and which is the continent where approximately 80% of total employees are located. Furthermore, having a look at the long D4 history, we can see that there have been several mergers and acquisitions within Germany and abroad (D4 group 2013b). As we have discussed in chapter 3.2.4, such an international growth history that is marked by several brownfield acquisitions often goes

together with a multidomestic strategy and lower degrees of integration and central control in the field of HR (Björkman 2006: 466; Evans *et al.* 2002: 179; Harzing 2002; Rosenzweig and Nohria 1994: 234). We may therefore suppose that HR co-ordination in such a setting has always implied major difficulties and little advantage, leading to the adoption of a polycentric model. However, compared to D3, one important difference lies in the fact that at D4, important coordination and communication takes place between several plants on an international level, which guarantees a regular exchange of information between plants of the production network.

D5 is a young MNC that was founded in the early 1970s in South-Western Germany. Today, D5 is one of the world's leading providers of business software with more than 50 000 employees and a sales revenue of some 14 billion Euros in 2011 (D5 group 2011c). Some more than 40% of revenues have been generated in the EMEA markets, followed by the region Americas with around 37%, and nearby 20% in Asia Pacific (D5 group 2011b). In 2010, some more than 15% of total revenues had been generated in Germany (D5 group 2010: 116) where 29% of employees were located in 2011 (D5 group 2011a). The D5 group is currently active in some 130 countries. The company is organized into five functional areas: technology and innovation platform, products and solutions, global customer operations, chief operations office, global finance and administration, and human resources. These functions are complemented by a regional and subregional structure that groups together for example the German-speaking countries within Europe, which leads to a matrix structure. Strategically, D5 focuses on the use of new technologies like In-Memory and Cloud Computing, the on-demand market, and on an expansion of its ecosystem. Thereby, D5's international growth strategy remains primarily focused on organic growth (D5 group 2010: 160–161). Furthermore, D5 strengthens its activities in geographical growth markets like Russia and China.

D5 Swiss subsidiary and relations with HQ

The presence of D5 in Switzerland dates back to 1985 when its first foreign subsidiary at all had been established in Switzerland. Today, D5 employs some 650 people based on four different sites in Switzerland. The Swiss subsidiary is focusing on distribution, marketing, training, and consulting around the product portfolio of the D5 group in Switzerland. The country subsidiary unit we could access has been a greenfield investment, and is by far the greatest among the four, employing some

400 people. Specific competences of the D5 Swiss subsidiary lie in a close sub-research partnership with the Swiss Federal Institute of Technology Zurich and the University of St. Gallen. Even if Switzerland is actually not a research and development site for D5, such partnerships, together with the local, utterly stable client relations in a very advanced IT market allowed D5 Switzerland to develop and introduce a special retail solution for the two local big players. Our interviewee especially emphasized the stable relations with local clients as a factor that really distinguishes D5 Switzerland from other subsidiaries. *“(...) considering the whole D5 portfolio, I think that we are having an incredibly stable customer base. (...) This is something we really notice, that people are coming to us again and again from other D5 countries to see how we achieve these sustainable, long-term client relations. How do you do that?” (D5_IIno1: 136, own translation).* Such stable client relations are furthermore paired with extremely low risk, like the one associated with customers that cannot pay their maintenance any more. Our interviewee explained the role of the Swiss subsidiary as follows: *“In Switzerland, we have a very high market penetration and it is one of the most profitable subsidiaries. This is the role that Switzerland plays: cross-financing of emerging markets” (D5_IIno2: 6).* Apart from joint planning and budgeting as well as clearly fixed amounts for each hierarchical rank to determine the need for approval, co-ordination and control of the Swiss subsidiary's activities is primarily assured through sophisticated, IT-supported processes. In each area, certain KPIs (key performance indicators) have been defined. These might concern indices about customer satisfaction, or time to fill in recruitment for HR. Dashboards are generated from the system where completion rates, for example concerning the annual feedback talks, can be easily tracked. *“Basically it's a mixture. It is a control tool, but these instruments are rather process-specific. So it is less of a control tool like 'Do you accomplish all your duties?', but rather referring to processes” (D5_IIno1: 152, own translation).*

D5 HR co-ordination and control

At D5, HR is a global corporate function that is combined with a concept of a double solid line matrix with the geographical market units (D5_IIno1: 17-18). Our interviewee therefore has a first reporting line towards the HR director EMEA, and a second towards the country managing director (D5_IIno1: 151). There are basically three pillars in the D5 HR organization which are the centre of excellence and expertise, operations as a delivery channel that is aggregated in a shared service centre, and the HR business partner organization as a face to the customer (D5_IIno1: 22). Within this global HR function and with the geographical matrix organization, there are regular meetings,

calls, web conferences or video conferences, as well as management team meetings on the different levels (D5_IIno1: 143). Once a month, there is a global all-heads-call where all HR managers are invited to get the latest informations and to discuss with the global HR leadership team, which is also done on a fortnightly basis for the EMEA region, and on a weekly basis within the subgroup of German speaking countries. These calls are further supplemented by project-specific calls, for instance weekly calls during the three-month period of the talent review process (D5_IIno1: 146, 149). Our interviewee described D5 as a “*people-driven network company*” (D5_IIno1: 140) where there is a great deal of consciously informal communication, including topic-specific communities within D5 who use word-base communication tools. As we have seen in our discussion of German and US-American MNCs, such a high degree of formalization and process-drivenness in co-ordination and control typically would have been expected with US-American MNCs. Though, the fact that this German MNC produces the kind of IT that is used by many large MNCs to control and co-ordinate their global activities, may explain D5's own IT-organization. Furthermore, the executive board of D5 is rather international, with a US-American CEO since 2008. Our interviewee told us that until a few years ago, D5 had a very decentralised structure with full autonomy for country subsidiaries. While products have always been global, the service and consulting functions have always been strongly decentralised (D5_IIno1: 96-98). Today, the lines of business of D5, including the HR organization, are globally integrated to a high degree, the board is international and markets as well as products are global to a great extent. Our interviewee described D5 as follows “*Yes, we are a global firm. Surely, one with strong German roots and German values*” (D5_IIno1: 57, own translation).

D6 is a formerly state-owned enterprise active in the IT and telecommunications services business where it is one of today's global leaders (Festing *et al.* 2008: 591). By the end of 2011, D6 has had several hundreds of thousands of employees and has been present in around 50 countries (D6 group 2011: 60). Total revenues of D6 amounted to nearly 60 billion Euros, out of which some more than 50% have been generated outside the German home market (D6 group 2011: 60). D6 is organized in four operating segments, and within these segments there are functional reporting lines. While the first three segments' business activities are aligned according to geographical regions, the fourth segment is aligned according to customers and products. The first and second segments are fixed network and mobile telecommunications Germany and Europe, the third is mobile

telecommunications United States. The Germany operating segment accounted for some more than 40% of revenues and some 30% of global employees (D6 group 2011: 94–95). The fourth segment is systems solutions, bundling business with ICT (information and communication technology) products and solutions for large MNCs under a separate brand that we will call “D6 systems solutions”. D6 systems solutions has had nearly 50 000 employees with subsidiaries in 20 countries, and generated a revenue of more than 9 billion Euros in 2011 (D6 systems solutions). Strategically, D6 systems solutions focuses on innovation, developing new solutions for connected life and work, focusing especially on the energy, healthcare, automotive and media industries. The operation of major SAP applications, dynamic platforms and cloud computing are further key strategic areas, together with the will to establish more innovation partnerships and joint ventures (D6 group 2011: 66–68, 2013a).

D6 Swiss subsidiary and relations with HQ

The D6 subsidiary has a history in Switzerland of some 50 years. At the beginning, there was an acquisition of a data processing centre by a predecessor of D6 systems solutions, that has been followed by several mergers and acquisitions in the meantime (*D6_IIno1: 54*). Currently, D6 employs some 650 people on several sites across Switzerland (D6 systems solutions Switzerland). The Swiss subsidiary of our sample is part of D6's systems solutions operating segment and has some 450 employees. At the time of our interview in mid 2010, there has not yet been an internationally integrated HR IT system in place (*D6_IIno1: 192*). Even though, certain process performances, security-related topics, employee satisfaction and compliance-related issues were monitored and compared internationally (*D6_IIno1: 188*), following a central integrated planning process (*D6_IIno1: 198*). During the last years, our interviewee has noted important changes in the relation between D6 HQ and D6 Switzerland. These changes reflect a transformation from a multinational to a more global strategy, that is accompanied by increasing control and less local room for manoeuvre. “[Our relations with HQ] have been more trusting in the past. We have lived a time when we used to be a subsidiary that had a budget and a profit to deliver, and D6 didn't care much about other stuff. And during the last few years, the issue of top-down strategy implementation has become much more dominant. All that verticalization with the functional organization being similarly designed and controlled internationally, all this has become much stronger. Compliance also has become extremely important. (...) So here we really notice that entrepreneurial freedom, and the overall freedom of how to conduct your business, has sharply

declined” (D6_IIno1: 105, own translation). This is basically in line with the information provided by Festing *et al.* (2008: 594) on international HRM at D6. The latter report an increase in international assignments from 250 in 1999 reaching nearly 400 at year end 2007, whereas at that time, there were only 15 impatriates in Germany. Festing *et al.* (2008: 594) cite from the objectives of international assignments listed in the D6 international assignment policy. Here, *inter alia*, the implementation of the international strategy through the nomination of key positions in strategic focal areas is listed. In the Swiss subsidiary, two members of the board are German expatriates (D6_IIno1: 353). On the Swiss market, D6 has no private consumer business and provides services via D6 systems solutions Switzerland only to large MNCs and public institutions. On this local market, D6 systems solutions Switzerland focuses on two large segments of clients: Swiss MNCs, and big local Swiss players such as the Swiss railway company or cantonal banks. Specific competences of D6 systems solutions Switzerland reside in the knowledge of the local market: *“Of course, we know the market, and maybe we have also developed a certain expertise concerning some specific technologies (...) where we also support D6 when centres of competence are established, but this concerns certain niche technologies” (D6_IIno1: 116-117, own translation).* Certainly, the most important aspect about D6 systems solutions Switzerland for the D6 group is the attractiveness and the great potential of the Swiss market: *“The most interesting thing is surely the Swiss market. There is a great potential and there are many interesting firms that exactly match the criteria: European DNA, big firms with international activities, successful, financially strong, so it fits in quite well” (D6_IIno1: 119, own translation).*

D6 HR co-ordination and control

At D6, there is an international HR function where a country-area steering manager co-ordinates the HR function of several countries. To this manager, the local Swiss HR director reports his key figures and the progress against plans on a quarterly basis, using a standardized form (D6_IIno1: 148, 154, 156). There is an international HR strategy with yearly priorities, as for instance diversity and a fixed quota for women in middle and senior management positions (D6 group 2013b), that is formulated centrally and rolled out globally. With a yearly international roadmap, the corporate HR function defines and presents new processes that are to be rolled out, together with the follow-up that has to be done by the subsidiaries. According to our interviewee, this international roadmap is more important than the few KPIs in HR like HR budget and size (D6_IIno1: 204). Within the HR functional line, there are fortnightly calls with much top-down communication (D6_IIno1: 124).

Furthermore, there is a geographic group of Western European countries within the HR function, where co-ordination happens via a monthly conference call, and a personal meeting twice or thrice a year (*D6_IIno1: 136, 138*). There is a central competence centre for HR development where new practices are defined and rolled out. Our interviewee did not know about any new practice that would have been defined together with some involvement of international subsidiaries, for example in a project team (*D6_IIno1: 482, 520*). In the eyes of our interviewee, the D6 culture and mindset is not as global as many other MNCs: “*Well, it is not yet- we are by far not as global as (...) Accenture or many other firms where this is part of their DNA that you are on your job for three years and then go abroad (...). Culturally, we are not like that until present. We do have global assignment policies etc. but this is not the great mass of people. In Switzerland, we are having two or three expatriates*” (*D6_IIno1: 351*).

The historical roots of D7 date back to the founding family in the 1660s in Southern Germany. The founding family still controls a majority of 70% of shares. Today, D7 employs approximately 40 000 people in 67 countries (D7 group 2013a) who generated total revenues of more than 10 billion Euros in 2011 (D7 group 2011). The D7 group is organized into the four product divisions pharmaceuticals, consumer health care, life sciences, and performance materials (D7 group 2011: 175, 2013b). The pharmaceuticals division is by far the biggest, accounting for nearly 17 000 employees and total revenues of nearby 6 billion Euros in 2011 (D7 pharmaceuticals division 2013). Nearly 11 000 employees or around 25% of total employees are located in Germany, where nearly 14% of total revenues have been generated in 2011 (D7 group 2011: 126, 176). Strategically, D7 strives for further growth including acquisitions and organic growth, maintaining their focus on specialty businesses within chemicals and pharmaceuticals. Research efforts are mainly centred on oncology, neurodegenerative diseases and on autoimmune and inflammatory diseases, where the company also strives to strengthen its position as a leading biotech innovator. Regionally, D7 wants to expand its pharmaceuticals business in the USA, Japan, China and India, and the consumer health business predominantly in Latin America and Asia (D7 group 2013c).

D7 Swiss subsidiary and relations with HQ

The presence of D7 in Switzerland dates back to 1929 when a first representation had been opened (D7 Switzerland 2013). In 2006/07, D7 acquired a majority of stocks of a Swiss family-owned

biotechnology company that we will call “BioteX” (Manager Magazin Online 2006), giving rise to the forming of a new pharmaceuticals division at D7. This acquisition is to be seen in context of D7's strategic aim to access new competences in biotechnology, and until today is the biggest in a series of such acquisitions (Knyphausen-Aufsess and Schweizer 2008: 691–693). Divisional HQ of this division used to be in Geneva with some 1 500 local employees. Reporting lines follow the functional HR line within a corporate HR function at D7. Our interviewee had been working for a US MNC before joining BioteX, and told about a more relaxed and by far less formalised and standardized controlling culture with much leaner processes at BioteX and D7. *“Thank God I do not have to do a monthly reporting! I know that from other companies. (...) We are rather dynamic than static, not too much procedural. So, we're on the move, we are advancing quickly. This is just to say that we don't have that need to fill any archives. Of course we are taking notes and things like that during local meetings with the HR VP [vice president] since we have to formalise the decisions. (...) Local directors will see these notes, but it's more of a light formula. Personally I have seen significantly more cumbersome procedures with headcount before-after and all that”* (D7_IIno1: 112-113, own translation). Members of the owner family are still actively involved in important decisions. Our interviewee explained by this fact that decision-making is rather slow, risk-averse and centralised at D7. In 2012, D7 decided to close down divisional HQ in Geneva and to relocate activities mostly to corporate HQ in Germany, thereby heavily reducing its number of employees in Switzerland (24 Heures 2012; D7 group 2012; Le Matin 2012; Swissinfo.ch 2012) which had been around 2 300 by year end 2011 (D7 group 2011: 176). The D7 site we could access was the now dissolved divisional HQ of D7 pharmaceuticals. According to our interviewee, this acquisition has led corporate management to open up to the international and to move a step from a rather ethnocentric towards a more geocentric mindset. *“Until present, the D7 group lets its subsidiaries rather undisturbed. My feeling is that the D7 group has noticed when acquiring BioteX in 2007 – this is maybe a bit overconfident to say – that they had to open up to the international. In fact, even if it is a multinational group, culturally it is not an international group. And I believe they have understood the necessity to become more international, and they are on that way. It's not accomplished yet, but things are developing”* (D7_IIno1: 171, own translation). One may see certain parallels between the tendency towards international opening observed by our D2 international interviewee and the current tendencies at D7. Both companies are in a similar industry, and they share a strong history of a conservative, rather ethnocentric corporate culture that is slowly changing. The specific competences of D7 pharmaceutical division in Switzerland for the D7 group

resided in its research and development activities, and in the knowledge of the whole product history held by BioteX employees. “(...) *there is a R&D department. There are all the persons knowing the history of BioteX products that have been taken over by D7. It's not only the history of these products, but also the patents, the licences, the lawsuits, the brand protection*” (D7_IIno1: 74, own translation). “*Yes, it is a centre of intellectual competences. It is the brains, the know-how. (...) You can write down all the instructions in manuals. But once you loose the people who are capable of quick reasoning on the subject, you have lost the know-how. (...) also managerial know-how, since it is the divisional HQ*” (D7_IIno1: 76-80, own translation). We might add still another competence of interest for D7, that is biotechnological production know-how and production facilities of the BioteX plants that still continue to produce in Switzerland after divisional HQ management and R&D at Geneva had been relocated to Germany.

D7 HR co-ordination and control

There are written international HR guidelines in place at D7 (D7_IIno1: 153) and certain functional HR KPIs. There is a regular weekly conference call with the head of the global corporate HR function at HQ, and once a month with four further heads of HR of the support functions of which our interviewee was HR business partner (D7_IIno1: 94). Furthermore, there is close co-ordination of dates and practices between corporate HQ and the three or four most important subsidiaries in Switzerland, the USA and Italy “*Well, there are three main hubs where we co-ordinate dates and practices. Because we have managers in all these countries. We really have a global organization. So we try to match together since otherwise the managers who have teams in Switzerland, in Germany, in Italy and in the USA get crazy if everybody has a local practice, this is not possible any more*” (D7_IIno1: 453).

D8 is a very young MNC active in the specialty chemical industry, that was born as a spin-off from another big German chemical industry MNC in 2005. D8's core business entails the development, manufacture and sale of plastics, rubber, specialty chemicals and intermediates. With more than 15 000 employees on 48 sites in 31 countries, D8 achieved nearly 9 billion Euros of sales in 2011 (D8 group 2013b). In this same year, nearby 50% of total staff were located in Germany, where around 18% of sales were generated. D8's greatest market with nearly 30% of sales is the EMEA region without Germany, followed by Asia-Pacific with around 23%, Germany with 18%, North America

with nearly 17%, and finally, Latin America with nearly 14% (D8 group: III). D8 is organized into fourteen operational business units which are grouped into the three segments performance polymers, advanced intermediates, and performance chemicals (D8 group 2013a). HR is a D8 group function and serves the different business units. Furthermore, the D8 organization distinguishes between the three regions NAFTA, Europe, and Asia-Pacific (D8_IIno1: 54). Somehow similar to the case of D7, also in D8 our interviewee told that there was comparably few control *“There are very few, there is few requirement for control. There are controls anyway since we also have a group function internal audit, which is there and controls us. But every person has a great deal of autonomy”* (D8_IIno1: 98, own translation). Strategically, D8 has embraced a global approach, with a focus on international growth markets, especially the BRICS countries, and just recently has constructed new plants in Singapore. At the same time though, D8 explicitly emphasizes its sustained commitment to invest and to create jobs in Germany (D8 group: 4–7). D8's international growth strategy also comprises selected acquisitions of SMEs and well-selected single product lines of competitors in order to strengthen its market position (D8 group: 16–17). Our interviewee had been working for the big German chemical MNC where D8 originated from as a spin-off in 2005. When comparing the old big MNC with the new and smaller D8, he pointed out a remarkable change in corporate culture. It became more dynamic, more Anglo-Saxon inspired and more international, just in the sense of a more geocentric mindset. *“Although both corporations are German firms, one had a more Anglo-Saxon culture than the other. The old big MNC had a rather conservative organizational culture, the same that it has had for a century. And D8 wanted to be more dynamic, more active. (...) Moreover, the members of the board, there weren't only Germans (...) the head of HR was of Chinese origin (...) there was a great international openness.”* (D8_IIno1: 11-12, own translation).

D8 Swiss subsidiary and relations with HQ

The Swiss subsidiary of D8, D8 international, has a brownfield history including one acquisition and a spin-off since the early 1990s. A great proportion of the local staff had already been working for the predecessors of D8 international, with tenures of between 20 and 30 years. D8 international is a small management structure employing some 60 people, including the head of the rubber products business unit with a global responsibility for marketing and sales. For example, D8 Switzerland international was involved in the construction of a new production facility for the business unit in Asia. According to our interviewee, within D8, every business unit operates quite

independently and differently (*D8_IIno1: 90*). Hosting the head of a global business unit, D8 international has an overall high level of autonomy, decisional processes are transparent and relations with HQ are marked by trust (*D8_IIno1: 94,100*). “*On the strategic level, concerning the market, the responsibility, I would say that 90% is decided here. Change of price, change of strategy, things like that. A great deal of autonomy.*” (*D8_IIno1: 88, own translation*). The value of D8 international for D8 lies in the high level of competence and experience of its employees who are often multilingual and at ease with doing business internationally, and in local tax advantages (*41, 104, 114*). The HR manager of D8 Switzerland reports to the local head of business unit (*D8_IIno1: 141*).

D8 HR co-ordination and control

At D8, there is a global HR meeting once a year (*D8_IIno1: 178*), and concerning certain HR functional areas like expatriation, the local Swiss HR manager is in direct contact with the corporate team that is in charge of expatriates at HQ (*D8_IIno1: 136*). Recently, the D8 group has introduced SAP HR to co-ordinate personnel development including competence profiles (*D8_IIno1: 175-177*). Our interviewee had knowledge of certain corporate practices being designed centrally, where this is usually done by international project teams (*D8_IIno1: 433-436*).

With nearly 10 000 employees and sales of approximately 1.7 billion Euros at year end 2011, **D9** is one of the smallest MNCs of our sample. Though, its history dates back to the early 19th century in South-Western Germany, where the founder took over a cotton mill that he developed into a healthcare product firm, which was converted into a joint stock company in the early 20th century (*D9 group 2012: 20, 2013b*). D9 operates in the field of medical and healthcare products, where system solutions are proposed in three key segments: Wound Management, Incontinence Management and Infection Management (*D9 group 2013a*). With around one third of total sales, Germany is by far the most important single market for the D9 group, where nearly 40% of total employees were located in 2011 (*D9 group 2012: 12*). It is followed by the rest of Europe with nearly 55% of sales and some more than 40% of employees. Europe therefore clearly represents the focal point of D9 activities. Africa, Asia, Oceania accounted for some more than seven per cent, and America for less than four per cent of sales by year end 2011 (*D9 group 2012: 5, 14, 2013a*). Today, the group has some 35 subsidiaries in more than 30 countries on all continents except for Latin

America (D9 group 2012: 24–26). D9 is organized according to the three business units described above. Furthermore, there is a functional organization, and in some product areas, the organization follows different distribution channels (*D9_IIno1: 389-399*). Strategically, the D9 group faces decreasing public spending on health and has thus focused on medical core and complementary products as well as customer-oriented total solutions. These group together customized services with a wide range of products, following a process-oriented approach. D9 continues to consider Europe as its core market, while contemporaneously expanding international business outside Europe through the establishment of subsidiaries in new Asian growth markets and selective acquisitions (D9 group 2012: 5, 2013c).

D9 Swiss subsidiary and relations with HQ

The Swiss subsidiary of D9 has had a history of its own for some 140 years. In 1993, the D9 group acquired some 60% of stocks of D9 Switzerland, that until then had belonged to a Swiss competitor. D9 Switzerland is still listed on the Swiss stock exchange (D9 Switzerland 2012, 2013). In 2011, D9 Switzerland employed some 350 people and is one of the three most profitable subsidiaries of the D9 group (*D9_IIno1: 63*). Within the D9 group, D9 Switzerland is a centre of competence for the production of medical patches containing active ingredients. It is the only subsidiary within the group that holds a manufacturing authorization for medical products, and one out of two subsidiaries that is specialised in the production of sterile medical sets for wound management. D9 Switzerland sells D9 products and services on the Swiss market, and delivers medical sets as well as medical patches to the D9 group. Around 40% of the products sold by D9 Switzerland are produced locally (D9 Switzerland 2012), and 15% of its local production are exported to the D9 group (*D9_IIno1: 145*). A further particularity of D9 Switzerland is the fact that the current CEO of the D9 group had been the CEO of D9 Switzerland before, and is still in very regular personal contact with his successor at D9 Switzerland. Furthermore, according to our interviewee, D9 Switzerland sets the pace within the D9 group, and some HR practices have been introduced first at D9 Switzerland before HQ has rolled them out globally. “(...) *We are somehow setting the pace for the group. There are some things that we have introduced already during the last two to four years, and now the group is gently starting. Code of behaviour, that was us who first introduced it*” (*D9_IIno1: 317, own translation*). The local CEO of D9 Switzerland is part of the international management board of the D9 group, where group activities are co-ordinated and strategic decisions are taken. The HR manager of D9 Switzerland reports to the local CEO within the finance function

(D9_IIno1: 385). According to our interviewee, the only real interface with the D9 group is in finance via the reporting line, which is supported by an SAP application. The only reporting in HR that is done from D9 Switzerland to D9 HQ is the number of staff (D9_IIno1: 437). “(...) *we are managed really in a decentralised manner, giving as much autonomy as possible to the subsidiary (...) I think that D9 Switzerland also has some kind of special status, we just get our EBIT objectives and then it is rather left to us how to achieve that. The only big interface with the group is in finance via the monthly or quarterly reporting (...). But decision-making or investments, this is all done here*” (D9_IIno1: 213). Furthermore, the CEO of D9 Switzerland also seems to have the strategic desire to maintain the greatest room for manoeuvre possible for his subsidiary: “*When formulating my [local Swiss] HR strategy, our connection to Germany also was an issue. Because they actually have certain things that might be useful. So I went to my boss with one or two issues to ask him how he thought about it. And he answered 'Well, OK, go ahead, ask them. But don't overdo it.' Like in the sense of not passing too much information to them. I've had the impression that the fewer contact we have, the better it is. The fewer they know, the less they interfere*” (D9_IIno1: 452-454, own translation).

D9 HR co-ordination and control

Particularly in the field of HR, the D9 group is still very loosely integrated, and there are currently no common D9 group HR meetings (D9_IIno1: 457). “(...) *if I had not taken initiative after three months of staff membership and called HQ just to say 'Hello, I'm the new HR manager here' [OS: ...nothing would have happened?] then I got a nice invitation for a management meeting where I met some people. But that's it. I haven't heard of them since*” (D9_IIno1: 439-441, own translation); “*To be honest, I do not even know whether the D9 group has a formulated personnel policy*” (D9_IIno1: 665). Therefore, at D9 there is not yet a formally integrated and sophisticated international HR structure or policy in place that would be supported by an integrated HR information system. Nevertheless, communication and co-ordination between D9 Switzerland and corporate HQ is intense. Yet, it does not rely on internationally integrated SAP systems, and neither on formally defined common HRM policies. CO-ordination and exchange are guaranteed through structured exchange via the regular and frequent personal meetings between the local Swiss CEO and the group CEO. Personal exchange takes place during the international management board meetings or when the D9 CEO personally visits his former working place D9 Switzerland (D9_IIno1: 442-443). SAP HR is in place at HQ, but subsidiaries are not integrated in the system

until present (D9_IIno1: 446-450). *“Our contact with the D9 group HR organization is good, but loose. There are hardly any group-wide standards and the interface is rather restricted to reporting. Until present, the group refrains from a close integration of the HR organization of its subsidiaries”*(D9_IIno1: 504).

Table 24 below provides a summary overview of important micro-level variables of the 9 German MNCs involved in the present investigation.

Table 24: German MNCs – overview of important micro-level variables

MNC	MNC organization and strategic orientation	Degree of internationalization of structure and markets	HR co-ordination mode	Swiss subsidiary type	Subsidiary role, competence/ value for MNC	Particularities, local embeddedness, agency
D1	Global product market, ethno-/geocentric organization & orientation	> 75% of revenue generated outside Germany, 40% of employees located in Germany, 60% of revenue generated on European markets	Ethnocentric concerning strong role of HQ in decision-making on strategy, HR policy and system design; geocentric in personnel development and HR co-ordination	Integrated player	Sub-business unit head office, mastering sophisticated production techniques	Brownfield history, many German expatriates with corporate career orientation, partly family-owned MNC
D2	Global product market, strong ethnocentric heritage, opening up internationally, Anglo-Saxonization	~30% of employees located in Germany, ~50% of employees located in Europe, 40% of revenue generated on European markets	Ethnocentric to some extent concerning the strong role of global divisional HQ in Germany and hence decision-making on strategy, HR policy and system design – though, head offices for some business units are located outside Germany; more and more geocentric in personnel development and HR co-ordination	Integrated player	market knowledge, local tax advantages	Brownfield history, local presence of many German expatriates with corporate career orientation
D3	Global product market, polycentric/ multidomestic organization/ orientation	~50% of employees located in Germany, no information on geographical breakdown of sales published	polycentric	Implementor	Production plant	Greenfield, total absence of HR co-ordination, by far the smallest MNC in size, family-owned, internationalizing <i>Mittelstand</i> firm
D4	Global product market, polycentric organization /orientation, separate division for developing markets in Latin America and Africa	~20% of revenue generated in Germany, where ~55% of employees are located, 80% of employees are located in and 57% of order intake comes from Europe	Polycentric concerning decision making in HR and HR, regiocentric in HR co-ordination	Integrated player	Engineering and production, important subsidiary as complementary part of integrated production network	Strong own local Swiss brownfield history and identity, overwhelming presence of local employees with local career orientation and socialization in acquired Swiss firm
D5	Global product	~30% of employees located	Ethnocentric concerning the strong	Implementor/	Local market	Greenfield site, local

	market, strong Anglo-Saxon influence in organization & co-ordination	in Germany; ~15% of revenues generated in Germany, 40% in EMEA region,	role of global HQ in Germany and hence decision-making on strategy, HR policy and system design; geocentric in HR co-ordination and structure	integrated player	knowledge: important, attractive lead market that is highly developed and profitable	partnership with universities and long-standing client relations
D6	Global services, ethnocentric heritage, "Germany" as operating segment very present in organizational structure	~50% of revenue generated outside Germany, the "Germany" operating segment accounted for >40% of revenues and ~30% of employees	Ethnocentric	Implementor	Knowledge of highly attractive local market	New top-down corporate global strategy implementation led to some mistrust in relations, subsidiary room for manoeuvre concerning local market strategy has been considerably reduced
D7	Strong ethnocentric heritage, global market, opening up internationally	~25% of employees located in Germany, <15% of revenue generated on German market	Ethnocentric concerning strongly centralised decision-making on strategy and HR policy; more and more geocentric in HR co-ordination	Global innovator	R&D, product history, managerial decision centre, advanced production techniques	Strong own local Swiss brownfield history and identity of a former family-owned business, family-owned German MNC with a very long history
D8	Global market, geocentric orientation/organization	Nearly 50% of staff located in Germany, <20% of revenue generated in Germany, in rest of EMEA region another 30% of revenue	Fairly geocentric in structure, HR co-ordination and personnel development, some head offices are not located in Germany, although Germany is still by far the most important location in terms of employees	Integrated player	Market knowledge, local tax advantages	Brownfield history of Swiss subsidiary, very young MNC born global as a spin-off
D9	Strong strategic focus on European market	>30% of revenue generated on German market, nearly 40% of employees in Germany, Europe without Germany accounts for >50% of sales and >40% of employees	Polycentric	Local innovator with capacity to be Global innovator; though the latter is reduced due to limited international conduits in HR	Corporate centre of competence for two products, advanced HR management	Former CEO of D9 Switzerland is now CEO of D9 group and has strong personal ties, partially owned subsidiary with own local Swiss brownfield history and identity, very profitable and active

Source: Own compilation based on interview transcript analysis and available company information (for more details on additional sources see case descriptions).

8.1.2 US MNCs

US1 is a special case among the MNCs of our sample. This company is rather a network of separate legal entities than a classical, vertically ownership-integrated MNC (US1 group 2013b), corresponding to the federal international type of firm described by Ferner and Edwards (1995: 243). Furthermore, we may as well critically ask whether US1 can really be considered a US-American firm, or whether it should rather be viewed as an Anglo-Saxon conglomerate of companies. In fact, the earliest historical roots of US1 can be traced back to the late 1840s at London. Later on, the US1 history is marked by a series of mergers throughout the 19th and 20th centuries. The US-American part of today's US1 group was created in the late 1890s, and also merged with British and Canadian firms in the 1950s. In the early 1990s, two of the predecessors of today's US1 group merged with two local Swiss auditing and trust companies. Finally, today's US1 group was born from a global merger of two big UK and US-based auditing and consulting firms in the late 1990s (US1 group Switzerland 2013). The US1 group currently employs significantly more than 100 000 people worldwide in nearly 160 countries, where US1 is present with nearly 800 locations (US1 group 2012a: 2). US1 is one of the big global players in the auditing, tax and consulting business, with gross revenues of some more than 30 billion Dollars. Approximately 25% of total employees are located in Northern America, around one third in Western Europe, and some more than 20% in Asia. Further 7% of employees are located in Southern America, 6% in Africa and the Middle East, and the remainder is in Central-Eastern Europe and Australasia-Pacific (US1 group 2012a: 2, 47, 48). The biggest part of gross revenue was generated in Western Europe, which accounted for nearly 40% of the total. It is followed by Northern America with approximately 35%, and Asia with some 12% (US1 group 2012a: 42, 2012b). Some 47% of gross revenue has been generated in the assurance business, followed by 28% in consulting, and 25% in the tax business (US1 group 2012a: 43). The US1 network has a common governance structure that is made up of four global elements. First, the Global Board represents the interests of all network members and has overall responsibility for the governance of US1 international. It is the common nodal point of the global network, and oversees the Network Leadership Team. The latter represents the second element of the global governance structure and is in charge of the definition of a common strategy and standards for the whole network. A third element is the Strategy Council consisting of senior partners of some of the most important US1 entities. These agree on strategic direction and ensure alignment and execution of the global strategy. Lastly, the Network Executive Team is in charge of

key service lines and functional areas across the US1 network and reports to the Network Leadership Team (US1 group 2013a). Strategically, US1 focuses on a further improvement of quality in its assurance business, and on growth in the dynamic and competitive consulting business, including selective strategic acquisitions (US1 group 2012a: 43).

US1 Swiss subsidiary and relations with HQ

As we have explained earlier, today's US1 has been existing since the end of the 1990s, while the two predecessors had already been active on the Swiss market through their mergers since the early 1990s. US1 Switzerland currently employs nearly 2 800 people on 15 locations throughout the whole country (US1 Switzerland 2012). Our HR interviewee reports to the Swiss CEO on strategic HR projects, discusses European or global issues, and agrees with the latter on annual objectives and budgets. Furthermore, there is a dashboard with certain HR key figures that are discussed on a monthly basis on the management board, from where certain figures are also reported to the international level (*US1_IIno1: 117, 125, 131, 135*). US1 Switzerland is clearly the number one in the respective business on the local Swiss market (*US1_IIno1: 27*), and it is one of the most advanced country organizations in terms of HRM. Accordingly, much know-how is fed back into the network: *“Well, I guess we are among the leading countries in HRM and we feed in very much know-how into the network. For example, we have developed a succession management tool that has been deemed to be the best and clearest on a global level. Concerning several policies, our examples have been adopted”* (*US1_IIno1: 105*).

US1 HR co-ordination and control

Although there is no central hub, co-ordination of HR policies and activities is well structured and intense throughout the US1 network. Our interviewee is part of a team that constitutes the HR executive board Western Europe. The latter monitors the US1 HR strategy implementation for twenty Western European countries and meets eight times a year (*US1_IIno1: 12, 115*). In line with the US1 presentation on its global web pages, our interviewee emphasized that there is actually no US1 corporate HQ, but only virtual networks. Like all the rest of the global US1 group, US1 Switzerland is a non-listed partnership organization where all stocks are held by the partners. This means that, while there is an international board, national organizations are highly independent and autonomous: *“In Switzerland, there is an executive board, and there is one for the [Western European country] cluster. But if a country somehow does not want to comply with the rules – they*

are independent” (USI_IIno1: 41). Therefore, decisions concerning investments, the range of product or service offerings, managerial practices and budgets are exclusively decided upon by the Swiss management board (USI_IIno1: 45). On the other hand, there are commonly defined network standards every entity has to comply with, and the national business plans are approved on a global level, too. Such network standards prescribe certain minimum standards, for example concerning employer branding, corporate identity, and define job profiles and corresponding qualification requirements for recruitments (USI_IIno1: 137). Yet, it is upon the country entities to decide how much they want to spend (USI_IIno1: 49-50). Overall, on the global level, usually a group of countries develop certain policy frameworks that should be implemented, for example a competence framework that allows to have a common understanding of what is meant by high performance in their performance management system. However, which kind of HR IT system the single entities use to implement this framework cannot be prescribed (USI_IIno1: 56). As a consequence, there is no common integrated HR information system in place, since different countries have historically invested large sums in different systems that cannot be changed any more (USI_IIno1: 123). A further international co-ordinating structure is the international HR steering board, again for country clusters, which meets four times a year (USI_IIno1: 115). This board prepares the agenda, sets priorities which are binding to a certain degree, but national HR action plans and concrete measures are designed and implemented locally (USI_IIno1: 70-73). The question of where and how new common guidelines, frameworks and practices are developed, which countries are involved, and how the development is financed within the international network, is largely a matter of negotiations. Often bigger country organizations take the lead since they face the biggest challenges, and then informal networks play an important part (USI_IIno1: 90-99). *“It is rather bottom-up. On the one hand, this has the advantage that we are organized in an efficient and effective way. On the other hand, we face the disadvantage that we always need very much discussion and negotiation – it's a Bundesratsphänomen¹¹ (...) It's the networks. When you have good and positive relations, many things are done much easier. And we can only lead this network on a relational basis, because there is no formal power or possibility of a brutal crackdown”* (USI_IIno1: 95, 99). Furthermore, there are networks that meet on a less regular basis, like the HR professional network and global mobility.

11 a phenomenon well known from the Swiss Federal Council that works as a collegial body and where decisions are taken by consensus; see also chapter 6 on Swiss state organization.

US2 is a very big MNC that was created in the early 20th century and operates in computer hard- and software technology as well as consulting. With several hundreds of thousands of employees, US2 operates in 170 countries and has generated more than 100 billion Dollars of revenue in 2011 (US2 group 2011: 16, 63, 2013a). During 2011, some more than 40% of total revenue was generated in the Americas, followed by around 30% in the region Europe/Middle East/Africa, and nearly 25% in Asia-Pacific (US2 group 2011: 32). US business alone accounted for 35% of total revenue (US2 group 2011: 139). US1 has stopped to publish a geographic breakdown of its employees in 2009. Therefore, we can only speculate about the current number of staff located in the USA. Though, it is well known that the overall strategy of US2 is to sharply reduce its U.S. workforce (Bulkeley 2009). Latest official data that we could find reported a headcount of some 100 000 employees in the U.S. by the end of 2009 (Jinks 2012; Thibodeau 2010). As of 2012 it might be around 90 000 (Slashdot 2012), accounting for some 20% of total staff. The company is structured into the five business divisions global technology services, global business services, software, systems and technology, and global financing. With roughly 30% of total revenue, global technology services was the most important division, followed by software with around 20% and global business services with nearly 18% (US2 group 2011: 139). A central part of US2 strategy has been a transformation to become a globally integrated company, with implementation of a globally consistent set of processes and standards (US2 group 2011: 25), and a strong focus on growth market presence (US2 group 2011: 32). The company has also shifted its business mix towards higher-value areas such as services, software and integrated solutions, including over 120 acquisitions within the last ten years or so in order to complete its portfolio. A further tenet of US2 strategy is to deliver value to enterprise clients through integrated business and IT innovation (US2 group 2011: 21). Besides the sustained focus on growth markets, US2 has launched three further growth initiatives called cloud, business analytics and smarter planet, referring to the infusion of digital intelligence into the world's systems (US2 group 2013b).

US2 Swiss subsidiary and relations with HQ

The presence of US2 in Switzerland dates back to the 1920s. Today, US2 employs several thousands of people on seven sites in Switzerland, including a major research centre (US2 group Switzerland 2013a, 2013b). The site we could access was a greenfield site created in the 1950s in the Lake Geneva region that has some 300 employees. The subsidiary serves the local market, with clients comprising all sorts of organizations from SMEs to other big MNCs like Nestlé

(US2_IIno1: 15, 22, 24). For US2, the rule of the Swiss subsidiary is to generate revenue on the Swiss market (US2_IIno1: 68). The Swiss subsidiary is controlled directly from the U.S. HQ, following the line in each division. Furthermore, spanning a matrix with business divisions and geographic regions, Switzerland is put together with Austria to form an integrated market team within the European region: *“Decisions are taken following the line within the [divisional] organizations. (...) They are accountable for the strategy they develop in Switzerland. They will also receive their directives from the U.S. passing via the European level”* (US2_IIno1: 41, own translation); *“(...) There is also a centre for Switzerland and Austria, they are grouped together to form an IMT, an integrated market team (...). So this makes Switzerland together with the IMT, then the IMT passes to the European level, and then to the U.S.”* (US2_IIno1: 51, own translation). Generally, autonomous decisions are also confined by certain amounts of money that each manager on a certain hierarchical level can dispose of independently (US2_IIno1: 59).

US2 HR co-ordination and control

According to our interviewee, decisions in the field of HRM are generally taken at a high level at the U.S. without implication of local staff *“Decisions are taken at a rather high level where you don't have access, then they are rolled out top-down”* (US2_IIno1: 55, own translation). When asked whether the internal climate at US2 was marked by trust or mistrust, our interviewee explained the following: *“Control. Just that. (...) control, although it's not mistrust. There are just processes which are there to be applied, so it's not linked to a person. When speaking of mistrust, it's rather that you do not trust a person. Here, we have processes that have to be followed through”* (US2_IIno1: 65, 66, own translation). Communication within US2 is regular and rather structured, depending on the function, the rank and current projects, and comprises the whole range of conference calls, e-mails and meetings (US2_IIno1: 72, 74). Our interviewee personally meets his superior once a month (US2_IIno1: 86) and reports to Zurich where the main office for Switzerland as well as European HQ is located (US2_IIno1: 90). Furthermore, there are several IT-based control systems in place at US2, including HR issues like salaries, working time, or performance: *“There is a whole range of tools used by HR or by managers that allow to control your life, finally, the work of an employee”* (US2_IIno1: 94). Generally, HR is rather co-ordinated through standardized processes than by means of directives, and HR processes can be global, regional or country-specific (US2_IIno1: 123). Much emphasis is also put on IT-supported knowledge and competence exchange that is meant to enable work in virtual teams (US2_IIno1: 173).

The history of **US3** dates back to the early 1930s when the company started as a manufacturer of commercially prepared intravenous solutions (US3 group 2013b). Today, US3 is a diversified healthcare company, with expertise in medical devices, pharmaceuticals and biotechnology. US3 has some 50 000 employees who generated sales of around 14 billion Dollars in 2012 (US3 group 2013a). Geographically, some more than 40% of sales have been generated in the U.S., followed by Europe with 29%, Asia-Pacific with 16%, and finally Latin America with 12%. Nearly 40% of employees are located in the U.S., 30% in Europe, 16% in Asia-Pacific, and the remainder in Latin America (US3 group 2013a). US3 is organized into the two business divisions Bioscience and Medical products which contributed around 55% and 45% respectively to total sales (US3 group 2013a). The company operates more than 50 manufacturing facilities in 27 countries on all continents and conducts business in over 100 countries (US3 group 2011: 1,18, SEC Form 10-K section). Strategically, US3 focuses on geographic expansion with select investments in growing markets. This is combined with enhanced investment in the company's R&D including the expansion of facilities, pilot manufacturing sites, and laboratories. Furthermore, US3 has a multi-year initiative to implement a global enterprise resource planning system in order to consolidate and standardize business processes, data and systems (US3 group 2011: 30, SEC Form 10-K section).

US3 Swiss subsidiary relations with HQ

The Swiss subsidiary of US3 has been created in the mid 1990s as a greenfield production plant. Today, there are 500 employees on this site who are producing US3's flagship product, a medicament for the treatment of haemophilia, which is produced through biotechnological processes for the global market. *“This plant is, or so far has been, the only one where this product is produced (...) there is a second one in California that soon will be able to sell its output as well, a product that sells extremely well and which is effectively the flagship product of the whole US3 group”* (US3_IIno1: 23, own translation). For this reason, the Swiss production facility is of central strategic importance for the US3 group *“To cite my former colleague, the ancient plant manager, who said: 'when the Swiss production facility has a cough, US3 corporate has the flu'. So, due to this fact, I can really say that we are a highly visible facility”* (US3_IIno1: 73, own translation). Room for manoeuvre for the Swiss facility is restricted to operational issues, since decision-making takes place at divisional HQ back in the U.S. (US3_IIno1: 62). At US3, comparisons are made between plants to trace and encourage productivity (US3_IIno1: 212).

US3 HR co-ordination and control

The HR manager of the Swiss production facility reports directly some commented key figures to the European HR director located in Austria, and co-ordination is also assured together with the latter through frequent calls (*US3_IIno1: 37, 94*). Furthermore, there are regular international HR conference calls and two or three HR meetings a year on a European level (*US3_IIno1: 86-88*). Major decisions in HR are taken and budgets approved directly by divisional HQ (*US3_IIno1: 50-54*). Yet, a local Swiss initiative concerning local leadership principles that complement the global corporate ones have met approval of divisional HQ (*US3_IIno1: 64*). Furthermore, US3 has an integrated HR information system running that allows divisional HQ to directly control certain key figures like headcount and payroll (*US3_IIno1: 97, 99*). There are internal and external audits, including HR issues like the traceability of staff qualifications levels and trainings (*US3_IIno1: 109-110*). Generally, much emphasis is put on process traceability, where US3 even provides mandatory trainings on good document management (*US3_IIno1: 160*).

US4 is a large industrial MNC active in design, manufacturing, marketing and sales of heavy equipment, engines and financial services. US4's historical roots can be traced back to the beginning of the 20th century, when the founder of today's US4 started to produce steam traction engines and tractors. By year end 2012, US4 had more than 100 000 employees worldwide, with nearly 45% of the latter being located in the USA, where some 30% of sales have been generated in 2012 (US4 group 2013: 8). Total sales equalled more than 60 billion Dollars in 2012 (US4 group 2013: 1). Some 20% of employees are located in the EMEA region and in Asia-Pacific respectively, and 13% in Latin America (US4 group 2013: A-130). In terms of sales by geographic region, North America is the most important market, representing some 35% of total sales. It is followed by Asia-Pacific with some more than 25%, EMEA with nearly 25%, and Latin America with nearly 14% (US4 group 2013: A-102). US4 operates a worldwide dealer network serving some 180 countries (US4 group 2013: 7). The company is organized into the following four reportable strategic business units: construction industries, resource industries, power systems, and financial products. These represent the company's two large categories of business being machinery and power systems, and financial products (US4 group 2013: 1–5). Around 95% of total sales is generated in the three strategic business units belonging to the machinery and power systems category, which are contributing nearly equal parts to total sales (US4 group 2013: A-102). After having experienced a

severe crisis in 2008-09, the company has formulated and implemented a strategy that is based on increased investments in R&D to develop next generation products, further increase quality and improve after sales services. Furthermore, geographically, a strong focus is put on China as the world's currently most dynamic region in terms of construction, quarry and aggregate industries (US4 group 2010, 2011: 9). US4 also continues to deploy common global systems in order to support growth and to achieve improved labour utilization (US4 group 2011: 42).

US4 Swiss subsidiary relations with HQ

The US4 site we could access is the EMEA HQ which was created as a greenfield investment in Switzerland in 1960 and today hosts around 500 employees (US4_IIno1: 13, 22). The role of the Swiss site is therefore that of *“a strategic and political centre. Major decisions are made here for the whole region. There is finance, legal, tax and there are several business units. It's also a marketing centre (...) a great part of our employees are doing marketing. (...) US4 doesn't sell directly to the clients. In every country there is a dealer to whom we sell, and the dealer sells to the client.”* (US4_IIno1: 17, own translation); *“The local vice president is in charge of everything concerning the EMEA regional dealer network (...) managing the distribution network for our products”* (US4_IIno1: 44, own translation). As we have seen in our discussion of US MNCs and their typical characteristics (see table 18), these usually have been found to be marked by comparatively high degrees of centralization. US4 represents a somehow typical case of such a US MNC in so far as major decisions are made at a strong corporate centre being US HQ: *“The big decisions are made in the U.S.. We are the only site outside the U.S. that has a certain number of important persons. The no. 2 of US4 is located here”* (US4_IIno1: 27, own translation). Decisions are being taken at corporate HQ and then cascaded, passing through the regional HQ down to the single plants: *“The great bosses make the great decisions concerning strategy and vision which is then cascaded down. (...) There is always the same elaborate model of construction based on corporate values”* (US4_IIno1: 79, own translation). The role of EMEA HQ then, especially in HR, is to make general guidelines compatible with local rules and laws (US4_IIno1: 105). Communication with corporate HQ is intense, especially in times of crisis there were daily conference calls and same time sessions (US4_IIno1: 65). Generally, the performance of plants is monitored and compared in order to foster internal competition (US4_IIno1: 94). As we have seen, the EMEA region is one of the most important geographical markets outside the U.S., yet it is also a highly heterogeneous region. In fact, the case of US4 EMEA HQ represents an interesting case of

power and agency within MNCs. According to our interviewee, in recent years, European countries have built a kind a HR federation to achieve a stronger position and negotiating power in their relations with U.S. HQ. *“In HR, since two or three years, we have a strong and thorough common understanding in terms of HR Europe. That's something that took many years because we never were capable of coming to an agreement in Europe. We were like competitors: we didn't talk to each other and exchanged very few information. It just took two or three personalities who broke through and so, for some years now we really have been forming a team that works together on a European level, to such an extent that the Americans are getting scared. The Americans are starting to get scared from us because we are starting to impose ways of doing, to tell them what does not work. We are beginning to be united and they are afraid of that unity. All of a sudden, they have to listen to us when we are speaking on a European level, because this is getting important for them (...) We have understood in Europe that, if we align ourselves on a certain number of projects, we have more weight with the U.S. (...) Currently, we are having about ten common projects, and we have even set up things against the will of the Americans”* (US4_IIno1: 246, own translation).

US4 HR co-ordination and control

Being the EMEA regional HQ for US4, the Swiss site has a central role in co-ordinating activities, and in the field of HR, it serves as a regional centre of competence (US4_IIno1: 46). To achieve this co-ordination on a European level, the HR managers meet several times a year to discuss regional projects (US1_IIno1: 110). Generally, our interviewee noticed a current tendency towards a more centralised way of organizing business activities and HR at corporate HQ or EMEA regional level, leading to a decline in business unit autonomy in order to avoid the downside of control losses and parallel costs (US4_IIno1: 25). In line with this centralization, the HR solid reporting line goes directly from EMEA HQ to corporate HQ (US4_IIno1: 81). Decisional power is limited according to the managerial hierarchical rank (US4_IIno1: 37) and many processes, especially in finance and accounting, are SOX compliance-driven (US4_IIno1: 72). Individual objectives of HR managers are defined within the framework of a performance management system, using an HR balanced scorecard with an annual review (US4_IIno1: 74). Furthermore, US4 uses Peoplesoft as a common integrated HR information system and an additional talent management system to support international succession planning (US4_IIno1: 102-103). Certain processes are then run in global shared service centres from India : *“In HR, we have PeopleSoft as a global system. There is a pretty strong development in global systems. Certain things are processed in India, for example call*

centres or guarantee management. We try to manage the day-to-day business from global centres” (US4_IIno1: 100, own translation).

The historical roots of US5 can be traced back to a gunpowder production facility that had been created by the founder in the beginning of the 19th century (US5 group 2013a). Today, US5 is a diversified chemical company that employs some 70 000 people and achieved net sales of nearly 35 billions of Dollars in 2012 (US5 group 2013c: 16). The company operates more than 300 sites on all continents, half of them being located in the U.S. and Canada (US5 group 2013c: 11). The company is organized into thirteen businesses that are grouped into the following eight reportable segments: agriculture, electronics & communications, industrial biosciences, nutrition & health, performance chemicals, performance materials, safety & protection, and pharmaceuticals. These segments are further organized into the geographic regions U.S. and Canada, EMEA, Latin America and Asia-Pacific (US5 group 2013c: 11, F-46). Around 60% of US5's revenue is generated outside the U.S., with developing markets representing approximately one third of total revenue (US5 group 2013c: 9). In 2012, 40% of total sales were generated in the U.S. and Canada, followed by EMEA and Asia-Pacific with around 23% each, and Latin America with approximately 13 % (US5 group 2013c: 18). Unfortunately, we could not find any officially published information on the geographical breakdown of US5 employees. According to our interviewees, there are approximately 15 000 employees in the EMEA region (*US5_II,I2no1: 22*). Strategically, US5 focuses on growth in developing markets, and seeks to build a world-leading position in agriculture and nutrition, industrial biotechnology and advanced materials. This strategy is backed up by sustained efforts in innovation, together with differentiated portfolio management including disciplined resource allocation on high-growth businesses (US5 group 2013b). The company expands its product and service offerings in the areas of safety, environment, energy and climate challenges, and develops and commercialises renewable, bio-based materials, advanced biofuels, energy-efficient technologies, enhanced safety and protection products as well as alternative energy products and technologies (US5 group 2013c: 7, 17).

US5 Swiss subsidiary relations with HQ

We could access the US5 EMEA HQ based in the Lake Geneva region, that was created as a greenfield site in 1959, and hosts some 450 employees (*US5_II,I2no1: 24, 36, 53*). Therefore, the

regional directors of the various businesses are located there, together with the support functions including HR, finance and operations, and an HR centre of expertise (US5_I1,I2no1: 28, 31). Strategic decisions are generally taken centrally and implemented top-down, while the autonomy of single managerial ranks is defined through a detailed list of activities for which the single manager can make decisions, and corresponding spending limits (US5_I1,I2no1: 58). Final decisions on the allocation of budgets are taken by the heads of business division who are mostly located in the U.S., after having agreed on a plan in an iterative process of dialogue (US5_I1,I2no1: 66). Although there is a certain level of transparency in decision-making, a strong degree of hierarchical centralization in the U.S. is clearly felt at US5: *“(...) let's say that there is some degree of openness, a certain transparency, we are participating. But do we always participate up to the level we would like to, maybe not. There is a hierarchy anyway concerning this matter. We are an American firm, HQ is in the U.S., and this element is present”* (US5_I1,I2no1: 73, own translation). Each division or function receives four to six annual global objectives from HQ that are then developed into concrete action plans on a regional or divisional level (US5_I1,I2no1: 42, 44). EMEA HQ's role in this process is to formulate propositions, to feed in the knowledge held by European directors who know well the potential of the regional markets, and to make sure that regional demand for the different products can be satisfied (US5_I1,I2no1: 61). *“The reason why we are here is our knowledge of the markets and the clients in Europe”* (US5_I1,I2no1: 62, own translation); *“Anyway, we still have some flexibility and a certain bargaining power in Europe. Again, because the competences are here, our managers are well-placed to know exactly what is good for US5 in Europe. And as far as I know, the U.S. are totally overt, at least to discuss. It's not just a plan arriving every year, saying: here is what will happen to Europe, thank you for implementing it. There is some bargaining done”* (US5_I1,I2no1: 68, own translation). Similar to the situation described for US4, also at US5, our interviewees told about a strengthened role of Europe in its bargaining relations with US HQ because of its important share in total revenue, and because of the strategic aim to further develop markets outside the U.S.: *“(...) and certainly in times of crises like the one we are experiencing today in the U.S., they are very inclined to communicate and to develop their markets outside the U.S. So, in this respect, we have the Eastern European countries which represent a formidable reservoir. And here, we effectively have a strategic competence for these markets (...) and we are also developing the African markets”* (US5_I1,I2no1: 80, 83, own translation). The performances and especially cost structures of single subsidiaries are closely monitored and compared in order to establish benchmarks and to foster some internal competition within the US5 group, although our

interviewees emphasized that overall, a logic of co-operation predominates that is also reflected in the compensation system (US5_I3no1: 134-137).

US5 HR co-ordination and control

HR has a direct functional reporting line going from EMEA HQ straight to the vice president HR at corporate HQ in the U.S., while there are only dotted lines to businesses and regions (US5_I1,I2no1: 104). In Europe, there has already been set up an SAP HR information system that is being integrated with the U.S. system as a powerful control tool in order to achieve visibility of all global employees (US5_I1,I2no1: 124). Furthermore, the HR organization is working on the introduction of an additional functionality that allows for the management of competence profiles of the global workforce (US5_I1,I2no1: 132). There are frequent global audio conferences together with representatives from other regions who are working on similar projects (US5_I1,I2no1: 94). Three to four times a year, the members of the European HR network, including country HR partners and the centre of expertise, meet personally for two days in order to discuss the critical operating tasks and to do reviews (US5_I1,I2no1: 95). Furthermore, all global HR has the same IT tools that are well aligned on global vision, mission and principles (US5_I1,I2no1: 143). Strong co-ordination needs and efforts at US5 can be explained by the regional approach to HR service delivery: *“We have always had a kind of regional approach to the delivery of HR services. So each region has its own regional director who has look to take care of the day to day operational running of our business and support of the businesses we serve. The director here reports directly to the senior vice president of HR in the United States and they have regular communications”* (US5_I3no1: 34). Important competences of the EMEA HQ reside in the concentrated functional expertise also in the area of HR. EMEA HQ management effectively takes the role of an interpreter of local legal provisions etc. when trying to implement corporate strategy in the different subsidiaries located throughout Europe: *“(...) also at the functional level you can find important competences here (...) the U.S. need to turn to our European teams in order to validate what they intend to set up, to know if one can have global programmes, and where things have to be defined on a local level. We have this competence here concerning HR. (...) For example, the setting up of restructuring plans. The different European subsidiaries clearly have total and complete control over the implementation of this plan in the field of HR”* (US5_I1,I2no1: 87, own translation); *“There is an escalation route of course from matters of policy and matters of exceptions to policy which pass through here on its way to the United States for approval”* (US5_I3no1: 35).

The historical roots of US6 can be traced back to a grain storage facility that was created by the founder in the 1860s, and today it is one of the world's largest privately owned firms (US6 group 2013a) as one of the biggest food and commodity producers and traders. In 2012, US6 had significantly more than 100 000 employees in 65 countries (US6 group 2013b) and generated some 130 billions of Dollars of sales (US6 group 2013c). Nearly 40% of employees are located in North America which corresponds to the part of revenue generated in this region. North America is then followed by Asia Pacific with 25% of employees and sales, Europe with 15% of employees and 20% of sales, Latin America with 18% of employees and 12% of sales. The remainder is attributable to Africa and the Middle East (US6 group 2012: 2). US6 is organized around the following five segments: agriculture services, food ingredients and applications, origination and processing, risk management and financial, and industrial. Each segment then regroups a number of related business units (US6 group 2013d). Strategically, US6 aims at an adjustment of its resource planning system in order to further connect data, processes and technologies, paired with growth plans. The latter include a major acquisition of a big animal nutrition firm and sustained investment in Latin America and Asia-Pacific. US6 intends to profit from increasing worldwide demand for food, especially meat consumption in China, and focuses on the possibilities for production in Brazil (US6 group 2012: 2–5). Furthermore, US6 develops materials based on renewable feedstock (US6 group 2013d).

US6 Swiss subsidiary relations with HQ

The Swiss subsidiary of US6 that we could access is part of the company's animal nutrition business. The Swiss subsidiary has a brownfield history of a former family business, including three grain mills in different parts of the country, that has been sold to US6 in 2002. The facility we visited has some 170 employees including the management (*US6_IIno1: 23*) and serves the local Swiss market with flour and animal nutrition (*US6_IIno1: 32*). Specific competences of the Swiss subsidiary therefore lie in the well-qualified staff and the mastership of production techniques, ISO norms etc. in order to produce high-quality and even innovative products (*US6_IIno1: 81-83*). As seen in most other MNCs, decision-making autonomy is determined by a grid defining amounts of money that can be spent autonomously, or prescribing a procedure that local management has to follow (*US6_IIno1: 38*). For larger investments as for example a new truck or more strategic decisions, local management would have to make a proposition to the president of the business unit at corporate HQ back in the U.S. who would make the final decision (*US6_IIno1: 56*). Financial

control of the Swiss subsidiary is intense and utterly frequent as they have to report weekly estimates for the month: *“All that concerns financial results, we report every week directly to [corporate HQ] to the animal nutrition division. It is our financial director who has to send these reports. We have to do an estimation every week for the month. This makes you calculate forecasts that are sometimes random – we base ourselves also on historical data”* (US6_IIno1: 109, own translation). Internal audits are frequent and concern the respect of standard processes such as those prescribed by ISO or those of US6 in terms of security at the working place (US6_IIno1: 117, 141). Somehow startling in this context is the fact that the local Swiss subsidiary used to be more advanced than US6 in terms of IT system integration. The Swiss subsidiary was already operating an integrated SAP information system which they had to abandon for a technically outdated US6 system at the time of the acquisition: *“Concerning finance, there is a rather old system in place. US6 is currently (...) setting up a big project, reorganizing everything, starting with informatics. The project is to introduce SAP, because at the moment we have old things. There has also been a revolution because we used to be more advanced than that. We already had SAP and had to go back. It's a bit like going back from a Mercedes automatic to a 2CV with double-declutching to shift gears. This has created some dissatisfaction (...)”* (US6_IIno1: 62, 119, own translation). At US6, performances of countries and plants in terms of return of gross investment are closely monitored and compared (US6_IIno1: 62, 124-127). Furthermore, the plant director who arrived after the acquisition of the Swiss subsidiary is an American expatriate with some 25 years of tenure at US6 who came to Switzerland to culturally integrate the subsidiary: *“(...) when US6 has acquired the Swiss firm, they came with a director. He came here because he had been working for US6 for 25 years, so he knew the processes, the way of working and the culture of US6. (...) From one day to the next we had to change. People who are in the factory had to put on their helmets. That was nothing but a revolution”* (US6_IIno1: 62, 134, own translation).

US6 HR co-ordination and control

Co-ordination in the field of HRM is done within the US6 business unit animal nutrition, where a European HR group integrates several countries from Portugal to Poland: *“We meet regularly, and once we had a meeting with all the heads of HR on a global level for the animal nutrition division. We were around thirty people and met at [corporate HQ in the U.S.]”* (US6_IIno1: 7, own translation). Communication with HQ and with the European HR group is regular and is primarily assured via e-mails and conference calls (US6_IIno1: 87-88). The European HR group also meets on a yearly or biannual basis (US6_IIno1: 94). The local Swiss HR director reports to the European

HR director of his business unit that is located at corporate HQ in the U.S. (US6_IIno1: 62, 107). Thus, there is no hierarchical level or a real organizational unit for Europe, but only a co-ordination in HR, while decisions for the region are being made at the business unit level in the U.S.: “(So it is people at [corporate HQ] who make the decisions?) Yes, there is no European division, it's not a unit, it's a co-ordination. It's just to facilitate. Europe also has its culture and ways of doing, and these are different from one country and from one canton to the other. (Where is this European co-ordination unit located?) At [corporate HQ in the U.S.]. It is now a Frenchman who has been nominated, but before it used to be Americans at [corporate HQ in the U.S.]. (So this European level is located in the U.S.?) Yes” (US6_IIno1: 73-79, own translation).

US7 was founded in 1949 as a medical equipment repair shop (US7 group 2013b). Today, US7 is the world's largest medical technology company with nearly 50 000 employees. These are located in some 270 locations in more than 120 countries and generated a revenue of 16 billion Dollars in 2012 (US7 group 2013c, 2013d). The company's activities comprise nine businesses falling into the three groups cardiac and vascular, restorative therapies and diabetes. The cardiac and vascular group is by far the most important, contributing some more than 50% of total revenue, followed by restorative therapies with nearby 40%, and the diabetes group with less than 10% (US7 group 2012: 2012 Highlights, 2013a). Geographically, 55% of revenue are achieved in the U.S., followed by 25% that are generated in Europe and Canada, and 10% in Asia-Pacific (US7 group 2012: 2012 Highlights). A geographical breakdown of employees is unfortunately not published. Concerning the organizational structure of the US7 group, it is basically a matrix structure made up of geographies and businesses. In this respect, a particularity is the forage organization, where single country subsidiaries aren't subsidiaries in a strict sense, but commission agents paying fees for the products sold to US7 (US7_IIno1: 31). Strategically, US7 is directing its research and development efforts towards maintaining or achieving technological leadership in each of the markets it serves, and it is reallocating resources into driving growth in emerging markets. These strategic aims are pursued in relying not only on its own R&D efforts, but also on acquisitions and alliances (US7 group 2012: SEC Form 10-K section, 9-10).

US7 Swiss subsidiary and relations with HQ

The US7 subsidiary in Switzerland that we could access has around 700 employees and hosts the

European HQ and a plant for the production of pacemakers and heart defibrillators (*US7_IIno1: 16-19, 27*). This Swiss HQ and production structure is one out of five entities in Switzerland, and it has been constructed in 1998 as a greenfield plant (*US7_IIno1: 16-21, 35, 37*). There are around 400 employees working in the HQ structure, and some 300 in production (*US7_IIno1: 44*). Therefore, there are several competences united at the Swiss European HQ facility. The reasons for locating not only the regional management HQ structure but also a production plant for pacemakers and heart defibrillators in Switzerland was the Swiss high quality image, additional to the favourable local tax regime (*US7_IIno1: 30*). The HQ structure also hosts the global legal function of US7 covering all countries except for the U.S. This structure allows for the realization of synergies and for a better control of compliance with legal requirements in the field of medical equipment and with the principles of the corporate code of conduct (*US7_IIno1: 47-50*). The production plant serves worldwide markets and is one out of three facilities within the US7 organization that are manufacturing these products (*US7_IIno1: 54*). Concerning decision-making autonomy of the European HQ structure, once the divisional budgets for Europe have been validated by corporate HQ, investments and expenditures are done locally. Yet, validation is done down to a certain level of detail, comprising for example new headcounts. Furthermore, clear ratios are defined for spendings as a ratio of revenue, that are complemented by fixed amounts that may be engaged for example by a vice president (*US7_IIno1: 39, 42, 56*). Overall, the budgeting process follows the five year strategic planning where corresponding projects are reviewed, validated and justified. Furthermore, results are reviewed weekly via a conference call with corporate HQ (*US7_IIno1: 67*). Financial results are also closely monitored through the SAP finance system where they are updated and visible on a daily basis (*US7_IIno1: 75, 81-82*). Though, according to our interviewee, such comparisons do not seem to be made in a sense of coercive comparisons (Sisson 2006: 247; Tempel 2001: 137) in order to foster competition for investment between countries and business units, but rather in order to foster transparency of performances. Though, such comparisons may very well be viewed as a way to exercise some form of unobtrusive control (Coller 1996: 167–168) *“Between countries there is fairly little competition. I would rather call it emulation than competition. A certain emulation to know who has the best results. But there is no competition meaning that, if there is one who wins, there is not the other one who loses”* (*US7_IIno1: 82*).

US7 HR co-ordination and control

Co-ordination may be seen as a central part of the European HQ function, and is done via regular meetings of the head of HR at HQ with the country HR managers in a certain area (US7_IIno1: 15). Furthermore, weekly conference calls are done with the businesses throughout the European countries to cover the geographic regional level, and on business unit level with corporate HQ in the U.S. to ensure co-ordination and control on a business-level (US7_IIno1: 62-64). Furthermore, US7 operates PeopleSoft as a powerful integrated IT-based control tool (US7_IIno1: 75). Our interviewee sensed still another control tool being the centralised management of expatriation and stock options from corporate HQ: *“Everything in terms of stock options and expatriation is being managed from the U.S. This is not to our greatest delight. There is a notion of control behind that. At the beginning, there is a justification in terms of synergy, referring to a single service provider for insurances etc. But this is not a significant reason, it's just for control”* (US7_IIno1: 129). Though overall, our interviewee considered that there were comparatively few expatriates and international exchange for an MNC of this size: *“When I compare us to other MNCs, we still have relatively few exchange (...) we don't have hundreds of expatriates (...) we have twenty expatriates in Europe (...). In fact I think this is something that calls us into question. From an HR point of view, we would like to create more exchange and connection between the different silos that we have”* (US7_IIno1: 69). Due to the strong role of centralised decision-making at corporate HQ in the U.S. and to the very limited international exchange of staff between international US7 facilities, we would rather tend to classify this MNC as ethnocentric. Although there are around 40 nationalities present at European HQ, awareness of local differences and needs seems to be rather limited as the following interview extract shows: *“(...) we have 42 nationalities here at HQ. Besides, this also rises a certain number of problems. One and a half years ago, we've had a restructuring. I was the only one to highlight the fact that if we were to lay off more than ten persons, relating to the size that we had, we had to consult our employees. There is very little conscience about what this means”* (US7_IIno1: 163).

US8 is the only MNC of our sample that is operating in the financial services sector, with a history of its earliest predecessor firm dating back to the end of the 18th century. The recent history of US8 is marked by multiple important mergers and acquisitions during the 1990s and 2000s, that gave birth to today's US8, which currently is one of the world's largest financial institutions (US8 group

2013b). In 2011, US8 had several hundreds of thousands of employees in more than 60 countries and achieved a total net revenue of nearly 100 billion Dollars (US8 group 2011: 62, 2013a). US8 is organized into six segments that are each regrouping several businesses. The six segments where US8 is operating are investment banking, retail finance services, card services and auto, commercial banking, treasury and securities services, and asset management (US8 group 2011: 79). An interesting detail may be seen in the fact that, within the segment asset management, private banking is divided into private banking USA and private banking international for the rest of the world (*US8_IIno1: 108*). Such an organization with a division into business U.S. and business rest of the world may be seen as a sign of ethnocentric organization that is due to the sheer size of the domestic U.S. market (Dowling 1999: 37–38). Having a look at US8's credit exposure to get an idea of the degree of internationalization of its activities, we can see that the U.S. alone account for some 47% of total credit exposure (US8 group 2012: 108), with a similar picture for commercial and industrial loans, whereas real estate loans are nearly exclusively concentrated in the U.S. (US8 group 2012: 204). Approximately one quarter of total revenue is generated in and 50% of employees are part of retail financial services (US8 group 2012: 85–86). Considering the consolidated financial statements for the year 2011, international operations outside North America accounted for 25% of total revenue, with nearly 17% being attributable to the EMEA region (US8 group 2012: 268). Overall, less than 15% of employees are located outside the U.S., whereof 6% are working in the EMEA region, and another 7.5% in the Asia-Pacific geographic area (US8 group 2011: 109). Strategically, US8 has launched specific growth initiatives. One part of these initiatives is the wholesale business, where the company has strengthened its global presence in the rapidly expanding markets of Asia, Latin America, Africa and the Middle East. Furthermore, US8 follows its clients like MNCs or sovereign wealth funds, who are expanding globally (US8 group 2011: 10). Another strategic aim is to further integrate US8's consumer businesses that historically ran as independent company (US8 group 2011: 14) and to establish long quality relationships with customers (US8 group 2011: 48).

US8 Swiss subsidiary and relations with HQ

US8 is present with two offices in Switzerland, one in the Zurich-region and one in the Lake Geneva region. We could gain access to the office in the Lake Geneva region, where US8 employs around 700 people in its asset management branch, particularly in private banking (*US8_IIno1: 7, 32*). The Swiss subsidiary came into being in 2001, following a merger of two financial institutions

that had already been present in the country before (US8_IIno1: 43). The Swiss subsidiary represents the greatest private banking office throughout Europe and hosts the EMEA director of this business (US8_IIno1: 12): “(...) *the central hub, where most of our staff is located and where most revenue is passing through in European private banking, yes, that's Switzerland*” (US8_IIno1: 17, own translation). Concerning the role and competences of the Swiss subsidiary, our interviewee was quite clear: “*Let's say that Swiss bank secrecy is essential. (...) Swiss people know how to keep a secret. (...) I think this is something inherently Swiss, to respect peoples' anonymity, the confidentiality. And this makes it fertile ground to apply bank secrecy*” (US8_IIno1: 172, own translation). Strategic decisions are made at a very high level in operating committees located at U.S. corporate HQ: “*Of course we have a way of doing, a know-how coming from the U.S. (...) There are many things arriving from the U.S. that we integrate and add our little Swiss flavour if this is necessary for legal reasons (...). It's true that there is a certain number of things that are really coming from the centre of activity in HR, of those who are at the centre of activity in private banking. There is a head of HR private banking at [corporate HQ in the U.S.]. (...) I think it's really at this level where decisions are made. And we are receivers of the fruits of their reflections*” (US8_IIno1: 46, own translation). Decision-making is generally rather top-down, though employees always have the possibility to express themselves and to voice their opinions (US8_IIno1: 58-60, 146).

US8 HR co-ordination and control

Our interviewee is part of business embedded HR in private banking international and reports within the private banking business line HR to London (US8_IIno1: 15, 104, 106). Furthermore, at London, there is a big corporate HR function where certain HR areas like compensation, recruitment and expatriation are allocated, and of which the greatest part of HR managers on the European continent are part of (US8_IIno1: 104, 106). Co-ordination of European activities in business as well as in HR is done between Geneva and US8's greatest European centre at London, where the private banking HR director Europe is located. An interesting issue in HR at US8, that may well be linked to the financial industry, is the existence of a risk team that controls and makes sure that all HR processes are water tight in terms of risk on a monthly basis. Such processes cover a whole range of issues ranging from the pay process over documents and matters linked to Swiss bank secrecy and the corporate code of conduct to crisis management and information protection in case of fire (US8_IIno1: 118, 122-125). There are several corporate-wide globally integrated HR IT

systems installed at US8, comprising a common recruitment system, training, performance management with succession planning and compensation-benefit. Furthermore, certain common policies or country policies and employee handbooks may be consulted on intranet (*US8_IIno1: 131-135*). International co-ordination is ensured by a monthly conference call of the HR community in the asset management business (*US8_IIno1: 85*). These calls are supplemented by yearly off-site meetings of all European HR directors (*US8_IIno1: 92*), by daily phone calls with the superior at London (*US8_IIno1: 81*) and abundant e-mail communication in all directions (*US8_IIno1: 83*). Overall, our interviewee reported that the corporate culture of US8 is very supportive of information sharing and mutual assistance (*US8_IIno1: 96*).

The corporate history of US9 starts with the signing of a partnership agreement between the two founders of the firm in the 1830s, who produced soap and candles (US9 group 2012c). Today, US9 is one of the worlds leading companies in the consumer goods industry with some 100 manufacturing facilities. Out of these, around 70 are located outside the U.S. in more than 40 countries (US9 group 2012d: 7). US9 products are sold worldwide in more than 180 countries (US9 group 2012d: 2). In 2012, the company had more than 100 000 employees and achieved net sales of some 80 billion Dollars (US9 group 2012d: 11). Nearly 40% of sales have been generated in North America, some less than 20% in Western Europe and Asia respectively, 10% in Latin America, and nearly 15% in Central-Eastern Europe, the Middle East and Africa (US9 group 2012a: 16). Unfortunately, we could not find any published data on the geographical breakdown of headcount. US9 is organized into the two global business units beauty and grooming, and household care, which are subdivided into the five reportable segments beauty, grooming, healthcare, fabric and home care, baby and family care (US9 group 2012d: 13). Furthermore, there are specialised market development organizations, shared global business services, and corporate functions (US9 group 2012a: 73, 2012b). HR is one of the corporate functions but has a transversal or matrix responsibility for the business units (*US9_IIno1: 50*). Strategically, US9 is targeting growth of earnings per share of high single to low double digits and growth of organic sales of one or two per cent above market average. In order to achieve these financial and growth targets, US9 implements a focused resource allocation to its biggest and most profitable businesses, and on the innovations and developing markets that offer the greatest growth opportunities. Therefore, the company defines core businesses as a combination of country and category which achieve the highest annual level of

sales and profit. Furthermore, US9 implemented cost-saving measures that include a reduction in overhead spending and sustained investment in research and development in order to achieve more discontinuous innovation (US9 group 2012d: 14–15).

US9 Swiss subsidiary and relations with HQ

The US9 site in Switzerland that we could access is a large EMEA HQ structure in the Lake Geneva region. It has been established as a greenfield operation in 1956, first as HQ for Africa and the Middle-East, that later has been transformed into the regional HQ for the whole EMEA region in 2000, hosting currently some 3 000 employees (*US9_IIno1: 40*). Major decisions concerning product and market strategy are made on the level of the global business units. The second hierarchical level are then the regional business units for Western and Eastern Europe. The locus of decision-making differs between different segments or products, and depends on where the vice president is located. For instance, the global vice president for hair care products is located in Switzerland and strategic decisions are made at Swiss EMEA HQ, whereas decisions for grooming are made in the U.S. (*US9_IIno1: 45-47*). Concerning the market development organization, the locus of decision-making for the whole EMEA region is the Swiss EMEA HQ (*US9_IIno1: 50*). Generally, decision-making is governed by a well-defined, standardized process called PACE. P stands for the process owner who makes a proposition, A is the approver who takes the final decision, C are contributors who will be consulted, and E are the executors who will implement the decision once it has been made. In case of doubt, there is table that clearly defines who is the approver (*US9_IIno1: 62-68*). Generally, our interviewee viewed the decision-making style and process as fairly teamwork-driven and consensual, though “(...) *there is always an A behind because often decisions have to be made quickly*” (*US9_IIno1: 68*). Furthermore, our interviewee told that these processes of decision-making were marked by mutual trust, since trust was part of the US9 corporate values, and US9 had a corporate culture that was heavily based on these values (*US9_IIno1: 69*).

US9 HR co-ordination and control

The reporting line for HR follows the corporate HR function line, going from the HR staff in the market development organizations on country-level straight to EMEA HQ HR (*US9_IIno1: 49*). Generally, there are three important levels for decision-making in HR: the global business units, where decisions are taken following established guidelines, HR corporate HQ and HR corporate

EMEA, and then HR on country-level. When HR at EMEA HQ thinks a certain decision might have a global impact, they will discuss the issue with corporate HQ HR (US9_IIno1: 53-57). Such strategic decisions or any other far-reaching decision in the field of HR and ER/IR are co-ordinated through a global HR team and a global ER/IR team, each having one video conference per month (US9_IIno1: 58-60). On a business-level, there is also an integrated information system in place where action plans with precisely defined deliveries are established and checked on a monthly basis (US9_IIno1: 77-78). HR is steered with a scorecard, and standardized surveys are conducted annually (US9_IIno1: 79). The global HR team defines a global HR action plan which is translated into regional action plans and so on, until reaching the individual level (US9_IIno1: 80). Communication in HR is intense, with regular and frequent flows in all possible directions, using all kinds of communication technology, including video conferences. Personal meetings are reduced as far as possible due to the important costs (US9_IIno1: 71-73). Furthermore, corporate culture may be viewed as a central management tool at US9 to achieve co-ordination and control of its global workforce: *“Corporate culture plays an important role, it's very strong. This is supported by our recruiting practice: normally we only engage young university graduates who start at level 1. A priori we recruit people for an in-house career with a strong US9-socialization”* (US9_IIno1: 76). This practice of purposeful, intensive socialization using corporate values and corporate culture as a management tool (Wächter *et al.* 2003: 82) at US9 can be considered an indirect-cultural control mechanism (Harzing and Sorge 2003: 198). Moreover, as we have seen earlier, US MNCs have generally been found to rely on corporate culture as a management tool that is also transferred cross-nationally (see tables 13 and 16), making the case of US9 a typical illustration of this practice.

The earliest roots of US10 can be traced back to the end of the 19th century, when the oldest of the companies that merged to form today's US10 was founded by a pharmacist. A first big merger took place in the 1960s, when the company roughly took its present-day form (US10 group 2012). In 2012, US10 as one of the biggest MNCs operating in the food and beverage industry had several hundreds of thousands of employees whereof some less than 40% are located in the U.S. (US10 group 2013: 9). US10 is organized into the following four business units: US10 Americas foods, US10 Americas beverages, US10 Europe including beverages and food business and US10 Asia, Middle-East and Africa (AMEA). These business units or segments are comprised of six reportable segments, whereof three are subunits of US10 Americas Foods (US10 group 2013: 3). The company

achieved a total net revenue of some 65 billion Dollars in 2012, whereof 20% have been generated in Europe, 10% in the AMEA business unit and nearly 12% in the Latin America Foods subunit (US10 group 2013: 52). In 2011, 50% of total net revenue was generated outside the U.S. (US10 group 2011: 7). Unfortunately, US10 does not publish a geographic breakdown of its global headcount. An important element concerning international strategy of US10 is its growth through acquisitions. US10 bought in market shares, first in Western European countries, and more recently also in Russia, through the acquisition of pre-existing sizeable companies. This fact has been strongly underlined by both of our interviewees: *“US10 has grown very much through acquiring other companies. It is more or less a composition of small or big companies. You take [brand 1], [brand 2]. This is basically how US10 became a huge company”* (US10_I1no1: 66); *“(…) US10 was a conglomerate. They had all these companies, each company did what they did best and reported back”* (US10_I2no1: 218). Therefore, effects of this growth history on corporate structure and organization are strongly felt in HR, representing a nice illustration of our previous discussion of micro-level organizational variables on HR structures and practices: *“(…) at the moment it's really, really difficult to get anything done across countries. Because they use different systems, they use different time lines”* (US10_I2no1: 212). Starting only recently, US10 is going through some major organizational-structural changes. Structurally, this development is manifest in the creation of a European purchasing HQ once European markets were great enough to justify such a regional structure. This centralised purchasing structure was then only very recently followed by a European management HQ. Fortunately, we could access both of these structures that will be presented in the following section.

US10 Swiss subsidiary and relations with HQ

In Switzerland, US10 has two sites, both of them having a HQ function. We were able to access both sites and to conduct interviews with HR managers first in the European HQ structure located in the Lake Geneva region, and then at European purchasing HQ in the Bern region. The European HQ structure is a fairly young and small site that has been established in the mid-2000s and hosts some 70 employees (US10_I1no1: 7, US10_I2no1: 31). The European purchasing HQ has been created first in 1998 (US10_I2no1: 26-27). Before Eastern and South-Eastern Europe had started to grow, the European market was too small to justify a European HQ structure, and subsidiaries used to report directly into HQ (US10_I2no1: 31). European HQ has a classic role of communication channel between the countries of its region and corporate HQ, and makes sure that frameworks that

have been defined by global HQ are implemented and guidelines followed in the countries (US10_I2no1: 43-48). Furthermore, European HQ has a limited, though present role in strategy formulation and a strong co-ordinating role: “(...) *They may have some strategic input when it has a regional influence on things. We are talking of processes and initiatives that are fairly global. The regional actors will be acting as a coordinator (...)*” (US10_I2no1: 78). Furthermore, European HQ also has an important role in internal two-way knowledge transfer. It spreads information, expertise, common practices and corporate culture downstream to the countries, and takes up information on what happens on a local level to feed it back upstream towards HQ: “*Regional headquarters has the role towards the subsidiaries to bring expertise at a European level rather than just at a country level. (...) really to bring a European perspective, common practices or a way of thinking and doing things. Regional headquarters play a role of sensibilisor, educator to a certain extent about what is happening locally, what makes sense in terms of local awareness and consideration*” (US10_I2no1: 78). Furthermore, our first interviewee at EMEA HQ made an important point on different roles of European HQ depending on the stage of development of a company and of business operations of a given country subsidiary: “*It very much depends on the stage of development of a company and on the stage of business operations. If it is developing markets maybe regional headquarters plays a different role in terms of bringing knowledge and in terms of being a centre of expertise versus more developed subsidiaries, where regional headquarters will be seen more as a coordinator rather than bringing expertise*” (US10_I1no1: 177). A further interesting detail concerning the role of European HQ of US10 is its systematic use for personnel development: “*To explain the nature of [European] headquarters is... I call it a "hatching hub". You put people in headquarters' environment to gain critical experience. A headquarters environment is different than having direct operational regional responsibility. People would come to [European HQ] for an assignment of 3 to 5 years. They can stay longer depending on the role they have, then go back to an operational job, probably to a bigger region.*” (US10_I1no1: 10).

US10 HR co-ordination and control

As we have seen, European HQ has a strong role in co-ordinating HR activities across the continent: “(...) *I would say regional headquarters are the first coordinating point, the first contact point for the subsidiaries. Subsidiaries will not go direct to the world headquarters for things. It would happen through the regional headquarters. It would happen through that channel of communication and coordination*” (US10_I1no1: 76). A further tool or mechanism for co-ordinating HR activities

cross-nationally are international HR guidelines that are formulated on a global and on a European level: *“There are policies. There is always the international policy and then there is the corresponding European policy”* (US10_I2no1: 148). In this process of transforming global guidelines from U.S. HQ into European ones, European HQ has a strong role to play, apparently disposing of a great deal of autonomy or margin for manoeuvre: *“(…) from what I hear, a lot of those programmes, trainings and things: they come from the US and then the first thing that happens is that they are getting revamped in Europe. And then they are rolled out. So that also means that usually we are half a year or a year behind. Once it's rolled out in the US it takes some time, but on the other hand it is something that is really relevant”* (US10_I2no1: 194-195). Communication in HR is intense and ongoing in Europe, normally *ad hoc*, or taking a more structured form of weekly calls when certain processes are running like during the assessment period (US10_I1no1: 72, 74). European HQ also actively encourages interaction between subsidiaries through meetings and trainings in order to establish strong networks (US10_I1no1: 120). Reporting in HR is done within the sector HR functional line (US10_I2no1: 118) from country via European HQ towards corporate HQ (US10_I1no1: 56), and comprises some key data like headcount and financial information, though there is also much informal personal control in place at US10: *“The reports usually come through global, more than anything else. So there is definitely headcount, there is so-called AOP, annual operations plan, which needs to be reported. But those are sort of the standard things that happen regularly and we are working very strongly with the finance function as well to get everything together. But largely reporting again is sort of talking to people”* (US10_I2no1: 129). A surprising element for a US MNC having the size of US10 is the absence of an integrated information system which is just currently being implemented. The fact that single countries operate different systems is felt to make the regional reporting procedure fairly difficult: *“(…) we don't have any global system. It is a big surprise because we don't have any global HR system at the moment. There is a SAP platform but it is still very much in progress. It has just started, even in Europe we don't have one system. We have one system which is used for the majority of the employees but countries may have their pipeline systems which are not necessarily linked to this major system. You could imagine that global reporting is not an easy task or even regional reporting is not an easy task. It requires a lot of coordination and a lot of manual intervention to come up with a regional reporting altogether”* (US10_I1no1: 58).

Table 25: US MNCs – overview of important micro-level variables

MNC	MNC organization and strategic orientation	Degree of internationalization of structure and markets	HR co-ordination mode	Swiss subsidiary type	Subsidiary role, competence/value for MNC	Particularities, local embeddedness, agency
US1	Strong local legal requirements and locally different demands, absence of a corporate centre	~25% of employees are located in Northern America, around one third in Western Europe, ~20% in Asia; Western Europe accounted for ~40% of revenue, North America ~35%, Asia 12%	Polycentric concerning dependence on HQ and legal independence of subsidiaries; geocentric concerning locus of decision-making, strength of flows and co-ordination needs	Integrated player/Global innovator in HRM	Local market knowledge and cultivation, advanced HRM	History of mergers and acquisitions, including the Swiss country entity
US2	Global market and organization, although recently sharply reduced U.S. workforce, strategic decision-making is strongly centralised at HQ	35% of revenue generated in the U.S., ~30% in EMEA region, nearly 25% in Asia-Pacific; probably ~20% of employees located in the U.S. (not officially published)	Ethno-/geocentric	Implementor	Local market cultivation	In recent years sharp decline in U.S. workforce, building up capacities in emerging markets like India
US3	Global market and organization, strategic decision-making is strongly centralised at U.S. divisional HQ	>40% of sales generated in the U.S., ~30% in Europe; nearly 40% of employees located in U.S., ~30 in Europe	Ethno-/geocentric	Implementor	Production facility, mastering highly complex biotechnological production processes for the flagship product	Greenfield site, plant director and HR manager are both local Swiss managers
US4	Global market and organization, strategic decision-making is strongly centralised at U.S. HQ with a tendency towards more centralization in recent years; though the EMEA region has also	45% of employees located in the U.S., ~30% of sales generated in U.S.; Asia-Pacific second most important region with >25%	Globally rather ethnocentric; though strongly regiocentric co-	Integrated Player	EMEA HQ, management of European distribution dealer network	Greenfield site, HR director is local Swiss manager deeply embedded in local networks and actively

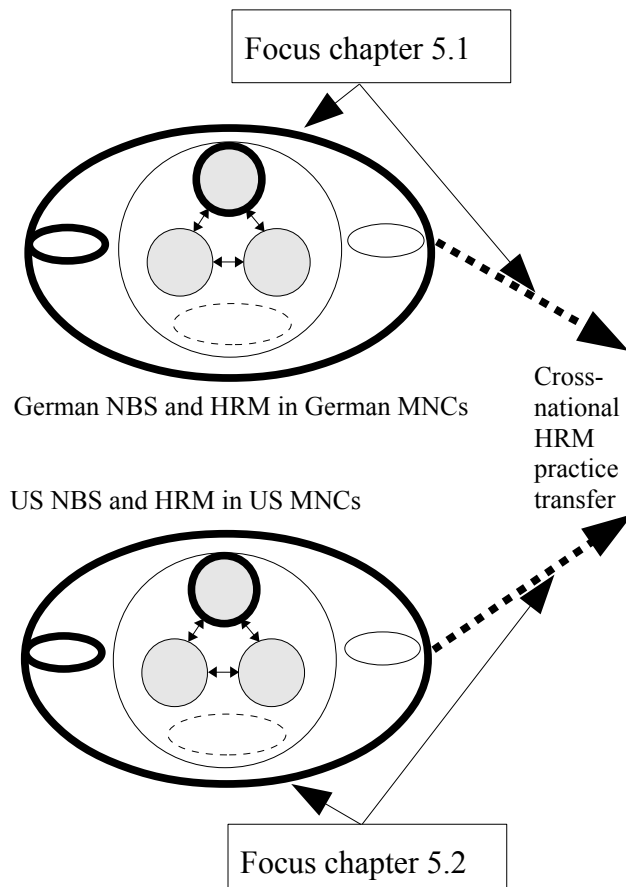
	experienced increasing internal micro-political bargaining power	of sales, EMEA also ~25%	ordination mode in EMEA HR			taking initiative on a European level to strengthen internal bargaining power of EMEA HQ
US5	Global market and organization, strategic decision-making is strongly centralised at divisional HQ though decision-making is an iterative process with strong involvement of regional HQ; EMEA HQ has experienced greater bargaining power through the increased importance of regional growth markets	40% of sales generated in the U.S. and Canada, EMEA and Asia-Pacific each >20%	Overall somewhere in-between ethno- and geocentric; in EMEA region rather regiocentric mode of HR co-ordination	Integrated Player	EMEA HQ, HR centre of expertise	Greenfield site, HR director is local Swiss manager who is firmly embedded in local networks
US6	Global market and organization, strategic decision-making highly centralised at corporate HQ where even regional area managers for Europe are located	~40% of sales generated in North America, ~40% of employees located in North America; second most important region in terms of sales and headcount in Asia-Pacific with ~25%, Europe 15% of employees and 20% of sales	Ethnocentric	Implementor	Production facility for flour and animal nutrition for the local Swiss market	Brownfield site, HR director has been living in Switzerland for the last 40 years
US7	Global market and organization; strategic decision-making highly centralised at corporate HQ on a business divisional level; EMEA HQ has fairly restricted strategic room for manoeuvre and autonomy	~55% of sales generated in the U.S., 25% in Europe and Canada, 10% in Asia-Pacific; no geographic breakdown of headcount published	Ethnocentric	Integrated player (HQ) / Implementor (production)	Production facility for high-precision, high-quality medical equipment and European management HQ	Greenfield site, head of HR is the only Swiss in European HQ structure with 400 employees
US8	A priori global market for financial products, though strong focus on U.S. also mirrored in organizational structure; strong centralization on a business level at U.S. HQ with restricted room for manoeuvre for regional or country-level facilities	International operations outside the U.S. accounted for ~25% of total revenue, thereof 17% in EMEA region; less than 15% of employees located outside the U.S., 6% in EMEA and ~7,5% in Asia-Pacific	Ethnocentric	Implementor	Important subsidiary on a European level in terms of revenue and number of employees, activity firmly linked to Swiss banking secrecy	Co-ordination of the European part of the asset management business is done between Switzerland and London

US9	Global products on local markets, strong EMEA structure, organizational structure with global product divisions and local market development units probably closest to the transnational form	~40% of sales generated in North America, Western Europe and Asia accounted for 20% each, 10% Latin America, 15% Central-Eastern Europe, Middle-East and Africa; no geographical breakdown of headcount published	Rather geocentric	Integrated player	Very important EMEA HQ structure where strategically relevant decisions are being made for an important market, for some businesses even global decision centre	Greenfield site that has grown steadily and assumed more and greater responsibilities during the past decades
US10	Several global and local products on local markets, in organizational structure North American market divisions are very visible; strongly marked by growth history of acquisitions; local organizations on a country-level play a very important part and are presently still rather loosely integrated although efforts to integrate the company to some greater extent are under way; regional European structures have only recently been put in place, together with the growing importance of regional markets and complexity due to further external growth in Eastern and South-Eastern markets	Nearly 40% of employees located in U.S., 50% of revenue generated in the U.S.	Polycentric, currently developing regiocentric structures in HR and some more global integration.	Integrated player (both HQ structures)	European HQ structure intensively used for personnel development	Important history of international growth through acquisitions; very young European co-ordination structures

Source: Own compilation based on interview transcript analysis and available company information (for more details see case descriptions).

8.2 Transfer of HRM practices: why and how?

In this chapter, we will report evidence on the transfer of HRM practices found in German and US MNCs. The two country-of-origin groups of MNCs will be compared in order to establish whether



and to what extent systematic differences and similarities in their approaches may be identified. In this respect, the findings from previous research presented in chapters 5.1 and 5.2 and first insights gained from our analysis of organization-level characteristics in chapter 8.1 serve as a background to analyse and discuss the MNCs' approaches towards transfer. The presentation of our empirical findings on transfer will largely follow the structure that has been pre-defined in our literature-based integrated conceptual framework for HRM practice transfer (see table 15). Again, the two country-of-origin groups will be analysed separately in order to establish whether the MNCs of our sample fit into the picture of previous studies on country-of-origin effects concerning differing approaches towards

transfer. This structure allows us to clearly see whether and to what extent the MNCs of our sample match the pattern of systematically identified differences between German and U.S. MNCs in terms of willingness to transfer, and the transfer process. For each of the two country-of-origin groups of MNCs, we first discuss and summarize general willingness and reasons for transfer, and second the transfer process, with reference to the different mechanisms, channels and associated measures identified in the literature. A third section concludes the chapter with a comparison and discussion of transfer willingness and processes in German and US MNCs, and summarizes key results in a table.

8.2.1 Transfer of HRM practices in German MNCs

The available information on cross-national HRM practice transfer summarized in table 16 suggests that German MNCs have an overall subtle, selective approach towards transfer, and traditionally are more decentralised in HR and IR policy formulation and practice design than their U.S. counterparts. In this section, we will summarize our empirical findings on willingness and reasons for and against transfer as well as the transfer process based on the propositions worded by our interviewees. These findings can then be discussed against the findings of previous studies.

8.2.1.1 Willingness to and reasons for transfer in German MNCs

A first group of German MNCs with a low willingness to transfer are unsurprisingly the ones with a rather decentralised mode of functioning in HR, thus highlighting once again the important role of micro-level organizational factors for the understanding of practice transfer. This first group consists of the MNCs D3, D4 and D9.

The most remarkable or extreme case of non-transfer is the family-owned MNC **D3**. As we have seen in the previous chapter, D3 is by far the smallest MNC of our sample and has not put in place any kind of international HR co-ordination mechanisms. Consequently, local HR managers are not even aware of what practices are in place at corporate HQ: “[willingness to transfer?] No, because currently we do not know what the others do, there is no transfer taking place. First we would have to know what kind of things we are duplicating or not in order to transfer something (D3_IIno1: 189, own translation). The question of whether and to what extent the absence of international HR co-ordination, and hence, international conduits for HR practice transfer, is owed to the comparable smallness in size or recent history of internationalization of D3 may not be definitely answered. Though, it seems plausible to argue that formalization of practices and organizational complexity at large increase proportionately with organizational size and internationalization. The need for corporate-wide standardized and formalised practices may then very well increase partly as a result of a critical size and organizational complexity that maybe has not yet been reached at D3.

D9 as the second-smallest MNC of our sample is still another case of an MNC where no formalised mechanisms for international HR co-ordination are in place. Though, as we have seen in our presentation of micro-level variables, personal communication between the CEO of the Swiss

subsidiary and the CEO of the D9 group within the international management board is intense. Furthermore, as distinct from D3, at D9 there are first signs pointing into the direction of a standardization of certain practices, even though there aren't any formalised, structural conduits in HR yet. Moreover, until present, there is no commonly known corporate HR policy, guiding principles or HR philosophy (D9_IIno1: 304-305, 665). As our interviewee puts it “[citing from the local Swiss HR strategy]: Relations with the corporate HR organization may be described as good but loose. There are hardly any corporate-wide HR guidelines and the common interface is mostly restricted to reporting. Until present, the corporation dispenses with a strong connection of the HR organization of its subsidiaries, and there are hardly any corporate guidelines or global policies in place. One exception is the introduction of the performance management system for executives in 2004, where the Swiss subsidiary introduced the corporate system” (D9_IIno1: 504, own translation). As we will see in some more detail in the following chapter, standardization at D9 in the field of HR or HR-related issues concerns also a corporate code of conduct and a corporate sustainability policy (D9_IIno1: 686-697). The common performance management system covers only the executives of the group. This distinction between hierarchical levels, or between executives and non-executives at D9 is an important aspect that has also been identified in many other MNCs with much higher degrees of standardization throughout our sample. As we will see in the following chapters, several MNCs had standardized corporate HR practices in place for higher ranking managers only. A very interesting aspect at D9 is the pronounced willingness of the Swiss subsidiary CEO to develop HR practices and tools independently from HQ: “We also have a different culture here. We are much more performance-oriented than the D9 group. And accordingly, my boss is eager to restrict interference of the group as much as possible. He just follows the philosophy that we do it, and if the group then comes up with something better, we can still follow them” (D9_IIno1: 361, own translation). Structurally, this was made possible through a redefinition and upgrading of the Swiss HR function: “(...) formerly, the job that I have now was not occupied by a personnel manager. I'd say in terms of know how and experience, this position has been upgraded. Formerly, this was merely operational, personnel administration, payroll” (D9_IIno1: 235, own translation). As we have seen in our theoretical discussion, such an increase in resources available to the local subsidiary HR function is important for the possibility of reverse transfer to happen since “the more resources are controlled by the local HR function, the better placed will be the subsidiary to supply practices to the rest of the group” (Edwards *et al.* 2010: 619). Endowed with sufficient local resources, the Swiss CEO could now draw on these resources to

engage in internal bargaining on the international management board, where he used advanced local tools and practices to further increase the reputation and role of his subsidiary as a pacemaker unit for the whole D9 group: *“Of course, he wanted to do that, and (...) he pushed this into the organization. And when you look at the results now, you see that this was something highly valuable. So now, in this international team he is the one who tells the others 'OK, this is what you must have”* (D9_I1no1: 428, own translation). Again, we can link the behaviour of this local Swiss agent back to our theoretical discussion. In fact, this case represents a fantastic illustration of a subsidiary with sufficient resource endowment, that develops practices and feeds them back into the corporate network in order to strengthen its own position. In the literature, this form of agency has been described as follows: *“Being the source of new innovations that are subsequently transferred to the heart of the multinational, reverse diffusion is one mechanism through which foreign operating units may enhance their status and claim on resources”* (Edwards and Tempel 2010: 19; Ferner and Varul 2000a).

D4 is the third German MNC of our sample that is still rather decentralised in HR and IR. There is a willingness to standardize certain practices, for example the use of a common recruiting tool and issues related to employer branding, and an estimated 10-15% of trainings (D4_I1,I2no1: 265-267). However, according to our interviewees, in many instances the decision of whether to adopt common corporate practices or whether to stick to local systems and tools was left to site managers: *“Well, until now it was own initiative. (...) for example, as a site manager at [site in Germany] I have introduced the appraisal interview tool from Switzerland because I better liked it than the one at [other German site]. And this was OK. It very much depended on what regulation you had (...) what conditions, and for what reason you did it. How strong harmonizing ambitions will be in the new corporation [after internal restructuring: merger of two product divisions], best practice, I guess you can't tell by now. As I said, it has just started”* (D4_I1,I2no1:544-545, own translation). Generally, our interviewees viewed harmonization with a critical eye due to their personal experiences: *“And the problem with harmonization is (...) you always have to look very closely to know who has what kind of process, and why? The same thing that we are now doing here: to establish what is best practice under the given circumstances. And if you start harmonizing you mostly end up at a level which isn't necessarily best practice any more. And so it hasn't been done any more in major areas. (...) The effort to roll out and implement such a thing is sometimes so big that input isn't commensurate with output any longer”* (D4_I1,I2no1: 555, 557, own translation).

Even though, our interviewees expressed the view that cost and efficiency pressures, and the related internal restructuring would lead to changes in processes, and thus, to a new wave of harmonization initiatives (*D4_I1,I2no1: 308*).

A second group consists of German MNCs that expose a marked willingness to transfer standardized corporate practices. Throughout our sample, the tendency towards standardization and transfer is a rather recent development that goes hand in hand with a swing of the pendulum towards overall greater centralization. This second group of comprises the greater part of the German MNCs of our sample and includes D1, D2, D5, D6 and D8, while D7 might be viewed as a case in-between the two groups.

At **D1**, overall willingness to transfer standardized corporate HR practices has sharply increased with the implementation of the D1 HR system in the mid-2000s. *“Starting with HR IT, where they want to have certain global standards, it continues with global trainee programmes, a worldwide common presentation in personnel marketing, and it includes also organization. (...) Yes, in recent years this has been very strong”* (*D1_I1no1: 124, 128, own translation*). Our interviewee saw the main reasons for this drive towards standardization in the greater facility of reporting (*D1_I1no1: 263-265*) and in reduced costs: *“(...) it's also a cost factor. They want to get away from different IT-solutions in every single country”* (*D1_I1no1: 267*).

The situation at **D2** is somehow similar to D1 concerning recently increased willingness to transfer. Although at D2, this willingness can be clearly linked to an internal restructuring called transforming HR. This programme was guided by a U.S. management consultancy aiming at a centralization of processes and a transformation of HR managers into HR business partners following the example of many Anglo-Saxon MNCs. *“The project is called transforming HR. In fact, to put it simple, I believe it is the [large US MNC] model. A centralization of processes on [IT company X] systems including tools for HR managers who have changed their function, who are transforming into HR business partners. That's the concept. Also with tools, many tools on intranet (...) It applies to all the three divisions of the group. So we have the same processes (...). And this brings very much transparency. It's very hard to put in place”* (*D2_I1no1: 86-87, own translation*). Concerning the reasons behind this pronounced will to standardize and to transfer uniform

corporate practices and processes, our interviewee mentioned the will to optimize, to improve efficiency and profitability, but also transparency and control. *“Transparency. You may as well call it control. (...) Today it is very difficult to find out about the headcount. Not all sites are on the same system. So this is a big problem. Finally, we are doing work twice or thrice. So there is a need for efficiency (...) today, the HR manager doesn't have to formulate a job description. The forms are already disposable (...) and sufficiently well structured to evaluate the job and to define a salary band”* (D2_I1no1: 195). Furthermore, another reason for such standards was seen in improved equity between the plants and sites (D2_I1no1: 237). During our first presentation to validate results, our interview partners emphasized a negative impact of such transparency that consisted in very rigid budgets *“The subsidiary loses in flexibility”* (D2_I1no2, I5no1: 19).

D5 is an MNC that formerly had rather decentralised structures, especially in consulting and distribution, but then *“(...) starting for years ago, the pendulum began to swing in the other direction (...) so that we didn't say we want to centralise, but we want to harmonize”* (D5_I1no1: 98-99). In this connection, at D5 the great influence of the introduction of HR shared service centres and concomitant reduction of local resources in HR was evident as an element of the structural organization of the HR function and delivery: *“(...) for example the billing of bonuses is done in a shared service centre. And this is an activity we cannot perform locally any more because we don't have sufficient capacities (...) We don't have the resources any more”* (D5_I1no2: 308, own translation) *“It's also because (...) otherwise we wouldn't have any efficiency gains in the end. We want to avoid that every country is doing its own thing”* (D5_I1no1: 319, own translation). But also global clients were seen as a driver for standardization (D5_I1no2: 16).

Furthermore, in our validation session our interviewee also emphasized the fact that conflict between subsidiary and HQ often arises from a time lag between the learning curves of HQ and subsidiary *“There is always some oscillation between emancipation and centralization/standardization. Though, learning curves in corporate HR and subsidiary are not running parallel. This is a source of potential conflict. Currently we are just undergoing a swing back towards empowerment of subsidiaries”* (D5_I1no2: 9, own translation). Another interesting fact concerning D5 is the fact that in this already highly standardized MNC, the current tendency is back to subsidiary empowerment, which is the opposite trend compared to the situation at D1 and D2. Our D5 interviewee was also very aware of different views on standardization, depending on whether the perspective is local or global: *“(...) so the introduction of global systems has always*

been viewed as a loss of quality, although the latter absolutely make sense in the context of the whole D5 group since they allow to get also less developed countries extremely fast on a high level of sophistication as regards content” (D5_IIno2: 105, own translation).

D6 may be seen as a case where the strong willingness to engage in cross-national transfer of standard corporate HR practices is very much driven by a centralised organization and strict top-down implementation of a global strategy in a firm that is serving global clients. *“We have a (...) verticalised organization where functions are controlled throughout all the countries. For example, we have near shore locations in Hungary and (...) in the Czech Republic, we have delivery organizations that serve a client like Shell worldwide. And of course, if you have only local HR practices there, practices that have nothing to do with what is happening in the neighbouring country, on the same account, or within the same service tower, then it doesn't work. So, in the end it's also the internationalization strategy behind that” (D6_IIno1: 220, own translation).* *“Formerly we worked to improve and roll out our own practices, and to invent new things. Now we have partly reduced services and complied with global guidelines (D6_IIno1: 253, own translation).* Once again, efficiency gains were mentioned as a main reason for standardization (D6_IIno1: 218), together with improved control of global implementation of guidelines (D6_IIno1: 219). Furthermore, the case of D6 clearly illustrates the imperative for coordination in HRM that results from a global strategy and global clients.

As we have seen in the previous chapter, **D8** was born as a spin-off of another big German chemical company operating on every major global market. This fact may explain why this comparatively small MNC in terms of its number of employees it still strongly internationalized and has engaged in international practice transfer. At D8, there is a willingness to manage centrally, and for example to conclude certain service contracts centrally for the whole firm (D8_IIno1: 192). Furthermore, a new SAP system has been implemented and our interviewee thought it was very likely that payroll, fringe benefits and bonuses would be centralised in the short term (D8_IIno1: 197). Furthermore, there is a willingness to optimize not only payroll, but also job descriptions and competences (D8_IIno1: 391). In this respect, our interviewee mentioned two main reasons for transfer and centralization. While the first reason is the well-known issue of improved control, the second concerns improved communication for the development of a common HR philosophy, which is facilitated when HR is centralised in one building (D8_IIno1: 391).

The situation at D7 seems to be less clear-cut than for instance at D6, and might be seen as a case in between the very decentralised and the very centralised German MNCs. While there is a certain willingness to transfer standard corporate practices in specific areas like talent management, yet apparently there is still considerable room for manoeuvre for local decisions in the field of HR: *“until present, the D7 group leaves its subsidiaries rather alone” (D7_IIno1: 171, own translation).* *“I haven't had any problem. Until now we're lucky since the D7 group lets us use our current tools (...). (D7_IIno1: 365, own translation).* Though, the interviewee knew that the introduction of an enterprise resource planning system had already been decided, and that this would probably be implemented within the next two to five years (*D7_IIno1: 366*). Also corporate HR structures were already being aligned to match the corporate model *“Because if you have different structures, this doesn't correspond” (D7_IIno1: 185, own translation)* Moreover, the fact of there being three main hubs in Germany, Switzerland and the U.S. in the pharmaceutical division of D7 made important co-ordination efforts in HR necessary in order to facilitate management across these countries and sites (*D7_IIno1: 453*). Another feature underlining the middle position of D7 in terms of transfer willingness is the fact that there are shared service centres in place, though only in Switzerland and not on a European or on a global divisional level (*D7_IIno1: 191*). Although our interviewee sensed that there was a willingness to more strongly centralise and to establish shared service centres, until present there were no concrete signs that such centres were to be created in the near future (*D7_IIno1: 197, 201*).

Table 26 below provides a short overview of willingness to and reasons for transfer in the German MNCs of our sample according to our interview partners.

Table 26: Willingness to and reasons for transfer in German MNCs

MNC	Willingness to transfer	Reasons for transfer
D1	Strong in recent years (introduction of "D1 HR system")	Reporting, cost reductions
D2	Strong in recent years (project "transforming HR")	Efficiency gains, transparency and control, equity
D3	-	Avoiding duplications
D4	Low for downstream transfer, fairly high for flow diffusion and reverse transfer	Efficiency gains and cost reductions through new processes
D5	Strong, although recently again some more autonomy for subsidiaries	Serving global clients, efficiency gains through reduction of local HR resources together with shared service structure, very fast way to put in place sophisticated HR practices in developing country subsidiaries
D6	Strong	Internationalization strategy / serving global clients, top-down global strategy implementation and imperative for co-ordination
D7	Medium, might significantly increase with introduction of ERP system	Efficiency, co-ordination needs
D8	Strong	Establishing a common HR philosophy, efficiency gains
D9	Low for downstream transfer, high for upstream / reverse transfer	Efficiency gains, avoiding duplications, reverse transfer driven by Swiss subsidiary CEO's agency to strengthen the subsidiary's relative position and bargaining power in internal negotiations within the MNC network

Source: own compilation based on interview transcript analysis.

8.2.1.2 Transfer process: channels, mechanisms and measures in German MNCs

At **D1**, mandatory standard practices are usually rolled out from staff units at corporate HQ where project leaders are in charge of planning and control. Secondly, the weekly calls within the business unit HR play an important part in communicating and controlling the rollout of new practices and processes (*D1_IIno1: 302-306*). Important channels are regular HR meetings where examples of best practices are presented. *"And what we are currently focusing on is HR maturity models. Though, this is not necessarily best practice but rather to measure oneself and to see what measures to take in order to achieve a higher level of maturity"* (*D1_IIno1: 257, own translation*).

On the other hand, the use of mandatory best practice schemes is currently rather the exception *„[best practice schemes?] Currently this is rather seldom (...) There are certain international HR meetings where one says: 'Look, there was something awesome, present it!' But this is more sort of an input, an idea. It is still rather the exception that they say: it has to be like that. There are*

*individual cases, but these are rare“ (D1_I1no1: 259, own translation). Although the use of mandatory best practice schemes is cautious, D1 nevertheless heavily uses direct transfer mechanisms such as common HR guidelines, structures and rules as those involved in the D1 HR system (D1_I1no1: 121-124). Furthermore, these formal channels and mechanisms are backed up with informal ones. These include great numbers of international transfers between different sites throughout the D1 group, and a sustained corporate culture and corporate values that are at the basis of leadership principles, core competences and corporate vision (D1_I1no1: 131). Concerning corporate culture at D1, our expatriate interviewee explained the following: “I suggest that the D1 culture is very strong. That's why I think that this investigation is very difficult, since I believe that the D1 culture is more dominant than national culture – also because the two are intermingled [OS: D1 also defines itself as a German firm] A Swabian one! (laughs)” (D1_I2no1: 62-65, own translation). „In my view, this is a very technology driven firm with an utterly strong engineering culture and a strong competence in manufacturing“ (D1_I2no1: 82, own translation). These statements seem to suggest that the D1 culture our interviewee refers to apparently is based on a German concept of corporate culture as an organic whole that has historically grown (Wächter *et al.* 2003: 82). Even if also formalized corporate values are used as management tools, yet it seems that the kind of D1 corporate culture described by the above-cited expatriate is qualitatively distinct from the notion of an engineered corporate culture as it is typically associated with US corporations (Alvesson 2002: 47–48). In fact, D1 corporate culture not only comprises typically German engineering technology-related values, but also explicitly refers to regional traits and heritage in the company values as elements that would not typically be associated with US MNCs' corporate values and cultures.*

Also at **D2**, there is a structured and well-defined transfer process in place. There are project groups who are in charge of the rollout, which is done through workshops in each region and followed up by telephone- and same time conferences that are coupled with presentation slides. Here, HR managers can chat and post questions, and comprehensive documentation and support material is provided to the HR business partners (D2_I1no1: 318-319). Successful rollout of new standard practices and tools is also fixed as an individual objective for HR managers (D2_I1no1: 320- 321). Concerning the transfer process, our interviewee from the D2 Switzerland subsidiary emphasized the utmost importance of using people-based channels together with the procedural ones in order to correctly implement new tools: “During all the implementation, D2 has also done meetings with

HR. (...) This was in 2007. First they didn't want to do that. But then they realised that they had to explain. You cannot lead through e-mails and Powerpoint attachments. First of all, not everybody throughout Europe and the world has sufficient proficiency in English to be able to understand everything immediately. Hence, certain things just get lost because of interpretation. So they corrected this and there were lots of conference calls. Same time conferences (...) but also one meeting a year where people meet personally" (D2_I4no1: 295, own translation). Referring to our integrated conceptual framework for HRM practice transfer (table 15), such "interpretation" of formally transferred practices and tools might in fact reduce the degree of internalization and functionality of transferred practices as important dimensions of cross-national practice transfer. An innovative element at D2 may be seen in the use of a change management team *"(...) there is a very strong change management team. These three days of workshops at Zurich for the 50 countries of Middle and Eastern Europe. (...) Half of the time we passed doing change management. We've done a piece of theatre. They sold the project to us so that we could sell it locally"* (D2_I1no1: 337, own translation). Furthermore, the local presence of expatriates on key positions at D2 international with their networks at corporate HQ was seen as another mechanism facilitating transfer *"Actually they are playing the role of vectors (...) you have to make sure that the person in place has this network with Germany in order transfer, this is extremely important"* (D2_I1no1: 349, own translation). The idea of expatriates as vectors has also been validated by one of our expatriate interviewees who explained that structures were fairly German although there were 17 or 18 different nationalities present. Because after all, all of these people had a sustained working experience at corporate HQ, and thus, underwent a thorough socialization to German HQ ways of doing (D2_I2no1: 26). Furthermore, a formalised best practice scheme is in place, where internal surveys are conducted in order to find out what is done in certain areas of HR like variable pay for sellers in order to identify best practices that would be transferred afterwards (D2_I1no1: 294-295, 298). Shared HR service centres as a structural expression of standardized practices currently do exist at D2, but they do not cover all the countries. The model of the U.S. consultant firm that has been implemented at D2 prescribed a gradual aggregation of activities according to the size of operations in a country. Only in countries with more than 1000 employees, the system was fully rolled out, whereas countries like Switzerland were partly exempt from certain standardizations where shared services are involved (D2_I4no1: 24-28).

Due to the fact that until present, no transfer of HR practices has taken place at **D3**, we could not find any information on transfer processes. Unfortunately, the introduction of a corporate code of conduct in May 2012 (D3 group 2012b) came to late for our investigation to see how the latter was transferred and implemented internationally. As we have seen, there are no formal guidelines of integrated IT systems in place in the field of HR. Furthermore, there are no meetings or regular conference calls between HR managers of different countries, so that there are no formal transfer channels in place. The only means of a minimum standardization in the field of HR are prescribed in ISO 9001, that has been implemented throughout the D3 group (*D3_I1no1: 167*). Our interviewee recalled that once someone from HQ called and asked for some forms that had been created at D3 Switzerland, though without any follow-up or further information: *“They asked me once for some forms since we had created some things that I guess were interesting for them. I don't know what they have done with it. There was no callback. And I didn't care about whether they had kept our form or not or adapted something, I don't know (D3_I1no1: 368)*. Corporate culture at D3 apparently has a lot of typical elements of a family-owned SME, though we couldn't find any evidence of a clear link to corporate ways of doing or even to concrete HRM practices that would be transferred using this indirect mechanism (*D3_I1no1: 477*).

As we have seen in the previous chapter, at **D4** there are especially meetings as a form of people-based channels in place. Though, until present, there was no formalised and systematic system of best practice identification and transfer in place. Existing people-based channels were rather used for exchange on certain practices, but also to meet and support collaborators working on other sites of D4. Overall, there was no strong corporate centre in HR that would have defined and rolled out global practices, but it was rather *“only partially harmonizing impulses” (D4_I1,I2no1: 571)* that might come from HQ, but as well from other plant managers. As we have also seen in the previous chapter, a common corporate culture is not present at D4, and therefore not used as an indirect transfer mechanism (*D4_I1,I2no1: 226-230*). Also, there is no integrated HR IT-system in place (*D4_I1,I2no1: 224*), and hence, IT-based tools and heavy use of procedural channels are not an option for HR practice transfer at D4. Yet, in view of the current internal restructuring with the merger of two formerly independent product divisions, our interviewees underlined that future developments in the direction of more harmonization including the use of best practice schemes was not excluded (*D4_I1,I2no1: 545*). In any case, the required conduits for more formalised exchange and transfer of HR practices doubtlessly do exist. This is manifest in the presence of multi-

directional or flow diffusion, as well as reverse transfer at D4. For example, based on her own initiative, our German interviewee took the decision to transfer the appraisal interviews from Switzerland to the German plant, where she used to work before (*D4_I1,I2no1: 544*). This transfer did not pass from subsidiary through HQ in order to be spread out globally, but only from one subsidiary to another, and hence, may be seen as an example for multi-directional or flow diffusion rather than as reverse transfer. A further interesting detail about this case of flow diffusion of an HR tool is the possibility to illustrate a profoundly German issue of agency. In fact, still another, much greater German facility of D4 would have liked to introduce these Swiss appraisal interviews, but they couldn't because they were blocked by local works council who did not give its consent: “(...) *[at facility O] they would have liked to introduce the appraisal interview as well, but it didn't work with their works council. They wanted another practice since this one would have required too much investment (D4_I1,I2no1: 566, own translation)*. Therefore, this failed flow transfer towards another German site gives an illustration of how local German works councils as central actors have sufficient institutional power resources to block such HR initiatives in Germany. However, there is also an example of successful reverse diffusion of a Swiss practice, the exit interview, that has been identified and adopted throughout Germany as a best practice (*D4_I1,I2no1: 565*).

At **D5**, global standard practices are communicated top-down through a process owner, the executive board or the regional management board, and regularly followed by feedback rounds. These are giving local subsidiaries the possibility to feed back information on local problems with the new standard processes and to suggest changes (*D5_I1no1: 142-143, 303*). International conduits are in place and comprise meetings and frequent, regular conference calls (*D5_I1no1: 148*). Especially when compared to D4, D5 makes strikingly extensive use of direct transfer mechanisms and procedural channels that are coupled with explicit formal control systems. As we have seen in the previous chapter, these channels are also visible in the HR architecture of D5 with centres of excellence and expertise for instance in the area of rewards, and shared service centres, where the transactional part of HRM such as payroll, mobility and recruiting is centralised using standardized global tools (*D5_I1no1: 21-22*). New corporate standard practices are usually centrally designed within the global HR function, and then, country subsidiaries are invited to give some feedback before new systems are rolled out. “(...) *in all areas including HR we are really heavily harmonized. This resulted in a net decline of local decisional power of single country subsidiaries. So, in many instances it was just: execute. Decisions were taken as follows: a global corporate*

function designs and presents, country subsidiaries give feedback. Then the changes suggested in the feedback are implemented or not. If there are legal restrictions this is a must for implementation. And then it was just: roll it out and use it. Replace your local systems” (D5_IIno1: 100). Transfer in HR functional areas where shared service centres are involved basically happens through new standard processes in the integrated HR IT-system. Such standard processes are in place for instance for global talent review (D5_IIno1: 257). Exchange between HR managers on best practices is equally backed up by the integrated HR IT-system with dashboards being visible throughout the whole EMEA region (D5_IIno1: 157).

At **D6**, HR policy, practices and tools are developed and decided upon at a corporate centre of competence in HR which is located in Germany. Practices are then rolled out through the international HR functional line and implemented locally through the HR business partners (D6_IIno1: 482-484). Priorities in HR are formally defined in an international HR strategy and HR roadmap. Transfer control is ensured through a close follow-up of activities that are defined in the HR roadmap, and inclusion of roadmap targets in individual objectives of HR managers (D6_IIno1: 204-206, 494). During the design phase of new HR practices and tools, there is a regular and structured two-way communication taking place within HR communities, where concepts are presented, feedback is given and taken into consideration. According to our interviewee, expatriates did not play any role in HR practice transfer (D6_IIno1: 498). The central role of the German market for D6 is not only reflected in its organizational structure as we have seen in the previous chapter, but also in the HR structure. Although there is a big shared service centre for D6 Germany, other countries like Switzerland are not integrated into any shared service structure (D6_IIno1: 223-228). Transfer is furthermore driven by core process standardizations including SAP HR (D6_IIno1: 162, 306). This standardization of core processes is also closely linked to the internal research for best practices. These might also be identified in some foreign subsidiary, as D6 wishes to standardize the best processes throughout the company (D6_IIno1: 437-439). Concerning socialization mechanisms and the role of corporate culture, we would argue that even though there are common values and guidelines in place, their role as a transfer mechanism seems to be somewhat restricted. Apparently, internalization of such guidelines and values seems to be significantly lower than in other firms, especially when compared to US MNCs, as the following extract illustrates: “(...) *there are so-called guiding principles, there are five (...) or six? Actually I should know that (...)*” (D6_IIno1: 230, own translation). The seemingly low

degree of internalization of these guiding principles as corporate values, which are however formally integrated into the competence model and used for appraisal and selection, might also be explained by the fact that they have been implemented only one and a half years before we made our interview (D6_IIno1: 236). Furthermore, it might prove comparatively more difficult in a formerly state-owned firm like D6 with its public service administrative heritage to implement this kind of management tools. Apparently, D6 has intended to introduce corporate values as a management tool similar to many US MNCs (Wächter *et al.* 2003: 82) in an attempt to deliberately engineer D6 corporate culture. As far as our limited interview material suggests, this effort does at least not yet seem to yield the desired results.

At **D7**, standard policies are usually designed centrally, but “*centrally customized*” (D7_IIno1: 374, *own translation*) to local needs by a team which is very open for comments and feedback from other facilities. New practices and tools are normally cascaded down the line from corporate over divisional to the local level (D7_IIno1: 468-470). Though, our interviewee left no doubt as to where and how decisions on transfer are taken: “*We would detect and report problems if there are any, yes. But this is not perforce. It's just to say that this isn't a democracy*” (D7_IIno1: 478). Our interviewee underlined the important role of the owner family for D7 corporate culture in a very large sense. This is manifest in the strong centralization of strategic decision-making and in a very long-term, rather risk averse approach to decision making (D7_IIno1: 411, 413, 421). The presence of a sustained, strongly German-influenced corporate culture and the fact that half of the executive board of the Swiss subsidiary of D6 is composed of either Germans, or people who underwent a German socialization, may be viewed as indirect transfer mechanisms (D7_IIno1: 177, 375, 444). Additionally there is a best practice scheme in place, where potential best practices are regularly presented during the annual international HR conference. Some of them are then institutionalised on a global level upon decision of the global HR council and cascaded downstream (D7_IIno1: 432-438). Yet, there is no common catalogue containing best practices that would be accessible to HR managers facing a certain problem (D7_IIno1: 442).

Standard HR practices that should be rolled out globally at **D8** are usually developed by an HR project group, where often HR managers from other sites or countries are involved “*(...) this is done centrally. And for instance, an HR manager may have that mandate (...) who integrates other HR managers from everywhere according to the area. And they will work on a project (...) Finally*

the central HR manager will ask for approval of the board for the rollout” (D8_IIno1: 434-436, own translation; 488, 492). Consultations are done with country HR managers during the design phase, especially in order to take into account legal restrictions and to dissolve possible conflicts already at an early stage of development (D8_IIno1: 424, 451-458). New practices and tools are then transferred from central HR as an order to country HR and country representatives (D8_IIno1: 424). The implementation of the practice itself is done by the local HR manager, who often works in close collaboration with the local country manager or head of business unit “(...) *we will bring together everybody and explain it verbally. Afterwards a document will be arriving. This is often done in close collaboration with the general manager*” (D8_IIno1: 438, own translation). Our interviewee underlined the role of personal communication in the process of implementation at D8 Switzerland “*Well, the advantage here is that it is small. This makes direct personal communication possible after people have been informed, so it's easier*” (D8_IIno1: 486). In some areas like compensation, there is just a broad framework transferred and the local HR manager adapts practices to local circumstances (D8_IIno1: 145). According to our interviewee, expatriates are not directly involved in practice transfer (D8_IIno1: 459-460). However, a strong corporate culture is currently developing that affects HR “(...) *I think we are heading towards a firm philosophy in HR that is very, very important*” (D8_IIno1: 205, own translation). In fact, it is not astonishing that an own corporate culture and HR philosophy are currently still under construction, since D8 was born only recently as a spin-off from another big German chemical MNC, as we have seen in the previous chapter. Even though, having a look at staffing practices at D8, there is evidence of many international assignments with staff going from HQ to subsidiaries and the other way round. When asked about the reason behind this international transfer of employees, our interviewee answered “*The purpose is often a growth in local responsibility (...) It's more to acquire a bit HQ's philosophy (...) And to diffuse it as well*” (D8_IIno1: 274-278, own translation). This is why we would argue for the presence and deliberate use of indirect transfer mechanisms involving international transfer of managers and socialization practices at D8.

As we have seen in the previous chapter, there are no formal, regular and structured mechanisms of international co-ordination, communication and control in place for the HR function at **D9**. Thus, basic organizational conduits that are considered to be central for cross-national HR practice transfer (Edwards *et al.* 2010: 618), are missing. However, as we have seen, direct channels in HR are substituted to a certain extent by a strong people-based channel between the local Swiss and

corporate CEO at HQ, who are both Swiss and members of the international D9 management board. Furthermore, according to our interviewee, through his initiatives, the Swiss CEO made the Swiss country subsidiary one of the most profitable ones of D9 during the past five years (*D9_IIno1: 573-575*). Especially the fact that the Swiss CEO is a very active local agent may explain why transfer of HR practices has nevertheless taken place at D9. Our information suggests that the Swiss CEO consciously engages in the transfer of locally developed innovations in HR in order to improve his own visibility and the relative position of his subsidiary within the D9 network. The first corporate-wide standard practice and process was a common performance management system for executives that originated from corporate HQ and had been introduced already in 2003-2004 before our interviewee has joined D9 (*D9_IIno1: 227-231*). Unfortunately, due to this fact we do not know how this system was rolled out at that time. Nevertheless, what is interesting with the case of D9 is the fact that even though there are hardly any international conduits in HR, there is still some HR practice transfer, including reverse transfer, happening. Until present, such transfer was rather unstructured and did not follow a clearly defined process. For instance, a recent transfer involved a broad framework concerning sustainability, where corporate HQ created a brochure and the Swiss CEO charged his local HR manager with the development of a lean Swiss version of this brochure and corresponding practices, as well as implementation through training of local staff (*D9_IIno1: 687-693*): *“Now the group has created a wonderful, thick book on sustainability, a nice masterpiece in this form [shows the book]. But I got the order from my boss: 'Do something concerning sustainability. The group has done that, we must have that, too' (...) So I said: 'OK, then I will contact Mr. M. on that issue who has thought seriously about these issues'. Just because I thought I didn't have to reinvent the wheel, right. And then my boss answered: 'Well yes, you can, although they didn't have further thoughts on it. They just created a brochure (...) So what am I supposed to do with that?’* (*D9_IIno1: 688, 691, own translation*). A major case of reverse transfer from Switzerland to corporate HQ was the corporate code of behaviour. This code had been developed by a working group around the Swiss HR manager and was laboriously implemented in Switzerland with a road show and trainings throughout 2009 (*D9_IIno1: 317, 325*). Afterwards, when the corporate CEO took note of this code, he decided that this was something the whole group should have, and a lawyer was mandated to elaborate such a code for the D9 group. The Swiss HR manager was then consulted and solicited as part of a team that discussed the rollout and implementation of this code so that corporate HR could build on the Swiss experience (*D9_IIno1: 327*). Finally, when the corporate version of the code of behaviour arrived, the Swiss HR manager

refused to implement this version, which was nearly the same as the Swiss one “*Yes, this is a good example where (...) I just said: 'I won't do that'”* (D9_IIno1: 331, own translation). Similarly, HR practices were fed into the corporate network from Switzerland in the field of leadership training, where a sophisticated, lavish concept had been developed and implemented (D9_IIno1: 416-428). Concerning implementation of corporate standard practices, somehow similar to the transfer process there is no common standard in place, and implementation differs between countries: “*It very much depends on the respective corporate culture in that country how they generally deal with trainings. Do they just send such a thing and say: 'Read it through, this is now effective', or do they really train it?*” (D9_IIno1: 522, own translation). We would therefore suggest that there is no sufficiently strong socialization to a common corporate culture at D9 that it might be considered an indirect transfer mechanism. Yet, international project groups as an associated measure for transfer and development of practices seem to be just in the making. For instance, the team working on the global rollout and implementation of the corporate code of behaviour seems to be a development pointing into this direction.

Table 27: Transfer process: channels, mechanisms and measures in German MNCs

MNC	Transfer channel and mechanisms	measures
D1	<p><i>Procedural channels & direct mechanisms:</i> Business unit HR, project leaders of staff units at HQ, HR maturity models, exchange on best or innovative practices mostly non-mandatory</p> <p><i>People-based channels and indirect mechanisms:</i> international transfers, sustained corporate culture (though not an “engineered” one), international meetings (business unit and geographic level Europe)</p>	Explicit control of roll-out through staff units and superiors within the business-line HR, mailings
D2	<p><i>Procedural channels & direct mechanisms:</i> guidelines, manuals, documentation, IT-based tools, best practice scheme</p> <p><i>People-based channels & indirect mechanisms:</i> change management team, expatriates as vectors on key positions at local subsidiary (D2 international)</p>	Control as part of individual objectives of HR managers, conference calls, same time and international HR meetings
D3	<p><i>Non existence of direct mechanisms and formal, procedural channels;</i> the only exception might be seen in corporate-wide ISO standards</p> <p>A certain socialization linked to a familiar corporate culture is present although not directly related to HR practices</p>	No measures are in place to transfer HR practices
D4	<p><i>Direct as well as indirect mechanisms and channels rather weakly developed,</i> best practice scheme is rather a tool for exchange and gives impulses to local HR managers than defining mandatory practices. However, international HR meetings serve as an efficient conduit for exchange on practices and enable flow and reverse diffusion</p>	International HR meetings, project groups
D5	<p><i>Procedural channels & direct mechanisms</i> are heavily used: new standard processes are centrally designed by global corporate HR and then rolled out as new processes in the integrated HR IT-system; structurally, this kind of transfer mechanisms and channels are also reflected in the HR architecture with shared service centres operating global processes, and centres of expertise and excellence that are leading process design</p>	Benchmarking and exchange of best practices is utterly transparent throughout the EMEA region through the use of automatically generated dashboards as part of a sophisticated integrated HR IT-system
D6	<p><i>Procedural channels & direct mechanisms</i> are heavily used to transfer via guidelines, the HR roadmap and standard processes that are linked to a best practice scheme</p> <p><i>People-based channels and indirect mechanisms:</i> prescriptive corporate values are present although they do not seem very much internalised</p>	Control through formal systems

D7	<p><i>Procedural channels & direct mechanisms</i> are mostly used, including a formalised process of international exchange on best practices in HR, as well as certain standardized global processes (e.g. high potential/talent identification and development),</p> <p><i>People-based channels and indirect mechanisms</i>: presence of a marked corporate culture that is very much influenced by the owner family and German culture and expatriates from German HQ in key positions</p>	International HR meetings, direct control through expatriates from HQ in key positions
D8	<p><i>Procedural channels & direct mechanisms</i> are used, although in Switzerland, the transfer process is heavily backed up by personnel communication,</p> <p><i>Indirect mechanisms & people-based channels</i>: even if D8 is a fairly young company where corporate culture is not yet well-developed, indirect transfer mechanisms such as international transfer of managers and associated socialization practices are used to a great extent</p>	an interesting element is HR practice design through international project teams and an annual international meeting of the HR group function
D9	<p><i>Procedural channels & direct mechanisms</i> are currently at a low stage of development: there are some large frameworks for policies, although local implementation apparently differs widely between subsidiaries since there are no standardized implementation processes in place,</p> <p><i>People-based channels and indirect mechanisms</i>: lacking formal, structured conduits in HR, a strong and direct people-based channel consisting of the international management board serves as the most important transfer channel – a channel that is controlled and deliberately used for micro-political reasons by one single local actor: the Swiss CEO</p>	International project groups seem to be in the making: currently <i>ad hoc</i> teams are built to facilitate the exchange of experiences

Source: own compilation based on interview transcript analysis.

8.2.2 Transfer of HRM practices in US MNCs

In our literature review on US MNCs' approaches towards transfer (see table 18), we have seen that the latter were regularly found to heavily rely on formalization and standard processes as their privileged transfer channel. Furthermore, they were generally marked by comparatively strong centralization and showed a strong willingness to transfer country-of-origin practices as part of HIWSs. As we have seen in the description of our case study companies, in some of the US MNCs, further integration of activities was even explicitly referred to as part of their strategic objectives. Furthermore, our previous analysis of micro-level corporate characteristics revealed fairly high degrees of centralization for the major part of our case study US MNCs.

As in the previous sections on German MNCs, we will start with a presentation of willingness and reasons for transfer as viewed by our interviewees, to continue with the presentation of the transfer process in some more detail in a second step.

8.2.2.1 Willingness to and reasons for transfer in US MNCs

As we have seen in our presentation of the micro-level organizational features of **US1**, this MNC is an interesting case of a highly decentralised MNC that does not dispose of a strong HQ structure or other comparable centre. While this organizational structure fits in quite well with the description of a decentralised federation (see table 11), international co-ordination through a multitude of organizational conduits is however intense. According to our interviewee, there is indeed some willingness to standardize and transfer certain guidelines across the global US1 network. This is done in order to achieve efficiency gains, and to make sure that certain quality and ethical standards are respected throughout the network (*US1_IIno1: 137, 140, 142, 271*). Common guidelines therefore are in place for employer branding and a common corporate identity, but also for quality standards. For instance, in recruiting, certain skill and competence requirements for candidates are defined in order to be eligible for certain jobs. Furthermore, US1 has a common corporate code of conduct (*US1_IIno1: 137, 140, 142*). At the same time though, our interviewee was very clear about limitations concerning the ability to transfer standard practices, that are due to the US1 corporate structure. Since at US1, there is only networking, and no “networking within hierarchy” (Edwards and Rees 2006d: 107; Edwards *et al.* 1999): “(...) *we can only lead this network on a relational basis, because there is no formal power or possibility of a brutal crackdown*”

(US1_IIno1: 99, own translation); “(...) I believe that everything that global wants to push through by force, telling them 'You have to do it exactly like that', this is doomed to failure from the outset. It doesn't work” (US1_IIno1: 265, own translation).

US2 may be viewed as a somehow typical example of a US MNC, showing an overall great willingness to standardize: “There are truly global processes. There is really a willingness for standardization and unification of the firm, and not to let every country do in their own ways” (US2_IIno1: 126, own translation). Moreover, as we have seen, US2 is also fairly centralised in terms of HR policy making and design of practices, processes and tools, which are mostly developed in the U.S. to be rolled out globally: “Why do I tell you this is very American? Because many of our tools arrive from the U.S., so it's somehow the U.S. who are setting the pace and put in place things” (US2_IIno1: 305, own translation). One reason for corporate-wide standards are international transfers of managers, where standard processes make sure that for instance the performance of transferred employees will be evaluated in the same fashion all over the world (US2_IIno1: 134), and thus, guarantee equity and organizational justice through application of the same rules (US2_IIno1: 136). Finally, efficiency gains have been forwarded as reason for transfer, since the MNC can avoid that people reinvent the wheel (US2_IIno1: 140).

The willingness to transfer at US3 seems to be rather pragmatically inspired and does not follow as much an overall philosophy as this is the case at US2. The willingness to have a common corporate culture is one of the reasons for practice transfer (US2_IIno1: 128). However, it seems that global equity and the will to facilitate international mobility of managers are the most important reasons for the transfer of standard practices. For example, bonuses are fixed on a corporate level so that people don't have to reinvent the wheel, and to enhance credibility of the group. Concerning global talent management, a globally standardized and integrated system is meant to facilitate and promote international career mobility (US2_IIno1: 130). However, our interviewee insisted on the fact that there remains quite some room for manoeuvre for local adaptations, as with the example of locally defined leadership principles that are even taken into consideration for the annual performance appraisal (US2_IIno1: 121): “[willingness to transfer?] Yes and no. For me, these two examples [global bonus system and local leadership principles] are illustrative, as they say: yes, but you cannot do anything else than locally. Although, of course there are also conventions for certain trainings” (US2_IIno1: 123).

At **US4**, according to our interviewee there have been several swings of the pendulum from centralization in the 1980s to decentralization throughout the 1990s and currently back again towards more centralization at corporate HQ in the U.S. or at European HQ in Switzerland. The reasons behind this recent recentralization with lower degrees of independence for business units is due to a major loss of control and a duplication of efforts. Along with this recent tendency towards recentralization goes the pronounced willingness to transfer standard HR practices (*US4_IIno1: 107*) that have been developed in the U.S. towards Europe: “(...) currently the tendency is to develop everything in the U.S. and to transfer it to us” (*US4_IIno1: 208*). However, our interviewee explained that quite often, the U.S. team that is in charge of the development of standard practices integrates some European or local representatives already at the stage of reflection in order to facilitate later rollout (*US4_IIno1: 227*). Furthermore, there is a strong willingness to promote one common corporate identity and corporate culture at US4, which is seen as another reason for transferring standard corporate practices: “One has to understand that we are one firm at US4. In any case, the objective is to be as much unified as possible throughout the whole world. This is reflected in many things: our products have the same colour, the same logo, the same name everywhere in the world. Similarly, every employee of US4 has to have the aim to 'be US4', and this applies to wherever you are” (*US4_IIno1: 112*). Still another reason for transfer is global equity in terms of performance appraisal as in many other MNCs (*US4_IIno1: 218*). As we will see in the discussion of the transfer process and mechanisms in place at US4, the recent tendency towards strong centralization has had a negative influence on reverse transfer of locally developed innovations in HR.

US5 is an MNCs showing a strong desire to transfer the same HR tools and practices throughout its global operations. This desire can directly be put down to the strategic aim of US5 to facilitate knowledge exchange throughout the company. With all associated measures for implementation being called “One US5”, transfer and harmonization is an integral part of the US5 HR strategy (*US5_II,IIno1: 50*). Therefore, as a matter of principle, US5 has the clear strategic desire to share as many practices as possible in all areas on a global level (*US5_II,IIno1: 288*). The strong willingness to harmonize HR practices is also structurally reflected in a European shared service centre, where “The whole idea was to leverage the scale of the work and concentrate the know how into a few bodies. Instead of having a company full of HR generalists we have a company full of specialists with their expertise well developed” (*US5_I3no1: 161*). As part of this harmonization,

US5 also deploys a sophisticated, integrated HR IT system with the intention to have common job titles and descriptions, and to establish competence profiles for all employees (*US5_II,II no1: 132*). Furthermore, in the US5 organization, where one manager may have collaborators who are located in several different European countries, certain common standards facilitate their work. This is extremely important due to the HR business partner organization in place, where HR has only the role of a facilitator, while the manager has the central role in people management (*US5_II,II no1: 170*).

According to our interviewee, at **US6** there is an increasing willingness to transfer standard corporate practices in some HR areas, though in other areas subsidiaries are rather left alone (*US6_II no1: 157*). This willingness to transfer standard corporate practices may be seen against the background of the US6 strategy to work on its resource planning system in order to achieve greater integration, as we have seen in the previous chapter. Some central directives, for instance in the field of restructuring, were transferred in order to avoid damages to the image of US6. Such damage might arise from a non respect of certain minimum standards when laying off employees on very small sites without an HR manager or specialist (*US6_II no1: 160*). Furthermore, as is the case with most other MNCs, US6 also wants to profit from the benefits of greater unity (*US6_II no1: 329*).

At **US7**, there is a willingness to transfer practices in order to realise synergies, but also for reasons of control. For instance, concerning compliance with the principles fixed in the corporate code of conduct and with the multiple national legal requirements in the medical environment, the decision has been taken to centralise the legal function (*US7_II no1: 47-50*). HR shared service structures are in place in Switzerland and the Netherlands, and one in the U.S., but not on a European or international level (*US7_II no1: 87, 95*). An interesting element with US7 is the fact that there has been some reverse transfer from European HQ to US HQ concerning a new system for talent management and merit increase that has been adopted by US HQ (*US7_II no1: 131*).

Our financial services MNC **US8** is no exception concerning the pronounced willingness to transfer corporate standard practices. This is done in order to avoid duplications or to “reinvent the wheel”, and to avoid incoherent situations for expatriates who move between several countries (*US8_II no1: 188*). Moreover, apart from additional effort for the development of local solutions, quality was mentioned as an important reason for the reliance on corporate standard practices: “*But apart from*

the effort that is necessary to develop something else than the standard formula, this requires an investment in time. And there is no guarantee that what has been developed is quite as good or better than what has been developed by specialists who are (...) often located at the U.S. (...)” (US8_IIno1: 188).

Also at **US9** there is a desire to transfer corporate standard practices, while being aware of legal limitations to what is feasible (US9_IIno1: 86). Local constraints as for instance those linked to the presence of works councils in Germany, are therefore integrated already in the design phase of global practices in order to avoid later problems in the rollout phase (US9_IIno1: 134). As a reason for the transfer of standard practices, our interviewee indicated that this would make things easier (US9_IIno1: 87). There is also at least one case of reverse transfer in the field of training, where a whole curriculum in the area of employee relations was developed by EMEA HQ by taking up elements from various Western European countries, which has then been taken up as a global standard curriculum by corporate HQ (US9_IIno1: 107).

According to our interviewee, **US10** “(...) is not this usually huge centralised company like you could see at [the interviewee's former employer]. US10 has given a great freedom so far to its geographical divisions” although “As every big company, it realised that if we have more or less harmonised processes it makes more sense because we're utilising the scale and we are conveying the same message across the globe” (US10_IIno1: 34). As we can see, harmonization and transfer of corporate standard practices is a fairly new subject for US10. As we have seen earlier, the comparably great degree of decentralization in HR and IR policy and practice design is partly due to US10's growth history. Several acquisitions of already sizeable companies led to high internal heterogeneity in terms of different IT systems and practices used throughout the company in different countries and regions (US10_I2no1_212). Though, in recent years, the reasoning around greater leverage of scale effect, and hence, efficiency gains, as well as the issue of one corporate identity, have led to some harmonization initiatives. Furthermore, the willingness to facilitate international mobility is a reason for standardization (US10_IIno1: 35). Such harmonization has been implemented in certain core areas such as performance management, where a global process is in place which has to be strictly followed (US10_IIno1: 112-115). The current tendency at US10 is fairly clear, anyway: “Basically what happens is: at the moment everything is getting more centralised than it was” (US10_I2no1: 159) and “There is a strong tendency to standardize”

(US10_I2no1: 208). Nevertheless, as we will see in some more detail in our discussion of the transfer process, the logics of a decentralised corporation continues to be present and allows for bottom-up initiatives and reverse transfer of practices.

Table 28 below summarizes our findings on willingness to and reasons for transfer in US MNCs according to our interviewees.

Table 28: Willingness to and reasons for transfer in US MNCs

MNC	Willingness to transfer	Reasons for transfer
US1	Some	Quality assurance, ethical standards, efficiency
US2	Very strong	Philosophy of standardized processes, facilitating international transfers, guaranteeing equity and organizational justice, efficiency
US3	medium-strong	Efficiency, equity, common corporate culture, facilitating international careers
US4	Very strong, recently strong centralization and downstream transfer; formerly more decentralised and much reverse transfer from European HQ towards corporate HQ	Control, efficiency, philosophy of 'one US4' corporate identity and corporate culture, equity
US5	Very strong	Facilitating knowledge sharing and knowledge leverage throughout the global company network, leverage the scale of the work in shared service centres, common HR IT system including competence profiles that require common job descriptions and job titles
US6	Medium, increasing	Avoid damage to US6's image, realizing the benefits of greater unity
US7	Medium; some reverse transfer from European HQ to corporate HQ	Control, strict implementation of legal compliance in the medical environment, efficiency
US8	Strong	Avoid duplications: "reinvent the wheel", avoid incoherence between countries in order to facilitate international mobility, quality assurance for practices: global practices have a certain level of quality that is guaranteed – if costly local solutions may achieve the same quality is not sure
US9	Strong, some reverse transfer from EMEA HQ to corporate HQ	Making work easier, less complicated
US10	Moderate, increasing for downstream transfer; also bottom-up initiation and reverse transfer	Leverage the scale/efficiency gains, assure common corporate identity, facilitating international mobility

Source: own compilation based on interview transcript analysis.

8.2.2.2 Transfer process: channels, mechanisms and measures in US MNCs

Within the US1 network, there are basically two ways of how new HR practices are developed for later global rollout throughout the whole network. Either they are developed on a global level by a group of countries, or one country – usually a bigger one – has already developed a tool which is taken up as a first prototype and then commonly defined as a network standard (US1_IIno1: 56, 58). The initiative for the development of new practices and tools is often taken by bigger countries that already face certain needs and provide the financing for such developments. Afterwards then, “(...) it is basically a question of negotiating tactics” (US1_IIno1: 93); “(...) The disadvantage is that ”we always need much discussion and negotiation – a phenomenon well known from the Swiss Federal Council” (US1_IIno1: 95). HR country managers who are formally and hierarchically completely independent from any kind of global HR group will then seek information from the global level. In their co-ordination meetings, the country managers then decide together which parts of such globally designed practice should be implemented everywhere. Taking the example of the new performance management system, country managers have agreed upon implementation of at least a common responsibility frame that defines competences. The requirements and prescriptions of this framework will then be implemented independently by country HR managers who are operating different IT systems – be it SAP, Peoplesoft or Lotus Notes databases (US1_IIno1: 56). Since different IT systems have historically been implemented in different countries, and the implementation of such systems requires important investments, it is not possible to change the systems (US1_IIno1: 123). Yet, by defining such frameworks, a common understanding of what is meant by high performance can be assured across the network. Common international programmes also exist in the area of leadership training for top executives, which may be seen as a form of common socialization mechanism across the network (US1_IIno1: 241). The implementation process of transferred standard practices and tools is then quite structured and formalised. On the country-level, HR does a pilot together with several line and HR representatives. Through this pilot, the tool is tested concerning content, technical and methodological issues, and on whether it matches the needs. If a need for adaptations is detected, either these problems are directly resolved locally, or it is sent back to the global organization with the demand for an adaptation to their needs. Finally, such tools and practices are approved by the management board (US1_IIno1: 267). Best practice schemes do exist, but they are not mandatory (US1_IIno1: 165).

As we have seen, standard tools and processes that are to be rolled out globally throughout the whole **US2** company are often developed by a project team at U.S. HQ. During the design phase, the processes and tools may sometimes be influenced through consultations and inputs from different regions (*US2_IIno1: 359, 367*), but once a practice or process is rolled out, there is no more negotiation tolerated: *“There is no conflict, it's a process. A transfer has to be performed. (...) There is no negotiation”* (*US2_IIno1: 357-359, own translation*). Only exceptionally, practices and processes may be challenged, for instance on legal grounds, but this is fairly hard to do (*US2_IIno1: 363*). The only possibility of an adaptation of such processes on a local level is restricted to its application: *“(...) afterwards it's at the point of application (...) Some countries will apply practices literally, and others will... Well, it's not cheating, they will apply them up to a certain limit, and certain parts won't be applied, and this will be documented. This is a bit a cultural issue”* (*US2_IIno1: 365*). The process of transfer and implementation is very structured and clearly prescribed with information on the intranet, and deployment through a process owner on global, regional and country level together with the line (*US2_IIno1: 130, 132, 345*). Roll-out is then supported through trainings, conference calls and e-mails with information for managers and employees (*US2_IIno1: 347*). Application of and deviations from the transferred standard process have to be documented and are closely monitored through frequent internal audits (*US2_IIno1: 321*) and evaluations are routinely done (*US2_IIno1: 371*). Furthermore, participation in related trainings is tracked and examined (*US2_IIno1: 355*). Structurally, the great emphasis on and high degree of process standardization is also reflected in the deliberate use of shared service centres (*US2 group 2011: 26*). According to our interviewee, also expatriates from the U.S. play a role in the international transfer of practices and processes since the latter bring about their knowledge and understanding (*US2_IIno1: 153-156*). Still another indirect transfer mechanism that is extensively used at **US2** is corporate culture which is transmitted *inter alia* via corporate values: *“[corporate values] They are there, they are communicated, they are reviewed, they are known, they have to be lived. It's trust, innovation, performance”* (*US2_IIno1: 102*).

Concerning the details of the transfer process itself, unfortunately our **US3** HR interviewee had not yet a complete experience in this field. Though, as far as he has lived it for instance in case of common training for senior management, some basic framework containing the principles is announced and passed to subsidiaries who will then decide on how to roll it out, in which language to deliver the trainings, and whether they could organize it together with another site etc.

(US1_IIno1: 214, 216). Sometimes, for example when new IT is arriving, there are also other people from the division coming (US1_IIno1: 222). We would also argue that common corporate culture and intense socialization is used as an indirect transfer mechanism. Firstly, there is a common code of conduct in place at US3, and a green number where employees can contact HQ in case of infringements (US1_IIno1: 138). Another element of corporate culture is also visible in the entrance area of the Swiss production plant, where packages of the locally produced product are exhibited, together with a range of quality certificates that have been obtained. Although our interviewee himself did not bring up the issue of socialization as transfer mechanism, he told a lot about the utmost importance of good manufacturing practices and meticulous documentation in the pharmaceutical industry “(...) *this is something we try to show our employees right from the beginning: this is a production plant and it is rigour and total quality that matter. One of these elements is: I do exactly what is noted, nothing else, and I note exactly what I have done, and nothing else neither (...) this is just to illustrate the importance of the processes*” (US1_IIno1: 38). When asked whether he thought that the concern for quality might be seen as part of corporate culture at US3, our interviewee also agreed (US1_IIno1: 111-114). We would hence argue that there seems to be quite some emphasis on standard process quality, which is also strictly controlled. This may very well equally apply to HRM, where PeopleSoft as an integrated HRM IT system is in place, as we have seen earlier (US1_IIno1: 97, 99). Concerning best practices, our interviewee told us that such schemes are in place for work organization, where the Swiss plant had been identified as best practice, and benchmarking is done (US1_IIno1: 210, 255). One interesting case of a transfer that our interviewee was experiencing at the time of our interview was the implementation of a strict smoke-free policy. In this directive, the CEO had ordered that all US3 facilities should be strictly smoke-free except for cases where this would not be possible for legal reasons. In this case, the Swiss HR manager knew that employees would very much dislike this directive. However, after having consulted a lawyer, the latter told him that they might not argue on legal grounds and so they had to implement the directive with a one year delay (US1_IIno1: 234).

At US4, HR policies and processes are developed for the three levels, global, regional and national, and standard processes play a central role. Furthermore, as we have seen in the previous chapter, at US4 there is an important European HQ structure that acts as an interface between the global and the local level, and hence plays an important part in the transfer of standard practices and processes: “*It's a process that has been fixed globally, and our role is to make it locally competitive and*

compatible. (...) These are instructions that are given on a global level, and our role is to make them compatible, to transfer them and to communicate them to our employees and heads of department” (US4_IIno1: 225). There is also a best practice scheme in place at US4, where European HQ in Switzerland had already been able to develop and feed in several best practices that were reverse transferred throughout the global US4 network: “[*best practice schemes?*] (...) *this is a strength that we have here in [location in Switzerland]: we are quite skilled in that and have already developed many best practices that HQ or other subsidiaries have copied*” (US4_IIno1: 203). Our interviewee continued to explain that this has been possible thanks to their local resources consisting in competent people, and to the fact that they were a non-union site where it is easier to experiment. However, our interviewee expressed some concern as to the effects of strong centralization: “(*...*) *my personal battle is that all this centralization kills creation. On the contrary, the decentralization that we’ve had before tends to facilitate this kind of innovation and creation. I’m not sure whether our bosses understand this, I try to explain, but they won’t always listen to me. We have created many things here in HR, revolutionary things, and then we’ve been copied – and somewhere this is good. But by centralizing more and more, there is a tendency to kill that, and this is not a good thing*” (US4_IIno1: 203). This case is interesting for the discussion of reverse transfer since at European HQ actually all the required resources, capabilities and organizational conduits are available that would allow for local innovation and reverse transfer of practices to happen (Edwards *et al.* 2010: 618–619; Ferner and Varul 2000a). However, this source of knowledge and innovation for the whole network seems to be increasingly underexploited. According to our interviewee, local innovation in HR is being more and more suppressed through centralization as HQ wants to increase control over its operations. Therefore, this case reminds us the discussion of chapter 3.3.2 on the difficult balance in controlling integrated player or global innovator type subsidiaries. While such subsidiaries may hold great potential for knowledge outflows, at the same time they require high levels of autonomy and local embeddedness in order to leverage key contacts and information sources, making control a difficult balancing act (Andersson *et al.* 2007; Geppert and Williams 2006; Harzing and Noorderhaven 2006: 198–199; Mudambi and Navarra 2004; Taylor *et al.* 1996: 975). In such cases, Meyer *et al.* (2011: 245) caution against over-centralization since “unconditional enforcement of ownership rights through headquarters centralization can destroy valuable resources” (Meyer *et al.* 2011: 245). Generally, European HQ plays a major role as interpreter of local requirements and feasibility of standard practices across Europe, and they may push back practices to HQ when national legal requirements make standardization impossible or

when such standards are counterproductive. *“It is our job to interpret what is coming from them and to tell them: ‘In Belgium you can’t do this, because (...)’ At the U.S., they are not aware of this, they don’t know that in Belgium – we really have to be watchful and make sure that a discussion takes place (...)”* (US4_IIno1: 107). Our interviewee could also give an example of a counterproductive U.S. tool that had to be replaced. This tool was a predictive index for recruitment that has been developed by a U.S. consultant and which proved to be incompatible with European needs. In this case, European HQ has developed an own European process (US4_IIno1: 255). An interesting element concerning the transfer process itself is the fact that there is always a project team charged with transfer. These projects are ruled by the principles of Six Sigma and hence, very structured and organized with a black belt as process owner, who is heavily trained. Additionally, a lot of tests are done before the recommendation for rollout is given and approved by the hierarchy (US4_IIno1: 229). Also transfer success is controlled within the Six Sigma cycle by the project owner (US4_IIno1: 239), and may as well be fixed as an individual objective for HR managers (US4_IIno1: 233). The use of expatriates as an indirect transfer mechanism does not seem to play a significant role in the transfer of practices (US4_IIno1: 243), although corporate values and culture are clearly used as a management tool with corporate values being omnipresent and posted up on office walls: *“This is the US4 culture. Behind you, you can find the US4 values. They are very important and our philosophy is deeply rooted in them”* (US4_IIno1: 40). A relatively high degree of standardization is also structurally reflected at US4 in the fact that much of the day-to-day business is concentrated in global centres (US4_IIno1: 100). Furthermore, US4 has a philosophy of recruiting young graduates for internal career development (US4_IIno1: 130) which may be seen as another practice strongly linked to corporate culture that typical for several US MNCs.

US5 has a European centre of expertise where standard practices for Europe are either developed or arrive from the U.S. for rollout throughout the European operations (US5_II,2no1: 9). Since much HR competence is assembled at European HQ, the latter plays a central part when it comes to implementation of global programmes in different national legal systems, for instance restructuring or layoffs in times of crisis (US5_II,2no1: 86). This process of interpretation of local legal conditions also includes the country HR managers who play the role of country centre of expertise since they know very well the details and specificities of their country and can therefore suggest alternative courses of action in case of incompatibility (US5_II,2no1: 170). Especially where trade unions and works councils are involved throughout Europe, U.S. HQ relies heavily on European

HQ to handle this unknown environment “(...) *they are a little bit afraid of trade unions and works councils (...) because we managed that pretty well here and we know how to work on that environment. They tend to keep a good wide berth from that. They don't want to create any trouble there. So they are relying on us heavily to manage that process*” (US5_I3no1: 177). Already at the European HQ HR centre of expertise, experts of the different HR areas will have a look at practices that arrive from US HQ and propose adaptations in case of need. In a second step, practices will be discussed within the European HR network with the HR country managers and managers from the businesses. After conclusion of these consultations, rollout is organized like a project country by country, with project managers who dispose of certain resources and have to implement the practice and deliver trainings if this is required. Finally, successful rollout is controlled (US5_II,2no1: 300) and may also be part of HR managers' individual objectives (US5_II,2no1: 302). There is no formalised best practice scheme in place at US5, where US HQ and the European centre of expertise are the central units involved with the development and transfer of global or regional standard practices (US5_II,2no1: 275-282). As we can see, HR policy making and practice design is fairly centralised. Some parallel might therefore be seen between US5 and US4 concerning the high degrees of centralization and possible negative effects on the ability of local subsidiaries to innovate and feed in their knowledge into the corporate network. Furthermore, also corporate culture, expressed in corporate vision, mission and principles is heavily used as socialization mechanism and represents an integral part of the “One US5” strategy (US5_II,2no1: 143). Corporate values are thoroughly implemented through special trainings for managers on core values (US5_II,2no1: 143), and they are well-known by all the employees: “*You can go and ask people in the corridor; they will systematically tell you security, respect for people, the environment and highest ethical standards in business*” (US5_II,2no1: 155, own translation). Such socialization on corporate culture and values via trainings and intense communication is further sustained through a practice of expatriation, where expatriates are sent to US HQ in order to get to know US culture and to develop networks (US5_IIno2: 11).

At US6, HR processes and practices are transferred via a process of cascading either from the director towards HR or directly through the HR functional line, depending on the relevance of the practice that is transferred. In case of the US6 performance management system as a core process, the latter has been directly introduced by the U.S. expatriate plant director who took control after the acquisition. Implementation of practices is then done through information and training of

employees (US6_IIno1: 316, 322). Certain best practices are communicated to the respective business unit through written processes or via informal and formal exchanges in international HR meetings (US6_IIno1: 93-96, 178, 299). Control of transferred HR practices is done during appraisals via a one up signature process, and implementation of transferred practices may also be defined as individual objective of HR managers (US6_IIno1: 318, 350-353). Corporate values are used as a socialization mechanism. Each and every employee has to accept and to comply with these values where no deviation is tolerated (US6_IIno1: 327). This element is also reflected in the fact that, after acquisition of the Swiss subsidiary, US6 has sent a U.S. director with 25 years of seniority at US6. US6 corporate culture very much refers to safety rules, which may be seen as a common element with some other U.S. MNCs like US5: *“He came to us because he's been with US6 for 25 years. He knew the processes and the way of working, the US6 culture and the culture of US6 animal nutrition in particular (...) he had to initiate this, and it wouldn't have worked any other way. From one day to the next we had to change. From one day to the next, people had to wear helmets on the plant (...) Afterwards, they had to wear protection glasses, special mandatory shoes, a lot of things”* (US6_IIno1: 134, own translation). Moreover, corporate culture is also passed through international management trainings (US6_IIno1: 90).

Unfortunately, due to time constraints we could not go deeper into the transfer process itself during out interview with **US7** and therefore do not have any further information on the issue. In any case, as we have seen in our presentation of micro organizational-level information, we know that there are multiple international conduits in HR on regional European as well as business unit level taking the form of meetings and regular conference calls (US7_IIno1: 61-64). Furthermore, leadership trainings are implemented top-down and there is a common corporate code of conduct in place, representing indirect mechanisms of socialization and associated measures (US7_IIno1: 50, 84).

As we have seen, many HR tools and practices are developed by specialists at **US8** corporate HQ back in the U.S. New tools are then spread throughout the HR community of the businesses during the regular monthly calls (US8_IIno1: 85). There is also a multitude of written guidelines on such diverse issues as the division of tasks between CEO and HR director, the handling of difficult conversations, or sexual harassment (US8_IIno1: 172). Some of these guidelines and philosophies are continually evolving, such as the one on compensation (US8_IIno1: 174). In certain fields like well-being at work, HQ just defines a broad framework and leaves a lot of room to local

subsidiaries concerning the concrete practices and measures to be implemented locally (US8_IIno1: 148). Furthermore, there are also some standardized workshops, for instance on topics such as recruitment of performance management, where the HR specialists train the managers (US8_IIno1: 257). Although there is no formalised guide where best practices would be noted down, however there is regular exchange during the HR conferences. In this way, best practices are spread throughout the company (US8_IIno1: 605-307). There is strong evidence for the sustained use of indirect transfer mechanisms and people-based channels at US8. There is a corporate code of conduct in place that has been called the “*deontology*” (US8_IIno1: 125, 180) by our interviewee. It is thoroughly implemented and monitored by means of trainings and annual examinations. Moreover, expatriates are used as a vector for U.S. practices and culture at US8: “[*advantages of expatriates*] It is exactly to spread the practices. They are not just engaged for their know-how, but also for their knowledge of the practices in use at our U.S. offices, where this person has been (US8_IIno1: 157, own translation). Moreover, there are also corporate standard trainings for high-ranking senior leaders in place (US8_IIno1: 247), and important efforts are made to socialise people on corporate values by means of trainings, mentoring and inductions (US8_IIno1: 194). Especially at a senior management level, our interviewee insisted on the great importance of corporate values: “*On a senior level, people become diffusers of corporate values. Thus, they have to be indoctrinated*” (US8_IIno1: 262). Structurally, a comparatively high level of process standardization for the transactional part of HR is manifest in the operation of shared service centres in the UK and India. Moreover, there is a kind of centre of expertise at London charged with more conceptual HR work such as the design of trainings or the recruitment process (US8_IIno1: 49). As we have already seen earlier, strict risk management includes many standard processes, making out of the latter an important transfer mechanism at US8 (US8_IIno1: 122-125). Finally, PeopleSoft as an integrated HR IT system serves as a powerful control instrument (US8_IIno1: 135).

At US9, the transfer process is very structured and formalised. There is a system in place called single point of contact or SPOC. In this system, in the first place, trainers train the SPOCs. The SPOCs are then the process owners, corresponding to the P in the US9 decision-making system PACE that we have described earlier. These cascade the new practice down the lines (US9_IIno1: 135). There are always HR guidelines in place as a standard reference. The latter are complemented with written global policies, as for instance in the field of employee relations (US9_IIno1: 82-84). Interesting is the US9 European HQ's approach towards identification of best practices: “*We want*

every HR employee to be part of one local network. This is in order to learn about best practices, for instance on the issue of how to deal with European Works Councils” (US9_I1no1: 131, own translation). Corporate culture is an important and very strong element at US9, which determines certain HRM practices in the field of recruitment and development (US9_I1no1: 69, 76). Thus, an interesting indirect transfer mechanism that linked to corporate culture at US9 is a pronounced philosophy of strictly internal careers. Employees are regularly hired as young university graduates and undergo intensive training and socialization, including international mobility (US9_I1no1: 116). Company values are an important element and are visibly put up in the lobby and on office walls (*own field observations*). There is a specialised team at HQ dealing with the corporate code of conduct, which is trained and tested annually (US9_I1no1: 84). Structurally, the great deal of standardized processes at US9 is reflected in the operation of several shared service centres that are located in the UK, Central and Northern America. Furthermore, this element is also manifest in the fact that in Switzerland, the transactional part of HRM has been outsourced to a big U.S. business service provider (US9_I1no1: 85).

US10 has an interesting approach towards transfer that doesn't always start at corporate HQ, but still seems to follow the logics of a more decentralised company. Not only are practices usually intensively discussed and adapted already during the design phase. Moreover, “(...) *the initiation very often happens from somewhere in the region. So things get fed up, they go through the ranks (...) and everywhere it goes, there are more questions asked. And so basically the whole, the development process usually goes up through the organization. So by the time you are at the decision making point (...) you have already answered a lot of questions, you have already got a lot of buy-in from people, because everyone was asking their questions and you answer and you change things as you go. And by the time you get sign off, everyone actually knows about it already*” (US10_I2no1: 73). When a centrally devised practice arrives in Europe, it usually comes through the functional line, for instance from global training to European training and then to local, usually in HR. During the first phase of transfer from the U.S. to Europe, there is a process owner who is in charge of the transformation. Further down on market unit level, there will be first announcements, then e-mail communication and web conferences (US10_I2no1: 492-502). Often, such centrally devised practices are coming as some kind of broad global framework that has been designed to be adapted locally. For instance, such an approach has been chosen for a global recruitment tool that is used to advertise jobs, and to manage the recruitment process. This tool

allows every country to stick to its local cultural practices (US10_I1no1: 28). The same applies to merit increase, bonuses, the success factor system, the manager self service system, and to the flexible work arrangement. All these fields are governed by a global philosophy or framework that leaves considerable room for local adaptations (US10_I1no1: 38, 61; US10_I2no1: 354-355). Similarly, according to our interviewee, the available international HR guidelines are almost like “(...) an overview of possibilities, and then you pick out the pieces that are relevant to you” (US1_I2no1: 157). When the global diversity and inclusion framework was to be rolled out in Europe, US10 first did a pilot, and with the European feedback being “It was just ridiculous” (US1_I2no1: 201), the whole framework was revamped for Europe before rollout. In some core HR areas like performance management, standard processes are in place, that are also monitored (US10_I2no1: 21). European HQ is actively involved in the search for best practices in the region that usually would come from more mature countries to be spread throughout Europe (US10_I1no1: 116). Our second interviewee from European purchasing HQ estimated that, while there being a strong tendency to standardize, this was done so far “(...) in a very co-operative way. Not so much top-down. It's looking for best practice and making it standard practice. It's developing a programme and then rolling it out bit by bit, adapting it to the places” (US10_I2no1: 208). In such a way, best practices do not automatically come from HQ, where some of them were developed in a global centre of expertise, but they may very well be identified locally and reverse-transferred throughout the company. Corporate values and a corporate code of conduct are seen as important elements to make sure that management has “(...) more or less one touch and feel of the critical (...) processes” (US10_I1no1: 90). Therefore, big efforts are made to transfer these elements also towards newly acquired firms in Eastern Europe or Russia (US10_I1no1: 94-95) as an important “cohesion element” (US10_I1no1: 100). Furthermore, every new employee has to do some standard mandatory initiation trainings with the aim of having one same style throughout the company (US10_I1no1: 120; US10_I2no1: 269-273, 280-286). Structurally, the fact that US10 has only recently started to go into the direction of greater centralization and standardization is reflected in the fact that European HQ is a fairly recent and small organizational unit. Furthermore, centres of excellence and shared service centres are currently being created for the areas of training and compensation (US10_I1no1: 122).

Table 29: Transfer process: channels, mechanisms and measures in US MNCs

MNC	Transfer channel and mechanisms	measures
US1	<p><i>Procedural channels & direct mechanisms:</i> in some core areas, common frameworks defining concepts and quality standards are commonly created and transferred, though implementation remains locally different according to the IT systems and other practices in place</p> <p><i>People-based channels & indirect mechanisms:</i> the common code of conduct and intensive international co-ordination structures with regular personal meetings may be viewed as indirect socialization mechanisms through which certain ways of doing are spread, furthermore there are common international leadership training programmes in place</p>	<p>Extensive use of international project groups, negotiations replace resource power of HQ, though common standards are also controlled</p>
US2	<p><i>Procedural channels & direct mechanisms:</i> heavy use of standard processes that are designed by project groups at HQ for the global, regional or national level and valid as mandatory best practices, transfer process and implementation are very well structured</p> <p><i>People-based channels & indirect mechanisms:</i> intensive use of socialization measures linked to corporate culture, use of international transfer of managers, international management development</p>	<p>Very structured and formalised control and tracking of implementation progress, frequent internal process audits, trainings and examinations on new processes and practices</p>
US3	<p><i>Procedural channels & direct mechanisms:</i> There are certain standard processes in place, although U.S. HQ seems to accept local adaptations to a greater extent than this is the case in many other U.S. MNCs – e.g. local leadership principles, and sometimes only large frameworks are transferred that can be adapted locally – e.g. senior management training; best practice schemes are in place at least for issues of work organization; in some cases use of central directives as in the case of the smoke-free policy, such central directives are then difficult to oppose</p> <p><i>People-based channels & indirect mechanisms:</i> there a strong signs for an intensive socialization to corporate culture referring to highest standards in product quality and business ethics, including a corporate code of conduct, when IT-related techniques or tools are transferred, expatriates or short-term assignees may be involved</p>	<p>Great importance of processes, especially wherever quality might be affected, benchmarking, process controls</p>
US4	<p><i>Procedural channels & direct mechanisms:</i> centrally developed processes and practices are designed for the global, regional and national level, European HQ plays a key role as interpreter and link between the global and local level and adapts practices in order to ensure compliance with local laws and functionality of practices; best practice schemes are in place</p> <p><i>People-based channels & indirect mechanisms:</i> International transfer of managers does not seem to play an important role for practice transfer, however there is intensive socialization to corporate culture and values</p>	<p>Very well-structured and organized Six Sigma-inspired transfer process design involving a black belt process owner who also controls transfer success, international project groups developing standard practices, resource power of HQ significantly increased through recent re-centralization, formal systems of management control and sophisticated HR IT in place, philosophy of recruiting young graduates for internal corporate careers as part of</p>

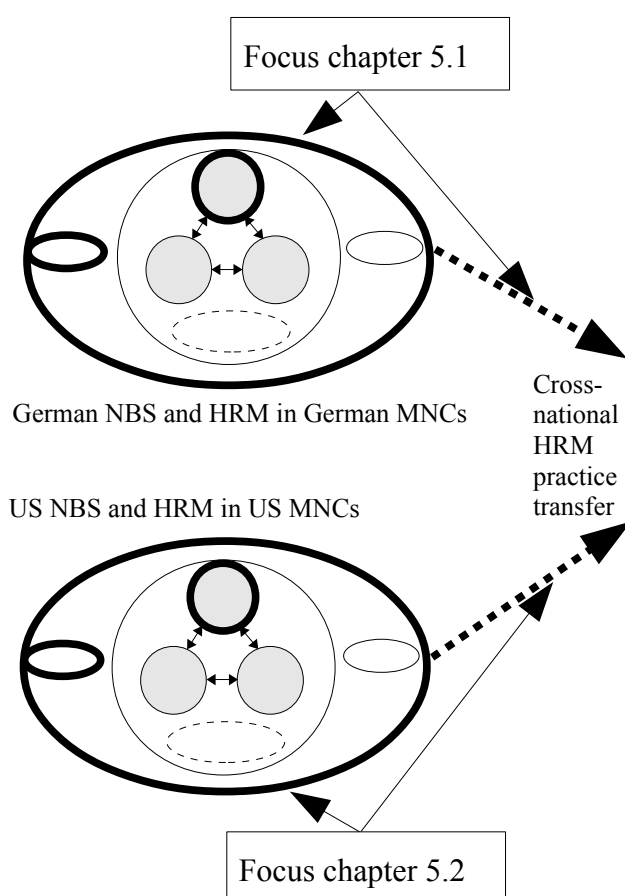
		corporate culture
US5	<p><i>Procedural channels & direct mechanisms:</i> Standard practices are either directly designed at US corporate HQ and passed down to European centre of expertise for necessary adaptations, or they are centrally developed at European HQ's centre of expertise and implemented throughout Europe; transfer process fairly structured and organized as projects, European HQ is recognized in the US for its expertise in dealing with European unions and works councils</p> <p><i>People-based channels & indirect mechanisms:</i> Corporate culture and intense socialization on corporate values used as part of the One US5 philosophy, trainings for managers on core values and socialization to US ways of doing at corporate HQ (expatriates) intensively used</p>	International HR network to discuss harmonization needs and to feed in local expertise on legal requirements, sophisticated HR IT in place, transfer success is controlled and may be part of HR managers' individual objectives
US6	<p><i>Procedural channels & direct mechanisms:</i> some core processes like performance management are cascaded down directly from US HQ via the plant director, other less central HR practices are handed down the functional line within HR and implemented by the HR manager, there is regular exchange on best practices which are communicated within the business units often taking the form of written processes</p> <p><i>People-based channels & indirect mechanisms:</i> Socialization on corporate culture and values that include many provisions on workplace safety are intensively used, also international trainings for managers are done for socialization</p>	Information and trainings on new practices, international exchange between HR managers, formal control process with one up signatures and transfer as part of HR managers' individual objectives
US7	<p><i>Procedural channels & direct mechanisms:</i> N/A</p> <p><i>People-based channels & indirect mechanisms:</i> corporate code of conduct and standardized, centrally designed leadership trainings are in place</p>	PeopleSoft is in place as a powerful control tool, international HR meetings and conference calls on regional European and business unit level, some international management trainings
US8	<p><i>Procedural channels & direct mechanisms:</i> centrally developed processes and tools, use of guidelines, sometimes broad frameworks, informal best practice scheme in HR community</p> <p><i>People-based channels & indirect mechanisms:</i> intensive socialization through trainings, initiation and mentoring, expatriates as vectors of U.S. practices and culture, code of conduct very thoroughly implemented with trainings and annual examinations</p>	PeopleSoft is in place as a powerful control tool, standard trainings for senior leaders, formal systems of management, strict Process control, socialization on corporate values and culture through trainings
US9	<p><i>Procedural channels & direct mechanisms:</i> deliberate use of local external HR networks in order to learn about best practices, highly formalised transfer process, use of global guidelines and written HR policies, HR process standardization for transactional/administrative part (outsourced and shared services)</p> <p><i>People-based channels & indirect mechanisms:</i> intense socialization of young university graduates,</p>	Pronounced philosophy of internal careers as part of corporate culture with intense socialization, trainings and international mobility

	thorough implementation of code of conduct with training and annual examinations, very strong and marked corporate culture that is based on corporate values	
US10	<p><i>Procedural channels & direct mechanisms:</i> international HR guidelines are in place though often they are more of a help to HR managers than mandatory practices, extensive use of broadly defined global frameworks that are meant to be locally adapted, sometimes when centrally devised practices or frameworks from HQ are rolled out, a pilot is done before definitive rollout in order to undertake adaptations (e.g. global diversity and inclusion framework); some core processes such as performance management are strictly standard; best practices are actively and routinely searched for and spread by European HQ, such best practices often come from more mature countries and are reverse-transferred</p> <p><i>People-based channels & indirect mechanisms:</i> corporate values and a corporate code of conduct are deliberately used as a means for socialization in order to foster cohesion throughout the company</p>	Some international management training, explicit process control, initiation programmes with socialization on corporate culture,

Source: own compilation based on interview transcript analysis.

8.2.3 Transfer willingness and process in German and US MNCs compared

In this section, we will summarize central findings on MNCs' desire to transfer HRM practices, and corresponding transfer processes. Again grouped by country-of-origin, these findings are compared and discussed against the background of the literature and micro-level characteristics of the organizations involved. Thus, this discussion delivers a partial answer to our second research question concerning differences between German and US MNCs in their approaches towards transfer and ways of relating to the Swiss institutional setting. As we have explained earlier, in order to understand MNCs' willingness to transfer standard practices and the transfer process itself, we have to analyse transfer against the background of important company-level variables that were presented in the precedent chapter. Taken together, such a step-by-step analysis of micro-level organizational characteristics, overall approaches towards transfer, and transfer processes may be revealing of a company's way of relating to the Swiss institutional setting. In this respect, we would argue that higher degrees of centralization and sustained use of formalised, standardized processes that go along with higher willingness to transfer, are reflecting a distinctive approach in itself. A



pronounced willingness to transfer centrally devised corporate standard processes and practices often goes hand in hand with *a priori* more reduced room for manoeuvre for local HR managers to implement original local practices, or to undertake major adaptations.

As discussed in chapter 5 and summarized in tables 16 and 18, the available literature suggests that HR architecture in German MNCs has traditionally been more decentralised, and that willingness to transfer country-of-origin HR practices was less pronounced compared to their U.S. counterparts. Furthermore, as we have seen, many German MNCs were found to blend Anglo-Saxon elements into their domestic

HRM practices. Literature also suggested that there might be some less emphasis on the single use of formal channels and some more use of expatriates in German MNCs. On the other hand, US MNCs were typically found to be strongly centralised, and marked by high degrees of formalization and standardization, and to display a pronounced willingness to transfer global policies that were mostly centrally devised, rolled out through formal, procedural channels, and supported by sophisticated IT systems.

Before summarizing the results of our German-American comparison of company configuration and approach towards transfer, we have to recall once again that our personal assessments of MNC organizational structure and HR co-ordination mode may by no means be taken as definitive. As we have already explained, it is very hard if not impossible to fully understand the complexity of MNCs as global organizations based on the limited information of one or even several interviews and some additional data analysis. Even though, we tried to do our best within these limitations to draw a rough picture of each company in order to provide a suitable background for our discussion of HRM practice transfer.

The evidence from our sample of **German MNCs** showed that there is no homogeneous picture of a typical German country-of-origin model or pattern in terms of HR architecture, willingness and approaches towards transfer. While one larger group of German MNCs consisting of D1, D2, D5, D6 and D8 showed striking similarities with the typical U.S. approach as depicted above, a second, smaller group including D3, D4 and D9 was more decentralised and much less marked by centrally devised standard processes and policies. The pattern observed in this second group is therefore rather in line with the one we identified in the extant literature. However, the bigger first group does not seem to match this traditional German pattern of corporate configuration and approach towards HRM practice transfer. This heterogeneity in our German sample may be explained by a set of different factors.

Regarding first the *group of highly standardized German MNCs*, concerning the cases of D1, D2 and D6, we would first point out the important size of these three organizations. As we have seen in our theoretical discussion of corporate level variables, we may reasonably argue that increasing size is a classic contingency factor that leads to higher degrees of formalization and standardization as a means to assure sufficient control. Especially in case of D6, we could also identify the strict top-

down implementation of a global strategy in order to serve global clients and the corresponding imperative for coordination as another reason for greater standardization. Reduced room for manoeuvre for local subsidiary actors which is typical for highly centralised and standardized MNCs was thus strongly felt in these MNCs. At D5, higher degrees of standardization led to reduced local resources in HR that would simply not allow for the development and implementation of deviating local practices. Such configurations might arguably coincide with reduced capacity or openness for learning from the local Swiss environment and locally developed practices, and instead, exclusive reliance on practices that have been developed in a corporate centre of expertise. Furthermore, as we have seen, high degrees of process standardization at D2 are the outcome of a recent reorganization of HR that was implemented together with a U.S. consultancy firm. This evidence directly supports earlier findings on the continuing influence of U.S. practices and firms as role models in HRM (Pudelko and Harzing 2007). While such direct Anglo-Saxon influence is manifest only at D2, however, a very similar pattern of centralization and standardization around formalised processes is also very present at D1, D5, D6, and to some degree also at D8. Except for D7, high degrees of centralization coincide with a strong willingness to transfer centrally devised standard corporate practices and processes. Therefore, our evidence from the greater group of fairly centralized and standardized German MNCs that show strong willingness to transfer HRM practices cross-nationally strongly suggests that Anglo-Saxonization (Ferner and Quintanilla 1998) is not restricted to HRM practices, but also manifest in their overall HRM architecture.

On the other hand, the *smaller group of German MNCs* consisting of D3, D4 and D9 still largely seems to correspond to the traditional picture of greater decentralisation and *lower degrees of standardization* in the field of HR and IR. However, we would argue that the reasons for these lower degrees of standardization in HR and IR rather lie in micro-level organizational than in macro-level institutional influences and effects that might give rise to a specific German country-of-origin effect on transfer willingness. In the cases of D3 and D9, the lower degrees of formalization and standardization may at least partly be attributable to their small size and recent history of internationalization. Corresponding to their early stage of internationalization, neither of these two MNCs possesses solid international conduits in HR. Coordination of international activities is exclusively assured by the members of the board and does not, or at least not centrally, affect HRM. As we have seen in our theoretical discussion of transfer, under such circumstances, it is difficult to spread corporate standard HR practices throughout the company. Yet, the example of D9 shows that even if transfer of HRM practices is difficult without solid international conduits in HRM, it is still

feasible. In this case, local initiatives and deliberate agency of the CEO of the Swiss subsidiary and his HR manager led to reverse transfer of such central policies and practices as a corporate code of conduct. In fact, the role of the highly profitable Swiss subsidiary of D9 is to some degree that of an innovator in HR or “vanguard subsidiary” (Ferner and Varul 2000a). We would argue that the Swiss subsidiary of D9 was able to achieve such a status not only through its high profitability, but also thanks to the permissive nature of the Swiss institutional environment that allows for experimentation. We might therefore compare the role of the Swiss subsidiary of D9 with that of Anglo-Saxon subsidiaries for other German MNCs in earlier studies (Ferner and Varul 2000a; Tempel 2001). Although Switzerland may not be considered a dominant economy, it is nevertheless a highly developed and competitive business location with corresponding HRM practices. Especially German MNCs that do not yet dispose of much international experience may therefore learn from certain practices that have been developed for the dynamic and competitive Swiss labour market as in case of D9. The readiness to learn from its Swiss subsidiary, in turn, points to a distinctive manner of relating to the Swiss host country which is considered as a valuable resource in the sense of a field for experimentation and learning, rather than just any other market that would have to be served following German norms. A similar willingness to learn from its Swiss subsidiary was also present at D4, where we could also find some reverse transfer and flow diffusion. Yet, a significant difference between D3 and D9 on the one hand, and D4 on the other lies in the existence of well-developed international conduits in HRM at D4. The greater degree of decentralization at D4, in turn, may be attributed to the international integration of its production, and to a growth history that is marked by several important mergers and acquisitions. As we have seen, a history of external growth is an important factor that is generally associated with lower degrees of standardization. The absence of a consistent common corporate culture across different D4 plants is illustrative of this argument. The same logic applies to the case of D9 Switzerland with its brownfield history. Yet, the presence of a production network, where every plant is a specialised contributor to an international value chain, is maybe even more important in case of D4. This is especially true for the power engineering division of D4 that we could access, since products are not standardized, but highly customized to individual client needs. Under such circumstances, the possible efficiency gains of greater standardization are lower than in cases of taylorist work systems with global standardized mass production. Furthermore, the heterogeneity we found in German MNCs' approaches towards centralization or decentralization of decision-making in matters of HR, as well as their propensity to transfer standard practices, may also be associated with the increasing

disintegration of the German model and corresponding “variation at the source” (Meardi *et al.* 2009: 505).

A further finding on practice transfer in German MNCs concerns the tendency in some of them to deliberately *use expatriates as vectors* for elements of corporate culture and general ways of doing at D1, D2 and D7. Yet, others such as D6 do not make much use of expatriates although they transfer standard practices. After all, those German MNCs that are strongly determined to transfer global standard practices also, or even primarily, make heavy use of formal transfer mechanisms and procedural channels. Based on the evidence of our sample, we could however not identify a general tendency towards greater use of expatriates than in US MNCs. However, an interesting point can be made concerning the *use of corporate values and culture* as an indirect transfer mechanism in German MNCs. Our evidence suggests that this mechanism, which is known to be heavily used in US MNCs, is present to some degree also in their German counterparts. Yet, there seem to be some major qualitative differences between corporate values and their use in German MNCs compared to their U.S. counterparts. As we have seen in cases of D1 and D2, there are also German companies with a very marked corporate culture, where value-based leadership principles are integrated in appraisal tools. Though, for instance in case of D1, it seems that corporate values are rather based on the regional rootedness of the company and its history than having been defined by corporate directors and formally cascaded down the organization like any other management tool or practice. Somehow similar, at D5 our interviewee told that the company had strong German roots and values. Other German MNCs such as D4 seemingly do not even have one common corporate culture, although our interviewee pointed to a very strong influence of an engineering professional culture. Again, in case of D3, there is a familiar culture present, though without any direct and formalised reference to managerial or HR practices. At D7, corporate culture is very much linked to the utterly long history of the owner family and can once more be seen as an example of an historically grown corporate culture. In our sample, D6 was the only case where apparently some sustained effort was made to implement American-style formalised corporate values or guiding principles as a management tool top-down with trainings and integration of these principles into appraisal tools. However, as we have seen, the way our interviewee spoke about these principles suggested that, even though considerable effort was made to implement these values or principles, the degree of internalization does not seem to be utterly high.

On the other hand, the **US MNCs** of our sample seem to largely fit into the pattern that emerged from the available literature. This is true for their greater overall tendency towards centralization, the heavy use of formal channels for transfer, and their willingness to transfer country-of-origin HR practices globally. However, as is the case with the German MNCs of our sample, there are some marked differences concerning the willingness to transfer centrally devised corporate practices also in our sample of US MNCs.

As we have seen, US1 is an MNC that does not at all match the typical picture of the strongly centralised US MNC since there is no strong corporate centre. Accordingly, willingness to transfer is comparatively low and largely limited to common standards and frameworks that are negotiated within the network. In this case, the analysis of micro-level organizational factors is once more crucial to understand the reasons behind the utterly strong degree of decentralization in decision-making. First, as we have seen, US1 emerged from a series of mergers between Anglo-Saxon consultancy and assurance firms, and external growth through mergers and acquisitions is a factor that is generally associated with lower degrees of standardization. Second, especially the assurance business is heavily subject to national legal regulations, which reduces the potential for harmonization to some extent. Third, as distinct from some competitors, at US1 a deliberate strategic decision has been made not to financially integrate regional activities in order to stay as close to local clients as possible. However, at the same time, very sophisticated international coordination mechanisms and common frameworks have been put in place that allow international mobility where this is desired by global clients, and mutual learning within the network. Another interesting case in this respect is US10. Although there is a strong corporate centre and the U.S. are by far the single most important market, US10 is still fairly decentralised and only recently began to harmonize its tools, policies and practices to some extent. Once again, our interviewees explained this fact with the internationalization strategy of US10, which largely has been based on growth by acquisitions and diversification of its product portfolio through further acquisitions of firms in other businesses. Thus, historically, this huge firm has been rather a conglomerate of several already sizeable firms active in a range of different businesses and markets, and all of them already had their own systems and practices in place before acquisition. Every centrally driven standardization in terms of IT systems, processes and practices would hence cause important costs that would first have to be outweighed by potential efficiency gains of standardization. Furthermore, US10 is active in a business where local consumer tastes are important and may be best served locally, although

some of the most important brands are globally sold. As we have seen, according to Edwards (2011: 493), the incentive to develop international HRM policies is rather weak in case of the pursuit of financial economies through diversification into new products, segmentation of operations, and product differentiation as in case of US10. The recent creation of the European HQ as a coordination structure and two-way information channel, and a cautious harmonization initiative through broad frameworks and some common core processes, represent an interesting way to realise some efficiency gains and assure cohesion in such a company.

Concerning the use of different transfer mechanisms and channels, the US MNCs of our sample strongly confirm the picture drawn from literature concerning their *sustained use of direct, formal mechanisms and procedural channels*. This element is present throughout our sample and is reflected in the use of standard processes, and in the extremely formalised nature of practice transfer through project owners in many firms and strict process controls. According to our expectations, expatriates do not seem to play a central role for HRM practice transfer in most US MNCs, except for US5 and US8 where expatriates seem to play an important role for the transfer of corporate culture. In fact, concerning the US MNCs of our sample, it is particularly worth looking at other indirect transfer mechanisms related to corporate culture. All US MNCs throughout our sample made sustained use of intense socialization mechanisms that are directly linked to an explicitly defined and communicated corporate culture and values. Furthermore, corporate codes of conduct may be seen as another central management tool in US MNCs that is associated with transfer. While we discussed this tool as an indirect transfer mechanism since it is closely related to socialization and corporate ways of doing, codes of conduct might as well be classified among the direct mechanisms since they are also close to other corporate guidelines and rules. In any case, implementation of tools associated with the management of corporate culture was remarkably thorough across all the US MNCs of our sample, which strongly confirms the literature-based expectation of a sustained use of corporate culture as a management tool in these MNCs. Accordingly, implementation of tools and practices associated with the management of corporate culture regularly comprised trainings and periodical examinations in case of codes of conduct. Such thorough implementation that is a typical element across our group of US MNCs apparently also leads to comparatively high degrees of internalization of corporate values among the employees.

Table 30 below provides a summary overview of this comparison between German and US MNCs concerning their respective approaches towards transfer. It is organized into three parts presenting

our findings on overall HR architecture, attitude towards transfer, and transfer mechanisms

Table 30: Transfer willingness, process and mechanisms in German and US MNCs of our sample

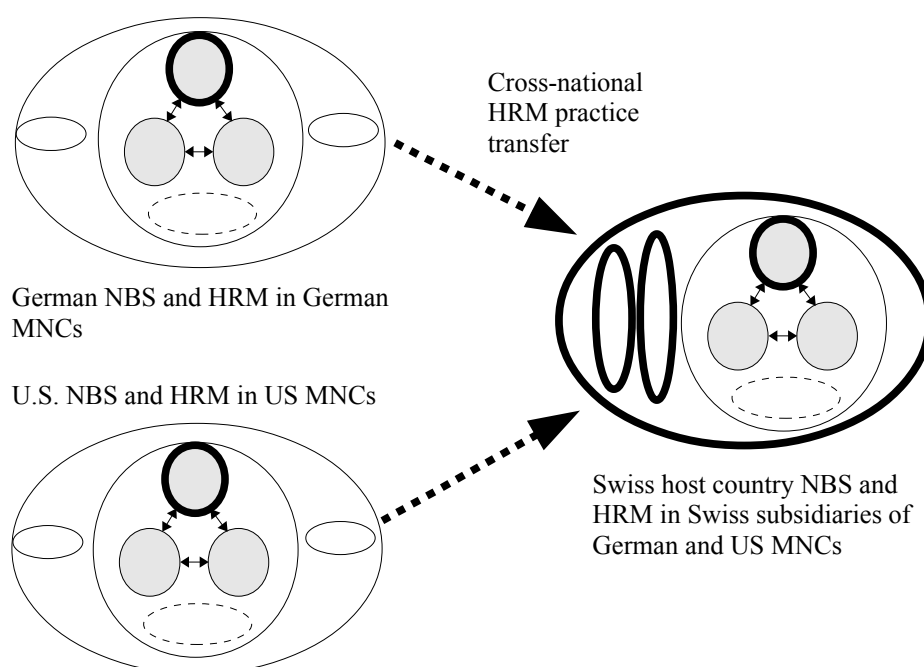
	German MNCs	US MNCs
HR architecture	Heterogeneous: one bigger group of strongly or rather centralised MNCs (D1, D2, D5, D6, D7, D8), at D5 current tendency towards greater empowerment of local subsidiaries and one smaller group of rather or strongly decentralised MNCs (D3, D4, D9)	Overall strongly centralised with relatively high degrees of standardization, although two remarkable exceptions (US1 and US10)
Attitude towards transfer	Heterogeneous: except for D7 where willingness to transfer is moderate, in the group of centralised German MNCs, willingness is generally high; in the more decentralised group of MNCs, willingness to transfer is generally lower and may include reverse transfer or flow diffusion as in the cases of D4 and D9	Generally strong willingness to transfer centrally devised practices, some rather medium; overall tendency towards more centralization except for US1; in US4 strong centralization significantly reduced potential for reverse transfer, while in the still rather decentralised US10 there is considerable reverse transfer
Transfer mechanisms	Especially in the group of centralised German MNCs, direct mechanisms and formal, procedural channels are used quite similarly to their U.S. counterparts; No systematic general pattern concerning use of expatriates as indirect transfer mechanism could be observed, although this is surely the case for some of the German MNCs such as D1, D2 or D7; corporate culture does not seem to be used as a management tool in the same way as this is done in US MNCs, but appears to be rather linked to historically grown and regionally or nationally rooted values; in case of D6 where efforts were made to implement corporate values top-down as a management tool as this is done in US MNCs, internalization seems to be lower	Sustained use of direct mechanisms and formal, procedural channels, transfer process strongly formalised; no evidence for use of expatriates as indirect transfer mechanism sustained use of intensive socialization to corporate culture and values that are used as a management tool, codes of conduct (if seen as part of this socialization) are also very thoroughly implemented with trainings and regular examinations

Source: own compilation based on interview transcript analysis.

8.3 Standardized corporate HRM practices: what is transferred?

In the previous chapter, we have analysed and systematically compared our findings on transfer willingness and the transfer process in German and US MNCs following the structure of our integrated conceptual framework of HRM practice transfer in MNCs presented in chapter 4.2. Accordingly, our findings have also been discussed in the light of individual organizational characteristics that have been identified in chapter 8.1.

In a next step, we will now turn our attention to specific HRM practices. We have decided to start with an analysis of standardized HRM practices since it is here, where practices and policies are



often centrally devised at HQ, and where we are most likely to find evidence of country-of-origin or dominance effects. Furthermore, this analysis allows us to check whether, in reality, the Swiss host country is as permissive as we theorised, or whether there are certain host country effects present

that have an influence on HRM and might demand for adaptations of standard practices or implementation of local practices.

Results are again structured according to country-of-origin, with the first subsection presenting standardized HRM areas, processes and practices in German-, and a second one dealing with US MNCs. Furthermore, the results of our company sample on standardized practices will be discussed against the pattern that emerged from the literature. At the end of each sub-chapter, a summary table gives an overview of standardized practices for the respective country-of-origin group of MNCs. In a third subsection, standardized practices in German and US MNCs are compared and checked for the presence of institutional, micro-political or organizational effects. Here, our empirical evidence

is discussed against the background of our integrated conceptual framework for HRM practice transfer, and in this way, checked for the presence of different key influences that may theoretically explain our findings. Finally, results are again summarized in a table.

As explained in the presentation of our research methodology, the present investigation is based on semi-structured in-depth interviews. Due to this fact, we do not have complete information on each and every practice for all the MNCs since semi-structured interviews are not as structured as surveys, and time constraints often set limits to our data collection. This is why there are some fields in our overview tables on standardized HR practices that could not be filled in. Nevertheless, we believe that this kind of presentation of results still makes sense since it allows to get a rough overview of standardized practices for our two country-of-origin groups at a glance.

8.3.1 Standard HRM practices in German MNCs

HR process standardization

As we have seen in the chapter 8.2.1 on willingness to transfer and the transfer process, there is a group of German MNCs with a strong desire to standardize and transfer HRM practices cross-nationally. These same MNCs were also generally marked by comparatively high degrees of centralization and made heavy use of direct transfer mechanisms and procedural channels. This is true for D1, D2, D5, D6, while D7 is strongly centralised but somehow less relies on direct procedural practice transfer, and D8 seems to be somewhat less centralised. Having a closer look at fields with high degrees of standardization, we could see that the five German MNCs D1, D2, D5, D6 and D8 are effectively marked by high levels of HR process standardization. Based on the literature, this is very similar to what typically might be expected for their US counterparts. The “D1 HR system” or the project “transforming HR” at D2 are illustrative of this general tendency. These findings also demonstrate that apparently, many German MNCs are still very open for US managerial practices as Michael Müller had stated already in 1999 (Müller 1999b: 139). Moreover, our evidence is consistent with recent findings of Pudelko and Harzing (2007) who found strong US dominance effects in the area of HRM, leading German MNCs to embrace the U.S. HRM model.

Performance management

Probably the most important of these core processes, which is standardized at least for senior managers (D4, D9) in all German MNCs except for D3, is performance management. Typically associated with this system are the processes of agreement on objectives, performance appraisal,

determination of bonuses and merit increases. As we have seen in chapter 3.3.1, this confirms earlier empirical findings (Myloni *et al.* 2007: 2066, 2069; Rosenzweig and Nohria 1994: 232–233). Moreover, a high degree of standardization in the area of performance management and associated tools and processes corresponds to theoretical reasoning. As we have seen, HRM practices that are marked by low degrees of differentiation and high degrees of integration such as performance management may be expected to be delivered through corporate staff (Evans *et al.* 2002: 465–469; Ulrich 1997).

However, it is worth having a closer look at the design and operation of standardized performance management systems in German MNCs. First, we shall recall that performance management systems are typically part of those HR practices that are covered by the section of the German Works Constitution Act (*Betriebsverfassungsgesetz* 1972) dealing with social affairs. This means that German works councils are regularly endowed with far-reaching statutory co-determination rights, and “management is forced to seek the agreement of the works council on any changes to areas such as working time, work scheduling, bonuses and performance targets of employees, the payment of wages and salaries, workplace training, data held on employees, and monitoring of workers” (Williams and Geppert 2006a: 57). Our findings suggest that this German labour market institution gives rise to a special form of cross-national corporate isomorphism (Ferner and Quintanilla 1998: 713–714) that is induced by German country-of-origin coercive institutional pressures. Interesting in this respect is the fact that coercive institutional pressures are actively exercised or engaged by German general works councils as key actors, who are making use of their statutory rights as a mighty institutional power resource (Dörrenbächer and Gammelgaard 2011: 34). As we have seen in our analysis of the German NBS, German general works councils' institutional power resource is based on statutory rights, enabling the latter to significantly influence contents of global HR practices during the design phase, or to block global rollout altogether. In our sample, we found several concrete examples of German works council agency-induced cross-national corporate isomorphism. This isomorphism is manifest in both, HRM practice design, and implementation. Concerning these two phases, it seems justified to speak of a strong influence of the institution of works councils on German managers' socialised rationality (Almond 2011a: 260). As our interview extracts show, this German socialised rationality strongly influences embedded managerial norms (Almond 2011a: 265). Moreover, it lends further support to the suggestion to look at institutional choice as a matter of bounded rationality (Bluhm 2001: 156).

A first series of citations demonstrates how works council agency-induced cross-national corporate

isomorphism affects global *HRM practice design* through German managers' socialised rationality and institutional power of works councils:

“(...) for example implementation of a bonus system for team leaders (...) two or three years it was globally blocked just because German works council did not give his consent. We would have been ready a long time ago, but we couldn't (...) So, there you really feel it: if they want something to be globally standardized that has to come from HQ, they have to pass it through the German works council” (D1_I1no1: 201, own translation, Swiss manager)

“Yes, you always have to pass through the works council. They always establish a link to what exists in Germany – but here we are in Switzerland” (D2_I1no1, I5no1: 3, own translation, French manager)

“It's a real blessing, we have much less problems than our German parent company because we don't have a works council” (D5_I1no1: 199, own translation, German manager)

“The works council is hanging over managerial thinking like a Sword of Damocles. Management deprives itself of the possibility of blue sky thinking because they always think they would never be able to pass it” (D5_I1no2: 30, own translation, German manager)

“(...) there are many things where you virtually see that they have already been created with the thought in mind that German works council has to agree. (...) such appraisal instruments, there you see that there is one thing for executives and another thing for the rest. It's clear that for the one thing they weren't required to agree with works councils, but for the other they were” (D6_I1no1: 422-424, own translation, Swiss manager)

“This is impossible in Germany, to put a six-field grid over all employees and to say all those who are down left have to go. This is impossible (...) But it is really typical German or American: there is this bell-shaped curve that has to be respected. The bottom 10% have to be laid off. There is a huge difference how such issues are approached” (D6_I1no1: 407-409, Swiss manager)

The last interview extract suggests that German works council at least at D6 strongly opposes any kind of forced ranking and would immediately block any such initiative. In fact, none of our interview partners in German MNCs mentioned a system of forced ranking in their performance appraisals. Furthermore, at D6, our Swiss interviewee could also easily distinguish practices designed for different classes of employees. This finding reflects the fact that the degree of works council influence on HRM practice design in Germany depends on the category of employees who are affected. In this respect, Giardini *et al.* (2005: 71) explain that “ (...) in the case of employee

appraisal, co-determination is a strong restricting factor, but only with regard to lower organizational ranks”. Therefore, while works council influence in Germany is usually high for the category of tariff employees, it is much lower for the higher-ranking category of exempts. Our empirical findings thus directly illustrate the international impact of a distinctive German IR institution on the design of standard global HRM practices in German MNCs where different practices are in place for tariff employees and exempts.

A second set of interview extracts demonstrates how German socialised rationality and embedded managerial norms influence on the way in which the processes related to performance management are *implemented*, and potentially even on their functionality. As the following extracts show, some local HR managers viewed this German way of implementation with a critical eye:

“(...) it’s something about German culture (...) there is a culture making it hard to evaluate an employee with a 70% or 80%. We are not hard enough, not sufficiently objective. One searches for consensus, and one does not reward sufficiently” (D2_I1no1: 253, own translation, French interviewee)

“Once one of the bosses told me ‘there is no worse than a C’. That’s something I don’t understand. There is A, B, C, D, E. C is middle. There is no worse than C – so you don’t need A and B neither”(D4_I1,I2no1: 509, own translation, Swiss interviewee)

“(...) for example in this area of performance (...) you may only report talents. Low performers are not looked at” (D6_I1no1: 405, own translation, Swiss interviewee)

“And if someone does not perform, this person is not fired. I don’t know what they do with these people, but they don’t fire them” (D7_I1no1: 241, own translation, Swiss interviewee)

At this point, we would like to recall the recent contribution of Ferner *et al.* (Ferner *et al.* 2012: 182) who have underlined the “(...) critical role of in-depth case studies” since these allow for “deeper exploration of the process of transfer and of how transferred practices are implemented in the routine life of the subsidiary”, leading them to the affirmation that case studies “(...) are more appropriate for exploring in depth the way transferred practices operate in reality”. The example of HR practices related to standardized performance management systems and the way they are implemented and operate in reality may be seen as an illustration of exactly this kind of subtle differences that may not be uncovered by means of a survey. If we had conducted a survey study, all managers working in a German MNC would probably have declared to have a standardized

performance management system in place. The presence of standardized performance management systems might then have simply been identified as just another innovation in HRM of Anglo-Saxon origin that has been taken up by German MNCs. Though, in this way, we could not have gained any understanding of how such foreign practices acquire their original German flavour when they are taken up as *objets trouvés* (Ferner and Varul 2000a: 137) that are translated (Goutas and Lane 2009) into a German context, thereby undergoing a process of negotiation with stakeholders and interpretation by managers. It is also interesting to compare our results on design and implementation of performance management systems in German MNCs with those of an earlier investigation. In fact, the pattern described above, including the critical appreciations of Swiss managers, are strikingly similar with earlier findings of Ferner *et al.* (2001: 15), who report that “(...) targets were (in the eyes of U.K. managers) undemanding and evaluation lax, and in some cases the 'variable' percentage did not vary that much in practice”. Against this background, we would argue that our findings seem to indicate a continued, strong influence of German country-of-origin institutions on HRM in German MNCs, and not a weakening of the latter. Even if German MNCs apparently continue to learn from and implement U.S. HRM practices, processes and structures, yet there seems to be a continued translation and adaptation of such foreign practices so that their content and implementation may considerably vary.

Pay policy

Pay policy is determined through a global framework or compensation guidelines in the majority of the German MNCs of our sample (D1, D2, D5, D6, D7, D8). *Payroll* is another centralised process in many German companies that is often performed by a shared service centre (D2 for bigger country subsidiaries, D5, D6 for German operations, D7 on a national Swiss level) or by an external provider (D8). Concerning payroll, standardized processes that are marked by low levels of integration and differentiation may very well be delivered through service brokers or some central structure such as shared service centres (Evans *et al.* 2002: 465–469; Ulrich 1997).

Job descriptions and job families

Somehow associated with a global pay policy is the topic of global job descriptions or job families that have been explicitly declared to be standardized at D2 (*D2_I1no1: 195*), D4 (*D4_I1,I2no1: 114*), D5 (*D5_I1no1: 102*) and D8 (*D8_I1no1: 390*). Although this was not explicitly mentioned by our D1 interviewees, the overall great degree of standardization and the presence of a global pay

policy leads us to the assumption that job descriptions or job families are likely to be standardized to some extent also at D1. One of our interviewees told about clearly defined rules concerning formal qualification requirements like university diplomas in order to be eligible for certain jobs, and classifications for tariff and exempt employees in Germany (*D1_I3no1: 236*), which leads us to believe that it is highly probable that there are standard job descriptions in place.

Mobility

Another area where global corporate frameworks, systems and processes are often standardized is mobility. For example, at D1 there is a complex corporate system in place that has been adopted by the D1 Swiss subsidiary. The latter has assumed the role of a little shared service centre for international mobility in the accessory business, where D1 Swiss subsidiary has a head office function (*D1_I1no1: 356*). Expatriations are generally very well structured, with clear statues and regulations, and a bunch of intercultural training offers (*D1_I2n1: 14; D1_I3no1: 174, 242*). At D2, mobility-related standard services have been outsourced to a global mobility service provider (*D2_I1no2, I5no1: 20*) and compensation is also globally standardized (*D2_I3no1: 46*). The whole process is centrally administered by an HR shared service called HR direct (*D2_I4no1: 41*). Also at D5, mobility-related processes are standardized and administered by a shared service centre (*D5_I1no1: 173*). At D7 and D8, although to our knowledge there is no shared service centre for mobility, however expatriate management practices are globally standardized (*D7_I1no1: 458; D8_I1no1: 136, 219*). As we have seen in our presentation of D6 and the D6 HR co-ordination mode, there is some evidence to believe that international mobility is not yet quite well developed in terms of numbers of assignments per year and international career development practices. This is somewhat astonishing for an MNC of the size of D6.

Employee surveys

Standardized employee surveys are in place at D1 (*D1_I2no1: 143*), D2 (*D2_I1no1: 134*), D5 (*D5_I1no1: 211*), D6 (*D6_I1no1: 246*), D7 (*D7_I1no1: 46, 347-350*) and D8 (*D8_I1no1: 346-349*). As we have seen in our presentation of the US NBS and domestic HRM in US MNCs, employee surveys are a typical instrument of direct communication that is intensively used in US HRM as preferred alternative to representative channels in ER/IR. On the other hand, German MNCs are generally not known for having strong ideological aversions towards representative channels in ER/IR. On the contrary, traditionally the German NBS favoured collective ER and IR and

representative bodies like works councils. Nevertheless, German MNCs were recently found to blend in direct with indirect mechanisms of communication (Tüselmann *et al.* 2006: 75). The widespread presence of surveys as direct mechanisms may be seen as still another illustration of the effects of learning from Anglo-Saxon MNCs or dominance effects leading to Anglo-Saxonization (Ferner and Quintanilla 1998).

Diversity management

Another HRM practice that is typically associated with US MNCs and historically linked to the US NBS is diversity management. The fact that in several German MNCs of our sample (D1, D2, D5, D6) a corporate diversity policy is in place might be viewed as still another manifestation of Anglo-Saxonization. Although, in this case, it seems that there is much of a German or European flavour to it, since diversity is very much associated with gender equality, the promotion of female employees and the associated employer image: “*Women & D1, to stronger promote women*” (D1_I2no1: 157); “*(...) Employer branding (...) part of this is also the diversity aspect*” (D5_I1no1: 191); “*Diversity is on the agenda this year (...) a heavily discussed subject: we have introduced a quota for number of women*” (D6_I1no1: 206), “*[talking about the quota for number of women] (...) for sure this is, so to speak, also to make one's mark, and this is certainly also important*” (D6_I1no1: 399). As we can see, in those German MNCs of our sample where a diversity policy is in place, the latter heavily focuses on gender diversity and the promotion of women. Therefore, after all we might speculate. On the one hand, it might be that such a diversity policy represents an example of Anglo-Saxonization “in the German manner” (Ferner and Quintanilla 1998: 724). On the other hand, we might as well argue that such a diversity policy is more heavily inspired by current developments on German and European labour markets with an ageing population and labour shortage, together with increasing political and public pressure especially on MNCs with their great public visibility to implement gender equality.

Recruitment and employer branding

Some standard processes, tools and guidelines are also in place in the field of recruitment and employer branding at D1 (D1_I1no1: 124, 178) and D2 (D2_I4no1: 46), and as far as this is prescribed by ISO at D3 (D3_I1no1: 169, 175). Employer branding, an SAP recruiting tool and a job fair are standardized at D4 (D4_I1,I2: 265, 346, 551), a global policy and systems at D5 (D5_I1no1: 224) and at D6 (D6_I1no1: 91, 445). Assessment centres and employer branding are

standardized at D7 (*D7_IIno1: 444*), and an international trainee programme is part of D8 and even of D9 recruitment practices (*D8_IIn1o: 221-233; D9_IIno1: 507*).

Socialization practices linked to corporate values, culture and corporate codes of conduct

Global practices in this area have already been discussed at length in our chapter on transfer mechanisms in German MNCs. We will therefore not repeat these findings here. In this place, we just underline once again that there is some evidence in our sample that points to differences in the thoroughness of implementation when compared to US MNCs. Throughout our sample, there are only two companies, D6 and D9 where our interviewees told about trainings or examination associated with corporate values or codes of conduct. At D6, we have seen that some evidence indicates comparatively low degrees of internalization of globally defined and trained guiding principles or values. To the knowledge of our interviewee, a survey was conducted in order to check whether employees knew about guiding principles, but contents of the corporate code of conduct have never been tested in an examination (*D6_IIno1: 246*). As we have seen, at D9, the development of a code of conduct was a D9 Switzerland initiative and the D9 Switzerland HR manager had also trained local employees on this code (*D9_IIno1: 513-518*). Our D7 interviewee told us that the code of conduct was part of the employment contract at D7 Switzerland (*D7_IIno1: 162-165*).

Interestingly, when looking at company web pages and official documentation, all German MNCs including D3 have defined corporate values and codes of conduct. Though, compared to the US MNCs of our sample, the way they were implemented seems to be somewhat piecemeal, and actually lived corporate culture appears to be more decoupled from formally defined values and culture in some cases. This finding points to major qualitative differences between German and US MNCs in the use of an Anglo-Saxon management tool. These might be related to questions of interpretation, sensemaking and translation (Clark and Geppert 2011; Ferner *et al.* 2012: 174; Goutas and Lane 2009) of foreign tools and practices. Local actors as receivers of such foreign practices are not embedded in the country-of-origin of the latter and hence, marked by a different “socialised rationality” (Almond 2011a: 260). Such tools and practices may then once more be considered as “objets trouvés” whose original purpose may very well be “transformed as they are inserted into a pre-existing set of structures and values” (Ferner and Varul 2000a: 137). Based on our limited empirical evidence, we would suggest that this is exactly the case with the use of American-style explicitly defined and top-down communicated corporate values in German MNCs,

as the concept of corporate culture is rather associated with an organic whole in German firms (Wächter *et al.* 2003: 82). It may therefore be difficult to fit in top-down defined corporate values to the kind of concept about corporate culture that seems to prevail in German MNCs. Under such conditions, implementation of such American management tools may demand considerable effort and even though risks to end with low degrees of internalization and functionality. This might very well be the case for D6, while in some other German MNCs like D1 or D2, corporate culture seemed to be more effectively spread through international mobility, and in this way better served as an indirect transfer mechanism compared to the formal definition of, and training on, corporate values.

Training, technical competence and career progression

A second field where we could find a certain standardization is the area of careers, personnel development and the promotion process. In this respect, our evidence points to the presence of a German country-of-origin effect around a “culture of training” (Ferner *et al.* 2001: 116) as described in the literature. However, this effect is not manifest in training *per se*, but rather in the presence of a centrally defined structure and standards with predefined mandatory technical trainings that have to be absolved at a certain stage in order to be eligible for promotion. There is hence a nexus between, on the one hand, technical competence, that has to be acquired through structured trainings taking the form of curricula, and career progression on the other. And this kind of nexus very much fits into the picture of German traditions around functional career paths and legitimate authority that is based on technical knowledge (Barmeyer and Davoine 2008: 11; Bauer and Bertin-Mouroit 1996; Calori and Dufour 1995: 68; Evans *et al.* 2002: 376–377; Glunk *et al.* 1997: 99; Kristensen 2003; Lawrence 1980). D1 is an exemplary case of a German MNC where training curricula are extremely structured and the nexus with career progression is direct and clear: “There are clearly defined criteria at D1 to achieve the next higher level (...) part of this is a three years stay abroad” (D1_I2no1: 20); “When someone joins the promotion circle, this means that this person is considered a high potential who might reach the next higher level within two to four years. And on each level, there (...) are several well-defined seminars that have to be completed” (D1_I1no1: 182); “There is this promotion circle (...) it’s like a marshalling yard – when someone gets promoted, the next one follows from below” (D1_I2no1: 25-26). Furthermore, one of our interviewees told us that specialist careers were common at HQ (D1_I3no1: 68). But also at D2 this element was very present. One of our interviewees stated that there was a strong focus on personnel

development and that a specialised corporate structure, the “D2 Business Service”, offers many trainings in a training centre. Furthermore, at D2 where expatriates were identified as a vector also for corporate culture and practices, expatriation was clearly identified as part of a structured and well-planned, long-term personnel development for in-house careers: “[speaking about expatriation as part of personnel development] In Germany, you enter some kind of caste, you get into a cycle, there is almost no risk” (D2_I1no2: 12, own translation; also D2_I3no1: 42). Structured technical trainings or curricula, sometimes even with certificates, are also important in nearly all the other German MNCs. For example, at D4, a certificate in project management is an important standardized internal training or curriculum (D4_I1,I2no1: 270), and trainings for high potentials on senior management level are generally standardized (D4_I1,I2no1: 269). At D5, many trainings related to technical product knowledge are standardized (D5_I1no1: 253). Furthermore training, which can take the form of mentoring, coaching or classroom training (D5_I1no1: 251), is linked to the annual performance review process (D5_I1no1: 260), and hence, to career progression. At D6, there is a global competence model in place on which selection is based (D6_I1no1: 164) and a clear corporate specialist career model is backed up with a structured qualification programme called “Campus” which consists of several qualification modules (D6_I1no1: 164). At D7, there is a global competence model in place with global competence qualification systems (D7_I1no1: 444). Similar to D2, also at D7, expatriation is part of personnel development and career planning (D7_I1no1: 142-143), which is also linked to the performance management process (D7_I1no1: 216). Generally, our interviewee told that great efforts are made in the field of personnel development (D7_I1no1: 259-260), including very structured training programmes like a mini-MBA together with a British university (D7_I1no1: 268-269). Commenting on the D7 corporate training practice, our interviewee told that this was even more the case at German HQ: “(...) my colleagues at [corporate HQ in Germany], yes. They like the idea (...) culturally, they are much more attached to this idea of a curriculum” (D7_I1no1: 313). Also at D8, our interviewee stated that there is a strong desire to train employees on all hierarchical levels (D8_I1no1: 246), and that certain trainings, especially the ones linked to product knowledge, are standardized (D8_I1no1: 252). Finally, even at the rather decentralised D9, we could trace certain tendencies pointing into the direction of global competence development, which is currently reflected in standardized trainings related to technical product knowledge (D9_I1no1: 510). Yet, there is still another element linked to the traditional German emphasis on internal labour markets and internal career development. Based on our interviews, the German way of career planning and personnel development seems to be

fairly structured, where talents and high potentials are identified by a high-ranking committee, and career opportunities are proposed to them in a top-down manner. We would call this approach towards personnel development and promotion passive. This is because it does not seem to be the general rule that well-performing employees actively seek and apply for their next job opportunity on the internal labour market. By contrast, this seems to be more common in US MNCs, as we will see further on.

“Where we are pushing people concerning their development and say: this would be a great job for you, and afterwards you might do this or that” (D1_I1no1: 150)

“(...) I know some people here in the D1 Swiss subsidiary who are frustrated because they don't see any future prospects. Partly this is due to themselves. And partly because HR doesn't show them opportunities early enough, or – typically D1 I'd say – is a bit conservative in terms of personnel planning” (D1_I2no1: 161)

“(...) during these meetings that last one day and where top managers are involved, we discuss our portfolio, we discuss our chain lists, this is very important, the direct successor, in case of illness, but also how we can replace these people within one, two, three years” (D2_I1no1: 112)

“There are identified high potentials who are defined every two years, according to a certain procedure. These candidates are then reported to the D4 group. (...) and of course we think about their development (...) and if there is a possibility opening up, we offer it to them” (D4_I1n,I2no1_377)

“(...) and then there is this practice of appointment to posts (...) finally, if you have a flexible manager, you can be nominated as a talent. If you have a very hard manager, you won't be nominated. And finally, this will influence your career. Not 100%, because I guess when someone is good, at a given moment it shows. But (...) I'm rather in favour of letting people apply for their jobs. Because if you really want a job, what I mean is: the personal motivation is an important part” (D7_I1no1: 405-406)

Distinctions between hierarchical levels

The distinction between senior and non-senior management level is an important factor in determining whether practices are standardized or not in many of the German MNCs of our sample. We have already come across this distinction in our discussion of performance management practices that are different for tariff employees and exempts. For example, at D1, bonus programmes for heads of department are standardized (D1_I1no1: 7), and at D2, standardized

performance appraisal applies only to executives, whereas this is local for other employees (*D2_IIno1_302*). At D4, being overall characterized by a fairly low level of standardization, performance appraisal is however standardized for the middle and upper management levels (*D4_IIno1_329-331*), which is then also linked to a standardized bonus system (*D4_IIno1_384-392*).

A further area where the level of standardization is generally high for certain managerial levels is high potential and talent management with the associated training and development programmes and succession planning. We have already seen that there are heavily standardized and formalised training curricula in place for talents or high potentials at D1 called promotion circle seminars (*D1_IIno1: 181-182*). But also selection and career development plans for managers are rather standardized on a business unit level at D1 (*D1_IIno1: 194-195*). Basically the same logic applies to D2, where standard trainings are in place in the area of personal and soft skills (*D2_IIno1: 256-258*), together with a standardized international management development programme (*D1_IIno1: 268-270, 302*) and succession management (*D2_IIno1: 112*). At D4, succession planning, leadership instruments and training programmes for identified high potentials are standardized on a group level (*D4_I1,I2no1: 114, 269-270, 377*). Furthermore, centrally defined requirements for access to the highest managerial levels are in place and prescribe two changes between plants including one stay abroad (*D4_I1,I2no1: 375*). At D5, a system for high potential development is standardized on a regional level (*D5_IIno1: 211-212*). Local management development programmes have generally been replaced by global or regional management excellence development programmes and systems (*D5_IIno1: 259-260*) that are developed by a global learning and talent management function (*D5_IIno1: 232-235*). The talent review process for identification of talents and high potentials is hence globally standardized, including all managerial and employee levels (*D5_IIno1: 257*). At D6, the performance and potential review process for executives, leadership development and succession management on very senior managerial levels is globally standardized (*D6_IIno1: 302, 333, 346*). And also at D7, leadership programmes are standardized from middle management upwards (*D7_IIno1: 258*), and talent management as well as high potential identification is generally standardized with a complex process including the creation of leadership profiles and assessment centres (*D7_IIno1: 280-282, 373*). Even in case of the globally still fairly decentralised D9, the Swiss subsidiary HR has intensively worked on the topic of leadership, where leadership principles, a leadership guide and associated extensive trainings have been developed, which are currently passed to HQ through the conduit of the

international management board meetings (*D9_IIno1: 416-428*). We might therefore speculate about some corporate harmonization initiative in this area to come in the near future.

Higher degrees of standardization for higher hierarchical levels may be attributed to two factors. First, there is generally a higher need for internal consistency and control on higher hierarchical levels, and second, on these levels, works council influence on HRM practice design is lower. Additionally, managers on a certain hierarchical levels are additionally exempt from collective bargaining agreements, which opens up additional room for manoeuvre concerning organizational HRM practice design.

Table 31 below provides an overview of standardized HRM practices in the German MNCs of our sample.

Table 31: Standardized HR practices in German MNCs of our sample

MNC	Performance management process	High potential and talent identification management succession planning	Training curricula / standard trainings	Pay policy	Payroll	Job descriptions / job families	Mobility	Employee surveys	Diversity	Recruitment / employer branding	Socialization practices	
											Values defined / effective use of corporate culture	Code of conduct
D1	*	*	*	*	N/A	N/A(*)	*	*	*	*	*/*	*
D2	*	*	*	*	*	*	*	*	*	*	*/*	*
D3	-	-	-	-	-	-	-	-	-	(*) ISO	*/-	*1
D4	*/s	*/s	*	N/A	N/A	*	-	-	-	*	*/-	*
D5	*	*	*	*	*	*	*	*	*	*	*/*	*
D6	*	*	*	*	*	-	-	*	*	*	*t/-	*
D7	*	*/s	*	*	*	-	*	*	-	*	*/*	*/c
D8	*/s	*	*	*/s	*	*/s	*	*	*i	*	*/-	*
D9	*/s	-	*	-	-	-	-	-	-	*	*/-	*/t

Source: own compilation based on interview transcript analysis; *=standardized, */s=standardized for (senior) management level/executives, 1 code introduced in mid 2012, t=implemented with training, c=part of employment contract, i=mentioned on the company web pages, though not in the interview.

8.3.2 Standard HRM practices in US MNCs

Standardization and formalization, backed up by sophisticated HR IT systems

As we have seen in our discussion of micro-level organizational characteristics and the transfer process, the US MNCs of our sample largely correspond to the typical US pattern described in the literature. Except for US1 and to some extent US10, all the US MNCs of our sample are rather centralised in their decision-making and practice development in the area of HRM and IR, and more or less strongly rely on globally standardized and formalised HR processes and tools. Except for US1, where different IT systems are run in different countries, all of the US MNCs of our sample had already in place or were currently introducing sophisticated, integrated HR IT systems and standard processes. Yet, the example of US6 shows that not all US MNCs may be classified as pioneers in this respect. As with the group of more standardized German MNCs, two categories of standard processes may be distinguished: strategic core HR processes with high degrees of integration on the one hand, and transactional or administrative HR processes with low degrees of integration and differentiation on the other (Evans *et al.* 2002: 465–469; Ulrich 1997).

Performance management

Strategic HR core processes linked to the performance management system are generally strongly standardized throughout our sample. Even in the special case of the strongly decentralised US1, a common reference framework called “*responsibility frame*” (US1_IIno1: 56) has been established for all employees, and a completely standardized performance management system is in place for very senior managers (US1_IIno1: 195). Furthermore, a compensation system is linked to the performance management system through key performance indicators (US1_IIno1: 160). At US2, being one of the US MNCs of our sample where standard processes and tools are very present, the performance management system is strongly standardized. Governed by the same rules throughout the company, performance appraisal as a globally standardized process is linked to development plans (US2_IIno1: 134, 327). Basically the same applies to US3, where a standardized software called “*performance and career*” (US3_IIno1: 118-120, 178) is in place to run the standardized performance management processes of joint target setting, performance appraisal and development plans. Also at US4, there is a standardized performance management process in place with target setting and a balanced scorecard, and highly formalised processes where every employee is in an individual cycle (US4_IIno1: 74, 159, 218). Equally at US5 (US5_I1,I2no1: 274, 297), US6

(US6_I1no1: 172, 208) and US7 (US7_I1no1: 137) there are strictly globally standardized and formalised performance management systems in place, although at US6, IT process integration based on SAP is not accomplished yet. At US8, a standardized performance management system is in place which is coupled with succession planning (US8_I1no1: 137). Finally, also at US9 (US9_I1no1: 110, 120) and US10 (US10_I1no1: 33-34, 37), globally standardized performance management systems are in place, with promotion being directly linked to performance at US9 (US9_I1no1: 110). Unfortunately we do not have information on the presence of forced distribution for most of the US MNCs of our sample, though this is definitely in place at US9 (US9_I1no1: 121).

However, we went deeper into the matter of implementation of standardized performance management systems and calculative HRM practices during an interview that we could conduct with a British expatriate of US5. This interviewee had been working for US5 in the UK, Spain, Switzerland and the U.S. and told about his personal experiences concerning marked differences between Europe and the U.S. in how these systems were operated in reality:

“As a leadership team we talked a lot about capability of people and the development of people and how should we think about the next assignment for this person. If we had a problem or an issue on that site it wasn't “How we're going to deal with the guy who failed?” It was “Let's talk about what attributes does that individual need to develop?” if we were thinking that he could cope with that kind of a circumstance differently in the future. (...) Whereas in the United States, you had to be careful not to screw up too bad or you're [clapping once with his hands]. (...) The level of intensity went up on that day to day scrutiny. You might be reassigned, moved to another job. And I've seen some colleagues dropped off the project because something happened and the leader decided: “Out of here! Bring me another person to do this work.” (...) It's quite fast and almost quite ruthless on times which is very strange for me and very uncomfortable. Because that wasn't my experience coming from Europe” (US5_I3no1: 114-119).

We have to emphasize that this is a single account and should therefore a priori be considered cautiously and not overrated for larger generalizations. However, this account significantly gains in importance since it fits astonishingly well in with the picture of contractual authority relations and a pervasive market mentality that have been repeatedly described in the literature to be strongly present in the U.S. (Hall and Soskice 2001a: 29–30; Hollingsworth 1997a: 271, 1997b: 134, 141, 142; Redding 2005: 142). This mentality is considered at the basis of “strong marked based norms behind the employment relationship” in the U.S. (Almond *et al.* 2005: 280) and seems to be an

integral part of an originally U.S. socialised rationality. Additionally, the fact that it was a British expatriate who remarked these differences further supports this theses, since markets are the most important economic co-ordination mechanism also in other liberal or compartmentalised Anglo-Saxon business systems like the UK. Thus, there are at least some strong signs supporting the thesis that U.S. embedded managerial norms and socialised rationality lead to a more ruthless implementation of calculative HRM practices in the U.S. than this is the case in Europe, and this even in one and the same strongly centralized US MNC that is marked by high levels of standardization.

Yet, there is still further support for the theses about the presence of strong market-based norms in US MNCs. Even if US MNCs that employ highly qualified employees in difficult labour markets have been found to adopt internal labour market approaches, the functioning of internal labour markets seems to be somewhat different when compared to German MNCs' internal labour markets. Based on the accounts of our interviewees, we found strong evidence of a market-logic of employability and do-it-yourself careers. In line with these principles, career planning seems to be somewhat less or differently structured and more flexible than in German MNCs. First, as we have seen, there are no mandatory training curricula that would have to be completed in order to be eligible for promotion. And second, those who have performed well in their present jobs have to actively seek for career opportunities on the internal job market and ask or apply for other jobs. Employees have to take the initiative and actively promote themselves in order to progress. This logic of a more active and self-responsible career planning of employees may be illustrated with the following interview extracts:

“(...) we identify what we call top talents which means key talents we want to develop (...) but there is no specific programme, it depends on the person. So that person is responsible, the employee is responsible of his development at US2. It's his responsibility to look whether he wants to change, to search for new positions, to orient his career as he wishes. And the manager will accompany him”
(US2_I1no1: 197, own translation)

“(...) for my succession, we call on [European HQ] who will first publish an internal job advertisement at US6. There is a career marketplace where everyone who has access to US6 can look and see” (US6_I1no1: 175, own translation)

“We clearly tell people that this is how they will progress in this company: enlarge your network, discuss your work with others” (US8_I1no1: 96, own translation)

“[speaking about the internal labour market] And then it's fairly free, American style or even Anglo-Saxon: people start on the basis that they might as well leave the company and take a new job somewhere else. So they should be able to apply for another job here” (US8_I1no1: 231)

“I think that's the most American part of the company, really. Everybody is encouraged to show what they can do” (US10_I2no1: 90)

“(...) there is one training which is for everybody, which is based- it's a leadership and individual effectiveness model. And that's called career development journey. So every new hire is supposed to attend that training which is about “How do I forward my career within this company?”, “What do I have to look out for?”, “What do I need to develop?” etc. And that's a training that is very standardized” (US10_I2no1: 270)

Training, development, career progression and succession planning

Connected with the performance management system is the equally standardized, more strategic HR area of training, personnel development, promotion, career and succession planning. On the other hand, the part of transactional or administrative HR is mostly standardized and processes are often bundled in a shared service centre or delivered by external service brokers. For instance, at US1, all training programmes for soft skill development of very senior managers and key talents are standardized and delivered by a common regional European training organization (US1_I1no1: 62-63). At US2, the same logic as for other standard processes and practices applies also to trainings, which are developed and standardized for a global, regional or national level (US2_I1no1: 203). And the management development plan is a globally standardized process (US2_I1no1: 237). As we have seen, at US3, the development plan is firmly integrated into the standardized corporate performance management system with the corresponding standard processes, and there are standardized management trainings for junior and senior managers in place (US3_I1no1: 120, 121, 164). At US4, where the focus is on internal careers, a centralised and standardized system of career and succession management (US4_I1no1: 132) is in place as a logical consequence. Also at US5, the promotion process and certain training programmes are standardized either on a regional or business level for certain professions, together with a standardized competence model. Regional programmes are devised by a centre of expertise and there are certain partnership agreements in place with renowned European and U.S. business schools (US5_I1,I1no1: 203-205, 206-208, 297). Standardized career development and succession planning processes are also in place at US6, together with common standard trainings (US6_I1no1: 147, 158, 303). Interesting in this respect is

the case of US7, where European HQ has piloted a new system for the definition of talents that was reverse transferred and which is being implemented also in the U.S. (US7_IIno1: 131). US8 has common standard trainings in place, for instance in the area of client management, and certain standard trainings that are delivered in the U.S. and where only a limited number of selected employees is sent to participate (US8_IIno1: 258-259). Still other trainings are standardized on a European level for senior managers, for instance leadership trainings (US8_IIno1: 239-242, 260-262). Furthermore, a standard tool and process is in place to track, review and identify high potentials (US8_IIno1: 163). At US9, a whole standard corporate training curriculum in the area of employee relations was first developed by EMEA HQ, taking up elements from various European countries, and which has then been taken up as a global standard curriculum by corporate HQ (US9_IIno1: 107). Furthermore, high potential identification is standardized and well-structured (US9_IIno1: 118). Finally, also US10 has a fairly structured way of developing people, including a standardized people planning process (US10_IIno1: 125-130). Furthermore, standardized leadership trainings are being developed together with a local business school (US10_IIno1: 80, 88). Interesting in this respect is especially the fact that, somehow similar to what we have seen in many German firms, there are structured mandatory curricula in place: *“(...) we have a finance university online tool which is global. Across the globe, financial people and non-financial people can go and follow a course. This is reported globally. There are certain requirements for certain levels, how many courses you'll need to have. (...) it is expected that if you are a manager level in finance, you'll need to follow at least two courses in a year, using Finance University”* (US10_IIno1: 80-82). The same kind of curriculum is currently under construction for HR (US10_IIno1: 84) to be delivered in a centre of excellence structure for learning, development and compensation practices, which is currently being created (US10_IIno1: 122).

Transactional and administrative HR processes: payrolling and mobility

Concerning the second area of transactional and administrative HR processes, the degree of standardization among the US MNCs of our sample is equally high. This is not surprising since efficiency gains and cost reductions as one of the most important reasons for standardization can be realised in this area thanks to scale effects.

At US2, our interviewee explicitly mentioned standardized pay bands, which also points to the presence of standard job descriptions (US2_IIno1: 267). Furthermore, there is much reason to believe that US2 also has shared service centres in place for administrative HR processes like

payrolling and mobility-related standard processes. This belief is grounded on the fact that the very big MNC US2 is among the corporations of our sample that generally appear to be most marked by the sustained use of standard processes and tools, that the use of shared service centres is explicitly mentioned in the annual report (US2 group 2011: 26), and that the creation of exactly such service centres and service brokerage for other companies and public administrations is part of the US2 consulting business. At US3, there is a standard pay policy in place, where bonuses are clearly defined (*US3_IIno1: 130*). Therefore, there might as well be standard job descriptions in place to fit the pre-defined pay bands. At US4, there is a corporate pay or compensation policy in place, although to our knowledge there is no common shared service centre for payrolling which is done at EMEA HQ for Switzerland (*US4_IIno1: 108, 163, 214*). Although we know from publicly available US4 documents that there are shared services in place (US4 group 2011: 51), we don't have any information on the existence of HR shared services in Europe. At US5, payroll is run in a shared service centre for eleven Western European countries (*US5_I3no1: 24*) and the company is currently harmonizing job descriptions and competence profiles on a global level, which will be backed up by a corresponding IT-tool (*US5_II,I2no1: 132*). At US6, there are guidelines for pay policy in place (*US6_IIno1: 147*), but according to our interviewee, jobs are defined and payrolling is done locally (*US6_IIno1: 11, 12*). However, some services around expatriate management are delivered by a centralised structure (*US6_IIno1: 11*). At US7, there is a standardized compensation framework in place defining pay bands, a benefit policy (*US7_IIno1: 128*), and a stock option programme (*US7_IIno1: 109*). Furthermore there is a standardized process for bonus calculation (*US7_IIno1: 120*). Payroll is done in a shared service centre (*US7_IIno1: 89*) and job families are globally standardized and linked with the pay band structure (*US7_IIno1: 110*). US8 has an HR shared service for the transactional part of HR where pay, administration of benefits and the administrative part of expatriate management are done (*US8_IIno1: 49*). There is a globally standardized compensation policy in place with standard processes (*US8_IIno1: 106, 133, 327*). Although not mentioned by our interviewee, we are inclined to speculate that there may also be some kind of standardized job families or job descriptions in place as compensation and benefit is standardized, and standard processes in this area are performed in shared service centres. At US9, payroll and the administrative part of relocations, sickness and pension plans have been outsourced to an external service provider (*US9_IIno1: 20-26*). There is also a standardized compensation policy in place (*US9_IIno1: 123-125*). Finally, at US10 there is a common, standardized compensation philosophy or framework in place (*US10_IIno1: 33, 38, 40*), as there is for job

evaluations and job families (*US10_I1no1: 41, 74, 122*).

Employee surveys, direct communication and non-union policy

Standardized surveys are an instrument of direct, individual employee communication, that is generally associated with U.S. HRM. This form of communication is often viewed as opposed to representative and collective channels of communication such as works councils or works committees. Employee surveys are definitely present in eight out of ten US MNCs of our sample. In the remaining two companies US3 and US5, our interviewees did not mention such a tool. On the other hand, these same MNCs did not report any contact with unions at least as far as Switzerland is concerned, and even a marked preference for non-union ER (*US5_I3no1: 177, 179*). Nor did they mention any kind of employee representatives, but rather other direct communication channels (*US3_I1no1: 135, 193; US5_I1,I2no1: 91*). Employee surveys as an instrument of direct communication with employees are especially interesting to consider together with the issue of indirect representative channels, and the role of unions in IR. In fact, according to our expectations, none of the US MNCs of our sample reported to have any contacts with unions in Switzerland. At US4, our interviewee told that there were unionized production sites (*US4_I1no1: 167*). Though, a look into the US4 SEC 10-k Filings (US4 group 2013: 8) reveals that the greatest part of U.S. employees are at-will employees who are not subject to any kind of contract of written agreement at all. Only some 25% of US4's U.S.-based employees being hourly production workers are covered by collective agreements with various unions. Concerning US4 union policy outside the U.S., the same document stipulates that "Outside the United States, the company enters into employment contracts and agreements in those countries in which such relationships are mandatory or customary. The provisions of these agreements correspond in each case with the required or customary terms in the subject jurisdiction" (US4 group 2013: 8). In some cases, US MNCs did make use of some non-unionised internal personnel commission as an additional indirect communication channel (*US2_I1no1: 263*). In one case, this commission was even involved in negotiations of annual salary increases (*US6_I1no1: 228-234*). However, there is some reason to believe that such commissions might first and foremost be used to keep unions out. For instance, in case of US6, our interviewee was very clear on this matter: "*This is the advantage of maintaining this personnel commission, to give them credibility in order to avoid unionisation*" (*US6_I1no1: 233, own translation*). As we have seen, such a tactics fits in quite well with findings on US MNCs in Germany and their ways of dealing with works councils. The latter were strictly separated from

unions and integrated as an internal employee representative body in order to gain legitimacy (see table 19). At US9, our interviewee equally emphasized the US9 policy of legal compliance with local provisions in terms of IR and unions' rights. Though, he made clear that US9 has the will to “(...) reinforce the individual employee relations pillar in order to weaken the collective labour relations pillar” (US9_I1no1: 10, own translation). In this case, we may therefore say that there is evidence of active agency of a local actor in order to keep the plant union-free and please the parent company.

There are hence strong signs for a clear preference for non-union individual ER/IR among the US MNCs of our sample, which is consistent with the findings of previous studies that we have reported in some detail earlier in this work. The following two citations were worded by a British expatriate who had been working in various European countries and at US HQ. They may serve as an illustration of the overall U.S. attitude towards unions, and equally point to existing differences between the U.S. and other Anglo-Saxon countries like the UK: “(...) they are a little bit afraid of trade unions and works councils. Because you know, the level of trade union representation in the United States is a lot lower overall. There are some extreme cases, but in US5 we have many, many, many non union sites” (US5_I3no1: 177); “Well, I think the American mentality would say: non union is better. The American mentality. My experience says that the threat of the union is worse than the union itself. Because I have worked very effectively in union environments and achieved huge change at times in unionised environments without any real – yes, with challenge, but it doesn't always prevent you to do what's right for the business” (US5_I3no1: 177).

These characteristics that are present across our sample of US MNCs are therefore largely consistent with earlier findings on a wide-spread philosophy of individualistic high-road ER patterns in non-union US MNCs (Tüselmann *et al.* 2008: 1624).

Diversity policy

As we have seen, strong and formalised diversity policies have for long been identified as another typically U.S. American HR practice which is linked to the idiosyncratic historical development of the U.S. NBS and backed up by particular institutional enforcement mechanisms (Egan and Bendick. 2003; Ferner *et al.* 2005a; Kurowski 1999, 2002). In fact, all the US MNCs of our sample were found to have some corporate diversity policy in place, although several of them had some European adaptations (US1, US2, US6, US10) or told that the diversity policy was not as

intensively lived as in the U.S., which points to differences in internalization and implementation: *“Here, race is not an issue whereas in the U.S. they have quotas for black people, for Latin Americans (...)”* (US6_I1no1: 276); *“There is a diversity programme in place which is certainly more intensively lived in America than in Switzerland (...) cultural diversity, so regardless of skin colour, religion, sexual orientation. They insist a lot on the fact that everyone has the same chances”* (US2_I1no1: 294-296). In the case of US10, we have already seen earlier that implementation of the global diversity policy has been adapted at European HQ. In the cases of US5, US7 and US8 our interviewees also mentioned explicit policies in terms of sexual harassment (US5_I1,I2no1: 163, 283)(US7_I1no1: 100)(US8_I1no1: 172).

Recruitment

Recruitment is a moderately standardized area where a great part of our US MNCs except for US6 had implemented some common standards (US1_I1no1: 50), common employer branding (US1_I1no1: 137, 167)(US10_I1no1: 30) guidelines, frameworks, standard tools (US10_I1no1: 28, 30) or even a whole standard process (US2_I1no1: 181-183)(US5_I3no1: 23)(US8_I1no1: 132) (US9_I1no1: 96).

Socialization practices linked to corporate values, culture and corporate codes of conduct

In our analysis of transfer mechanisms, we have already discussed the intensive use of corporate culture and corporate codes of conduct as indirect tools for practice transfer in US MNCs. It is therefore not surprising to see that all US MNCs of our sample had a strictly standardized corporate code of conduct in place. These codes are usually very explicit, clearly communicated and infringements are severely punished, for instance at US1 with summary dismissal (US1_I1no1: 142). In several US MNCs, the code of conduct is part of the employment contract and/or has to be signed by each employee (US1_I1no1: 142)(US2_I1no1: 126)(US8_I1no1: 186). Additionally, there are regular mandatory trainings and tests that each employee has to pass on the contents of the code (US2_I1no1: 152)(US4_I1no1: 121)(US5_I1,I2no1: 148)(US6_I1no1: 147)(US7_I1no1: 104-106)(US8_I1no1: 180)(US9_I1no1: 84)(US10_I1no1: 98). At US3, there is also a green number where employees can call US HQ in case of infringements of the code of conduct (US3_I1no1: 138). As we can see, in all US MNCs of our sample, there is a multitude of measures in place that are aimed at thorough implementation of corporate codes of conduct, corporate values and corporate culture. As we have seen earlier, such associated implementation measures like regular

trainings and examinations were rather the exception than the rule in the German MNCs of our sample. The evidence found in our sample of US MNCs therefore lends further support to earlier findings pointing to the more intense use of corporate culture as a management tool and sustained efforts of “cultural engineering” (Alvesson 2002: 47–48) in US MNCs (Ferner *et al.* 2004a: 117). The following interview extracts may serve to illustrate this thesis in a variety of situations and ways:

“[values] They are there, they are communicated, they are reviewed, they are known, they have to be lived” (US2_I1no1: 102, own translation);

“US3 very much emphasizes ethics and correct behaviour. They also created a phone number you can contact if you realise something that is not OK” (US3_I1no1: 138, own translation);

“The big bosses decide on the big strategies and on the corporate vision, then they are cascaded down (...) there is always the same sophisticated model of construction based on the values” (US4_I1no1: 79, own translation);

“(...) we also have trainings in order to make sure that managers know about the core values and how to apply them” (US5_I1,I2no1: 153, own translation); “As a company we refer to our core values which is safety and health of employees, highest ethical standards, care for the environment, and respect for people” (US5_I3no1: 150); “These are four core values that are then each of them deployed in global programmes” (US5_I1,I2no1: 155, own translation);

“The principles of corporate culture, integrity, all that is not negotiable. Whoever would not adhere to these values (...) would not stay in this company. This is clear, this is not negotiable” (US6_I1no1: 309, own translation);

“(...) growth is difficult to manage since suddenly there are all these new people whom we engage and who find themselves in a company whose culture they do not know. So you have to recreate this kind of glue between people (...) to feel part of a whole, to understand the company values and to be able to incarnate them. So there is lot of training effort involved” (US8_I1no1: 194, own translation);

“Corporate culture plays an important part. It is very strong. This is wanted and sustained through our recruitment practice: normally we only hire young university graduates (...) A priori we hire people for in-house careers with a strong socialization” (US9_I1no1: 76, own translation);

“[talking about European HQ and control] (...) we put measures, KPI's (...) I'm talking in HR in specific. US10 says: let's have a look at 3 to 4 measurements per quarter. We do report quarterly on what we do to achieve these measurements (...) I'll give you an example. (...) Do we communicate

our values in every activity that we do? ”(US10_I1no1: 70).

Security, safety and health

Still another element that was often mentioned by our interviewees together with, or as an element of, corporate or US American culture is the issue of security, safety and health. In case of US2, our interviewee emphasized lots of security-related processes: *“(...) many of our processes are related to security. I think Americans are fairly well-known for security” (US2_I1no1: 306, own translation).* At US3, there is a global health directive in place called smoke-free campus (US3_I1no1: 234), a directive that our interviewee expected to provoke some discontentment among Swiss employees. Interestingly, also our US4 interviewee told about a strong corporate security and health policy and equally expressed some criticism: *“For example, to park your car here we didn't have any process. Now we have one that specifies who is allowed to or not, how to do and so on. This isn't just US4, this is American, because when you go to the U.S., there is a process for everything. (...) At US4, everything is organized and structured. This has a lot of positive sides, although sometimes it goes too far. When you climb up the stairs up to the 4th floor, on each floor there is a sign warning you to hold the handrail in order not to stumble (...) Often it is things related to security and health. In the U.S. this goes as far as to extend into private life: they will tell you what you have to eat in order to live healthy” (US4_I1no1: 190-195, own translation).* At US5, safety is even part of the company's core values, and once again, employees are told to hold the handrail on the stairs (US5_I3no1: 250, 252). At EMEA HQ of US5, the visitor will even see a big traffic light fixed in the entry hall that indicates the current safety status (US5 field notes). Also our US6 interviewee considered security and safety-related policies in HR to be something typically American: *“We have a lot of directives, mainly referring to security and safety. This is very strict. There are internal controls that are commissioned by [corporate HQ]” (US6_I1no1: 145, own translation).* At US8, there is even a whole risk management in HR in place: *“There is a risk group in HR that makes sure that all procedures are absolutely water tight in terms of risks” (US8_I1no1: 118).* In this case, one of the potential risks that are controlled in HR is correct implementation and non-violation of the corporate code of conduct (US8_I1no1: 124). At US10, safety and health is a function of its own that is taken out of HR and considered to be *“absolutely important” (US10_I1no1: 142)* by our European HQ interviewee. Also our second interviewee at European purchasing HQ agreed on the great importance of safety and health-related policies (US10_I2no1: 167). In fact, in the European purchasing office, the interviewer had to sign a form

that he had read and understood the safety and health instructions of the site which was an office on one single floor without any stairs or heavy machinery (*US10 European purchasing HQ field notes*). At European HQ of US10, there were signs fixed in the rest room telling people to drink enough during the day, together with a sample of control colours in order to cross-check the colour of your urine (*US10 European HQ field notes*). Similar to our US4 interviewee, our interviewee of US10 purchasing HQ expressed some discomfort with this kind of health policies: “*That's very, very important within US10 and it's very difficult to get the Swiss to follow there. Because it's just not Swiss. You don't do it in Switzerland*” (*US10_I2no1: 167*). Our second interviewee also established a link between this kind of safety and health policies and American culture: “*(...) that's definitely the American culture of being sewed for everything. If you don't warn people they can sew you. So you warn them about everything. That is there. (...) And there is a process in place: if something happens we do this, this and this*” (*US10_I2no1: 177, 179*).

As we can see, several of our interviewees not only suggest that the issue of security, safety and health is a genuinely American practice, but also that they faced some problems concerning acceptance of such practices in Switzerland. Based on our material it is not possible to establish in how far low levels of acceptance also lead to low levels of internalization and functionality of such practices in Switzerland with ceremonial adoption or similar outcomes, although this seems probable or at the very least, possible.

Interesting in this respect is the fact that only at D6 our interviewee mentioned the introduction of a corporate security policy that has been introduced fairly similarly to the corporate guiding principles or values through an online-training with some questions that have to be answered as a test. This practice and kind of implementation once more appears to be strongly inspired by Anglo-Saxon practices.

CSR as a business case

CSR is the last area where we could identify some pronounced U.S. influence on specific practices. Though, the degree of standardization of formalised HR practices in this area is somewhat lower than in the ones previously discussed. In fact, the influence in this area seems to be more subtle and does not quite as much take the form of standardized and formalised HR practices. In this case, a U.S. country-of-origin effect rather manifests itself in a particular U.S. understanding of and approach towards the topic of CSR. However, we decided to report these findings in this chapter on standardized practices since it is also here where we have discussed the country-of-origin influence

on other, significantly more standardized HR practices and their implementation in Switzerland.

The discussion of practices related to CSR should allow us to get some elements of an answer to our question about how US MNCs relate to the Swiss institutional setting and try to gain legitimacy. As Kostova et al. (2008: 1001) suggested, MNC legitimacy may be viewed rather as a social construction than a function of isomorphism, making engagement in symbolic image building a critical issue that is directly related to agency. Having a look at how MNCs try to engage in symbolic image building when coming to Switzerland is hence also revealing about the socialised rationality of high-ranking U.S. managers who are devising corresponding policies. As we have seen in the literature, this kind of analysis allows us to gain a better understanding of the issue of competing rationalities (Edwards *et al.* 2007b: 202) and actors' institutional choice as a matter of bounded rationality (Bluhm 2001: 156). Moreover, empirical examples may give illustration to what concrete happens when two sets of institutional rationalities collide (Ferner *et al.* 2012: 166). As regards CSR, in our interview material we found some evidence indicating that in US MNCs, a vision of CSR as a business case is predominant. Such a vision finds its concrete expression in the specific ways in which US MNCs act and communicate on their actions in order to gain legitimacy, and to strengthen corporate culture and team spirit of their employees. The collision of two sets of institutional rationalities takes place in Switzerland, where Swiss people do not seem to be at ease with a U.S. approach towards CSR with its emphasis on publicly visible volunteer action that is imposed on them:

“(...) in the United States, I was very conscious of a lot of volunteer work. And I've had people in my immediate work group who were part of environmental initiatives with the local communities, cleaning up parks or that kind of stuff, working with disadvantaged parts of the community (...)”
(US5_I3no1: 222)

“(...) I'm sure people here, who work in this building here are working with local charities and schools and all that kind of stuff, but they don't write it on the wall. They just get on with it and do it. It's part of their own personal social obligation (...) In Switzerland here, people are personally committed to something. Perhaps more superficial in the United States. It's to be seen to be, perhaps” (US5_I3no1: 227, 232)

“Contributing to society as one of our values is also a particularity. We have to do volunteer work, and in Switzerland, the mentality is that everyone does some volunteer work but doesn't speak about it. It's discreet. As for US6, the principle applies that if you do some volunteer work, this helps to weld together the team and increases engagement. In Switzerland, this doesn't work, and

we're also evaluated on this. We are supposed to form a committee with teams, and one team would go and paint the walls of a school, another would serve dishes to some handicapped people – we try to mobilise, but it doesn't work” (US6_I1no1: 310, own translation)

“There is a willingness to be a reference employer and to create a US9 town where US9 people are everywhere around. For instance, once 600 employees went to clean up around the Lake Geneva, or there are projects with handicapped people. This contributes to the positive image of the company in the canton” (US9_I1no1: 33, own translation)

“I mean there is a completely different audience US corporate companies are working towards. But also what I find convincing in this, why I don't think it's just propaganda in that sense is that: it's based on business. (...) [So it's a business case in the US?] Absolutely. But that's what makes it real for me. Because it's much more pragmatic (...) I think there is often that feeling that you need to hide it. You need to hide that there is a business reason. And I think with the US companies it is the opposite. You have to prove that it is a business case” (US10_I2no1: 431, 434, 437, own translation)

In summary, this evidence suggests that in some cases, local Swiss people strongly oppose US CSR practices, leading to undesirable outcomes like failed transfer or ceremonial adoption. In other instances though, there do not seem to be major problems with a typically US approach towards CSR as a business case and corresponding practices.

Table 32 below provides an overview of standardized HRM practices in the US MNCs of our sample.

Table 32: Standardized HR practices in US MNCs of our sample

MNC	Performance management process	High potential and talent identification, management development, succession planning	Training curricula / standard trainings	Pay policy / comp & ben	Payroll	Job descriptions / job families	Mobility	Employee surveys	Non union policy	Diversity	Security, safety and health	CSR	Recruitment process, standards/ employer branding	Socialization practices	
														Values defined / effective use of corporate culture	Code of conduct
US1	*/s, cf	*/s	*/s	*	N/A	N/A	*/cf	*	*	*/E	-	*	*/cf	*/*	*/c
US2	*+p	*	*	*	(*)	(*)	(*)	*	*	*/E	*	N/A	*	*/*	*/c/t
US3	*+p	*	*	*	N/A	(*)	N/A	(*)	*	*	*	N/A	-	*/*	*/c
US4	*	*	N/A	*	-	N/A	N/A	*	*/lc	*	*	N/A	-/cf	*/*	*/t
US5	*	*	*	*	*	*	*	(*)	*	*	*	*	*	*/*	*/t/p
US6	*	*	*	*	-	-	*	*	*	*/E	*	*	-	*/*	*/t
US7	*	*	N/A	*	*	*	*	*	*	*	N/A	N/A	N/A	*/*	*/t
US8	*+p	*	*, */s	*	*	(*)	*	*	(*)	*/1	*	N/A	*	*/*	*/c/t
US9	*+p	*	*	*	*	N/A	*	*	*/lc	*	N/A	*	*	*/*	*/t
US10	*	*/cur	*	*	N/A	*	N/A	*	*	*/E	*	*	*/cf	*/*	*/t

Source: own compilation based on interview transcript analysis; *=standardized, (*)=supposed to be standardized, s=standardized for (senior) management level/executives, cf=common framework, +p=explicitly coupled with career/promotion/succession management, cur=mandatory structured curricula, lc=legal compliance, respect of local customs, t=training, c=part of employment contract and/or signed, p=process, 1=mentioned as part of CSR, included in code of conduct and part of corporate values, E=European adaptations e.g. emphasis on gender diversity.

8.3.3 Standard HRM practices in German and US MNCs compared

In the previous two sections, we have presented and account of standardized HRM practices and processes in our two country-of-origin groups of German and US MNCs. Furthermore, we have discussed findings against the background of macro- and micro-level key influences on cross-national HRM practice transfer in MNCs (see table 15). We highlighted evidence of country-of-origin effects, but also of dominance effects that led to Anglo-Saxonization. For certain practices, we also discussed issues of interpretation and translation of Anglo-Saxon practices through German and Swiss stakeholders and managers, that led to important differences in design and implementation of formally similar practices. This was the case for design and operation of performance management systems, where important differences could be found between German and US MNCs, and even within European and US sites of the strongly centralized and standardised MNC US5. Similarly, a closer look at German versions of diversity policies revealed that contents as well as institutional background and reasons for their implementation differed widely between German and US MNCs. Still another example that revealed differences between the US and Switzerland was typical US policies and practices in the field of CSR, that strongly reflected the notion of CSR as a business case. We will now compare the results of our analysis of standardized HRM practices in German and US MNCs against the background of key insights and propositions that we have formulated in our research framework in chapter 7.3.

Concerning **German MNCs**, we expected to find some manifestation of long-term developmental HR with heavy emphasis on training, mostly internal careers with career progression being heavily based on increasing technical competence. Furthermore, we expected a co-operative, consensual style in IR. The issue of IR has not yet been discussed in more detail since it appeared to be more localised in German MNCs. This finding is interesting since it applies also to the group of highly centralised and standardized German MNCs of our sample. While this group of MNCs showed high levels of centralization and standardization of HRM processes and practices, the area of IR still seems to be an exception, where practices are still more locally determined. However, at this point, we may already say that generally, our German case study MNCs seem to confirm the picture of a co-operative style in IR just in the sense of the expected country-of-origin effect. Furthermore, the wide-spread use of standardized employee surveys as a complementary instrument of direct communication within generally pluralist traditions lends further support to earlier findings of

Tüselmann et al. (Tüselmann *et al.* 2003; Tüselmann *et al.* 2006).

The results of our analysis of standardized HRM practices strongly confirm our expectation to find signs of developmental HR (Dickmann 2003; Ferner *et al.* 2001: 116). As we have seen, among the German MNCs of our sample, we were able to identify the existence of a clear German country-of-origin effect in this area. Our collected evidence hence confirms the expectations formulated in the research framework. However, based on previous research, it was difficult to predict how exactly such country-of-origin influence would be manifest in concrete HRM practices in the Swiss subsidiaries of German MNCs. In this respect, our analysis revealed that this country-of-origin effect showed through in the following way: in most of the German MNCs, fairly structured and formalised technical trainings were in place. Furthermore, there was a direct nexus between the acquisition of technical competence, and career progression. D1 is maybe the most illustrative case for the presence of utterly structured training curricula that managers at certain levels have to complete in order to be eligible for promotion. As we have seen, this logic corresponds to traditional German functional career paths and a concept of legitimate authority of superiors that is based on superior technical knowledge. Our empirical evidence suggests that, in German MNCs, technical competence continues to be the most important, or at least one very important, criterion for promotion. This is particularly interesting since meanwhile, most German MNCs also have introduced performance management systems and might as well use performance against targets as criterion for the identification of high potentials. As far as we understood from our interviewees, performance in fact is a criterion for promotion in a sense that low performers would not be invited to assume greater responsibility. However, performance alone did not seem to have the status of a single most important criterion. Connected to this logic of structured curricula and acquisition of technical competence for career progression is what we termed passive careers. Passive careers refer to a top-down approach towards personnel development and career planning on internal labour markets that we could identify in several German MNCs. Our evidence suggests that, in many German MNCs, it is committees of high-ranking line- and HR managers who identify potential candidates who might climb up the corporate career ladder and reach the higher ranks. It is these committees who will then plan the development of these talents in a top-down manner, determining what kind of trainings they would have to complete, and whether international experience would have to be acquired. After completion of their curriculum, talents are appointed to a new post. This approach considerably contrasts with an apparently more active way of personnel development and

career planning that is present in many US MNCs. Our findings suggest that German career patterns that are marked by long internal careers and the acquisition of technical knowledge, are apparently largely transferable to Switzerland. Even if local labour markets are highly dynamic and turnover is higher than in German plants, we did not find any evidence of German MNCs changing their respective approaches towards personnel development and career planning in Switzerland. This finding might be explained by similar career patterns in Switzerland with comparatively long job tenures and an emphasis on technical competence. However, also the functioning of the Swiss labour market may partly explain why German career planning seems to work well also in Switzerland. As we have seen, neither are hire and fire strategies cognitively or normatively supported practices in Switzerland, nor do they make sense on a highly competitive labour market with low unemployment rates. In our interviews, we found strong evidence of the disciplining effect of the Swiss labour market on employers. In this respect, the Swiss labour market is different from the British one, where different career patterns undermined German long-term investment in dual VET and in-house career approaches.

Our evidence also lends further support to the findings of previous research on strong dominance effects in HRM, with the USA as a role model for German MNCs (Pudelko and Harzing 2007). In our sample of German MNCs, these dominance effects showed through in a variety of ways. A first interesting finding concerns centralization and HR process standardization. As we have seen in our discussion of corporate configuration and transfer, these characteristics, that have traditionally been viewed as typical elements of the HR architecture of US MNCs, were also present among the German MNCs in our sample. In line with a tendency towards centralization and HR process standardization, certain HR core processes around performance management were standardized at least for executives in all German MNCs except for D3. Although the introduction of such performance management systems might at first sight be viewed as still another expression of Anglo-Saxonization and U.S. dominance effects, things seem to be somewhat more complicated in reality. In fact, there is strong evidence from at least six out of the nine German MNCs of our sample that points to huge differences between U.S. performance management systems and what has been implemented and is operated in German MNCs. Based on the reports of our interviewees, we could identify German works councils' as the central actor in this field. In fact, works councils are endowed with great institutional power resources to oppose the introduction of performance management systems and force management into negotiations and consensus already at the stage of

design. This institutional coercion to enter into negotiations and seek for works council's agreement seems to be internalised by German managers to such an extent that it influences directly on their cognition and choice of practices, thus making them “carriers of institutions” (Kostova and Roth 2002: 218) of their country-of-origin. To our knowledge, none of the German MNCs' performance systems comprised any kind of forced distribution. Furthermore, embedded German managerial norms seem to influence heavily on the way in which such performance management systems are operated in reality. Several managers emphasized the fact that the use of these systems was fairly humane and not as rude as this might be the case in U.S. MNCs. A subtle Swiss host-country effect might be viewed in the fact that this German way of implementing performance management practices was seen with a critical eye by several of our interviewees in Swiss subsidiaries. This finding is interesting because, as we have seen, Swiss management style has equally been described as fairly consensual. Yet, Swiss consensual style does not seem to translate into a similar approach towards performance management as in several German MNCs.

Based on our literature review, we did not initially expect to find strong and formalised diversity policies in German MNCs. However, our empirical findings show that four out of nine German MNCs of our sample have formulated such policies, what might be viewed as another manifestation of Anglo-Saxon influence. In fact, there is no doubt about the U.S. origins of diversity policies in HRM. Yet, a closer look at German diversity policies revealed some differences. The latter very much emphasized the aspect of gender equality which is increasingly important for the employer image in Germany, and hence, used for employer branding. Although this employment market-related reason may equally apply to US MNCs, the big difference is the absence in Germany of a comparable social history with problems around racial discrimination, and the strictly enforced legal framework that has been established following the U.S. civil rights movement. In this case, we would therefore argue that, as distinct from other HR practices, U.S. diversity management policies are a result of coercive isomorphism. In the US NBS, elaborated diversity policies are required by law, and respective equal opportunity legislation is strictly enforced through specialised institutions. On the other hand, the room for manoeuvre in HRM for German firms is usually rather restricted through a constraining legal environment. However, concerning diversity, they were free to develop some policy without being legally required to do so, just in order to gain social legitimacy and to improve their employer image on the labour market. Our findings on German versions of diversity policies with their focus on gender equality can also be compared to earlier findings on U.S. practices in the UK and Ireland, where US MNCs adapted their original diversity policies in fairly

similar ways to European settings.

A last area where we could find signs of Anglo-Saxon influence is socialization practices that are linked to corporate culture, values and codes of conduct. Having a look at official company documents and web pages, we can see that all German MNCs have defined explicit corporate values and codes of conduct. However, our interviews revealed that once again, there were some important differences between the use of these same HR practices between US and German MNCs. The first important difference that we could clearly identify concerns implementation of corporate codes of conduct. Only one out of nine German MNCs had delivered some kind of training, and none of our interviewees told anything about regular examinations that would have to be passed on the contents of the code of conduct. This finding is particularly interesting in view of the general thoroughness and structure of technical trainings in these same German MNCs. Apparently, the German notion of training is not so much associated with the idea of socialization and passing of a formally defined common corporate culture to new employees, but rather with the acquisition of technical skills. Furthermore, especially the case of D6 seems to imply that it might prove to be fairly difficult to try and train German managers and employees on explicitly top-down defined corporate values in order to socialise them to a common corporate culture. This might be due to differences in the perception of the concept of corporate culture between Germany and the U.S. However, our collected information did not allow to go deeper into the matter of underlying reasons and concepts of corporate culture.

Regarding US MNCs, we expected the latter to transfer sophisticated performance management systems with calculative HRM practices, strong diversity policies, and a marked preference for individualistic non-union approaches towards ER/IR including strong direct mechanisms of communication such as employee surveys. Furthermore, we expected intensive socialization practices around strong corporate cultures that are used as management tools and passed to employees via explicitly formulated corporate values and associated trainings. But also codes of conduct may be added to these practices since the latter also formalize and prescribe certain ways of doing and underlying values. Finally, once more related to corporate culture and socialization, we have suggested that US MNCs might adopt internal labour market approaches as they were found to do in difficult labour markets. Though, as distinct from German MNCs, based on the extant literature we had no reason to expect functional career paths or any kind of nexus between career progression and the acquisition of technical knowledge as in German MNCs. The results of our

analysis of standardized HRM practices in US MNCs largely confirmed these expectations.

As we have seen, all of the US MNCs of our sample heavily rely on standardization and formalization of practices which facilitates transfer. Furthermore, with the remarkable exception of US1, all of the US MNCs of our sample had already in place, or where currently introducing, sophisticated integrated HR IT systems that allow for strong central control over standard processes and related key figures. As expected, all US MNCs of our sample had standardized performance management systems in place. This is even the case with the heavily decentralised US1, where all employees are covered by a common responsibility frame, and where a completely standardized system is in place for senior executives. Individual performance against targets is generally closely monitored and linked to compensation. Furthermore, we may underline that in nearly half of the US MNCs of our sample, interviewees explicitly pointed to clear and direct link between individual performance and career progression. This is largely in line with suggestions based on the literature about a pervasive market mentality and contractual forms of authority that are manifest in the relations between employers and employees. On the other hand, in none of the US MNCs of our sample, there were any comparably standardized, structured and formalised technical training curricula in place that would be linked to career progression, as this was the case in many German MNCs. While in terms of career prospects, in US MNCs the emphasis seems to be clearly on individual performance against targets, we could not find any further requirement in terms of standardized training programmes that would have to be completed.

However, in nearly all US MNCs that we could access, there were some mandatory standard trainings in place. Yet, the latter were not meant to convey technical knowledge, but rather served as a socialization measure to ensure effective use of corporate culture as a management control tool. Trainings on corporate values, corporate culture and internal career opportunities, and especially on the code of conduct, were wide-spread among US MNCs. Especially implementation of codes of conduct is utterly thorough and comprises trainings as well as regular examinations on its content in the great majority of our cases. Additionally, in nearly half of the US MNCs we studied, the code was even part of the employment contract. Interesting in this respect is the fact that we did not find evidence of any kind of Swiss host country effect that would represent an obstacle to the introduction of corporate codes of conduct as strongly value-infused practices (Selznick 1957: 17). None of our interviewees mentioned any kind of difficulties with the implementation of corporate

codes of conduct in Switzerland, neither in terms of employee acceptance, nor in terms of legal requirements. While the absence of legal problems may be attributed to the permissive nature of the Swiss host country, that is marked by a low degree of regulatory density, however, there might have been some degree of employee resistance being attributable to different cultural-cognitive patterns and concepts of ethics (Barmeyer and Davoine 2011; Palazzo 2002; Witt and Redding 2009). On the other hand, in none of the German MNCs of our investigation we found any comparable emphasis on, and thoroughness in, implementation of these instruments. Based on the accounts of our interviewees, we would hence suggest that, according to the extant literature, the deliberate use of an explicitly defined corporate culture is in fact a distinctive feature that is common to US MNCs. In all of the US MNCs of our sample, corporate culture is systematically passed to new employees through elaborate socialization measures, making use of intensive training and examinations. The presence of a type of corporate culture that is constructed around top-down defined corporate values and corporate ways of doing as management tools hence seems to be significantly more common and more effectively implemented in terms of internalization and functionality in US MNCs than in the German MNCs of our sample.

One further difference between German and US MNCs concerns the functioning of the internal labour market. As we have seen, in German MNCs, personnel development and career planning seems to be done rather in a top-down manner, whereas in US MNCs, the role of the internal labour market and active self-promotion of employees play a more important role. In many US MNCs, it is apparently more up to the employee himself to take initiative and actively search for new job offerings and development opportunities. Following this philosophy, the employee has to take care of his employability and to apply for new positions as if it was a new job in another company, with career planning and training being much more left to himself. The functioning of this internal labour market with its strong emphasis on the term market and corresponding career opportunities was also clearly explained to new employees, sometimes in mandatory initiation trainings, reminding us the logic of a fair contract in the sense of d'Iribarne (1989).

In our analysis of US MNCs, we could also find clear evidence confirming our theoretical suggestions about US country-of-origin effects in terms of strong and formal diversity policies or frameworks that were in place in all our US case study MNCs. These policies seemed to be somewhat more comprehensive than the versions found in German MNCs. For instance, some of

them also included explicit policies on sexual harassment. In four cases, U.S. policies were adapted to a European setting, either in contents or at least in the manner they were implemented. As we have seen, these findings on certain European adaptations in their diversity policies are consistent with results of earlier studies on US MNC subsidiaries in the UK and Ireland.

The results of our analysis also confirm our theoretical literature-based suggestions about another US country-of-origin effect in the area of ER/IR taking the form of highly standardized non-union policies and direct communication with employees. As we have seen, all the US MNCs of our sample showed a marked preference for direct communication with their employees. This is manifest in the fact that our interviewees in eight out of ten US MNCs explicitly mentioned the use of a standardized employee survey. Furthermore, none of our US MNC interviewees reported on any kind of relations with unions in Switzerland. On the contrary, several HR managers told about efforts to actively keep unions out, or at least at bay, wherever this is possible. In order to do so, direct communication channels were deliberately strengthened, or, as in the case of US6, an employee commission was used with the explicit intention to avoid that employees might feel any need for a union. As expected on grounds of our in-depth analysis of the Swiss NBS with its permissive IR, there were no Swiss host country constraints that would have hindered US MNCs in implementing such policies. While there is a strong tradition of social partnership in Switzerland, we did not collect any information that would point to lower degrees of social acceptance or legitimacy of non-union US MNCs.

Finally, there is a last area where we could identify signs for a clear US country-of-origin effect that, to our knowledge, has not yet been described as such in the extant literature. This influence is manifest in the presence of strong policies in HRM relating to issues of security, safety and health. Interesting in this respect is also the way several of our interviewees spoke about these policies when expressing their discomfort. Our collected evidence suggests that this kind of HR policies seems to be incompatible, at least to some extent, with Swiss conceptions. Not only were these policies felt to interfere in the private lives of employees, but also to be exaggerated or even ridiculous.

Somehow similar is the case of U.S. CSR policies and actions, where apparently two different institutional rationalities collide. In this case, we may once more come back to the issue of value-infused practices (Selznick 1957: 17) and apparent differences in cultural-cognitive patterns (Witt

and Redding 2009) between Swiss and US employees. While such differences seemingly did not cause major problems for the transfer and implementation of corporate codes of conduct, the picture seems to be somehow different in case of policies dealing with issues of security, safety and health, and the U.S. notion of CSR. For these practices, we found low degrees of acceptance and probably low degrees of internalization and resistance in several Swiss subsidiaries. Outcomes may therefore include ceremonial adoption or failed transfer, as in the case of intended transfer of publicly visible U.S.-style CSR actions at US6. However, this was not the case in all the US MNCs of our sample. At US9 and US10, our interviewees did not tell about any kind of problem with similar CSR actions.

Table 33 below sums up our findings on standardized HRM practices in German and US MNCs, together with the identified corresponding key influences and effects that may explain why the respective practices are standardized.

Table 33: Standardized HR practices and key influences and effects on transfer in German and US MNCs

HRM practices	German MNCs	US MNCs
Formalization and process standardization	Apparently more and more use of formalization and standardization of processes in German MNCs	Confirming to the extant literature, strong formalization and standardization of processes
	<i>Key influences and effects:</i>	<i>Key influences and effects:</i>
	U.S. dominance effect / Anglo-Saxonization	country-of-origin effect
Performance management	System design and implementation in a negotiated manner, nexus with bonus, pay, and to some extent, career prospects	Rigorous implementation top-down in a unilateral manner, strong and direct nexus with pay, bonus and career prospects
	<i>Key influences and effects:</i>	<i>Key influences and effects:</i>
	<p>U.S. dominance effect led to introduction of performance management systems in German MNCs (Anglo-Saxonization),</p> <p>however, this innovation in HR of U.S. origin underwent significant modifications during a process of interpretation and translation into the German NBS where U.S. dominance effects interfered with a German country-of-origin effect and agency:</p> <p>works council agency, that is based on strong institutional power resources, led to corporate isomorphism on system design (e.g. no forced distribution); furthermore, implementation is less rigorous and more humane than in US MNCs. This may be explained by German managerial norms and German socialised rationality of key actors, that are strongly marked by the omnipresence of pressures for negotiation, and the need to achieve a consensus; maybe also linked to German concepts of CSR referring to employment security</p> <p>Swiss host country effect:</p> <p>cognitive mismatch: German consensual or soft ways of implementing performance management systems was felt to be counterproductive or unjust by certain local HR managers;</p> <p>apparently differing concepts about the sense and mode of functioning of such systems</p> <p>Organizational effect:</p> <p>Performance management systems as central part of HR systems/HIWSs that</p>	<p>country-of-origin effect</p> <p>rigour of implementation influenced by managerial norms that are based on a U.S. socialised rationality pointing to the strong presence of a pervasive market mentality</p> <p>Organizational effect:</p> <p>Performance management systems as central part of HIWSs</p>

	imply the need for internal consistency to work properly	that imply the need for internal consistency to work properly
Training and development: technical training versus socialization	Strong use of structured mandatory curricula-like trainings for acquisition of technical competence; direct nexus with career progression	Strong use of structured mandatory trainings for socialization to corporate values, culture and codes of conduct; no direct nexus with career progression
	<i>Key influences and effects:</i>	<i>Key influences and effects:</i>
	country-of-origin effect	country-of-origin effect
Promotion and career	Passive careers: being identified as high potential and appointed to new positions in a top-down manner; functional specialist careers on structured and organized internal labour markets individual performance against targets as a <i>conditio sine qua non</i> for career progression, although not as the single most important criterion	Active careers: being identified as high potential, though responsibility for career development handed over to employees, who have to apply for new jobs and positions on a flexible internal labour market, which is governed by similar principles as the external labour market individual performance against targets appears to be the single most important criterion for individual career prospects
	<i>Key influences and effects:</i>	<i>Key influences and effects:</i>
	country-of-origin effect: traditional focus of German MNCs on long internal functional career paths and an understanding of legitimate authority being based on technical competence led to nexus between technical training and competence acquisition, and career progression; in line with earlier findings around a German culture of training	country-of-origin effect: U.S. MNCs were found to embrace internal labour market approaches for highly qualified staff or in difficult labour markets, the pervasive market logic is reflected in the functioning of these internal markets
Corporate culture, values and codes of conduct	Formally defined corporate values and codes of conduct in all the German MNCs, implementation apparently less thorough than in US MNCs, generally no or less trainings and no examinations on formally defined corporate values and codes of conduct	Strong emphasis on engineering corporate culture as a deliberately used management tool, extremely thorough implementation with initiation trainings on corporate values, culture, ways of doing and codes of conduct; codes of conduct in several US MNCs integrated into employment contract and contents are regularly tested and results monitored with IT-tools
	<i>Key influences and effects:</i>	<i>Key influences and effects:</i>
	U.S. dominance effect: inspiration to formulate explicit corporate values and codes of conduct; once more, this U.S. practice underwent significant modifications during a	Country-of-origin effect: the use of corporate culture as a tool for management control is described in the extant literature as typical element of US MNCs

	<p>process of interpretation and translation into the German NBS: apparently, there is still another concept of corporate culture present throughout German MNCs making the adoption of U.S. style practices of engineering corporate culture a priori more difficult in a German context;</p> <p>additionally, apparently overall less thoroughness and emphasis on implementation through socialization measures seems to lead to lower levels of internalization and functionality of formally defined corporate values and culture as a management tool in German MNCs</p>	
Diversity	Diversity policies are in place in some of the German MNCs, although more strongly focused on gender equality (except for D1)	Strong diversity policies in place corresponding to evidence of previous studies, sometimes adapted to European context (implementation and/or focus on gender equality)
	<i>Key influences and effects:</i>	<i>Key influences and effects:</i>
	<p>U.S. dominance effect: inspiration to formulate a diversity policy</p> <p>again, this U.S. practice underwent significant modifications during a process of interpretation and translation into the German NBS: in Germany, until present, there are no legal-institutional constraints in place that would require German MNCs to adopt any kind of formal diversity policy; yet, MNCs and top management as actors in the German NBS are well aware of increasing public and political pressure to conform to social norms around gender equality: deliberate use of a German/European form of a diversity policy that strongly focuses on gender equality and career opportunities for women as a means to gain legitimacy and an advantage on the labour market</p>	<p>Country-of-origin effect: clearly linked to idiosyncratic social history of the U.S. and the development of its NBS;</p> <p>diversity is one of the few areas where the U.S. NBS imposes important legal-institutional as well as socio-political constraints for HRM that US MNCs absolutely have to comply with for legal reasons and in order not to lose legitimacy; influence of US NBS institutional constraints on U.S. managerial socialised rationality somehow similar to German works council mindset: U.S. managerial norms are heavily influenced by U.S. diversity legislation and discourse, which is transferred through diversity policies into a European context; here, the U.S. challenges to HR management in terms of racial discrimination and a history of immigration are non-existent or at least, by far not as strong as in the U.S.</p>
ER/IR employee surveys	<p>Corresponding to earlier findings of Tüselmann et al. (2003; 2006), the majority of German MNCs of our sample used standardized employee surveys as a direct communication channel, though there were no signs of an anti-union stance in these same MNCs</p> <p>no evidence of any kind of standardized formal policies or clearly defined models or practices in the area of ER/IR which still appears to be decentralised</p>	General preference for direct communication and non-union policy confirming previous studies

	<i>Key influences and effects:</i>	<i>Key influences and effects:</i>
	<p>Subtle country-of-origin effect: German managerial norms and socialised rationality influenced by German NBS that imposes a multitude of legal constraints forcing management into continuous negotiations with stakeholders, including works councils and union representatives; high degree of sensitivity for local constraints in the field of IR</p> <p>dominance effect/Anglo-Saxonization: introduction of employee surveys as an innovation of Anglo-Saxon origin that is integrated into pre-existing German patterns of IR/ER</p>	<p>Country-of-origin effect: linked to adversarial industrial relations and the development of welfare capitalist models of ER that are heavily based on individual direct communication with employees, and that try to exclude or minimize collective, representative mechanisms and especially influence of outside actors such as unions</p>
Security, safety and health	Security policy only mentioned by D6 interviewee, together with a corresponding online-training	Strong policies in place in the majority of US MNCs
	<i>Key influences and effects:</i>	<i>Key influences and effects:</i>
	Anglo-Saxonization (similar to use of D6 guiding principles as a codified form of corporate values and culture)	<p>Country-of-origin effect: our interviewees have clearly identified such policies as a typical U.S. element linked to U.S. legal culture; maybe also attributable to a U.S. interpretation of corporate social responsibility that comprises the obligation to take care of the safety of employees</p> <p>Swiss host country effect: cognitive mismatch – low acceptance of and discomfort with policies that are felt to interfere into peoples' private lives, potentially lower levels of internalization that might lead to ceremonial adoption and low levels of functionality in certain cases (e.g. requirement to hold the handrail, specified process for parking, checking of urine colour)</p> <p>Organizational effect: linked to US5 company history as a gunpowder producer, safety aspects gained considerable importance</p>

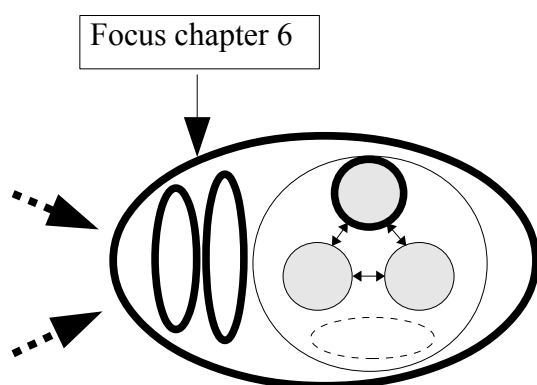
CSR	-	Strong signs for a typical U.S. understanding of CSR as a business case
		<i>Key influences and effects:</i>
		<p>Country-of-origin effect: more subtle and somehow less manifest in concrete, formalised and standardized HR practices than in other HR areas; however, in those cases where our interviewees reported on such practices, the content was fairly similar;</p> <p>Swiss host country effect: cognitive-normative mismatch and collision of institutional rationalities: in Switzerland, people seem to have another understanding of CSR and were not at ease with U.S. style public volunteer actions; low levels of internalization, ceremonial adoption or failed transfer in some cases, seemingly overall lower levels of functionality in Switzerland</p> <p>Agency: widely visible corporate CSR actions as a way of gaining social legitimacy</p>
Higher degrees of standardization for higher hierarchical levels	Present in several HRM practices and German MNCs	While there were some standardized practices in place exclusively for very senior managers, e.g. leadership trainings, the distinction between hierarchical levels generally seems to be less marked than in German MNCs
	<i>Key influences and effects:</i>	<i>Key influences and effects:</i>
	<p>organizational effect: higher need for internal consistency and control on higher hierarchical levels</p> <p>country-of-origin effect: such a distinction reflects a lower degree of works council influence on HRM practice design for managerial employees, and the fact that the latter are additionally exempt from collective bargaining agreements; German MNCs hence benefit from greater room for manoeuvre when designing separate HRM practices for managerial employees</p>	<p>organizational effect: higher need for internal consistency and control on higher hierarchical levels</p>

Source: own compilation based on interview transcript analysis and literature review.

8.4 Local Swiss practices: what is local – and why?

In the previous chapter, we have established which particular HRM practices, policies and processes are standardized in German and US MNCs. The findings on standardized practices have been compared between the two country-of-origin groups and discussed against the background of theory and literature. We could identify the presence of distinct micro- as well as macro-level effects as described in our integrated conceptual framework of HRM practice transfer in chapter 4.2, and thus theoretically explain our empirical findings.

In the following, we will report our results on HRM practices that are determined locally or locally



Cross-national HRM practice transfer towards the Swiss host country NBS - Swiss host country effects

adapted. Our particular attention in this chapter is hence placed on the identification of Swiss host-country effects that are due to the Swiss NBS as described in chapter 6. Results are again structured according to country-of-origin with the first subsection presenting localised HRM areas, processes and practices in German-, and a second one dealing with US MNCs. In a third section, we will again compare and summarize key findings on local practices in a table. As in the previous chapter on standardized HRM practices, we do not have complete information on each and every practice for all

the MNCs, which is due to our research methodology based on the use of semi-structured interviews. This is why there are again some fields in our overview tables on standardized HRM practices that could not be filled in.

Similar to our proceeding in the previous sections on standardized HR practices, the results of our company sample concerning local HR practices will be discussed against the pattern that emerged from the literature, and checked for the presence of institutional, micro-political or organizational effects and influences. While the previous chapter focused particularly on the presence of country-of-origin and dominance effects, we will now concentrate on local Swiss host-country effects.

8.4.1 Local Swiss HRM practices in German MNCs

Legal-administrative HR issues

As we have seen in our analysis of the Swiss NBS, there are generally few institutional constraints that might give rise to local coercive isomorphic pressures. This is especially true for institutions governing the labour market and employment relations. Swiss labour law is liberal, and collective IR, although highly co-ordinated, remain very flexible with comparatively weak negotiation power of unions.

On the other hand, in the highly decentralised federal Swiss state, in fields where clear legal regulations and requirements are in place, a great deal of the latter are defined on a cantonal level. The highly decentralised nature of Swiss state organization and legislation also influences on HRM, where certain practices have to be dealt with locally. In our analysis, we could identify one area that we have termed legal-administrative HR issues. Here, firms have to comply with clear federal Swiss or cantonal legal requirements. According to our findings, this area is the only one where local Swiss HR managers can fend off corporate standardization initiatives on legal grounds, and hence based on a strong institutional power resource:

“We have a common pension fund where, honestly speaking, we clearly try to keep DI at bay because we say: there is a clear mandatory legal requirement, where DI is not allowed to interfere too much. This has been quite a struggle for some time, but now the issue is settled” (D1_IIno1: 284, own translation).

This is basically the case in areas that are linked to the Swiss welfare system, and hence, comprise legal regulations on social insurance, health insurance and pension funds. But also taxes and legal provisions governing employment contracts, equal pay, recruitments and layoffs have to be dealt with locally.

“(...) the practice concerning layoffs (...) all what I call life cycle management, contracts, all that is local” (D7_IIno1: 457, own translation)

“[How do you convince HQ that there are cantonal requirements?] I say: 'Believe me. I know the U.S., the UK and Germany – and I am managing 26 countries here and not only one like you!' And I describe this as horror. 'Oh my God: cantonal tax laws!'” (D5_IIno2: 19, own translation)

“[Do you have a corporate diversity policy or a policy on gender equality?] Equal pay is a big issue here. Since we are supplying the Confederation, or more precisely the army, with products, we

are audited inter alia concerning equal pay. In 2008 we underwent an equal pay analysis (...) and the results were not quite satisfactory. So, following this audit, I made certain adjustments (...) During the last four months, we evaluated 110 functions with a non-discriminatory system. And following my strategic planning, next year I will start to revise the whole compensation and performance management system.” (D9_IIno1: 661, own translation)

In our interview with a representative of the Swiss employers' association, we could find another element that seems highly important to understand the functioning of the Swiss labour market. As we have seen before, Swiss labour law is very liberal, and from a strictly legal point of view, individual as well as mass layoffs can be done quite easily. While this feature of the Swiss NBS allows for quick reactions and the creation of jobs, the downside consists in a lack of institutional protection for local employment. As we have seen, laying off employees in Germany is onerous and takes a lot of time because of institutional constraints that require management to negotiate and agree upon a social plan with works councils (Harcourt *et al.* 2007: 964; Morin and Vicens 2001: 51). By contrast, in Switzerland, there are no comparable formal constraints. This reminds us the case of a German MNC and her British subsidiary described by Anne Tempel (2001: 264), where the German MNC chose to take advantage of the permissiveness of the British environment to lay off employees there. This decision had been taken in order to avoid conflict with home country employee representatives by protecting its German workforce, and not on grounds of better performance. With liberal labour law in Switzerland, similar situations would be conceivable. Thus, it might be that the permissive nature of Swiss labour law and the low level of legal employment protection rendered D7's decision to close down its divisional HQ in Switzerland easier. However, as we have seen, considering general outcomes in terms of comparatively high levels of perceived employment security and long job tenures, there seem to be fairly effective mechanisms in place that prevent Swiss employers from laying off staff locally just because this can easily be done. One of these mechanisms is directly linked to the political influence of unions in the Swiss parliament, and to dense associational networks together with the disciplining role of associations on their member firms, as the following interview extract illustrates:

“[question on liberal labour law and the possible downside of hire- and fire policies that might be pursued in Switzerland](...) through the industry associations we can fairly easily show them and say: 'You can close down that plant, you closed it in Switzerland because it was easier than in Germany. And of course, each time when a firm is closed down like that in Switzerland, there is this

feeling that this was done just because it was easier. And then we clearly have one or two parliamentary motions. This is something you have to be aware of. And this is also the difficulty: how to demonstrate to the firms that it is through their own behaviour that they decide on the political climate” (Swiss employers' association: 112, own translation)

This extract demonstrates how the behaviour of local employers in Switzerland is not as much controlled by formal legal requirements, but rather by means of close links between actors of the IR and the political arena, and the disciplining role of associations on their members. We will come across this specifically Swiss dynamic again in our discussion of practices in the field of IR and ER. Moreover, some more interview extracts illustrate the working of specific Swiss mechanisms of social control in small cantonal societies, where people know each-other personally and meet quite regularly in everyday life. This form of social control, that has been described as the law of multiple encounters in life (Freitag 2004: 113; Weibler and Wunderer 2007: 283), is effectively felt in practice. Furthermore, employers feel the pressure from a very dynamic local labour market, where employees do effectively have the exit option (Meardi 2007: 511–512; Meardi *et al.* 2009: 508) if they are not happy with their employer, and may additionally make use of word of mouth propaganda.

“Layoffs without reason, that's something difficult to understand in Switzerland” (D2_I1no2,I5no1: 8, own translation)

“(...) good citizen, having a liberal labour law does not legitimize you to behave like a pig. Because you always meet twice. (...) the image you have achieved on the labour market isn't just something unimportant” (D6_I1no1: 285, own translation)

Even though there is no legal obligation to justify layoffs, our evidence indicates that normally, the principle of freedom of dismissal without indication of any kind of just cause neither seems to be regularly applied in practice by employers, nor to be well-accepted by employees. Moreover, a similar dynamic also seems to be in place with recruitments, which are closely tracked by the local professional community:

“Swiss people are very much attached to their local community. Every hire is closely traced” (D5_I1no2: 24)

There is still another area where the Swiss host country imposes certain constraints that may raise

problems for HR professionals. These constraints were strongly felt by HR professionals who are dealing with frequent short-term international mobility and concern the matter of visas and work permits. This is especially the case when third country nationals from non-EU member states, who are not covered by the bilateral agreement with the EU on the free movement of persons, have to obtain a work permit. In this case, the functioning of the Swiss administration very much shows the importance of local networks within the Swiss people-networking society (Avery *et al.* 1999: 22) for everyday business. This finding can be illustrated with the case of D5. As we have seen, D5 is one of the highly standardized German MNCs, where many standard processes are in place, that are normally performed by shared service centres. Although mobility is one of these shared services at D5, our interviewee explained why Switzerland is a special case:

“Well, in Switzerland we have a special situation, because mobility is a shared service (...) We are working together with a global provider who is doing visa, relocations etc. In Switzerland we have the particular situation that we still have local providers. This is due to the fact that the global provider is not able to qualitatively satisfy our local needs. He doesn’t know the cantonal world – he knows the cantonal structure, and maybe he even knows the legislation, but he doesn’t have the network that you need if you want to transfer people short-term. Because we all know that after eight days it gets serious, and that person must have a visa. And when people are coming and going, eight days pass quickly (...) I’d say that dealing with authorities is very network-oriented. (...) And negotiable” (D5_I1no1: 175, own translation)

In this case, an original Swiss host-country effect shows through, as this evidence very much fits in with our suggestions on the presence and working of informal institutions in Switzerland. While there is no formal regulation in place requiring foreign MNCs to charge a local service provider with administrative issues linked to international mobility, reality shows that apparently there are informal sanctions in place if foreign firms do not adhere to local habits, customs and practice. Local providers who have personal networks within, and who are familiar with, the rules and functioning of local authorities seem to be able to deliver faster and better services than global players. Such a mechanism might as well be interpreted as an efficient way to protect the local market and interests of local service providers without raising any kind of formal entry barrier to global service providers.

However, there is still another original characteristic of the Swiss NBS that has an effect on HRM practices in this case concerning the great flexibility of Swiss authorities and the legal framework at

large. The latter leaves much room for negotiations between business actors and local authorities to find tailor-made solutions. This has been recognized by HR managers, but also by an expatriate German customs specialist, and seems to apply even to those few areas, where clear legal requirements are in place, such as pension plans – and even customs authorities:

“A Swiss particularity: there are quite some legislative grey areas. This gives you some room for manoeuvre, and hence, for negotiation between companies and local authorities or pension funds” (D2_I1no2,I5no1: 14, own translation)

“In Germany you could also discuss with customs authorities, but they are much more oriented towards the law and say: 'This is the law, we can only do it this way' (...) Of course, there are laws here as well, but there are not quite as much things regulated as in Germany. Many things aren't regulated and this allows for creative freedom, which is also exploited. On the one hand, this is good, because when I have to deal with the District Directorate of Customs at Basel (...) and I need some simplification, I just make a call (...) so, much more is possible there. The problem is, that when I have implemented this at Basel, this does not mean that it works at Geneva. This is because there are four big District Directorates of Customs (...)” (D1_I3no1: 37-40, own translation)

As this last interview extract shows, there are advantages as well as disadvantages flowing from the flexibility which is inherent in the Swiss legal system. In our analysis of local Swiss practices and influences, we will also come across further specificities linked to the great importance of the sub-national, cantonal level for regulations.

Overall, following our interviewees, the great flexibility of the Swiss legal framework in areas that might affect HRM generally seems to largely outweigh or prevail over those few areas that are strongly regulated. This becomes evident in the following extract, where our D6 interviewee clearly stated that he normally did not have to adapt practices for legal reasons. This fact, in turn, actually deprives him of an important institutional power resource on which his colleagues in other countries can draw:

“Normally we do not have to adapt anything for legal reasons. Basically, we are very tolerant. When there is a new target-setting system, we do it that way, and if it's changed the following year, we do it differently. So, from a legal point of view, normally there isn't much, and concerning core processes, there are basically no good excuses except for an argumentation grounded on labour law. Thus, our means to defend ourselves are fairly restricted in this area” (D6_I1no1: 467, own

translation)

In turn, this same manager told about his French colleagues fending off the transfer of corporate standard practices by referring exactly to such local legal requirements that are non-existent in Switzerland. Furthermore, management at German HQ seems to be very receptive to such arguments since they are used to this kind of constraints at home, which in turn points to the impact of the German socialised rationality:

“The other thing is (...) that they instruct us to comply with co-determination. Of course, normally this is not an issue here, but the German corporation is very understanding that things take time. And French people always get away scot-free as they always find objections to everything. And Germans are understanding – whereas in America they are not at all appreciative when the French just say: ‘We don’t accept the code of conduct’” (D6_I1no1: 410, own translation)

As we can see, apparently, in HRM there is a near absence of Swiss institutional coercive isomorphic pressures that might be used as institutional power resource by local actors to fend off corporate interference on legal grounds. This means that Swiss HR managers have to find different ways to convince corporate HQ to adhere to local Swiss customs and practice, which is not legally required. Even though adherence to Swiss customs and practice is not necessarily formally or legally required, non-adherence might nevertheless give rise to problems, as we have seen in the case of mobility.

IR/ER

According to the findings of previous investigations, German MNCs were expected to be rather decentralised in the field of IR and ER, and to adapt to local customs in this area. Opposed to their U.S. counterparts, German MNCs were notably not expected to show any systematic preference for non-union policies or for direct, non-representative channels. At the same time, the extant literature suggests that German MNCs have adopted Anglo-Saxon innovations in the area of ER, especially the use of standardized employee surveys as a means of direct communication, and to blend in such elements with their traditional use of indirect representative channels (Tüselmann *et al.* 2006). As we have seen in our section on standardized HR practices in German MNCs, the use of standardized employee surveys is effectively quite wide-spread also in our sample, with two out of three German MNCs using such a tool.

Furthermore, in our analysis of the German NBS, we have seen that there are huge differences in the field of IR within Germany, especially according to region and firm size, where larger firms and MNCs from Western Germany were found to have higher rates of collective bargaining coverage and works council representation (Bluhm 2001: 166–167; Schnabel 2006: 170; van Klaveren and Tijdens 2011: 68). Due to the fact that all the HQ of German MNCs of our sample are located in Western Germany, size would be the only contingency factor that might have an effect in our sample. However, in our small sample we could not find any differences in their approaches towards IR and ER between our smallest two MNCs D3 and D9 and the biggest ones, D1, D2 and D6. It might also be that such differences that are linked to firm size rather exist between different classes of organizations such as SMEs on the one hand, and MNCs on the other, and much less between MNCs of different sizes.

Apart from the use of standardized employee surveys, the evidence from our sample on other practices related to IR and ER is mixed. We therefore suggest that this evidence should be interpreted also against the background of our information on micro-level variables concerning the activities performed by, and market orientation of, Swiss subsidiaries. In doing so, we follow arguments that have been worded by Tempel et al. (2005: 197) concerning possible interaction effects. In the cases of D1 and D2, we had the opportunity to compare production plants with blue-collar workers or subsidiaries that served the local market, and sites that had an international orientation, and where primarily white-collar workers were employed. In the first category of blue-collar production sites or subsidiaries with a local market orientation, D1 and D2 entertained relations with local unions and signed one or several collective agreements with unions as social partners, thus following a traditional Swiss pattern in IR. On the other hand, in their international operations with white-collar employees, our interviewees did not report any relations with unions or to have signed any kind of collective agreement. We would therefore argue that this second finding on international sites should not, or at least not exclusively, be seen as expression of a country-of-origin or host-country effect. In fact, corresponding IR practices rather seem to be linked to the activities performed in the local Swiss subsidiaries. White-collar employees are usually not unionised, which is true for Switzerland as well as for Germany, where they are often part of the category of exempt employees. The same logic would apply to the cases of D5 and D8, as well as to the international divisional HQ of D7. All these are sites where managerial, research or consulting activities are performed, and it would be rather unusual for these categories of employees to be

unionised and covered by collective agreements. As for the cases of D3, D4 and D9, the opposite logic would apply. All three subsidiaries have major production activities, where blue-collar workers are usually covered by collective agreements, which is common practice in both countries, Switzerland and Germany. While the D9 HR manager did not sign a collective agreement, this was not due to any ideological reasons but merely due to her desire to maintain flexibility.

Where collective agreements have been signed (D1, D2, D3, D4), the latter were negotiated between an employers' association and unions. German MNCs followed the local Swiss practice to exclude wages and salary increases from collective agreements and to negotiate these issues on a firm or plant level. In these companies, wages would then be discussed with a personnel commission as social partner except in the case of D2 where no personnel commission was in place: *"In the collective agreement of the mechanical engineering industry, there is no minimal wage fixed. On the other hand, we have a personnel commission. (...) So the board will communicate with the personnel commission to define the guidelines (...)"* (D3_I1no1: 294, own translation)

"Salary increases, individual and general ones, are discussed with the personnel commission. But basically the personnel commission has only the right to be heard, no co-determination right. Of course we try to find a way so that they have it, too, but this is different from Germany" (D4_I1,I2no1: 418)

"We have a personnel commission that is well-established. You cannot call this wage negotiations. They have the right to make a proposal, but no co-determination right in such areas" (D6_I1no1: 387, own translation)

"Of course we have a personnel commission. Of course have a normal social partnership with our personnel commission. I have a monthly meeting with the president of the personnel commission. Wage negotiations are also discussed with the personnel commission that makes inputs which have to be discussed together. This is just in line with what is common practice in Switzerland" (D9_I1no1: 604, own translation)

In the case of D1, another interesting detail concerns the existing connection between personnel commission and unions. This detail is interesting since such a connection also exists in many German firms between works council members and unions, often taking the form of unionised works council members (Giardini *et al.* 2005: 68).

"(...) of course, treating certain issues like regulations for annual working hours, where our

personnel commission is not exactly sure what to do, it is possible that they call in the union. This pretty much depends on the persons in that commission. (...) Today, we have a very democratic [president of the personnel commission] who is incapable of asserting himself. And if he calls in the union half-way, and they restart from the beginning, I say it's better to call them in right from the outset” (D1_I1no1: 214, own translation)

On the other hand, as we have seen, US MNCs in Germany were eager to cut off such connections between internal representative organs and external players like unions. It is hard to say whether this is more due to the personal attitude of our Swiss interviewee or whether this is a common practice also in Switzerland. In any case, based on our literature review, we have grounds to believe that such a practice would probably not be accepted in US MNCs.

In the cases of D2 Switzerland and D5, where no personnel commission is in place, and also at D7, it is interesting to see that the HR managers were very conscious about the fact that it corresponds to local custom to have one. In fact, according to the Swiss *Mitwirkungsgesetz* or Workers' participation law (Bundesgesetz über die Information und Mitsprache der Arbeitnehmerinnen und Arbeitnehmer in den Betrieben (Mitwirkungsgesetz) 1993), such a commission would have to be set up on the demand of employees. In these cases, apparently employees just did not demand for the formation of a personnel commission. Though, there are no signs indicating a willingness to actively avoid such a representative committee, or to refrain from the idea of social partnership and inclusion of employees or their representatives into decision-making. In case of D2 Switzerland, the Swiss HR manager even had to justify to corporate HQ why there is no commission in place:

“And so I don't have any elected personnel commission at [Zurich area] because it has not been formed. So I'm quite happy with that. Or the other way round, what I always answer when Germany asks me: 'We treat our people in such a way so that they don't have grounds for complaint” (D2_I4no1: 231, own translation)

“We don't have a personnel commission neither, which is provided for by Swiss law. We have already discussed this issue, but it has never been relevant, which is quite probably due to the fact that we are already very open and integrate our employees into our planning and keep them informed” (D5_I1no1: 292, own translation)

“[question if there was a deliberate policy or ideology behind the fact that there aren't any relations with unions or collective agreements in Switzerland] I can't tell you because I don't remember any

conversation where this issue would have been discussed. (...) No, we have a European Works Council because they must have this representation in Europe. We also have a Swiss delegate in this representation. I'm not conscious of any particular aversion" (D7_IIno1: 329-330, own translation)

We also found some influence of a German socialised rationality and of a German negotiated style (Wever 1995) that is reflected in a German mindset and approach towards IR and ER in Switzerland. This influence was manifest in the fact that German HQ required Swiss HR managers to make sure that they comply with whatever kind of co-determination regulations. Even if there are no such requirements in place in Switzerland, German managers seem to be utterly sensitive to the possible presence of local legal requirements for negotiation with stakeholder representatives:

"When they want to introduce worldwide competence management, they first ask in every country: 'What do we have to do with the works council in your country in order to be able to roll that out?' And well, being Swiss, this question just raises a smile on my face when I answer: 'nothing'. There you really feel the German mindset" (D1_IIno1: 200, own translation)

"(...) we always have to confirm compliance with any relevant co-determination regulations" (D6_IIno1: 418, own translation)

A further influence of a German mindset or socialised rationality may be viewed in the idea of social partnership and the involvement of employee representatives and unions as stakeholders in difficult decisions. This approach, in turn, might also be interpreted as a strategy to gain local legitimacy, which is quite similarly done in Germany. For example, at D1, local management had to restructure the production plant in recent years and to significantly reduce the local workforce. In this restructuring, unions were included as social partners from the outset in order to negotiate and find an acceptable solution together:

"(...) what role do unions play: in recent years we had to significantly reduce our workforce. Here, unions play a role in a sense that you have to find a proper solution with them. Otherwise you get problems elsewhere" (D1_IIno1: 210, own translation)

In our interview with a high-ranking Swiss union representative, we discussed the issue of what kind of problems employers might actually face if they did not negotiate with unions. As we have seen in our analysis of the Swiss NBS, unions are fairly weak in their negotiations with employers.

So the question arises what drives employers under these circumstances to include unions and to opt for social partnership solutions, when there is no formal institutional pressure put on them?

“Basically I believe that it makes sense to carry out reorganizations with a social partnership approach in order to guarantee a minimal reconciliation of interests. (...) The second thing is of course, that the potential for conflicts is reduced if unions are integrated. And naturally, the third element is that – to use diplomatic phrasing – once in a while firms also have some needs. And these needs are rather satisfied if there is a good co-operation. And if there isn't, these needs are less satisfied” (UNIA: 139-141)

“Time and again, certain questions arise that certain firms have to face. And there it is important to know that unions are represented in nearly all the important economic commissions, that we are represented in the Swiss Export Risk Insurance, and that we discharge our mandates effectively” (UNIA: 181)

This statement of a unionist directly confirms our theoretical expectations concerning an important element of the Swiss NBS that is linked to the Swiss political system. As we have seen, unions in Switzerland are weak in their relations with employers, but strongly integrated into the political system, where they have the status of a veto-player. As our union interviewee suggests, this political influence also extends to union representation in a range of commissions as part of Swiss private interest government, where certain resources are allocated. In such commissions, unions may hence influence to a certain degree whether a certain firm can access certain resources or not based on political criteria.

Since Swiss unions are able to launch a referendum and block legal initiatives for a long time or potentially even completely stop them, employers run a high risk if they do not seek consensus with unions. This constellation leads to an interference between the political arena and industrial relations bargaining. In fact, our interviewee also gave one important example where unions bargained in the political arena in order to achieve social security for employees in certain economic sectors. The latter would have faced the risk of low-wage competition and social dumping from European Union countries as a negative side effect of the agreement on the free movement of persons:

“If we as a union opposed the free movement of persons, the economy would never find a majority in the population. I mean, the unions have agreed on the free movement of persons. In return, we expect suitable accompanying measures, collective agreements etc. This is a deal” (UNIA: 143)

“(...) of course this is typical, (...) I will aggressively put pressure on them and say: ‘If you want a yes for the free movement of persons, then I want minimum wages in the collective agreements’” (UNIA: 231)

The macro-effects of this political bargaining between unions and business associations have also been confirmed by our interviewee from the Swiss State Secretariat for Economic Affairs. This interviewee clearly identified the bilateral agreements with the EU on the free movement of persons as the single most important factor that influenced recent developments in Swiss IR. This agreement had strong effects on Swiss labour market organization, since it led to a revival of the instrument of collective agreements, where coverage increased. Furthermore, social partners agreed to introduce minimal wages in several of these collective agreements which are legally binding also for workers from EU states. Since there is no legal minimal wage in Switzerland, and wage bargaining has been excluded from collective agreements in important industries like mechanical engineering and in the chemical industry, the introduction of minimal wages in collective agreements is a novelty in Swiss IR. In fact, once these collective agreements are declared generally binding on request of both, employers' association and union, these are legally binding for all firms active in a given sector and region and, together with a deposit requirement, effectively prevent wage dumping. On the other hand, this solution remains flexible, since minimal wages are negotiated between the social partners for single industries and industry branches on a regional level.

“(...) during the last 10 years, employers showed increasing interest for the negotiation of collective agreements (...) together with the accompanying measures, with the free movement of persons, their interest increased (...) above all, this is in order to involve the foreign competition. When a collective agreement has been declared generally binding and foreign firms come to Switzerland, the latter also have to respect the minimal wages fixed in the collective agreement” (SECO: 193)

Dual VET

As we have seen in our analysis of the German and Swiss NBSs, the dual Vet systems in these two countries are strikingly similar. On these grounds, we formulated our expectation that German MNCs would probably engage in dual Vet also in Switzerland, where all the necessary infrastructures are available. This institutional support allows for a direct transfer of German production models and work organization. Apart from the question of whether German firms train apprentices, we also wanted to know why they would do so. As we have seen, apprentices are

trained by Swiss firms not only for rational-economic, but also for social reasons as a part of corporate social responsibility. In our sample of German MNCs, eight out of nine German firms trained apprentices. In case of D8, where currently no apprentice training was done, the HR manager stated that they were however willing to do so in the future, and that they also had two persons with the necessary qualifications to train apprentices. Therefore, this first finding confirms our expectations about engagement of German MNCs with dual VET in Switzerland.

Concerning our second question about the underlying reasons for training apprentices locally, we found several explanations. Some of our interviewees simply pointed to direct German influence:

“There is a great internal willingness. We discussed the issue at the management meeting: why don't we have any more apprentices here? This doesn't come from me, the issue came up internally” (D2_I1no1: 282, own translation)

“We have engaged one apprentice, then a second. This comes from Germany” (D2_I1no2,I5no1: 4)
“In Germany they also train quite a lot of apprentices” (D3_I1no1: 226)

Others very much emphasized the fact the apprentice training wasn't an economic necessity for them, but clearly a matter of assuming their corporate social responsibility:

“Yes, we do have apprentices. We also hold this in high regard. You have to formulate it the hard way: we do not need them to survive. We do not train in order to satisfy our own demand, but this is much more about social responsibility” (D5_I1no1: 239, own translation)

“In Germany, we have always had a very sustained apprentice training, which is due to the fact that Germany is a development location (...) And there we train to satisfy our own demand” (D5_I1no1: 244, own translation)

“Apprentice training, there was this forum Start (...) to present professions to young pupils from secondary school. We were very much engaged there. So, yes, there are a lot of things. I think that we have contributed our share” (D3_I1no1: 328, own translation)

“On the one hand, there is production, where staff was reduced. (...) On the other hand, we built new apprenticeships. And of course, this also sells well” (D9_I1no1: 530, own translation)

The idea of training apprentices as part of corporate social responsibility in Switzerland was also confirmed by our interviewee from the Swiss employers' association:

“There are firms that have a special logo, for example a carpenter, they have a sticker which is put

on their entrance door, so that everyone can see that they offer apprentice training. This also somehow belongs to (...) corporate social responsibility, where we say: of course, this is part of it. And this is something that you can show. A decent Swiss firm also trains apprentices” (Swiss employers' association: 94, own translation)

Our union interviewee pointed out the political aspects of non-engagement in dual VET:

“Politically they avoid pressure. (...) Of course, when I have a discussion with a firm and they don't have apprentices, I can attack them on this issue in a political dispute. Then I can say: 'Look, you do not have any apprentices!’” (UNIA: 113, own translation)

Lastly, apprentices can also be trained for a mixture of both, rational-economic and social reasons as the case of D9 demonstrates:

“On the one hand, this is surely also a reaction to – well I'd say that D9 wants to assume a regional social ethic responsibility, because there are less and less jobs or apprenticeships. And on the other hand, of course, also thanks to the positive experiences that we made. Because I hire a great part of them afterwards” (D9_I1no1: 524-525, own translation)

Training

Apart from dual VET, there were some more local trainings in all the German MNCs of our sample. For instance, in the workshop-related field for blue-collar workers at D1 (D1_I1no1: 272) and D3 (D3_I1no1: 246) or local language trainings at D2 (D2_I1no1: 300) and D5 (D5_I1no1: 252). At D4, trainings that are delivered in Switzerland are also organized locally (D4_I1,I2no1: 339). At D6, the offering in the area of further training is developed locally (D6_I1no1: 464). Further training is also a local issue at D9 (D9_I1no1: 544). At D7, everything in terms of training is local up to the level of middle management (D7_I1no1: 258), and at D8, trainings in the field of informatics are local (D8_I1no1: 253).

All in all, we might say that trainings are either highly standardized, which is especially the case for higher ranking managerial employees, or very local, as is the case with dual VET and other shop floor technical trainings. This finding is therefore largely in line with suggestions from the literature (Ferner *et al.* 2011: 500; Myloni *et al.* 2007: 2066, 2069; Nakhle 2011).

Recruitment

As we have seen, in the area of recruitment, there are certain standard processes or tools in place in all the German MNCs of our sample, which are often related to the idea of a uniform corporate employer branding, or common recruitment tools. On the other hand, there are some aspects around recruitment that are local, making it a functional area in HR where there is often a mix of standardized corporate and local practices. Accordingly, all of the German MNCs of our sample, while having some corporate standards in place, told that a big part of the practices related to recruitment were still local:

“HQ in Germany wanted to introduce an assessment centre in Switzerland, following a logic of processes. Fortunately, until now we still have great freedom as far as recruitment is concerned: this is a local-geographic issue, and also in terms of the employment market” (D2_I1no2,I5no1: 11, own translation)

“Concerning recruitment, we have our own procedure here” (D3_I1no1: 348, own translation)

“Parts of recruitment are centralised, the use of the recruitment tool and issues like employer branding or -marketing. But then there is a fast cut-off. The recruitment itself is still done at the single sites” (D4_I1,I2no1: 265-266)

“After all, recruitment is something personal” (D2_I4no1: 301, own translation)

“We have a job fair, apart from that, we do things in Switzerland how this is done here” (D4_I1,I2no1: 347, own translation)

“Basically, the tools and processes are defined by the plant” (D4_I1,I2no1: 553, own translation)

“(…) recruitment is local. For instance, in Germany, the recruiter makes a phone call and then the manager meets a view preselected candidates. This would be impossible in Switzerland! Personal contact is a must” (D5_I1no1: 10-11, own translation)

“(…) for example, we have our trainee-programme (…) and also the issue of university marketing, how we do this in Switzerland” (D6_I1no1: 456, own translation)

“I co-operate with local employment agencies (…) I have some framework agreements with certain partners. Apart from that, no, the major part of recruitment we're doing ourselves” (D9_I1no1: 479, own translation)

As we can see, the local Swiss logic of local networking and personal contact also seems to give rise to a certain host-country effect on recruitment practices.

Compensation and benefits, wage increases

A further area, where practices are partly standardized and partly local, is compensation and benefits. As we have seen, there is some corporate pay policy in place in the large majority of firms. On the other hand, pay increases are negotiated locally at D1 (D1_I1no1: 283) and D3 (D3_I1no1: 311-312). At D2 international, the pay system with a special bonus for non-managerial employees is local (D2_I1no1: 300)(D2_I1no2,I5no1: 24). Also at D4, wages are negotiated according to local practices (D4_I1,I2no1: 547). At D5, the benefits-policy is strictly local (D5_I1no1: 200, 278). In case of D5, this local adaptation of the compensation and benefits policy is due to the desire to be market competitive in the relevant labour market segment:

“(...) we want to be market competitive on the relevant labour market. And the relevant market for certain functions may be a very local one, sometimes it may be even restricted to one region within Switzerland. But the higher the hierarchical level, the more this market gets international” (D5_I1no1: 280, own translation)

This is a nice illustration of the underlying logic of global pay policy and system design. As we have seen, these policies and systems usually provide for the possibility of local adaptations in terms of compensation and benefits, while equally guaranteeing the application of some common global rules. While labour markets for managerial employees and experts on high-ranking hierarchical levels are often international, policies and processes related to the performance management system are accordingly strongly standardized. On the other hand, this is less the case for lower hierarchical levels and for employees who have to be found on more regional or local labour markets.

At D7, the wage scale is aligned with the internal D7 policy, but local surveys are done in order to know whether one is market competitive (D7_I1no1: 325). Though, at D7, our interviewee clearly identified a conservative policy of D7. This policy reflects the position of German HQ as the most important employer in the region, and a philosophy of lifelong employment. Yet, in the Lake Geneva region, there are several dozens of MNCs in a very small geographic region, and the local labour market is very flexible and highly competitive:

“Culturally, my German colleagues find it hard to conceive that one could leave their company, and many people in Germany have their whole family working at the D7 group (...) At [HQ location in Germany] D7 is the most important employer, together with [other big company]. There are two big employers and people basically work for these two companies” (D7_I1no1: 234, own

translation)

“You have 70 MNCs between Geneva and Lausanne, OK? So if you have median salaries, even if you have a bit more with the bonus (...) How do you find the market wage? This is difficult. (...) We have our wage scales. We try to be a bit more conservative. Sometimes the law of the market applies. Did I loose people because we didn't pay enough? Yes, though after all not many. Because we sell them the fact that we have a talent management programme, that we want to develop our people, that we want to grow them, generally laying off isn't part of our culture” (D7_IIno1: 252, own translation)

“Yes, the practice to have wages at the mid-point is a concern” (D7_IIno1: 472, own translation)

These statements can be linked back to our analysis of the German and Swiss NBSs, and of the institutions governing the labour market. As we have seen, the Swiss labour market is astonishingly flexible and marked by very low levels of unemployment. Furthermore, in major economic centres or regions with a high geographic concentration of big employers, the dynamic of the external labour market is much higher than in Germany and puts important pressure on employers. This pressure is not only felt in terms of its effect on wage levels, but also in higher turnover rates and in the way employees are treated:

“[lifelong employment?] Basically yes. However, this is more common in Germany than in Switzerland. Generally we have a turnover rate of 6% here in the mechanical industry. In Germany they tell me: target 1,5% - this makes me laugh, I just ask: 'Are you really serious on that?' And he answers: 'Yes'. So I say: 'Well, forget it for Switzerland'. Here, I'm more than lucky with 5%” (D1_IIno1: 385, own translation)

“[current topics in HR] Clearly, for the past two years turnover has been an issue, and I'd like to reduce it. (...) demand on the market was very strong” (D1_IIno1: 135, own translation)

“[talking about procedures for recruitment] (...) in the past, these things were sent by post and it took three weeks to get the approvals for hirings signed – and within such a period of time, the candidate is already taken in Switzerland. If the position is approved, they want a second talk, they say: 'OK, I'll come', and then we confirm” (D4_I1,I2no1: 563, own translation)

“We have a dynamic labour market that really works, somewhat different from Germany” (D6_IIno1: 273, own translation)

“If they are unhappy with us and again ten people or so are leaving, then I have a problem. So I have to be much more careful. And this is something that you also feel: in Switzerland, you cannot

deal with your employees in an equally rough manner as in Germany, because if you do, they are gone” (D6_I1no1: 271, own translation)

“The image that you acquire on the labour market, this is not just something unimportant” (D6_I1no1: 285, own translation)

These interview extracts clearly illustrate the strong disciplining effect of a flexible, dynamic and highly competitive labour market on Swiss employers. The latter have to find ways to position themselves as an employer of choice, to have lean and fast recruitment processes, and to be innovative in terms of retention. Retention and talent development have also been named by several of our interviewees as current issues in HRM. Thus, policies and practices in the area of employer branding and work-life-balance, including flexible working time schemes and offerings in the fields of well-being at work and health might as well be considered in this context.

Membership in local Swiss associations

All HR managers of German subsidiaries who participated in our investigation were members of at least one local Swiss association. This finding confirms our expectations, since Switzerland as well as Germany are collaborative business systems that are marked by an associational mode of coordination. Membership and activities of HR managers in local associations are manifold and range from membership in employers' associations and cantonal or regional associations of HR professionals over regional joint training schemes for the collective organization of dual VET (D2 Switzerland, D4) to specialised industry- or trade-specific associations. Based on theoretical grounds, we expected to find multiple local networks in Switzerland, together with social networking, that were supposed to generate great amounts of social capital in the Swiss society. Membership in, and the activities of such local networks can now serve to illustrate outcomes of social capital as a systemic resource of Swiss society (Esser 2000: 237). Generally, our interviewees underlined the important role of networking within these associations, that are seen as an important channel for information exchange. Moreover, as several of our interviewees explained, there are often some kinds of committees or working groups formed within these associations. Members of such committees are then working on a specific issue or common challenge and try to find solutions. Furthermore, some of these local associations set up internal benchmark studies and exchange on salaries, which may be seen as part of an informal way of labour market organization. Our findings hence strongly suggest that in Switzerland, there is still a high degree of informal

coordination of managerial wage policy in place, which is assured through employers' associations, just as described in earlier investigations (Flanagan 1999: 1152; Soskice 1990: 41).

Another interesting finding is the involvement of German firms and HR managers in regional Swiss joint training schemes for initial dual VET. Such regional joint training schemes may be viewed as another concrete institutionalised outcome of Swiss collaborative practices between firms of the same industry, that we have theoretically discussed in our analysis of the Swiss NBS. Such joint training schemes may also be considered as an innovation that is important for the competitiveness of smaller-sized as well as larger firms, and for the cost-competitiveness of the Swiss system of dual VET, as our interviewee of the Basel joint training scheme Aprentas explained:

“Of course, the thinking behind was also to cut costs. Apart from that, this solution was also recommended by [global consulting firm] who accompanied the whole process. Because our initial training is fairly costly, the volume is an important factor, economies of scale, the greater our volume the cheaper it gets for the single firm. (...) At that time, this was very innovative. We were the second joint training scheme in Switzerland” (Aprentas: 11, own translation)

“(...) we built up again continuous training facilities because at that time, smaller firms didn't have any continuous training offerings (...) referring to costs, things became much cheaper (...) With us, one apprentice costs 40% of what [local Swiss MNC of the pharmaceutical industry that does not participate in the joint training scheme] spends for an apprentice” (Aprentas: 20, own translation)

The fact that two German MNCs of our sample with production facilities in Switzerland were directly involved in such regional joint training schemes is not surprising. We would even suggest that this approach might be interpreted as a distinctively German way of relating to the Swiss host country context. Initial dual VET is a highly treasured training practice in Germany, and as we have seen, German MNCs already tried to reproduce or to establish functional equivalents of dual VET in several other host countries, although they often had to put up with major difficulties. Therefore, it seems obvious for German firms to take advantage of existing institutional and cultural supports or props (Edwards and Rees 2006d: 92) in Switzerland, that facilitate the local reproduction of successful work systems and work organization involving dual VET. Moreover, such regional joint training schemes may be considered as an example of the “competitive provision of supports for MNCs and the local firms dependent on them” (Almond 2011b: 533) that we have discussed in chapter 2.5. In fact, joint training schemes provide exactly the kind of “collective competition

goods” (Heidenreich 2012: 550) that have been described in the literature, such as qualified employees, advanced technological competences, and reliable infrastructures (Meyer *et al.* 2011). Furthermore, the fact that these joint training schemes are clearly sustained and managed on a sub-national level provides also a concrete illustration to theoretical arguments around the important role of the sub-national level in discussing contextual effects on IHRM (Almond 2011a, 2011b; Lane and Wood 2009). Their active participation in the creation and maintenance of such joint regional training schemes strongly indicates that German MNCs make great use of this specific kind of institutional support, that may be considered as one out of a certain range of supports that are present in Switzerland (Lane and Wood 2009: 542). Further, this engagement also points to their great capacity to engage with, and to exploit, high trust relations with local firms and governance actors (Almond 2011b: 542).

Activities of local Swiss associations are diverse and include exchange on HR related issues, questions and experiences, the negotiation of collective agreements, questions related to the organization of dual VET and the setting up of benchmarking studies and salary surveys. Generally, exchange is intense and company-spanning networks are based on personal knowledge of colleagues in other firms:

“For instance, I am member of the board of the Swiss employers' association of the mechanical industry” (D1_I1no1: 202, own translation)

“Thanks to our two collective agreements that we have signed via the employers' association, my contacts are very sustained. So, there I know the campus of [Swiss MNC of the pharmaceutical industry], [further Swiss MNC of the pharmaceutical industry], [Swiss MNC of the chemical industry] etc. And this is very useful, because it allows for a certain exchange (...) The association of importers of pharmaceutical specialties in Switzerland. Coming back to HR, of course, there we also implement so-called benchmarkings, salary surveys, to know where you are. And there we meet and define parameters. And so you are in touch with people from [Anglo-Saxon MNC of the pharmaceutical industry] or [further Anglo-Saxon MNC of the pharmaceutical industry] or whatsoever” (D2_I4no1: 155, own translation)

“We are participating in several associations (...) We are member of [association of HR professionals working in MNCs of the Lake Geneva region] (...) So, you can find all the major MNCs there” (D2_I1no1: 283, own translation)

“We meet within the Swiss mechanical engineering association. There is a conference of HR

directors where I am member. This is very valuable. [talking to her colleague] Yes, and you are in the [regional joint training scheme], so this concerns initial vocational training” (D4_I1,I2no1: 468, own translation)

“Referring to HR, I am member of the committee of [association of HR professionals working in MNCs of the Lake Geneva region]. (...) in order to be member of the committee, you have to have led a working group. So, I have led a working group that dealt with the regulation of costs, and then with a fiscal ruling that we tried to obtain (...)” (D7_I1no1: 336, own translation)

“(...) I am a member of the [regional association of HR managers of the Zurich area], this is simply an information network that I maintain. There, I am member of two committees, the committee on social insurances and the one on labour law. (...) What is maybe more interesting: of course I am also member of the [local industrial association of the canton]. There I am part of the HR committee. My superior (...) is the president of the HR committee (...) So, this is much about maintaining the regional networks between HR people. Exchange, help: a quick mail: 'How do you handle this? How much do you pay as a starting salary?' Just a kind of networking. (...) We have also put in place a common job platform” (D9_I1no1: 627-632, own translation)

Lastly, at D5, we could find an interesting example of ad hoc formation of an informal cooperative network. In the greater Zurich region, several MNCs like D5 and others of Anglo-Saxon origin had a common problem. They were all negatively affected by cantonal quotas for residential and work permits for third country nationals from non-EU member states. Since these quotas severely restricted their ability to import external know how, this group of MNCs of the IT sector formed a project-related cooperative lobbying group (D5_I2no1: 32), yet without forming any kind of a more institutionalised associational form of cooperation for the time being.

Table 34 below provides a summary overview of local HR practices in the German MNCs of our sample.

Table 34: Local HR practices in German MNCs of our sample

MNC	Legal-administrative HR issues	IR/ER			Dual VET	Training (shop-floor, technical)	Recruitment	Compensation & benefits, wage increases	Membership in local associations
		Personnel commission	Relations with unions	Collective agreement					
D1	*	*/u	*/p -/i	*/p -/i	*/p	*	*	*/wi	*
D2	*	- -	*/p/l -/i	*/p/l -/i	*p/jts */i	*	*	*	*/p/jts
D3	(*)	*	*/a	*	*	*	*	*/wi	*
D4	(*)	*	*/a	*	*/jts	*	*	*/wi	*/jts
D5	*	-	-	-	*	*	*	*	*
D6	*	*	-	-	*	*	*	*/wi	*
D7	*	N/A	-	-	*	*	*	*	*
D8	*	N/A (*)	-	-	-/w	*	*	*	*
D9	*	*	*	-	*	*	*	*/wi	*

Source: own compilation based on interview transcript analysis; *=local, (*)=supposed to be local although not explicitly mentioned as such by interviewees, u=link between internal personnel commission and union, n=local for non-executives/non-managerial employees, p=production site, l=site with local market orientation, i=site with international market orientation, a=via employers' association, jts=engagement in joint training scheme, w=willing to do so, wi=wage increases/wage negotiations.

8.4.2 Local Swiss HRM practices in US MNCs

Legal-administrative HR issues

Similar to what we have seen in the German subsidiaries of our sample, also US MNCs are subject to Swiss legislation and corresponding coercive isomorphic pressures that are felt in quite the same areas. Of course, employment contracts are subject to Swiss law (US3_I1no1: 203), and accordingly, all the administration linked to engagements and layoffs have to be done following local Swiss rules (US6_I1no1: 11). The same is true for social and accident insurances and everything that is linked to taxation (US1_I1no1: 179, US6_I1no1: 12), maternity leave and pension funds (US7_I1no1: 159, US8_I1no1: 312, US10_I2no1: 155). Although not everyone among our interviewees explicitly mentioned these issues, we would strongly argue that all the US subsidiaries of our sample are equally concerned, since in this area, Swiss legislation prescribes certain mandatory practices.

Some interviewees pointed out one major downside of Swiss decentralised federalism that is felt by firms that have plants in several cantons:

“Federalism is slowing us down, and from an administrative point of view it's just horror. If you consider that there is not a singly tax at source that would be identical from one canton to the other (...) These are costs, since we're obliged to deal with all that complexity. We calculate taxes at source with five different methods, and we have to pay five times the software to do so. This is miserable. Harmonization concerning family allowances hasn't harmonized more than a minimum and each canton still does whatever they want” (US6_I1no1: 282, 284, own translation)

“(...) you have to find the right measure of federalism (...) we have to be careful not to get too slow, to take the appropriate measures, especially referring to initial and further education” (US1_I1no1: 308, own translation)

“In any case, U.S. federalism is also different – outsourcing at [location of a Swiss production site] was too complicated” (US5_I1no2: 17-18, own translation)

A further legal issue that is seen with a critical eye, is the status of Switzerland as a non-EU member state. Fairly similar to what we have seen at D5, our US1 interviewee pointed out problems with international mobility of project workers:

“(...) the whole issue of Switzerland not being an EU member state with all the regulatory

provisions referring to work permits etc. which isn't always easy. Project workers who come to Switzerland for short periods of time. Here they need a permission. And in many other countries, this is not the case. For instance, if we have (...) an American here in Switzerland with a work- and residence permit, and he goes to Germany without any permissions, he may be kicked out of Switzerland. There are effectively constellations that are far from easy” (US1_IIno1: 284, own translation)

IR/ER

As we have seen in the chapter on standardized HRM practices, the US MNCs of our sample were marked by a unilateral managerial style, a clear preference for individual employee relations and the willingness to keep unions out or at least union influence at bay. Unfortunately, the data that we were able to collect on the matter of how the US MNCs of our sample are dealing with issues related to ER and IR in their Swiss production plants is fairly patchy. This is due to the fact that many of our interviewees worked in EMEA HQ structures and their MNCs either did not have any production plants and blue-collar workers in Switzerland (US1, US2, US4, US8, US10), or our interviewees were not involved in IR (US7). For these reasons, most of our interviewees could not tell us about whether collective agreements or personnel commissions were in place in Switzerland, and how these were dealt with. What we know for sure is, that none of our interviewees told us about any kind of relations with unions in Switzerland. However, this does not automatically preclude the possibility to sign a collective agreement that has been negotiated by the employers' association for their blue-collar workers. Furthermore, it might as well be that some of their blue-collar workers are subject to collective agreements that have been declared generally binding.

An interesting finding is, that in those two cases where our interviewees told about the existence of a personnel commission in their Swiss plants (US2, US6), these commissions were strictly separated from unions. This fits in quite well with previous findings on how US MNCs dealt with German works councils, that were integrated as an internal representative body, though strictly separated from unions and not involved in wage negotiations on plant level. Furthermore, it contrasts with D1's approach to actively invite union members to assist their internal negotiations with the personnel commission.

Dual VET

An interesting finding concerns several US MNCs' engagement in apprentice training. As we have seen, apprentice training can be done for different reasons, one of them being social responsibility. Though, such a vision of CSR must be arguably foreign to senior US managers, who may not even be supposed to be familiar with this Swiss training practice, and even less so with its social dimension. However, six out of ten US MNCs of our sample reported to train apprentices in Switzerland for different reasons (US2, US3, US5, US6, US7, US9). We may very well illustrate the collision of a Swiss and US-American institutional rationality with the example of dual VET at US3, where the skills acquired during dual apprentice training are needed to run the highly complicated production processes:

“(...) this is our mid-long term vision and our obligation as a citizen. As an important firm in this region we have to train the future generations. So this is one thing, but this isn't without any self interest neither. As far as possible, we try to engage our apprentices afterwards. (...) This also allows us to train people to our specific needs” (US3_I2no1: 179-180, own translation)

“[was apprentice training difficult to justify?] Well, yes. Yes, in a sense that our friends on the other side of the Atlantic Ocean count heads: headcount. And an apprentice is a head, not even a productive one (...) So yes, it's not self-evident for them to understand. You must explain them, and then, every year you have to explain it again and again [How do you explain it?] Well, its numbers, showing them that these people aren't productive but they don't cost much, neither (...) [what are the best accepted arguments?] (...) what the Americans call best citizen, this is something that works” (US3_I2no1: 188-192, own translation)

This interview extract may be discussed against our findings on a standardized U.S. approach towards gaining social legitimacy through specific publicly visible CSR actions, where a notion of CSR as a business case is underlying. The engagement in apprentice training is once more clearly identifiable as a local Swiss practice that is part of a local institutional rationality, and a corresponding notion of what CSR in a local context means. Of course, in the U.S., where there is no such training system in place, local legitimacy must be obtained in different ways. On the other side, in Switzerland, dual VET is of great social and economic importance and therefore closely linked to the notion of CSR. The local practice of training apprentices might as well be seen against the background of our discussion of normative, cognitive or informal institutions, and the importance of custom and practice. Although once more, there is no formal legal obligation to train

apprentices, the explanations given by our Swiss US3 interviewee suggest the presence of some kind of sanction for big local employers who do not train apprentices. Interesting in this respect is also the tactics used by our Swiss manager in order to obtain approval of his U.S. superiors. By selling the issue of apprentice training as an action that fits in quite well with the U.S. concept of CSR as a business case, and that would allow US3 to be publicly viewed as best citizen, he demonstrated his mastership of adequate interpretation and translation of local needs towards the institutional or socialised rationality of his U.S. colleagues. Therefore, through his local agency, he allowed for the satisfaction of local needs, and compliance with corporate strategies and practices.

A second interesting case is US9, where few apprentices are employed in the EMEA HQ structure, since it is actually difficult to find adequate jobs for this kind of employee in such structures. Nevertheless, US9 does train apprentices as part of mutual obligations that arise from embeddedness in local networks with the cantonal administration:

“[Do you train apprentices?] Yes, we do have some, but not a lot of them. The work at a HQ structure is very difficult and not very well suited for apprentices. There are also problems with English. Generally, we have little success with the apprentices. [So why do you train apprentices then?] This is part of our collaboration with local authorities” (US9_I1no1: 99-103)

In this case, the decision to train apprentices clearly is not based on rational-economic reasoning, but it is exclusively done for social reasons. Yet, the truly interesting point about this is not even the fact that US9 trains apprentices for social or CSR reasons, but that such behaviour points to deep embeddedness in local networks. This unexpected finding will be discussed in some more detail in the section on membership in local associations.

Training

In the area of training, the picture is rather similar to what we have seen in many German MNCs. In most of the MNCs of our sample, our interviewees told about some local practices in the field of training. Local practices in this area took a wide range of different forms. For instance, at US1 the technical training and diploma required to do the job of a certified or chartered accountant are Swiss (US1_I1no1: 52). In fact, this is one of the few fields where Swiss legislation defines mandatory standards that have to be complied with in HRM. Generally, our interviewee distinguished between technical skills and soft skills, with the former being mostly Swiss (US1_I1no1: 169). But also

practices related to coaching and mentoring are completely local (US1_I1no1: 163). Also at US3, certificates for certain professions are local (US3_I1no1: 162), and they have furthermore developed local leadership principles for their plant and trainings in French (US3_I1no1: 64, 203). At US4, our interviewee told about a close partnership with a local business school that delivers management trainings (US4_I1no1: 149). At US5, local HR has developed a form of further training for managerial employees, taking the form of briefings on certain issues such as how to handle stress at work (US5_I1,I2no1: 294). Our US6 interviewee explained that one of the reasons for being member of local Swiss professional associations and networks is the offerings of continuous training (US6_I1no1: 248). At US8, especially trainings for employees on lower managerial ranks are locally organized with local providers and delivered in the local language (US8_I1no1: 248). At US10, our interviewees told about trainings on values, the code of conduct, and diversity, that are locally adapted or developed (US10_I1no1: 94, US10_I2no1: 192-194).

Recruitment

Similar to our findings on German MNCs, there are also some local practices in place in the area of recruitment in US MNCs. For example, at US1, HR marketing activities at universities, the local Swiss assessment centre and the tool for integration for new hires are local practices (US1_I1no1: 14, 157). At US2, there are local internship programmes (US2_I1no1: 187), and work certificates and references play an important part in the recruitment process (US2_I1no1: 327, 335) which, according to our interviewee, is not a common practice in the U.S. At US3, the HR manager is generally rather free in terms of local recruitment practices (US3_I1no1: 155), and at US4, they developed a recruitment process locally, because the questionnaire and predictive index used in the U.S. did not yield the desired results in Switzerland (US4_I1no1: 255). US5 Switzerland established a local trainee programme as a means to attract young talents and to establish a relation with US5 early on, which is seen as an advantage on the local labour market (US5_I1,I2no1: 192). At US6, there is no system prescribed, and the HR manager uses local Swiss vacancies pages and employment forums for recruitments (US6_I1no1: 176). Furthermore, a practice that would seem a typically Swiss approach is the use of local associational networks to collect information on potential candidates (US6_I1no1: 251-254). At US8, recruitment is basically local for non-senior employees (US8_I1no1: 217) and HR marketing at universities is also locally done (US8_I1no1: 234). At US10, the channels used to find employees are local (US10_I1no1: 28) and involve the use of local recruiters (US10_I2no1: 247).

At US9, there is a voluntary gentlemen's agreements in place between the local cantonal authorities and the MNC to hire local Swiss people on certain positions, and not to exceed a certain self-fixed quota of foreign employees on the local site

“We have a gentlemen's agreement in place with the local authorities to fill certain positions with local employees. For instance, we try to recruit the assistant of the board in Switzerland. (...) if we have to search internationally, we are both well aware, us and the canton, that there is the free movement of persons in Europe. But anyway, we have fixed ourselves a quota that we do not wish to surpass” (US9_I1no1: 104-105, own translation)

It is now hard to clearly determine whether such a kind of informal agreement can be explained by a Swiss host country effect in a sense of collaborative practices and multiple overlapping formal and informal networks. In fact, such ways of relating to the local environment might as well be inspired by philosophies of welfare capitalist U.S. employers, who established very close relations to their immediate local community (Ferner 2000a: 19). In any case, the Swiss environment seems to be very receptive to such a kind of relation with locally embedded big employers.

Compensation and benefits, wage increases

Wage increases were found to be determined on a local level at US1 (US1_I1no1: 208-211) and US6 (US6_I1no1: 12). Certain practices in this area are also local at US3 (US3_I1no1: 131). At US4, local management is free to adapt practices within a given framework. For example they may adapt local compensation through local benchmarking, according to a global policy that stipulates to pay better than average salaries (US4_I1no1: 134, 214). Such local benchmarking according to a global reference frame is also done at US5 (US5_I1,I2no1: 235), US7 (US7_I1no1: 120) and US10 (US10_I1no1: 38). At US7, the variable part of pay is also locally determined (US7_I1no1: 120). At US8, compensation including basic salary, benefits and pension contributions, is locally adapted according to the local tax system (US8_I1no1: 311, 314).

The strong focus of US MNCs on being locally market competitive in terms of their compensation practices is in line with earlier findings and contrasts with the conservative compensation policy that is in place at D7.

Maybe due to a more unilateral style, it does not seem to be common practice in US MNCs to discuss wage increases with personnel commissions, as this is done in the Swiss subsidiaries of

several German MNCs of our sample. Even if our evidence on the presence of such commissions in US MNCs is patchy, the following extracts may serve as an illustration of this argument:

“There are no wage negotiations in this sense here. (...) The process goes like this: I make a proposition to the board concerning the sum of salaries or just the percentage increase, this is approved, implemented in each division and controlled (...)” (US1_I1no1: 208-211, own translation)

“This is simple: I put a certain amount into the budget that I am fixing together with my boss, I discuss it. There I am a bit the one who defends the plant, I prefer having something generous to offer (...) the employee has nothing to say, I'd dare to put it like that” (US3_I1no1: 187, own translation)

“Here, this is not really a negotiation. There is finance and HR involved in this. [Are there any employee representatives?] No, it's the board, it remains at the level of the board” (US7_I1no1_149-151, own translation)

Membership in local associations

In our discussion of dual VET, we came along some unexpected behaviour of Swiss US MNCs' subsidiaries. As we have seen, several US subsidiaries trained apprentices in Switzerland, some of them exclusively for reasons of local social legitimacy. Yet, even more interesting for us was the explanation that our US9 interviewee gave for why they trained apprentices, even if it didn't make economic sense. His speaking of a gentlemen's agreement with the cantonal authorities clearly points to the existence of mutual obligations. However, this kind of obligation does not result from formal contractual commitments as this could have been expected from U.S. MNCs, but from deep embeddedness in local Swiss informal collaborative networks. As we have seen, the same logic applies to US9's recruitment practices, where certain positions are deliberately filled with Swiss employees.

Such findings are fairly unexpected for several reasons. First, such deep embeddedness in local networks does not seem to fit in quite well with the typically short-term, contractual authority relationships that have been repeatedly underlined as a typical U.S. element (Hall and Soskice 2001a: 29–30; Hollingsworth 1997a: 271; Redding 2005: 142). Second, as Kristensen and Morgan (2007: 203) explain, usually “settings with strong institutional systems (...) are hard for MNCs from other contexts to enter. They are often described as “insider” systems, which means that internal networks are strong and difficult for outsiders to penetrate”. Thus, why shouldn't this apply to US

MNCs in Switzerland? Third, as we have seen, US MNCs not only were reluctant to join associations, but even actively furthered tendencies towards disarticulation of associational networks in Germany (Singe and Croucher 2005: 123). Just as Switzerland, Germany is also a host country with dense associational networks that demands for collaboration (Saka-Helmhout and Geppert 2011: 573–574). So, why do some US MNCs behave so differently in Switzerland?

In our research framework, the third proposition on expected differences between German and US MNCs dealt with this question. We pointed out that, based on theoretical reasoning and empirical evidence, there was no reason to expect deep embeddedness and sustained engagement in local networks. At this point, we will try to explain this unexpected behaviour.

As we have seen, Switzerland is politically more decentralised than Germany, and cantonal authorities are comparatively strong in terms of their political decision power over regulations and financial resources. Corresponding to this principle of Swiss state organization, also associational structures are different from those in Germany. In Switzerland, the most important part of associational life takes place on the sub-national cantonal or linguistic-regional level, whereas, contrary to Germany, the role of umbrella organizations is comparatively weak (Armingeon 2001; Linder 2003). The same is true for arenas of political access to societal actors, that are more geographically variable in more decentralised states (Scott 1994: 213, 215). Furthermore, other factors such as time of local presence and experience, the size of local operations, and the presence of locally networked managers in higher-ranking positions might have an additional influence on the degree of local embeddedness. It may therefore well be the case that in Switzerland, a large US employer as US9 has much greater weight on a local level, and easier, privileged access to important cantonal authorities than this is the case in Germany. This, in turn, makes local cantonal networks highly attractive, and particularly more attractive than networks on the higher level of an umbrella organization in Germany. Concerning US9, these arguments perfectly apply, since it is the third largest employer of the canton. Additionally, US9 has already been present in the Lake Geneva region for decades, together with several other US MNCs that arrived during the 1950s and 1960s. This particular constellation makes networking in a Swiss manner highly attractive, since the cumulative economic weight of several large employers is enormous, and access to the most important level of political decision-making, the cantonal one, is direct. Yet, there is still another important difference compared to the situation in Germany. Due to their sheer number and geographical concentration, especially along the Lake Geneva, US MNCs had effectively the choice

to join pre-existent local Swiss networks, or to form their own original one. US MNCs did not necessarily have to try and penetrate pre-existing local Swiss insider networks, which might actually have proven to be difficult. Taken together, this unique constellation of local conditions is therefore extremely favourable for the development of collective and cooperative forms of MNC agency. Under such circumstances, MNCs can effectively act as rule-makers, and successfully engage in institutional work (see table 14) on a local level. This is once more facilitated through the fact that Swiss local authorities seem to be utterly business-friendly, flexible and fairly open to listen and react to the concerns of local business:

“(...) we do not interfere with local politics (...) Of course we do have contacts to the local fiscal administration etc., we explain our concerns, but this is where it stops” (US4_I1no1: 251, own translation)

“The availability of local authorities is part of the country's competitiveness” (US5_I1no2: 32, own translation)

“We have a Swiss culture of negotiating with local authorities in order to obtain a certain number of rulings, for instance concerning school fees for expatriates or stock options, so there are a certain number of advantages that have been negotiated (D7_I1no1: 164, own translation)

“We have really good and valuable relations with [local canton]: for their diversity programme we spent time, we lend the competences of our employees. As a counterpart, the mayor listens closely and takes an interest. There are personal meetings and a very regular and uncomplicated exchange. Together with the cantonal administration, we set up accelerated processes for obtaining work permits. We've been working on the issue together, and we try to be a good citizen” (US9_I1no1: 35-37, own translation)

“Switzerland promotes business to establish itself” (US10_I1no1: 163)

However, the institutional rationality underlying such a local collaborative networking approach seems utterly Swiss more than anything else, and above all, little American. For this reason, we would argue for the presence of a subtle, yet strongly manifest Swiss host-country effect. Swiss institutional rationality and the socialised rationality of local actors lead to the adoption of highly collaborative, trust-based behaviours within formal as well as informal external local networks between firms and local authorities. This proposition is supported by the account of a Lake-Geneva-based British expatriate manager who had already been working at U.S. HQ:

“(...) maybe as an American company, we are conscious of that as well and we're very careful about what bodies we're members of and participate in, particularly if there is a risk that there is a competitor in the room. I'm just looking to see on my – protecting information – US5 Code of Conduct. Every year we take training about, and there is always modules about being in an environment where a competitor is present, how you deal with that and how you cope with that. So I think as a company, US5 would be very careful about what associations it would be member of. (...) I do know that I sometimes hear reference to 'I've learned from someone at [another local US MNC] that you know, the good approach for this is as follows, so they have done a shared services'. Sometimes I do be asked to come and meet other folks. So perhaps there are some links into some of these little associations, but I personally don't have any real engagement within it” (US5_I3no1: 137-139)

This is very much in line with propositions linked to the market mentality, arm's length low trust relations between economic actors and the intensiveness of competition and strictness of anti-trust legislation that are present in the U.S. These features apparently do have an influence on concrete behavioural norms that are codified in the company code of conduct. Even though our Swiss interviewees of US5 have been trained on, and are subject to, the rules defined in the very same code of conduct, they do not seem to perceive their involvement in local trust-based networks as problematic, even if some other members are definitively working for competitors. We would therefore argue that this interview extract lends support to ideas around actor's socialised rationality to greatly differ between Switzerland and the U.S., and that the idea to make use of local trust-based personal networks as a valuable resource corresponds rather to a Swiss than to an original U.S. rationality. Therefore, this particular way of relating to the Swiss institutional environment, and using locally available resources suggests that there is a subtle, yet strong influence of the Swiss host country. In the latter, the concept of collaboration is a central part of its distinctive rationale.

Still with the same British US5 expatriate manager, we also had the chance to discuss qualitative differences between European and U.S. associations, and the role of personnel networks:

“(...) in the United States, there were various organizations that HR people were members of. But it was very – I don't know if this is the right word – but it was more of a commercial thing. There were forums, going to conferences (...). I did one in Las Vegas which was all about suppliers entertaining customers. Yes, there were conference topics and things and there was more – it wasn't really about

building networks in it and relationships. In Europe however, I have attended a number of conferences where that has almost been my primary objective, to find some other folks from other companies who were either experiencing the same issues as we were, or who were perhaps regarded as a benchmark for something we were struggling with. So I would use those kinds of things” (US5_I3no1: 131-132)

Apart from confirming the existence of qualitative differences between associational networks and the role of personal contacts and relationships in the U.S. and Europe, this extract also reminds us to be careful with generalizations about Anglo-Saxon practices. The account of our British interviewee suggests that overall, personal relationships might play a greater role in business and the working of associations also in the U.K. than this is the case in the U.S.

However, as we have seen above, in Switzerland the above-cited British US5 expatriate did not actively participate in local networks. Here, we might establish a further link to suggestions worded by Morgan and Kristensen (2006) about career orientations of managers and local embeddedness. The case of our British US5 expatriate may serve to illustrate the case of a global corporate career orientation. With more than 35 years of tenure, this expatriate has already been working for the same company in several different countries and settings, and there is no single location where he would be deeply embedded into local external networks. Since his career orientation is firmly company-centred, and not location-specific, his loyalty will be with the performance requirements of the company. This is also illustrated in his reasoning on the thought experiment of a possible dilemma involved in the restructuring and layoff of personal friends or family members:

“That's a dilemma, alright. And I guess if I have a comment, I would say that to allow that to prevent you making the right business decision for the long term would be a mistake. That would be a pity to do that. And I have seen that kind of behaviour in the past from certain supervisors or managers that would say: “Hhh, you want me to do this? But that means we have to let this person go...” Even temporary workers. But I have to let the temporaries go and yeah. And then you discover that one of them is the fiancé of a cousin... Because in Ireland, these are small communities as well. And sometimes people would say: “Hey, we've been hearing you will be downsizing?” or “Hey, you announced some lay-offs last week?” and certainly from people you didn't think would know that. And they say: “Oh yeah, my uncle, he works there, he was telling me.” So that's, yeah, I think the business decision, you have a long-term view, that's best for the

business and the community” (US5_I3no1: 285)

Even if communities are small in Ireland as well, and people know each-other personally, the British expatriate manager clearly would opt for what is economically rational for his company. On the other hand, taking the example of locally embedded Swiss HR managers of US3 and US4, we can see a fairly distinct reasoning:

“[thought experiment: how would you react if HQ would say that you had to lay off 100 employees?] Honestly, if I didn't have the choice (...) I would have to lay them off, yes. Now, of course this has an impact. One hundred jobs in a region like [French-speaking canton], this would have a huge impact. But I don't think that our division would listen if we were telling them 'Look, are you aware of the impact, a little town (...) 35 000 inhabitants, 100 layoffs are important. They wouldn't say: OK, just do 50. (...) They wouldn't have that approach. [Could you anyway convince divisional HQ to proceed on this issue more softly?] Maybe. [And would you try and do so?] In any case, I would try. [Why?] Well, I am someone local. So I understand well the problems, I know about the impacts. And if there was anything that I could do to minimize these impacts I would certainly do everything I can [So this is because you're someone local?] I guess that, if you have an expatriate coming from California, he surely would have much less problems to execute such a thing” (US3_I2no1: 126-138, own translation)

“[speaking of differences between U.S. and Europe] There it isn't like here in Europe. 'I'm Swiss, I defend Switzerland'. This is something Americans don't understand. It's our role to defend it and to make it known. We are the first ambassadors of ourselves. You also have to establish networks in the U.S., to go regularly to the U.S., to send people to the U.S. who will somehow defend the European voice. This is very important because it starts with ourselves” (US4_I1no1: 185, own translation)

“We always engage the best, regardless of whether he's Italian or Swiss. Though, somewhere we would like to have a certain representation of Swiss people, too. We need Swiss people for the site of [Lake Geneva region] to live in the long run. These are Swiss people, persons who are devoted to this site here and who will make it live for a long time. An American thinks short-term. He comes in for four years and then he goes back. (...) But those who really support this site are Swiss people – not in a sense of having the red passport, but people who feel at home here, who are rooted here and know that they will be here for the long term (...) Until present, we were lucky since we have had Swiss people in the US4 hierarchy, so they didn't touch the site. All this is internal politics, it's

very personal. (...) We have to keep this site internally competitive. This is something I really care about” (US4_I1no1: 275-278, own translation)

This reasoning points to the presence of a clearly local career orientations and local embeddedness of Swiss managers. Otherwise, there would be no need to engage local Swiss people in order to make sure the long-term survival of the site, or to care about local impacts of mass layoffs. And in fact, the above-cited Swiss US4 manager is also deeply embedded in external cooperative local networks, that he intensively uses as a resource for the benefit of his company. Furthermore, this behaviour is absolutely in line with suggestions made by Morgan and Kristensen (2006: 1480–1481) on highly entrepreneurial subversive strategists that would be likely to appear in institutionally dense and highly networked local environments. These would make novel use of local social institutions and spur experimentation with local contexts in ways that may deepen local comparative advantages. These theoretical elements also received some empirical support in Switzerland:

“Networking? This is utterly important, internally as well as externally. In my profession (...) I pass one hour a day doing this. This is extremely important. You can gain a lot of time with that, but it has to be well done (...) and US4 profits from it” (US4_I1no1: 67, own translation)

“Local top managers can better benefit from local networks” (US5_I1no2: 9, own translation)

In fact, very much in line with these suggestions about subversive strategists, our findings on activities, and the quality and degree of collaboration among local subsidiaries of US MNCs are non-ambiguous. They show an amazing range of activities of tight local networks that were particularly dense within the regional Lake Geneva association of HR managers:

“(...) one of our colleagues from here moved to merger and acquisition in [Lake Geneva area], and he said, when he started, he got a list of contacts in other companies. And he thought, you know, he would now have to start networking, finding people. It's all there: 'These are the people we work with in other companies'. Completely open” (US10_I2no1: 526)

“[question concerning the role of networks] Oh, well, this is to identify certain trends, also for benchmarking (...) Very frequently, there are people from a firm which isn't a direct competitor who come to us, or we go to them. It's really networking (...) One concrete example would be; what is the position of the firms belonging to [association] concerning a new regulation that is going to be passed. We work together with [Swiss association of the pharmaceutical industry] so that they

defend our position towards European authorities etc. So we get some lobbying done” (US3_I1no1: 196, own translation)

“[association of HR professionals working in MNCs of the Lake Geneva region] does benchmarkings on everything. For instance, we have done a salary survey where many of our member firms have participated” (US4_I1no2: 13, own translation)

“There are certain kinds of work done in the [association of HR professionals working in MNCs of the Lake Geneva region], for instance a group health insurance for 15 000 employees of MNCs here at [Lake Geneva region] and their family members. We are participating in this collective contract, and we are sponsoring it by paying a participation for our employees in order to be members of this (...). The new salary certificate which has entered into force in January 2008, we have developed a regulation of costs which was specific to MNCs, and which has been negotiated with local authorities (...). Finally, we are reaching results that have been fixed internally, but in a collective way, because we can achieve results that we couldn't have achieved if we were only US5. We can do it because we are several organizations” (US5_I1,I2no1: 244, own translation)

“[Are there any negotiations with local authorities done together with other local MNCs?] Generally we always take the most favourable benchmark for us, and generally this is [other local US MNC]. I'm not involved in these discussions, but it's known that typically for all that is schooling fees or standard costs, we took [other local US MNC] as a reference since they had negotiated very interesting rates” (US7_I1no1: 166, own translation)

“The [association of HR professionals working in MNCs of the Lake Geneva region] is a great networking and information exchange forum. It represents a big player in the Swiss environment, particularly around the 'Arc Lémanique' in terms of negotiating with authorities or playing its weight on certain decisions (...) The other European headquarters in Switzerland play an important role. The environment that allows these exchanges, particularly the [association of HR professionals working in MNCs of the Lake Geneva region] helps a lot to know what other multinationals are doing, to have this benchmarking experience as well and to work together. In terms of HR practices, each company has its own practices, which are more or less globalised. We can definitely play a role in feeding up some information on best practices in other companies and bring this knowledge on the table. Inevitably, that would influence how the progress will go. [Could that kind of exchange networks be considered as a typical Swiss element?] Very much so, especially in [location in Lake Geneva region]” (US10_I1no1: 181-184)

As we can see, this kind of collaborative practices arguably require decisively more than just arm's

length contractual relationships between market competitors as they would be typical for U.S. companies according to the extant literature.

Table 35 below provides a summary overview of local Swiss practices in the US MNCs of our sample.

Table 35: Local Swiss HR practices in US MNCs of our sample

MNC	Legal-administrative HR issues	IR/ER	Dual VET	Training (shop-floor, technical)	Recruitment	Compensation & benefits, wage increases	Membership in local associations
		Personnel commission					
US1	*	N/A	-	*	*	*/wi	*
US2	(*)	*/nu	*	N/A	*	N/A	*
US3	*	-	*	*	*	*	*
US4	(*)	N/A	N/A	*	*	*/lb	*
US5	(*)	N/A	*	*	*	*/wi/lb	*
US6	*	*/nu	*	*	*	*/wi/n	*
US7	*	-	*	N/A	N/A	*/lb	*
US8	(*)	N/A	-	*	*	*	*
US9	(*)	N/A	*	N/A	*	N/A	*
US10	*	N/A	-	*	*	*/lb	*

Source: own compilation based on interview transcript analysis; *=local, (*)=supposed to be local although not explicitly mentioned as such by interviewees, (-)=supposed not to be in place, nu=non-unionized representative body, wi=wage increases, lb=local benchmarking, n=negotiated with personnel commission.

8.4.3 Local Swiss practices in German and US MNCs compared

In our discussion of local HRM practices, we could identify a number of specific Swiss host country influences, and analyse the ways in which German and U.S. MNCs relate to the Swiss institutional setting.

A first central finding which confirms our theoretical expectation concerning the high degree of permissiveness of the Swiss NBS, is the near absence of formal institutional constraints affecting HRM and IR practices. However, local coercive isomorphic pressures are present in areas that are related to institutions of the Swiss welfare state and tax regime. This typically concerns the obligation to contribute to Swiss pension plans, social and health insurances, the respect of legal provisions on maternity leave, as well as fiscal and contract law. In these clearly delimited areas, strong local coercive pressures are present, that are invariably felt by German as well as US MNCs. In our analysis, we have termed those HRM matters that are affected by this kind of Swiss coercive isomorphic pressures legal-administrative HR issues.

Furthermore, our empirical investigation revealed that constraints for international HRM, especially in the area of mobility, arise from the Swiss status as non-EU member state and corresponding difficulties with residence and work permits for international project workers. Interesting in this respect was also the fact that the strategies adopted by German and US MNCs to deal with these difficulties are somehow similar, pointing to the importance of local Swiss networks for the functioning of local administrations. The Swiss country HR manager of D5 has fought to keep Switzerland out of corporate shared services in the field of mobility. This was in order to be able to continue to work with local service providers who can draw on their networks with local administrations, since only this solution allowed for the satisfaction of their needs in terms of short-term work permits for international project workers. Furthermore, D5 formed a network with other local MNCs to do some topic-specific lobbying at a cantonal level in order to block further restrictions on quotas for foreign workers. The HR director at EMEA HQ of US9 even went one step further in capitalizing on the great economic weight of US9 as one of the largest local employers, and established direct personal links and long-term co-operative relations with the communal and cantonal authorities. This network enabled US9 not only to word their concerns directly in personal meetings with local officials, but also to set up new processes together with the local administration to obtain work permits faster.

These examples are illustrative of a central characteristic of the Swiss NBS: the flexibility and business-friendliness of local administrations, and the possibilities to find local tailor-made solutions thanks to the overall low regulatory density. Yet, in order to capitalise on this locally available resource, foreign MNCs have to follow behavioural patterns of local actors who capitalise on personal local networks. It is interesting to see that both, German and US MNCs, seem to have very well understood how to profit from the possibilities available in Switzerland. The possibility to obtain this sort of tailor-made solutions might also be considered as a particular kind of locally provided competitive support (Almond 2011b: 533) to MNCs.

A last area where foreign MNCs felt the presence of local constraints is linked to Swiss decentralised federalism and the fact that important legislations and rulings such as fiscal law and family allowances are subject to cantonal authorities. Wherever firms have subsidiaries in different cantons, several versions of corresponding software have to be bought to calculate taxes at source and allowances. Otherwise, as in case of D5, such issues are outsourced to an external specialised service provider due to the high complexity of the task.

Also our empirical findings in the area of IR/ER are in line with our propositions concerning the permissiveness of the Swiss IR system, and the near absence of coercive pressures on practices of foreign MNCs.

As we have seen, especially US MNCs did not find any obstacles that would have hindered them to implement a typical unilateral style in IR/ER, and to keep unions out of their operations. Interesting in this respect is the case of US6, where the HR manager deliberately used a personnel commission as an internal, non unionised social partner according to typical Swiss practices as a preventive measure. Having such a representation gave employees the feeling of being heard, and of their concerns being taken seriously by local management, so that they did not feel the need for a union. As we have seen, preventive measures against unionisation or conflicts in IR have been adopted by US MNCs especially in institutional settings like Spain or Germany where IR is more constraining. While in Spain, US MNCs sought to avoid industrial conflict through the use of strong direct communication channels and higher wage levels, (Quintanilla et al. 2004: 143–145; Quintanilla et al. 2008: 690), in Germany the primary aim seemingly was to prevent works council constitution or parity representation on supervisory boards. The latter was achieved not only through adoption of direct communication mechanisms, but also through restructuring of activities (Royle 1998: 1040;

Tempel et al. 2006a: 1559–1560). Our finding of this particular preventive measure in Switzerland somehow resembles a tactic used by some US MNCs in Germany. Here, management strictly separated works councils from unions, and cooperated closely with non-unionised works councils (Wächter et al. 2003: 105, 2004: 98), and thus, gained additional legitimacy (Kluge and Vitols 2001: 3). Similar to Germany, also in Switzerland, the notion of social partnership in IR and ER is deeply rooted. Therefore, in the Swiss institutional setting, the establishment of a social partnership with a weak representative body that is easy to handle for management may be viewed as a fairly comfortable means to achieve or maintain the desired outcome of non-union status. However, also without the use of such preventive measures, none of the US MNCs of our sample reported any relations with unions, nor did any interviewee tell about any kind of difficulties in achieving or maintaining non-union status.

On the other hand, as far as German MNCs are concerned, the picture is different. As we have seen, the greater part of German MNCs of our sample is overall quite as standardized as their U.S. counterparts as far as HRM core processes and practices are concerned. Yet, the area of IR and ER seems to be an exception. Here, we could observe rather decentralised policies even in the most centralised and standardized among the German MNCs of our sample. Furthermore, we could also identify some Swiss host-country effects in this area. The presence or not of personnel commissions, the signing of collective agreements, and union involvement could be partly explained by organizational-level factors. These are linked to company strategy and structure, and to the specific role that the Swiss subsidiary has in the company network. Where blue-collar workers are employed in production plants, German MNCs adapted to typical Swiss IR/ER patterns including personnel commissions, collective agreements, and relations with unions. Where German MNCs were following such a social partnership approach, the role of personnel commissions, their relations with unions, and the signing of collective agreements matched typical Swiss patterns. Hence, wages were excluded from collective agreements and negotiated with personnel commissions as social partners at plant level. On the other hand, in subsidiaries where white-collar employees and corresponding activities are predominating, more individual approaches are in place. This pattern also largely corresponds to what can be found in Germany, where a central distinction is made in IR/ER between tariff employees at lower hierarchical levels who are covered by collective agreements, and those in managerial or specialist positions who are exempt (Giardini *et al.* 2005: 71; Müller 1999b: 134).

Particularly interesting were our findings on how German MNCs try to gain legitimacy in the Swiss environment. While it is hard to establish whether this is due to a German country-of-origin or a Swiss host-country effect, the approach is clearly to include local stakeholders. Works commissions and unions are seen as social partners to negotiate working time schedules, wages and social plans in case of mass layoffs. In fact, the idea of social partnership is common to Germany and Switzerland, and as we have seen, also in earlier investigations, German MNCs were found to establish cooperative relations with local social partners, what might be interpreted as a manifestation of the ethos of the works community (Ferner et al. 2001: 109). Therefore, we expected German MNCs to follow some kind of social partnership or cooperative approach in IR. The argument of social partnership and union inclusion as a means of gaining social legitimacy is mainly grounded in the account of our D1 HR director and following discussions with a unionist. The presence of unionists in the local press and their political influence could clearly be identified as a strong means to put pressure on firms, or to grant legitimacy through their inclusion as social partners in difficult situations such as mass layoffs. At this point, we may however recall the fact that also Anglo-Saxon MNCs in Germany were found to include works councils as social partners in case of restructuring, thereby increasing their legitimacy (Kluge and Vitols 2001: 3).

Concerning dual VET, our findings on German MNCs' use of locally available infrastructures and participation in apprentice training largely confirmed our expectations. For German MNCs, we were able to identify direct country-of-origin influence pushing Swiss subsidiaries to train apprentices. Furthermore, we found cases where rational-economic reasons predominated, that are directly linked to the skill needs of production plants in Switzerland. And yet in different situations, management made conscious use of apprentice training to increase social legitimacy. The link between apprentice training and legitimacy is once more an issue that might be explained with both, German country-of-origin as well as Swiss host country influence, since institutional rationality in this area is fairly similar. Interesting in this respect is that the active engagement of two German MNCs in Swiss regional joint training schemes could be identified as an example of how German MNCs take advantage of locally provided competitive supports for MNCs. While such an engagement of US MNCs cannot be excluded, we did however not find any evidence of similar practices in our sample of US MNCs. In fact, there is some more evidence suggesting that probably US MNCs normally would not show engagement in such schemes. In this respect, our interviewee of Aprentas specified that all the U.S. firms in the Basel area that participate in the training scheme

were in fact originally Swiss firms that were already engaged in the joint training scheme before they had been acquired: “(...) *all those firms that are now American once had Swiss roots. (...) no American firm that establishes new operations here comes to us. All of them have Swiss roots, or German ones*” (Aprentas: 144, 146).

Nevertheless, our findings on US MNCs' approaches towards dealing with Swiss dual VET system are fairly interesting. In our sample, several US MNCs were engaged in apprentice training not for rational-economic, but for social reasons only. In these cases, local Swiss managers adopted the role of skilled interpreters who explained the need to train apprentices locally to their U.S. superiors, who were not familiar with this Swiss training practice. This interpretation was necessary since, as opposed to German managers, engagement in dual VET does not come naturally to US managers who are unfamiliar with this practice and corresponding social implications. The particular skill of Swiss managers like the US3 plant manager may be seen in their achievement of selling the issue of apprentice training to their U.S. superiors as a business case for CSR, which is fully acceptable to U.S. managers. In case of US9, apprentice training was even part of mutual obligations from an informal agreement with local authorities. This finding was unexpected since it reflects the deep embeddedness of certain US MNCs in local Swiss networks. In these local networks that follow a fairly Swiss rather than U.S. institutional rationality, the type of relationship between members far exceeds the type of formal-contractual arm's length relationships that we expected US MNCs to have with their environment also in Switzerland.

In fact, we found some of our most unexpected evidence when investigating the matter of membership in associations and embeddedness in local Swiss networks. While for German MNCs who are used to an associational mode of coordination and a domestic institutional setting that demands for collaboration (Saka-Helmhout and Geppert 2011: 573–574), this is arguably not the case with their U.S. counterparts. Accordingly, while we expected the former to be embedded in local networks, our findings on the latter came as a surprise. Especially the utterly dense networking among US MNCs along the Lake Geneva with their multitude of highly collaborative practices was unexpected. In fact, in Germany as another collaborative business system, US MNCs were found to further tendencies towards disarticulation of the associational mode of coordination, whereas in Switzerland, their employees are not only part of local networks, but they even established their original own ones. We might consider this finding as an illustration of the argument that “MNCs

become a source of diversity inside institutional contexts. They engage in new ways with institutions, local firms and local actors, in some cases reshaping them, in others reinforcing them and in others undermining them” (Morgan 2007: 139). While in the collaborative, but constraining German business system, US MNCs rather tried to reshape or undermine institutions, in the collaborative and permissive Swiss business system, they even reinforced associational networks and associational coordination as a central part of the local institutional setting. Concerning US MNCs, this way of relating to the collaborative Swiss host country setting might even be interpreted as a particular manifestation of deliberate differentiation by choice. It may well be that, thanks to hard facts and figures on savings that could be realized thanks to collective insurance contracts, local actors achieved to convince decision-makers in their companies that in this way, they could best profit from locally available resources.

A last significant difference between German and US MNCs could be identified concerning wage increases. As we have seen, several German MNCs followed local Swiss patterns of social partnership in IR, including wage negotiations with employee representatives on plant level as far as blue-collar workers are concerned. In our sample of US MNCs, personnel commissions were in place only at US2 and US6. However, annual wage increases were rather decided upon unilaterally by the finance and HR function, and communicated to employees. Here, US6 was the only case where employee representatives were somehow included in negotiations. These different approaches might actually reflect the differences described in the literature between a negotiated style in German-, and a unilateral style in US MNCs (Wever 1995). But also Swiss host country effects are present in our findings, pointing to the intensive use of local networks in order to exchange information on local wage levels. This evidence confirms the findings of earlier research on the use of informal modes of coordination of wage policies on the side of employers (Flanagan 1999: 1152; Soskice 1990: 41). The most striking and surprising element in this respect is, that even US MNCs in the Lake Geneva region had intensive exchange and benchmark studies on these highly sensitive issues within their own original local network of US MNCs.

Therefore, we might say that our greatest surprise in Switzerland is the way in which US MNCs relate to this collaborative environment. The formation of an original local networks of US MNCs follows a Swiss institutional rationality of trust-based personal networks and information exchange which could not at all be expected as based on the extant literature and earlier findings.

Table 36 below summarizes key findings of our comparison of local HRM practices and identified key influences and effects in German and US MNCs.

Table 36: Local HR practices and key influences and effects on transfer in German and US MNCs

HRM practices	German MNCs	US MNCs
Legal-administrative HR issues	Legal compliance with federal Swiss or cantonal legislation on contracts, taxes, social insurance, health insurance, maternity leave, equal pay and pension plans;	Legal compliance with federal Swiss or cantonal legislation on contracts, taxes, social insurance, health insurance, maternity leave and pension plans
	flexibility of Swiss legal environment: room for negotiations between business and local authorities to find tailor-made solutions	flexibility of Swiss legal environment: room for negotiations between business and local authorities to find tailor-made solutions
	<i>Key influences and effects:</i>	<i>Key influences and effects:</i>
	<p>Swiss host country effect:</p> <p>coercive isomorphic pressures: in case of cantonal tax laws, pension funds, social and health insurance schemes</p> <p>non-EU membership: downside of non-EU member status felt because of restrictions for short-term international mobility and work permits for project workers</p> <p>Low regulatory density: advantage of flexibility of individual solutions in the overall weakly regulated Swiss environment; disadvantage of perpetual need for individual negotiation and network formation</p> <p>people-networking society/agency: functioning of local authorities with the strong role of personal networks might be interpreted as a mechanism to protect local interests, markets and businesses; local cooperative practices in associations or ad-hoc interest groups (e.g. D5 and collective lobbying towards cantonal authorities concerning common problems around residence and work permits)</p>	<p>Swiss host country effect:</p> <p>coercive isomorphic pressures: in case of cantonal tax laws, pension funds, social and health insurance schemes</p> <p>non-EU membership: downside of non-EU member status felt because of restrictions for short-term international mobility and work permits for project workers</p> <p>Swiss decentralised federalism: downside in terms of slowness, high costs and low efficiency of Swiss decentralised federalism and cantonal prerogatives in the fields of tax and educational system design have been emphasized</p> <p>people-networking society: close personal contact to, and collaboration with, local authorities used to achieve improvements in local administrative processes (e.g. work permits),</p>

	<p>agency: fending off HQ plans for standardization/mobility shared services on grounds of administrative difficulties in Switzerland and use of local providers with personal networks to local authorities in order to obtain local mobility services that satisfy short-term needs</p> <p>coercive isomorphic pressures in legal-administrative area as single institutional power resource for local actors that may be used to fend off HQ interference (e.g. pension plans)</p>	
IR/ER	<p>Where Swiss subsidiaries are production plants with blue-collar workers and/or serve the local market, personnel commissions and collective agreements are in place in most cases; in subsidiaries where white-collar employees prevail, there are no collective agreements, personnel commissions and unions involved;</p> <p>unions and personnel commissions are included as social partners for example to agree on annual working time schedules, but also in case of reorganizations and mass layoffs</p>	<p>In only two cases, our interviewees reported to have a personnel commission in place (US2, US6), which was strictly non-unionised</p> <p>except for US6, no further interviewee told about any kind of involvement of employee representatives in wage bargaining on plant level;</p> <p>at US6, the personnel commission was deliberately installed as a means to keep the plant union-free</p>
	<i>Key influences and effects:</i>	<i>Key influences and effects:</i>
	<p>Swiss host country effect: social partnership orientation and political veto-player status of unions – link between the IR- and the political arena</p> <p>agency: negotiating social legitimacy with personnel commissions and unions in case of working time schedules, wage negotiations, and mass layoffs – an approach towards gaining legitimacy that seems similar to what is done in Germany, and may be interpreted as a manifestation of a stakeholder philosophy</p> <p>organizational effect: due to company strategy and structure, the role of the Swiss subsidiary in the MNC network, corresponding kind of activities performed and types of employees engaged are important to determine which model and practices are adopted in IR/ER</p>	<p>Country-of-origin effect: unilateral style in IR/ER, anti-union ideology, determined to keep unions out in Switzerland</p> <p>agency / country-of-origin effect / Swiss host country effect: using a weak personnel commission as a means to keep unions out (US6), particular way of maintaining non-union status: using a comfortable form of social partnership as a preventive measure; might be interpreted as reflecting Swiss socialised rationality since the idea of social partnership is deeply rooted in Swiss IR/ER</p>

Dual VET	Nearly all German MNCs train apprentices in Switzerland for rational-economic as well as for social reasons	Some US MNCs train apprentices in Switzerland for rational-economic as well as for social reasons, or as part of mutual obligations within local networks with authorities (US9)
	<i>Key influences and effects:</i>	<i>Key influences and effects:</i>
	<p>Country-of-origin effect: apprentice training is an important German training practice and firmly integrated in German work organization and production models</p> <p>Host-country effect: in Switzerland, a dual VET system is in place that is very similar to the German one, together with the corresponding infrastructures and institutional supports, German MNCs make use of regional joint training schemes as example of a locally provided competitive support or resource</p> <p>Agency: training apprentices as a strategy to gain social legitimacy since in Switzerland, this is strongly viewed as part of corporate CSR – a strategy that comes quite natural to German managers since they are familiar with dual VET and corresponding social implications</p>	<p>Host country effect / agency: in Switzerland, training apprentices is considered as be part of corporate CSR, although there is no legal obligation to engage in apprentice training, this may be seen as a good illustration of informal normative rules and the role of custom and practice in Switzerland: Swiss managers as insiders took the role of interpreters of the Swiss environment and convinced their superiors in the U.S. of the need to engage in dual VET as a matter of good corporate citizenship, yielding positive effects on legitimacy and employer image for their company (US3)</p> <p>Training apprentices was even part of an informal agreement and mutual obligations between the cantonal authorities and the MNC US9, which points to deep embeddedness at least of some US MNCs in local Swiss networks. This finding was unexpected and points to a unique constellation that led to local network formation and agency of a whole group of US MNCs, thereby following typical patterns of Swiss institutional rationality</p>
Shop floor technical training	Some training is localised according to literature and theory	Some trainings is localised according to literature and theory
	<i>Key influences and effects:</i>	<i>Key influences and effects:</i>
	Due to lower degree of integration and higher degree of differentiation of local trainings	Due to lower degree of integration and higher degree of differentiation of local trainings
Recruitment	Faster processes in Switzerland than in Germany, need for personal contact with candidates, local university marketing and cooperation with employment agencies, social control: recruitments are closely monitored by the local community	Use of local vacancies pages and employment agencies; use of employment certificates, references and personnel networks to gather information on potential candidates; gentlemen's agreement on filling certain positions with local Swiss employees as part of local informal networks;

		local internship programmes and local HR marketing at universities, locally designed process at US4 since US predictive index did not work well in Europe
	<i>Key influences and effects:</i>	<i>Key influences and effects:</i>
	Host country effect: disciplining effect of the highly dynamic and competitive Swiss labour market; great importance of employer image to attract promising candidates - effects are not only visible in recruitment, but also in efforts for retention	Host country effect: reference-checking and importance of employment certificates, role of personnel networks to gather information on candidates and to fill positions, internship programmes as a means to get in touch early on with potential young talents (US5) which is important on the highly competitive Swiss labour market
Compensation and benefits, wage increases	Conservative pay policy at D7, Local adaptations of global systems and processes wage increases often negotiated or discussed with local personnel commission	Strong local benchmarking, local adaptations of global systems and processes
	<i>Key influences and effects:</i>	<i>Key influences and effects:</i>
	Conservative pay policy at D7 as country-of-origin effect linked to local German labour market at HQ and practice of life-long employment If policy is global or local is linked to whether the labour market segment is local, regional or rather international; Host country effect: involvement of local personnel commissions in wage negotiations on plant level corresponds to typical Swiss patterns use of deep embeddedness in local trust-based networks to obtain information on local pay policies and wage levels strong disciplining effect of highly dynamic and competitive Swiss labour market	Country-of-origin effect: Generally strong focus on market competitive compensation that is ensured through strong benchmarking – in line with earlier findings on US MNCs in other host countries no involvement of personnel commissions in local wage negotiations possibly due to U.S. unilateral style Host country effect: use of deep embeddedness in local trust-based networks to obtain information on local pay policies and wage levels

	- effects are not only visible in comp&ben, but also in efforts for retention	
Membership in local Swiss associations and networks	Sustained membership in local associations, multiple collaborative practices; engagement in regional joint training schemes	Sustained membership in local associations and deep embeddedness in local networks especially in the Lake Geneva region, multiple forms of collaboration between firms and local authorities
	<i>Key influences and effects:</i>	<i>Key influences and effects:</i>
	<p>Country-of-origin effect: German MNCs are able to engage in high trust relations and to capitalise on membership in local networks and social capital that are present in Switzerland – one specific way of doing so is their active participation in joint training schemes</p> <p>Host country effect: joint training schemes as an example for the competitive provision of supports or collective competition goods on a sub-national level</p> <p>agency: ad-hoc network formation to do lobbying on a cantonal level concerning residence and work permits for short-term international mobility (US5)</p>	<p>Host-country-effect: local network formation of US MNCs follows patterns of a typically Swiss institutional rationality the use of, or access to, this resource requires deep embeddedness in local personnel networks, which is often assured by local Swiss employees</p> <p>agency: gaining legitimacy as a good corporate citizen through contributing to cantonal political aims (e.g. diversity, sustainability) in publicly visible ways – all this in close cooperation with local authorities based on informal personal networks and mutual obligations</p> <p>subversive strategists use local networks as valuable resource for the benefit of their company, but also to achieve information asymmetries that can be used to strengthen their own position in negotiations with local authorities or corporate HQ</p>

Source: own compilation based on interview transcript analysis and literature review

PART V: CONCLUSION

Chapter 9 Discussion and conclusion

The present investigation has taken an institutionalist approach to address the issue of the cross-national transfer of HRM practices in MNCs. The latter has been considered as the outcome of a complex interplay of various influences and effects on the institutional macro- and on the organizational micro-level (Almond *et al.* 2005; Barmeyer and Davoine 2011; Edwards *et al.* 2007b; Edwards and Ferner 2002). According to suggestions of Tempel and Walgenbach (2007), the national business systems approach and new institutionalism have been combined in order to increase the explanatory power of our theoretical foundations. Furthermore, company-level factors (Rees and Edwards 2006a; Taylor *et al.* 1996) and recent contributions on the issue of power and agency (Dörrenbächer and Gammelgaard 2011; Ferner *et al.* 2012) have been integrated into our conceptual framework for research into cross-national HRM practice transfer.

Following calls for an expansion of research on further host countries (Tempel *et al.* 2005: 196), our analysis focused on an in-depth analysis of the Swiss national business system in order to uncover and understand Swiss host country effects, and their influence on international HRM practice transfer. In order to find out about these effects, we compared Swiss affiliates of German and US American MNCs that are embedded in two different ideal types of business system, where original and distinct HRM practices have developed. In the following sections, we will take up and discuss key findings of this investigation.

9.1 Key findings on the Swiss business system and host country effects

Our first research question concerned the Swiss host country business system, and the effects of its institutional setting on HRM practice transfer in foreign MNC subsidiaries. Our in-depth theoretical analysis of the Swiss business system revealed that it may clearly be placed into the group of collaborative business systems, with heavy emphasis on an associative mode of social order or “private interest government” (Streeck and Schmitter 1985: 128). At the same time though, there are very few institutional constraints on HRM and IR that would result from coercive isomorphic pressures. Especially the Swiss system of IR and the labour market are very liberal and formally provide firms with great room for manoeuvre in these fields to make their own strategic choices. Our analysis revealed that the Swiss national business system is marked by a particular mixture of

institutional features that make it flexible and permissive (Tempel 2001: 52) in terms of IR, while at the same time holding a large variety of institutional supports or props (Edwards and Rees 2006d: 92) for firms. While leaving firms with great room for manoeuvre in terms of their HR and IR practices, we found that the underlying institutional rationality (Ferner *et al.* 2012: 167) of the Swiss business system clearly is one of a host country setting that demands for collaboration (Saka-Helmhout and Geppert 2011: 573–574). Surely, the most evident institutional props present in Switzerland are the infrastructures for an encompassing system of initial dual VET that is similar to the German one. As we have seen, one further interesting kind of support on a sub-national level are collaborative joint training schemes like Aprentas in the greater Basel area. Such structures, where firms cooperate on a local or regional level even with their direct competitors, allow for the realization of scale effects, and hence, firms may achieve dramatic cost reductions for apprentice training. Moreover, the example of Aprentas has shown, that collective competition goods (Heidenreich 2012: 550) are provided locally. Further training for smaller-sized local firms who do not dispose of their own training programmes and facilities is one concrete example of such a collective competition good.

The results of our empirical investigation largely confirmed the flexible and formally permissive character of the Swiss business system and its expected effects on the transfer of HRM practices. Our interviewees confirmed that HR managers enjoy large room for manoeuvre when implementing standardized processes and practices in their subsidiaries. As distinct from Germany or France, Swiss HR managers do rarely come along legal constraints or obligations to negotiate the introduction of new practices and processes like performance appraisal systems or corporate codes of conduct with local stakeholders. Thus, also in practice, firms are fairly free concerning their strategic choices in terms of HRM practices as well as the management of their employment- and industrial relations in Switzerland.

The only field where we could find coercive isomorphic pressures that have an effect on HRM is in the area that we called legal-administrative HR issues. Swiss contract law has to be respected just as legal obligations to contribute to health and social insurance schemes as well as pension plans. Furthermore, firms have to comply with local tax regimes. In this latter case, the principle of decentralised federal state organization (Braun 2003) is manifest in the reality of tax regime competition between cantons and communities within Switzerland, hence illustrating once more the

important role of the sub-national level of business systems. On the one hand, this form of internal regime competition (Streeck 1991: 336) gives MNCs more power in negotiations with their canton. However, on the other hand, the high complexity of 26 different tax regimes across Switzerland also raises problems when firms have plants in several cantons. This complexity inevitably leads to higher costs for tax software and specialised consultancy services.

Further legal-administrative constraints in the field of IHRM are linked to the status of Switzerland as a non-EU member state. This status has effects that are locally perceived as constraints for international mobility, especially when third country nationals are involved. Quotas and various obligations and restrictions for international project workers have been highlighted by several interviewees, and are seen with a critical eye. Restrictions for HRM that arise from non-EU membership concern the obligation to obtain residence and work permits, and complications with mobility of non-EU project workers between Switzerland and other countries of the European Union. In case of D5, such local constraints on mobility have led to the outcome that Switzerland could not be included in the international shared service structure. Furthermore, following the referendum of February 2014, where the Swiss population voted for the introduction of quotas for EU-citizens who wish to live and work in Switzerland, all the bilateral agreements with the EU are at stake. It remains to be seen how foreign as well as domestic MNCs in Switzerland will react to this great measure of uncertainty, where currently EU market access and the free movement of people are at risk.

However, we have also seen that highly business-friendly local administrations are very receptive to local business needs and often succeed in finding tailor-made solutions to such problems, which is regularly achieved in direct collaboration with the businesses concerned. The generally low regulatory density in Switzerland opens up fairly large room for manoeuvre and negotiation with authorities, and for case-by-case decisions and solutions. Here, local personal networks are key to our understanding of the functioning of local administrations in the Swiss people-networking society (Avery *et al.* 1999: 22), and local managers are highly aware of this fact.

This approach of negotiating individual solutions, while respecting the basic principles defined by a flexible legal framework, may be seen against the background of our theoretical discussion. As we have seen, there is a recent shift away from government with centralised imperative coordination towards governance with its emphasis on societal guidance strategies (Jessop 1993). Similar to the

case of Germany (Almond 2011b: 533), the evidence collected in our investigation suggests that also the Swiss state arrangement predates recent economic shifts towards governance and the growth in importance of sub-national levels (Boggs and Rantisi 2003). In the Swiss case then, geographical closeness is not only highly supportive of “geographically specific inter-firm relations” (Lane and Wood 2009: 543), but also of geographically specific relations between firms and local authorities. In this context, the utterly high degree of sub-national business system autonomy in Switzerland *de facto* seems to positively affect sub-national host embeddedness of MNCs (Almond 2011b: 542).

On the other hand, changing to the micro-level and agency, as we have seen, the near absence of institutional coercion deprives local HR managers of institutional power resources that they might use to block the transfer of undesired practices or other forms of HQ interference. In such cases, Swiss managers need to adopt different strategies and draw on other types of locally available power resources. And this is where local embeddedness and networking once again come into play. In fact, except for the expatriates, all our interviewees were members of local professional associations and deeply embedded in local trust-based, personal networks. Within these highly collaborative networks, HR professionals regularly exchange information on a large variety of issues including, *inter alia*, local wage levels and experiences with certain IT systems, benefits paid by, and HR practices of, competitors. In this way, they create information asymmetries that can be used in their negotiations with local administrations as well as HQ, just in the sense of “micro-politics of information-shaping” (Morgan and Kristensen 2006: 1478). Such an edge in information may very well be interpreted as a particular form of locally available resource, where access is conditional on local embeddedness, and hence, on membership in clubs (Meyer *et al.* 2011: 287).

Theoretically, the recent contribution of Dörrenbächer and Gammelgaard (Dörrenbächer and Gammelgaard 2011) helps us to better understand and interpret different kinds of power resources and their use in practice. The kind of information obtained through membership in local Swiss clubs may be considered as micro-political bargaining power. In our empirical investigation, we have seen several examples of how such information is skilfully used for instance to obtain higher benefits for ones' own employees in negotiations with HQ, based on the argument that this is what local competitors do. Especially in case of European HQ, information obtained from other MNCs on their experiences with certain practices or delivery channels may be used to argue for, or against,

further standardization initiatives in negotiations with HQ.

As we have seen, in several cases of Swiss subsidiaries, micro-political bargaining power is further combined with resource-dependent power. The latter is particularly found where local subsidiaries control further resources like market access and market knowledge, or again, membership in innovative networks. Therefore, this kind of power is especially relevant where local subsidiaries are cultivating the local Swiss market, as for example in case of D5 or D9, since market access is often obtained through personal networks of local employees.

Finally, as far as institutional power is concerned, even if there are utterly few coercive isomorphic pressures that may be used to shield the subsidiary against HQ interference, our empirical investigation has shown that this is only one part of the picture. Our evidence suggests that local managers still effectively perform the important task of insider exegesis of subtle and tacit cognitive and normative elements of the Swiss institutional context (Ferner *et al.* 2012: 174). Dacin *et al.* (1999: 324) have argued that institutional contexts influence on strategic choices by shaping “what is possible and advantageous”. Our empirical investigation has shown that in Switzerland, subtle and tacit cognitive and normative elements play a central role to understand “the real pattern of life” (Streeck and Thelen 2005: 14) under seemingly permissive rules. The law of multiple encounters in life (Weibler and Wunderer 2007: 283) and other forms of social control (Broussolle 2009: 292) are important elements for an understanding of HRM practices under Swiss institutions. Just like the labour peace agreement (Aubert 2005: 150–151), also many other Swiss HRM practices or outcomes such as stable employment relations, cooperative and trust-based relations between social partners, between firms or between firms and local authorities, are rather socio-cultural than legal phenomena. Nevertheless, as we have seen, the presence of strong social (Davoine 2005; Durkheim 1997; Streeck 1997a: 202) instead of legal constraints does not imply, that in reality, managers would be free to do whatever they want. This kind of normative control, which is also reflected in embedded managerial norms and beliefs about what constitutes desirable outcomes of practices (Almond 2011a: 258–259, 265), is highly effective in Switzerland, and points to the particular importance of normative isomorphic pressures. These are strongly felt by HR professionals, especially together with pressures from a very dynamic local labour market that provides employees with the exit option (Meardi 2007: 511–512; Meardi *et al.* 2009: 508), if they are not happy with their employer.

Furthermore, we also found strong support in our interviews for suggestions about stronger local embeddedness and career orientations of managers in collaborative environments (Kristensen and Morgan 2007, 2006). In this respect, we would suggest that such long-term local embeddedness is a strong mechanism that allows normative control to work effectively in practice. As we have seen in our interview with the Swiss US3 plant manager, his socialised rationality and local embeddedness led him to sell the locally important issue of apprentice training to divisional HQ back in the U.S. again and again. In our thought experiment, this same manager also told that he would do whatever he could to avoid local layoffs, while he was sure that arguments about local impacts would not be heard back at U.S. HQ, and that U.S. expatriates wouldn't hesitate neither to execute decisions of this kind. In fact, a typical expatriate leaves the region after a certain while to pursue his corporate career on another site, whereas a locally embedded manager wishes to stay there. Thus, he regularly meets the people he laid off, their family members and friends. In such circumstances, it is not difficult to imagine the extent of social pressure that can be put on local Swiss managers not only by their employees, but also by unionists and the local press. Equally, the US4 HR director at European HQs was utterly anxious to assure the long-term internal competitiveness of the Swiss site, since he considered this to be important for the long-term economic well-being of his canton where he wished to stay.

We have discussed mechanisms of social control as linked to the existence of informal institutions, since the latter usually refer to unwritten socially shared rules that are created, communicated, and enforced outside of officially sanctioned channels (Helmke and Levitsky 2004: 727). The concrete examples found in our interview material provide rich illustration of the working of such informal institutions and associated unofficial sanctioning mechanisms in Swiss society.

Concerning the formally permissive Swiss context, we may therefore conclude in allusion to Dacin *et al.* (1999: 324), that not everything what is possible is also advantageous. The subtle and tacit cognitive and normative aspects of Swiss institutions are interpreted by local Swiss actors in ways that lead to outcomes that might otherwise rather be expected in highly regulated environments. Therefore, our findings lend further strong support to arguments about the impossibility of reading off transfer outcomes from institutional distance (Tempel *et al.* 2005: 188) or from the institutional setting alone (Redding 2005: 124). In this respect, the case of Switzerland shows that this argument is relevant not only for formally constraining institutional settings like the German one, where actors were still able to find considerable room for manoeuvre or to avoid contents, but also the

other way around. In Switzerland, local HRM practices cannot simply be read off a formally permissive institutional framework, since the latter is enacted through actors whose socialised rationality (Almond 2011a: 260) or rationale (Redding 2005: 126, 136) and institutional choice (Bluhm 2001: 156) are heavily influenced by cognitive and normative interpretations of what is desirable. Therefore, in Switzerland, local institutional pressures that lead to the adoption of a pluralist HRM approach (Müller 1999b: 140) are not coercive, yet utterly present in cognitive-normative elements like the concept of social partnership, a balanced stakeholder philosophy, and the merit of collaborative, trust-based relations.

9.2 Key findings concerning German MNCs

Our second research question was about how, and in what ways, German and U.S. country-of-origin effects would influence these MNCs' ways of relating to the Swiss host country institutional setting (Morgan 2007: 139) which is at the same time flexible, and demands for collaboration.

Concerning German MNCs, originating from an institutionally dense environment, the argument has been worded, that the latter would meet “differences of a different order” (Meardi *et al.* 2009: 491) depending on where they intended to transfer country-of-origin practices. To our knowledge, this is the first comparative institutionalist investigation where the host country to German MNC affiliates is another collaborative business system that holds strikingly similar institutional supports as for example in the field of dual VET (Edwards and Rees 2006d: 92; Streeck 1997b: 243-244, 252; Tempel 2001: 64, 66). In our comparative in-depth analysis of the German and Swiss NBSs, we have seen that there are important similarities in certain areas. These are reflecting an institutional rationality that is marked by cooperation, associative coordination and social partnership. Furthermore, our literature review of earlier comparative institutionalist investigations of German MNCs in other host countries allowed for the formulation of more concrete expectations about typical German country-of-origin effects, and the approach towards transfer of German MNCs. In the following, we will conclude on key findings in two steps. A first subsection will sum up our collected evidence on German MNCs' HR architecture and approaches towards transfer, and a second one will report our findings on specific ways of relating to the Swiss institutional context.

9.2.1 German MNCs' HR architecture and approaches towards transfer

As based on the extant literature, we expected German MNCs to be more decentralised concerning

HRM and IR (Ferner and Varul 2000a: 132, 2000b: 89; Guest and Hoque 1996: 64, 69) and to adopt rather subtle and selective approaches towards transfer, including differentiation by choice, and hence, non-transfer of practices that are related to co-determination (Bluhm 2001; Dickmann 2003: 279; Dörrenbächer 2004; Tempel 2001: 56; Tüselmann *et al.* 2006: 69).

Our evidence shows important differences in our sample between two groups of German MNCs.

A first group consisting of six MNCs did not correspond to the traditional German pattern as described in the extant literature concerning their overall HRM architecture and degree of standardization. In fact, for this group of organizations, our evidence indicates that many German MNCs have further developed towards greater degrees of centralization and standardization around HR core processes, as this was expected to be notably the case for US MNCs. In this first group of German MNCs, we could not find evidence of higher degrees of local adaptation or freedom in terms of HRM compared to their U.S. counterparts. This is especially true for HRM practices with high degrees of integration, and consequently, great need for internal HR consistency (Evans *et al.* 2002: 55). The overall high level of standardization of HRM practices and processes in the areas of performance management, personnel development, and training for more senior-level managers, may be seen against this background.

Concerning these standardized practices, our empirical investigation revealed evidence of both, continuing Anglo-Saxon influence in the field of HRM, as well as sustained German country-of-origin influence. As we have seen, nearly all German MNCs of our sample have implemented performance management systems as an Anglo-Saxon innovation in HRM. Yet, global system design as well as implementation and operation of these systems by German managers continued to be heavily influenced by German institutional rationality. Notably works councils and co-determination as one of the most important institutions of the German labour market could be identified as central influences. This finding hence confirms earlier evidence of Ferner *et al.* (2001: 115), and also explains why in many areas such as performance appraisal, different practices are in place for the two categories of tariff employees and exempts, since in the latter case, works council influence is much weaker.

Also in the field of diversity management, about half of the German MNCs of our sample had defined some diversity policy as another HRM practice that has its origins in the U.S. However, in most cases, the content of these practices heavily focuses on gender equality. Moreover, taking into

consideration the current political and social pressure in this area in Germany, it does not seem completely mistaken to assume that gender equality policies of German firms under the label of diversity are rather a means of gaining social legitimacy, and to improve the employer image, than anything else. The institutional dynamic underlying the definition of diversity practices in Germany, where there is no explicit legal framework in place in this field, is completely different from the one in the U.S., where this area is highly regulated and legally enforced. As we will see below, also in the area of corporate culture, our evidence suggests that despite the formal adoption of Anglo-Saxon style corporate values, apparently the underlying different German notion of *Unternehmenskultur* seems to persist (Eberwein and Tholen 1993; Ferner *et al.* 2001: 114; Wächter *et al.* 2003: 82).

Especially the case of D2 revealed direct U.S. influence on the restructuring of its HR system architecture, since this project was carried out together with a U.S. consultancy firm. This finding directly confirms the important role of consultancy firms and other “institutional entrepreneurs” (Tempel and Walgenbach 2007: 11) who legitimize organizational forms and practices, thereby contributing to their global diffusion through normative and mimetic isomorphism. As we have seen earlier, some research has already been undertaken in this field (Kipping 1996, 1997; Kipping *et al.* 2004; Meyer 2000; Meyer *et al.* 1997; Sahlin-Andersson and Engwall 2002). Thus, our evidence lends further strong support to the argument worded by Tempel and Walgenbach (2007: 11), that it is highly important to extend the borders of organizational fields through engagement in cross-national research when investigating into MNCs.

Moreover, our findings on continued learning from U.S. models also lend further support to earlier results showing that U.S. models are the strongest source of inspiration for German MNCs in the field of HRM (Pudelko and Harzing 2007).

However, based on the evidence of our sample, IR is an area that apparently still continues to be more decentralised, even in this group of highly centralised and standardized German MNCs. At least in our sample, neither could we find any evidence of a clearly defined anti-union stance as this was the case in many US MNCs, nor of clearly-defined policies aiming at a direct transfer of country-of-origin practices. Yet, German institutional rationality and norms of social partnership show through in the overall approaches of German MNCs towards IR and ER. Here, local patterns were followed and collective agreements signed for blue-collar workers, and representative bodies were integrated as social partners on plant level in several cases. This localization of practices in the

field of IR also applies to the two large and highly standardized MNCs D1 and D2. This finding may also be seen against the background of differences within the German NBS. As we have seen, greater firms were found to follow the traditional German model in IR more closely, showing higher rates of collective bargaining coverage and unionisation (Schnabel 2006: 170; van Klaveren and Tijdens 2011: 68), and more cooperative attitudes of management (Bluhm 2001: 166–167) than smaller ones. On the other hand, the case of D6 does not seem to fit into this picture, since our D6 Switzerland interviewee did not report any relations with unions or collective agreements to be in place. In this case, we might speculate whether this practice is due to the fact that D6 is active in the service sector, or whether it is the outcome of a purposeful strategic choice to make use of the permissiveness of the Swiss IR system.

Yet, in other HRM areas, the degree of standardization and willingness to transfer was similarly high as in US MNCs, and the group of standardized German MNCs equally made heavy use of procedural channels to transfer standard processes and practices towards Switzerland.

The other group of German MNCs showed still greater degrees of local freedom in the area of HRM. Though, it is arguable whether this lower degree of standardization is attributable to persisting country-of-origin influence, or rather due to corporate-level factors, and hence, organizational effects. As we have seen in our discussion, D3 and D9 are rather small MNCs with a more recent history of internationalization. Furthermore, the Swiss subsidiary of D9 is a brownfield plant and only partially owned by the D9 group. In these MNCs, international conduits in HR do not yet exist, or are still underdeveloped, and hence, transfer is *a priori* restricted due to their current HR architecture. In case of D4, we have seen that a long company history of mergers and acquisitions has led to *de facto* fairly different organizational cultures in every plant, which deprives the MNC of an important indirect transfer mechanism. Even more important for our understanding of this case is the configuration of the international value chain of the power engineering division that we could access, and the nature of their products. In this D4 division, every plant is a specialised contributor of complementary skills to the production of highly customized products. Under such conditions, the potential for efficiency gains through the introduction of standard processes and practices is hence fairly reduced.

Our empirical evidence revealed still another important difference between German and US MNCs concerning the use of indirect transfer mechanisms. The fact that all the German MNCs of our sample, including the least standardized ones like D3, had formally defined a code of conduct and corporate values, may be interpreted as another manifestation of U.S. influence or Anglo-Saxonization. As we have seen, the intensive use of corporate culture as a management tool is widespread among US MNCs (Ferner *et al.* 2004a: 117), and may be viewed as an important indirect transfer mechanism. On the other hand, in German MNCs, the notion of corporate culture is traditionally more associated with an organic whole that has grown over decades, than with a management tool (Eberwein and Tholen 1993; Ferner *et al.* 2001: 114; Wächter *et al.* 2003: 82). We found some evidence suggesting that the formal adoption of tools aimed at cultural engineering (Alvesson 2002: 47–48) such as formally defined corporate values and codes of conduct in German MNCs does not always seem to work as an effective indirect transfer mechanism in practice. Our findings suggest lower degrees of internalization and functionality of formal cultural engineering initiatives when compared to US MNCs, as for example in case of D6. Apart from the differences in cognitive concepts associated with the notion of corporate culture, especially in case of transfer of corporate codes of conduct, we also highlighted the less thorough implementation of these tools in German MNCs when compared to their U.S. counterparts. However, as we have seen, several of the German MNCs are nevertheless marked by a strong corporate culture. Yet, the latter seems to be rather transferred through German expatriates than through formal values and codes of conduct. Based on our limited empirical evidence, it is not possible to claim that there is clear evidence of a generally more sustained use of expatriates for the transfer of concrete HRM practices in German MNCs. Though, our results however suggest that expatriates might play a more important part as a people-based channel to transfer tacit knowledge and corporate culture in German MNCs.

9.2.2 German MNCs' ways of relating to the Swiss institutional context and HRM practices

The second aspect of how German MNCs relate to the Swiss host country institutional context now concerns particular HRM practices. In this respect, we expected German MNCs to be marked by a mindset reflecting a cooperative, consensual style in IR (Dickmann 2003; Ferner *et al.* 2001: 109), including some more use of collective, representative channels, that might be combined with direct communication channels to dualistic approaches (Tüselmann *et al.* 2006: 75). Furthermore, based on the literature on German career patterns and empirical findings of previous investigations on

transfer, we estimated to find some manifestation of long-term developmental HR with an emphasis on training and acquisition of technical competence (Ferner *et al.* 2001: 116) and a focus on internal functional careers (Barmeyer and Davoine 2008: 11; Calori and Dufour 1995: 68; Evans *et al.* 2002: 376–377; Glunk *et al.* 1997: 99; Kristensen 2003). In view of the strikingly similar Swiss system of dual VET, where all necessary institutional supports are readily available to German MNCs, we expected the latter to engage with much ease in apprentice training in Switzerland. Though, considering the fact that apprentice training may be done not only for rational-economic, but also for social reasons, we were also eager to find out about German MNCs' reasons for, or against, engagement in dual VET. Finally, based on arguments worded by Kostova *et al.* (2008: 999), we tried to find out whether and how German and US MNCs would engage in symbolic image building, and which sources of legitimacy they would use locally.

Our first set of propositions concerned a cooperative style in IR, and the possibility of individual high involvement work systems being merged with traditional collective and representative channels. On the one hand, our evidence suggests that overall managerial styles seem to be rather negotiated than unilateral (Wever 1995) with HQ being fairly open to collective representation and negotiations with unions. Furthermore, in none of our German case study MNCs we found signs for sustained industrial conflict. On the other hand, we found some important differences in German MNCs' use of representative channels and collective agreements. As we have seen in our discussion, there are several reasons for attributing such differences rather to micro-level factors than to macro-institutional country-of-origin or host country effects. Especially the two cases of D1 and D2 were revealing in this respect, since these MNCs have different kinds of operations in Switzerland. In this way, we could check for different kinds of practices in IR and ER, according to the kind of operations and workforce they employed in Switzerland. In production plants with blue-collar workers, collective agreements were in place, whereas in international sites with managerial functions and white-collar employees, this was not the case. Some German MNCs as D5 did not have any kind of personnel commission, nor did they report any relations with unions or strike collective agreements. Yet, once again, having a look at the kind of activities performed and employees working on these sites, it would be rather a surprise to find such practices in a subsidiary that mainly performs distribution, service and consulting activities. At the same time, in two thirds of our sample of German MNCs, standardized employee surveys were in place. This evidence from Switzerland thus lends some further support to earlier arguments about dualistic models in IR/ER

among German MNCs based on findings in the UK (Tüselmann *et al.* 2006). Another interesting aspect is the fact that in those five German subsidiaries where a personnel commission was in place, the latter was included as a social partner for example in wage negotiations, thus following traditional Swiss patterns of social partnership.

As far as long-term developmental HR with an emphasis on the acquisition of technical competence and internal functional careers are concerned, our empirical evidence strongly supports propositions about a relevant country-of-origin effect in this domain. In fact, we could find evidence of internal career patterns that were often coupled with strongly structured technical trainings. Thus, our data suggest that career progression in German MNCs does not exclusively depend on individual performance, but is also conditional on the acquisition of technical competence. The latter, in turn, is acquired through long-term personnel development involving structured training curricula and expatriation. Furthermore, internal labour markets of German MNCs appeared to be more organized in a top-down manner than in US MNCs, which may be attributable to the more structured approaches towards career development practices. Therefore, the market logic seems to be by far less present on German internal labour markets, and the practice of nominating candidates to new positions appears to be more widespread, what we have termed “passive” careers.

Referring to engagement in dual VET, our empirical results show that eight out of nine German MNCs of our sample train apprentices, thus lending strong support to our theoretical proposition. Furthermore, two of the German MNCs were actively participating in a regional joint training scheme, and hence, capitalising on local embeddedness and locally available resources. Concerning apprentice training, it is furthermore interesting to see that this is also done in affiliates with an international orientation, or with operations where other qualifications than apprenticeships are required. In this respect, we could find evidence of direct country-of-origin influence as in case of D2 international, but also of purely social reasons underlying the engagement in apprentice training as in case of D5. Still others like D9 had both, rational-economic and social reasons to train apprentices. We found strong support for the suggestion that social reasons to train apprentices in Switzerland are directly related to local concepts of corporate social responsibility, and hence, linked to the issue of symbolic image building.

Therefore, one way in which German MNCs engage in symbolic image building in Switzerland is their engagement in dual VET. A further source of legitimacy used by German MNCs may be seen in following Swiss patterns of social partnership with the inclusion of personnel commissions as we have seen above. Yet, the most interesting case of symbolic image building of a German MNC is probably D1, where local management deliberately opted for union inclusion and negotiation of a generous social plan as an accompanying measure for a mass layoff that they had to implement. As we have seen, such an approach may be influenced by both, Swiss as well as German institutional rationality. Though, our interviewee emphasized the fact that D1 as a German firm was more generous than Swiss firms normally would be. He explained this attitude by the fact that such layoffs are much more expensive in Germany, and that this was the frame of reference for German HQ.

9.3 Key findings concerning US MNCs

Having resumed our most important findings on German county-of-origin effects and ways of relating to the Swiss host country institutional setting, we will now turn to our results on US MNCs. As we have seen, US MNCs are embedded in a compartmentalised business system which is loosely regulated and does not provide a large variety of institutional supports to domestic organizations. Concerning the underlying institutional rationality of the compartmentalised US NBS, we could identify a pervasive market mentality (Hollingsworth 1997b) and operational flexibility (Saka-Helmhout and Geppert 2011: 573–574) as key elements. US MNCs may be viewed as isolated hierarchies (Whitley 2000a: 76, 85, 2000b: 859, 2008) that have grown in a highly competitive U.S. business environment, that is marked by arm's length contractual relationships (Redding 2005: 142). Therefore, it was interesting to see how these organizations would relate to the Swiss NBS that demands for collaboration (Saka-Helmhout and Geppert 2011: 573–574). Our literature review of earlier investigations on US MNCs in different host countries allowed for the formulation of concrete propositions concerning their approaches towards transfer, and typical HRM practices that had already been observed in other host settings. In the following two subsections, we will sum up our most important evidence and findings on US MNCs' HR architecture and approaches towards transfer, and specific ways of relating to the Swiss institutional context in terms of particular HRM practices.

9.3.1 US MNCs' HR architecture and approaches towards transfer

Based on our literature review, we expected US MNCs to be marked by high degrees of centralization, formalization and standardization (Almond 2011a: 261; Edwards *et al.* 2010: 615; Ferner *et al.* 2004b), and to rely heavily on procedural channels for transfer. Furthermore, we expected US MNCs to show a pronounced willingness to transfer country-of-origin HRM practices. This strong willingness was explained by the dominant systemic position of the U.S. (Ferner *et al.* 2004b: 367; Tüselmann *et al.* 2008: 1625), and by a tradition of parochial, inward-looking HRM (Dowling 1999: 37; Ferner *et al.* 2004b: 378). Moreover, the fact that many US MNCs have developed HR bundles in the liberal environment of their country-of-origin NBS (Schuler and Jackson 2005: 20) strongly demands for the transfer of standard corporate practices in order to maintain internal consistency (Evans *et al.* 2002: 48). In line with these considerations, earlier research also suggested that foreign subsidiaries of US MNCs usually had lower degrees of autonomy and discretion in HR policy formulation than those of other nationalities (Ferner *et al.* 2011: 495).

Our empirical evidence largely confirmed the typical U.S. pattern described in the extant literature concerning overall HR architecture and approaches towards transfer, although with the two remarkable exceptions of US1 and US10. Confirming our expectations, in our analysis of organizational characteristics, we found evidence of high levels of centralization, and comparatively low degrees of local freedom left to subsidiaries in the field of HRM and IR. In case of US4, the level of centralization was even felt to be as high as to significantly reduce the potential for local or regional innovation and reverse transfer of practices. Our analysis of the transfer process confirmed that formalization and standardization were regularly and heavily used as direct mechanisms and procedural transfer channels. In this way, especially standard processes were heavily used to transfer mostly country-of origin practices. In several US MNCs of our sample, also the transfer process itself was strongly formalised and formally tracked. Concerning people-based and indirect transfer mechanisms, we found very few evidence of expatriates playing a role in transferring specific HRM practices. However, consonant with findings of earlier investigations, we collected strong evidence of cultural engineering (Alvesson 2002: 47–48; Ferner *et al.* 2001: 114) and hence, of sustained use of formal corporate culture and codes of conduct as indirect transfer mechanisms. Our evidence suggests that corporate culture is regularly passed to employees through the use of

formal instruments such as explicitly defined corporate values and codes of conduct, which are systematically trained and periodically examined. Within the scope and limitations of our multiple case study, our collected evidence seems to suggest that expatriates play a much less important role for socialization than the use of formal and structured trainings, policies and instruments, which constitutes a major difference compared to German MNCs. The case of US6, where an expatriate director took control after acquisition to pass the corporate culture to the new plant, may be seen as an exception in this respect. Overall, probably linked to the thoroughness of implementation, explicit corporate values and principles defined in corporate codes of conduct appear to be more internalised than this seemed to be the case in the German MNCs of our sample.

The cases of US1 and US10 are different from the other US MNCs of our sample concerning their significantly lower degrees of centralization and standardization in terms of overall HR architecture and practices. Consequently, in these two MNCs, we found that higher levels of local freedom in HRM and IR were left to country subsidiaries than in the other cases.

As we have seen, these two cases once more reveal the great importance of an understanding of organizational-level influences. Both, US1 and US10 are marked by a long history of mergers and acquisitions of sizeable companies in foreign countries, which is generally not supportive of higher levels of standardization. Moreover, in case of US1, local legal requirements and the necessity to be close to local clients was at the origin of a deliberate strategic choice not to further integrate international operations.

At the same time, as we have seen, this choice does by no means exclude sustained international exchange, and a basic harmonization of practices through the use of common policies, guidelines and frameworks in important areas such as performance management and high potential development. International conduits in HRM on a European level were highly developed in both these MNCs. While in the federal US1 organization, a sophisticated network structure was established for exchange on best practices and harmonization needs, at US10 the recently established European HQ structure plays a key role in this process. As these two cases show, when highly integrated HRM practices are concerned, the need for internal consistency (Evans *et al.* 2002: 48) apparently overrides the need for local adaptation (Rosenzweig and Nohria 1994: 230) even in these otherwise more decentralised US MNCs.

9.3.2 US MNCs' ways of relating to the Swiss institutional context and HRM practices

As we have seen, in terms of their HR architecture, the US MNCs of our sample quite fit into the pattern of highly formalised, standardized and centralised organizations that mostly show a strong willingness to transfer country-of-origin HRM practices. The second aspect of their ways of relating to the Swiss host country setting now concerns particular HRM practices. In this respect, we expected US MNCs to transfer notably sophisticated performance management systems (Ferner *et al.* 2004b: 372) with calculative HRM practices (Gooderham *et al.* 1999: 507–510), diversity frameworks (Egan and Bendick. 2003; Ferner *et al.* 2005a; Wentling and Palma Rivas 2000), non-union approaches together with direct communication in IR and ER (Ferner *et al.* 2004b: 365; Wächter *et al.* 2003: 87), and strong corporate cultures (Ferner *et al.* 2001: 114). Yet, evidence from Ireland suggested that US MNCs might as well use collective agreements in IR as a benchmark to define their own conditions and position themselves above the mean level (Collings *et al.* 2008: 249). The latter practice has also been observed in Spain as part of preventive measures in order to avoid industrial conflict (Quintanilla *et al.* 2004: 143–145; Quintanilla *et al.* 2008: 690). Such practices may be seen against the background of US unilateral managerial style (Wever 1995), and hence, the desire to maintain managerial prerogative. In view of locally provided institutional supports, we asked if and how US MNCs would make use of the comprehensive Swiss system of dual VET, and whether they would engage in apprentice training. As in case of their German counterparts, we also aimed to find out what sources of legitimacy they would use locally in order to engage in symbolic image building (Kostova *et al.* 2008: 999). Another central question was how US MNCs would deal with the Swiss associational mode of coordination and local cooperative practices, and hence, how they would respond to the Swiss host country demand for collaboration (Saka-Helmhout and Geppert 2011: 573–574). This question was particularly interesting, since evidence from Germany as another collaborative host country showed that US MNCs tried to actively exacerbate tendencies of the German system towards disarticulation (Singe and Croucher 2005: 123).

Our empirical evidence confirmed the presence of sophisticated performance management systems with a strong focus on individual performance against targets. One interesting element that distinguishes US MNCs from their German counterparts in this respect is the strong nexus between performance management and career planning. In several of our US case study companies,

individual performance against targets could be clearly identified as the single most important criterion for career progression on internal labour markets. The latter appeared to be significantly less structured and organized in a top-down manner when compared to German MNCs. This emphasis on individual performance, together with a strong market logic underlying the functioning of internal labour markets in US MNCs are at the basis of what we termed active careers. Our collected evidence suggests that on such internal labour markets, the practice of nominating managers for new positions in a top-down manner is less common than in German MNCs. Thus, employees in US MNCs have to take the initiative and candidate for new positions, and sell their past performances on the internal labour market in order to advance, just as they would do on the external labour market. A further interesting element concerned differences in the implementation of performance management systems. While our evidence on German MNCs suggested that such systems are implemented in a fairly soft manner, rather the contrary seems to be the case in US MNCs. However, our interview with a British US\$ expatriate revealed that even within a highly centralised and standardized US MNC, local implementation of one and the same standard core process like performance appraisal may differ significantly. In Switzerland, as in other European countries that the US\$ expatriate interviewee came to know, implementation of individual performance appraisals and managerial style appears to be less harsh, and the control of figures is significantly less frequent and important than this is the case in the same company at US HQ. These differences in implementation may be seen against the background of differences in respective embedded managerial ideological norms (Almond 2011a: 265). In this way, a system rationality evolving heavily around a market logic in the U.S. shows through on the individual level of single managers and their ways of implementing practices.

As far as diversity frameworks are concerned, our findings are in line with suggestions from the literature, since all the US MNCs of our sample had some formal frameworks and practices in place, with four out of ten having their diversity frameworks adapted to the the European context.

In the area of IR and ER, once again the US MNCs of our sample confirmed our literature-based expectations, since none of them reported to entertain any kind of relation with unions, and all of them had standardized employee surveys and other practices in place to strengthen direct, non-representative communication with their employees. However, against the background of our findings on the German MNCs D1 and D2, we have to be careful with our interpretation of this

evidence. In fact, it might very well be that there are some collective agreements in place for the blue-collar production workers of US5 or US7. Yet, we could not gain access to these plants, and our interviewees were not informed about these issues, so that we lack empirical evidence to more clearly establish whether there is a general strong and clear country-of-origin effect showing through, or if practices in IR might as well vary according to activities performed and classes of employees in Switzerland. In any case, our evidence of US6, where a form of social partnership with a weak personnel commission was voluntarily established by local management as a preventive measure in order to keep the plant union free, seems to indicate that also in Switzerland, a strong anti-union stance including blue-collar workers and production operations might be the norm among US MNCs.

Regarding dual VET, six out of ten US MNCs of our sample trained apprentices. While US3, US6 and US7 have production plants in Switzerland, and apprentices are trained at least *inter alia* for rational-economic reasons, our findings clearly showed that this is by no means the case for US5 and US9. Furthermore, the US3 plant manager regularly had to sell the issue of apprentice training to divisional HQ, since back in the U.S., managers were not familiar with this training practice and asked questions about the higher headcount. This case was illustrative for the presence of social reasons behind apprentice training in Switzerland, which is seen as part of CSR. Though, translating this local interpretation into something acceptable for U.S. managers, the US3 plant manager sold the issue as an appropriate measure of symbolic image building in order to be locally seen as best citizen. The case of US9 European HQ was even more revealing. In fact, in this European HQ structure, the nature of tasks performed, and the need for English language skills made apprenticeships a widely useless form of qualification to this site. Nevertheless, the local HR director struck an informal gentlemen's agreement with the cantonal authorities, where mutual obligations included the training of some apprentices per year. This finding hence shows a high degree of local embeddedness of certain US MNCs in local informal and trust-based networks as they are typical for Switzerland. Within these networks, legitimacy is negotiated directly with local authorities and stakeholders. This evidence therefore gives direct empirical support to arguments worded by Kostova *et al.* (2008) about MNCs gaining legitimacy in insufficiently structured, fragmented organizational fields not necessarily through local isomorphism, but rather through negotiation.

In fact, probably our most striking and unexpected finding on US MNCs in Switzerland concerns their ways of dealing with the Swiss associational mode of coordination and host country demand for collaboration. In this respect, our findings surprisingly stand in sharp contrast to suggestions of Kristensen and Morgan (Kristensen and Morgan 2007: 201) who argued for US MNCs that “[e]ven where such MNCs locate in an area because of its institutional competitiveness, the tendency is still to look for quick returns and not to engage in long-term commitment and development of existing institutional advantages”. Instead of trying to keep out of local networks and maintaining organizational independence from outside actors as we would have expected US MNCs as isolated hierarchies to act, many of them are deeply embedded in local trust-based networks. Moreover, a group of locally long-established US MNCs even built up their own collaborative network, where many local Swiss employees are actively engaged, and where we found evidence of a wealth of collaborative practices. The latter included notably common benchmark studies on local wages and exchange on benefits between competitors, which is surprising evidence for US MNCs. Such collaboration within trust-based local networks is a key element of Swiss institutional rationality or rationale, and may hence be considered a host country effect. In fact, the practice of informal wage coordination on employer side is a well-known Swiss practice in the field of IR (Flanagan 1999: 1152; Kenworthy 2003: 41; Soskice 1990: 41). While some form of wage coordination through employers' associations was expected to be common practice for German MNCs known from Germany, for US MNCs, this use of local networks was surprising. In fact, as expected, HR managers working in US MNCs told about wage benchmarking, but they also made additional use of information from more informal local networks. Apparently, this host country effect is even strong enough to prevail over opposed influences. Such influences might have arguably been expected to be present in US MNCs, since Almond (2011b: 542) reminds that “MNCs whose home base is in a country with low-trust conventions may disrupt local conventions in host countries”. For US MNCs that are embedded in a NBS where competitive intensity is extremely high, and contracts as well as relations between market participants are usually arm's length (Ferner 2000a: 8; Ferner and Müller-Camen 2004: 67; Hall and Soskice 2001a: 29–30; Redding 2005: 142), we would have expected information on wages and benefits to be protected from, rather than shared with, competitor firms. Thus, although the US MNCs of our sample kept systematically out of collective agreements and did not entertain any relations with unions, they are by no means isolated, and do cooperate with various external actors in Switzerland. We might consider this behaviour of US MNCs with their collaborative practices in Switzerland as another form of differentiation by choice.

While this term has so far been used to describe the approach of German MNCs in less regulated environments like the UK or Eastern Europe, where they freed themselves from institutional constraints, US MNCs in turn learnt how to benefit from collaborative practices in the Swiss host country. This fits in quite well with arguments worded by Morgan (2007: 139) about MNCs that might “(...) engage in new ways with institutions, local firms and local actors, in some cases reshaping them, in others reinforcing them and in others undermining them”. What we found in Switzerland actually seems to point to a reinforcement of local institutions, and to foreign MNCs adapting to a host country institutional rationality with its demand for collaboration. As we have seen, intense information sharing in many different areas of HR and IR allowed locally established MNCs to gain an edge in information for the benefit of their company and of their local subsidiary in internal and external negotiations where it served as locally available power resource to locally embedded actors.

A further country-of-origin effect referring to practices that have been transferred from the U.S. towards Switzerland that we found in seven out of ten cases in our sample concerns standardized practices and processes in the fields of safety, security and health. To our knowledge, such practices have not yet been clearly described as a U.S. country-of-origin effect in the extant literature. However, our evidence suggests that it may be worth to try and further corroborate these findings from our sample in the future.

One last area where half of the US MNCs of our sample had some standard practices in place is the field of CSR. Here, our evidence suggests that, in U.S. companies, there is a vision of CSR as a business case underlying corporate approaches and practices in this area, which is not always readily accepted in Switzerland. In fact, in some cases like US6, our interviews revealed low degrees of acceptance, internalization and functionality of certain U.S. practices in this area. In certain cases, Swiss employees refused to do good things as a business case for their employer, but rather showed personal engagement outside of their professional lives.

9.4 Key findings on HRM practice transfer and different influences, theoretical and practical implications

As we have seen in our summary of key findings on German and US MNCs, our integrated conceptual framework for research into cross-national transfer of HRM practices proved to be highly useful for several reasons. First, the distinction of macro-level institutional and micro-level organizational effects was essential for our structured analysis and discussion of a large variety of effects on different levels, that are influencing on cross-national HRM practice transfer. In our investigation, several examples illustrated the utmost importance to gain an understanding of key organizational characteristics in order to correctly analyse and understand MNCs' approaches towards cross-national HRM practice transfer. If such information is not sufficiently analysed, it is highly probable that empirical findings are attributed to macro-level effects, which often appears to be too simplistic. For example, when taking into account the organizational characteristics of our group of German MNCs that are decentralised in terms of their HRM practices, it is probable at least, that this decentralization is more due to organizational than to institutional country-of-origin effects.

HRM practice transfer is regularly susceptible to multiple influences of different order, as for example in case of German performance management systems. While the idea to implement such systems is surely attributable to a U.S. dominance effect in the field of HRM, the way in which these systems are designed, implemented and operated on a daily bases in German MNCs is subject to German country-of-origin influences and the socialised rationality (Almond 2011a: 260) of single managers. The concept of socialised rationality was also highly useful for our analysis of Swiss host country influences and the interpretation of subtle, tacit cognitive and normative elements of the local context by local Swiss managers.

Second, the distinction between procedural and people-based channels together with direct and indirect mechanisms for HRM practice transfer allowed us to go deeper into the matter of the transfer process itself, and the important role of HR architecture. In this way, we could show that the greater part of the German MNCs of our sample showed striking similarities with their U.S. counterparts concerning HR architecture and the use of direct mechanisms and procedural channels. To our knowledge, until present, such features have not been associated so clearly with German but rather with US MNCs in the extant literature. This finding, in turn, allows for the conclusion that U.S. dominance effects are influencing not only on single HR practices, but also on global HR

architecture, and on how practices are transferred in German MNCs. Furthermore, the distinction between different channels and mechanisms allowed for a more nuanced discussion and analysis of differences between German and US MNCs concerning their perceptions, and the role of corporate culture for standardization and practice transfer.

Third, we distinguished between different dimensions and outcomes of transfer. We hence consciously researched for evidence of reverse or flow diffusion in our sample, and for different degrees of internalization and functionality of certain practices. The issue of internalization appeared to be particularly important concerning indirect transfer mechanisms that are linked to corporate culture. As we have seen, important differences could be uncovered between German and US MNCs in their use of explicit corporate values and the implementation of corporate codes of conduct, which also had effects on their functionality. The closer examination of the issue of functionality, in turn, yielded interesting findings on German performance management systems that were felt to be too slack by several Swiss interviewees, and on the use of formal tools associated with corporate culture in German MNCs. The same is true for the insights that we could gain into the transfer and implementation of standardized CSR practices in US MNCs that are based on an understanding of CSR as a business case. In this latter case, we could find some evidence of ceremonial adoption as an undesirable outcome in Switzerland.

Recent theoretical contributions on power and agency in MNCs (Dörrenbächer and Gammelgaard 2011; Ferner *et al.* 2012; Morgan and Kristensen 2006) were also particularly helpful. These contributions led us to consciously determine the role of the Swiss subsidiary within the corporate network, and the degree of individual managers' local embeddedness. These, in turn, enabled us to understand in a next step the coaction of influences on different levels, and how these are shaping practical outcomes. For example, on a macro-institutional level, we can search for institutional power resources for individual actors, while resource-dependent power can only be determined through an understanding of the role of the subsidiary within the corporate network. The issue of micro-political bargaining and subversive strategizing on the level of the subsidiary or of single managers may be captured best through an understanding of a manager's socialised rationality. The latter, in turn, is heavily influenced by cognitive-normative aspects of his institutional environment with its distinctive institutional rationality (Ferner *et al.* 2012: 167) or rationale (Redding 2005: 126, 136). As we have seen in Switzerland, the latter aspects are key to understand how certain

practices are implemented, or how managers make responsible use of fairly high degrees of formal institutional freedom in HRM.

Furthermore, recent contributions in new institutionalism that point to the importance of symbolic image building and negotiation as a mechanism to obtain legitimacy for MNCs (Kostova *et al.* 2008) revealed to be highly useful for our interpretation of empirical findings.

As far as practical implications are concerned, we may refer to Parry *et al.* (2008: 2037) who maintained that research into national business system differences in host and home environments and the extent of feasible learning as well as the degrees of HR freedom could become an important source for key institutional and organizational decision-makers. This is because new insights might help determining the likelihood of success of failure as well as the desirability of standardizing and transferring HRM practices. Our analysis of the Swiss NBS and its host country effects on HRM and IR practices gives a nice illustration to such claims. As we have seen, the Swiss NBS holds astonishingly few formal constraints on organizational practices in these fields. However, having a closer look at concrete practices and outcomes in Switzerland, and having linked these outcomes to features of its NBS, we could clearly show that it is actually in the best interest of foreign firms not to make the mistake to think that everything goes in this formally permissive environment. Furthermore, as far as Swiss decision-makers are concerned, our analysis revealed salient strengths of the Swiss NBS, that lie in its utter flexibility and the wealth of institutional supports provided to firms, and the existence of multiple collaborative networks between a large variety of actors. It seems worth to do whatever they can in order to maintain and further strengthen these features of the Swiss NBS. On the other hand, there are also important risks linked to the extremely fragmented nature of the Swiss NBS with its decentralised federal state organization and high complexity of cantonal laws and rulings that generate non-negligible costs for firms that operate in several cantons. Furthermore, as we have seen, there may be potential risks for Switzerland as an attractive business location that are linked to its status as a non-EU member state and relevant restrictions on the free movement of persons. This is especially true in case of short-term mobility of third-country nationals who are working on international projects. Additionally, the referendum of February 2014 and the introduction of quotas for EU citizens might considerably aggravate already existing problems in this field and even bring about new ones. Local decision-makers might therefore be well-advised to find adequate solutions for these problems, and thus further strengthen the

institutional competitiveness of Switzerland as a host- but also as a home country to an important populations of MNCs.

9.5 Limitations of the present investigation and future perspectives

Whilst this investigation has been useful in revealing the complex interaction and construction of practices in the event of cross-national transfer and standardization within MNCs as outcome of a variety of effects on macro- as well as micro-level, it also has its limitations.

First, we have to underline the fact that, due to the qualitative multiple case study approach underlying this research, findings are not statistically generalizable. However, as explained in our chapter on the research methodology, we sought to undertake any possible measure to ensure the greatest possible rigour and validity of our findings in order to ensure analytical generalizability. However, we still have to acknowledge that some degree of subjectiveness, and hence bias in data collection and analysis cannot be completely avoided in qualitative research. This is particularly true for a PhD thesis, due to the comparatively strong individual character of such research.

On the other hand, especially our insights into the Swiss host country NBS, its institutional rationality and host country effects should be applicable as a model to other populations of MNCs. As the present investigation has shown, in those areas where coercive isomorphic pressures are present, these should be felt in fairly similar ways by other organizations, together with constraints linked to the dynamic of the Swiss labour market. As far as normative and cognitive elements and informal institutions are concerned, it would be interesting to conduct further in-depth case studies into MNCs from still other countries-of-origin. In this way, one could find out how local Swiss demand for collaboration and social constraints shape concrete HRM practices within further constellations of key influences. In this respect, especially French MNCs suggest themselves as an interesting field of research, since until present, few studies have investigated the issue of HRM practice transfer within these MNCs. Furthermore, some of our interviewees have reported that French HR managers dispose of important institutional power resources that are linked to the legal constraints that the French NBS imposes on firms. It might be interesting to find out how French MNCs behave when they are freed from the legal constraints of their country-of-origin, and to compare the findings with those already available on German MNCs, whose county-of-origin NBS equally imposes important constraints on HRM. On the other hand, further research could focus on how Swiss MNCs relate to different host country settings, for example to another collaborative NBS like the German one, compared to a compartmentalised NBS like the British or US-American

ones.

Further limitations to our investigation arise from practical difficulties linked to access to the field. Even if we were able to profit from a pre-existing network of personal contacts to multiple HR professionals in MNCs, we could however not obtain any kind of interview we would have liked to. For example, in case of D2 we could obtain interviews from two different sites with two completely different kinds of operations. In this way, we could collect precious information on differences in HRM and IR practices that were effectively linked to the kind of activities performed and to different classes of employees on different sites within the same company and host country. Furthermore, having had both, German expatriates with knowledge of corporate HQ, and further countries as well as local Swiss interviewees was an ideal constellation to increase validity of our information, since the typical single respondent bias could be checked for. In case of US5, the possibility to conduct an interview with a British expatriate having several decades of tenure and knowledge of several different countries was also a big opportunity to test theoretical assumptions and gain further insights. Yet, much of our evidence remains based on the account of a single respondent per company, and further interviewees might have confirmed or challenged the information and personal assessments worded by our interviewee. Often we additionally had to cope with time constraints. In this way, in many cases, our information on HRM practices is somehow incomplete. However, we hope to have controlled at least partly for these limitations through our systematic presentation and discussion of results with participants and further researchers.

We also have to recall the important amount of information that has to be treated in qualitative interview-based research. Conducting, transcribing and analysing interviews is a long and arduous task. While the amount of interviews is restricted by limited access to the field, the capacity to appropriately analyse increasing amounts of complex data is another important limitation linked to the cognitive capacity of the researcher. We felt that the use of an appropriate software like MAXQDA 10 was extremely useful to help the researcher in structuring the data, and especially in retrieving information for later interpretation and write-up of results.

Another important limitation that we have underlined in our discussion is linked to the need to develop a sound understanding of important corporate-level variables in order to research into cross-national practice transfer. As we have seen, organizational-level influences may in some cases

override institutional country-of-origin or host country effects, and deliver more convincing explanations for certain findings than any other kind of factor. However, a researcher's capacity to correctly interpret the already patchy information obtained on corporate characteristics is limited. We would therefore strongly argue that it is extremely difficult if not impossible to really understand such highly complex organizations as MNCs in a typical case study research setting. This is especially true for multiple case studies, where several organizations have to be analysed and understood. Nevertheless, our results imply that it is worth the effort to try and do what is possible within these limitations in order to understand important corporate characteristics.

In view of these limitations, it might be a promising strategy to conduct further in-depth case studies involving a greater number of respondents and sites per organization in order to limit single respondent bias, and to be able to more clearly disentangle macro-level institutional, micro-level organizational, and agency-related influences. In order to keep the amount of information at a level that is still manageable, it might make sense to restrict the number of organizations in such a research setting.

Coming finally back to the issue of statistical generalizability of results, future research might also include quantitative survey studies to test the conclusions and the model developed in this investigation against a larger number of organizations.

Appendices

A1 Interview templates

As described in the chapter on our research methodology, the present work is a qualitative study based on semi-structured interviews. The structure of our interviews was hence roughly pre-defined by our interview templates. Since our investigation involved interviews with different kinds of respondents, inter alia HR professionals, expatriate managers, and external experts, different interview guides were used, according to the type of interviewee. Furthermore, in order to obtain an optimum of information from our interview partners, wherever possible, interviews were conducted in the mother tongue of the interviewee, thus involving the three languages French, German and English.

A1.1 Interview template HR managers French version

QUESTIONS POSÉES SYSTÉMATIQUEMENT	QUESTIONS DE RELANCES / OPTIONNELLES
DONNÉES PERSONNELLES	
<ul style="list-style-type: none">- Âge, parcours, position, poste, années d'ancienneté, expérience à l'étranger- Responsabilités, rôles, objectifs	
L'ENTREPRISE ET LA FILIALE	
l'entreprise multinationale (industrie/services) <ul style="list-style-type: none">- secteur(s) d'activité- priorités stratégiques/stratégie internationale- taille de l'entreprise multinationale- date de fondation cette filiale <ul style="list-style-type: none">- activités et marché desservi (local-global)- objectifs stratégiques- taille- date de fondation de la filiale- greenfield/brownfield ?<ul style="list-style-type: none">- si brownfield : histoire de la	

<p>Changements et développements généraux dans les pratiques GRH :</p> <ul style="list-style-type: none"> - thèmes RH les plus importants actuellement ? - ces dernières années ? - ces prochaines années ? - <p>Pensez-vous que les problématiques RH se posent de la même façon au niveau de la filiale et pour l'ensemble de l'entreprise ?</p> <p>Aperçu des pratiques RH dans la filiale (dans les domaines les plus intéressants) ?</p> <p>Instruments RH à l'origine de bonnes et mauvaises expériences ?</p> <ul style="list-style-type: none"> - Pourquoi ? <p><i>Nous allons maintenant essayer de faire rapidement un portrait de vos pratiques RH (env. 30 minutes).</i></p> <p><i>- Ce qui nous intéresse particulièrement est de savoir quelles pratiques RH sont standardisées ou adaptées localement et dans quelle mesure.</i></p> <p><i>- Puis, deuxièmement, nous nous intéressons au caractère anglo-saxon, allemand, français, suisse des pratiques.</i></p> <p>Les domaines RH :</p> <ul style="list-style-type: none"> • Le <i>recrutement</i> • La <i>formation</i> et le développement des compétences • La sélection et le développement des <i>carrières</i> des managers ◊ existe-t-il un système IT- RH intégré ? (p.ex. pour des profils de compétences, planification de la succession etc.) • L'évaluation de la <i>performance</i> et <i>rémunération</i> • Les <i>relations industrielles, dialogue social/communication/participation</i> dans des associations <p>Pouvez-vous identifier des pratiques dans votre filiale qui vous sembleraient typiquement américaines/allemandes/ françaises ?</p> <ul style="list-style-type: none"> - Pourquoi ? 	<p><i>Domaines RH « possibles » (en cas d'incompréhensions/demandes de précision)</i></p> <ul style="list-style-type: none"> • Le <i>recrutement</i> <ul style="list-style-type: none"> ○ Jeunes diplômés ; senior managers - rôle de la maison mère ○ Programme trainee ? ○ Importance du marché de travail interne/externe ○ Apprentis ? • La <i>formation</i> et le développement des compétences <ul style="list-style-type: none"> ○ Apprentis/système dual ? ○ Où et comment ont été élaborés les programmes de formation ? ○ Qui est responsable des programmes et des budgets ? Taille du budget de formation ? • La sélection et le développement des <i>carrières</i> des managers <ul style="list-style-type: none"> ○ Existe-il un programme de développement de managers internationaux ? ○ Programmes de mobilité ? (HQ ◊ filiales, entre filiales, filiales ◊ HQ) ○ Identification de hauts potentiels – formalisé, structuré ? ○ Emploi à vie envisagé/désirable/possible ? • L'évaluation de la <i>performance</i> et <i>rémunération</i> <ul style="list-style-type: none"> ○ Critères, instruments : <ul style="list-style-type: none"> ▪ rémunération liée à la performance, au résultat financier, à la séniorité ? ▪ intégration avec les objectifs stratégiques ? (quels objectifs : croissance, parts de marché, rentabilité/profit ?) ▪ stock option schemes ? (problèmes avec syst. fiscal cantonal?=> US7/Vaud) ○ Importance/rôle des syndicats lors de la fixation de la rémunération ? Conventions collectives de travail ? ○ Niveau des négociations salariales : individuel, site, entreprise, branche ? • Les <i>relations industrielles, dialogue social/communication/participation</i> dans des associations <ul style="list-style-type: none"> ○ Relations aux syndicats / politique (anti-)syndicale ? Crises dans les relations? ○ Participation dans des associations/réseaux suisses d'entreprises ?
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	<ul style="list-style-type: none"> ○ Participation des employés/ sondages d'opinion ? ○ Gestion de la diversité/diversity management
LE TRANSFERT DES PRATIQUES RH	
<p>Existence de best practices à prendre en compte ?</p> <p>Quelles pratiques viennent de la maison mère ?</p> <p>Quelles pratiques ont été développées localement ?</p> <p>Lesquelles des instruments et pratiques RH transférés ont été adaptés/changés ? (Qu'est-ce que vous avez dû adapter ?)</p> <ul style="list-style-type: none"> - Dans quelle mesure ? - Pourquoi ? 	<ul style="list-style-type: none"> - Transfert total, petites adaptations, solution hybride, maintien des pratiques locales
LE PROCESSUS DU TRANSFERT / RÉSULTATS	
<ul style="list-style-type: none"> - qui s'en occupe ? - comment se déroule le transfert ? - qui contrôle le transfert et les résultats ? - comment est-ce qu'on contrôle le transfert ? - qu'est-ce qu'il se passe en cas de conflit sur le transfert ? - rôle des expatriés et de la mobilité internationale ? - canaux par lesquels on échange des points de vue avec le reste de l'entreprise ? 	<p>- A-t-on défini la réussite du transfert de pratiques RH comme but/facteur important pour la rémunération liée à la performance ?</p> <p>- conférences, réseaux, expatriations, tandem-management,...</p>
<p>problèmes/résistances lors du transfert des pratiques RH ?</p> <ul style="list-style-type: none"> - quel type de problème ? - comment expliquez-vous ce problème ? - existence de conflits avec maison-mère au sujet de la définition des pratiques ? - Selon vous, quel est le rôle/l'importance de la légitimité interne ou bien de la réputation du département RH pour un transfert réussi ? <p>Existe-il des innovations pour lesquelles la maison mère et la filiale ont collaboré ?</p>	<ul style="list-style-type: none"> - cf. interculturel, langue, institutions, règlements <p>Ou collaboration des filiales entre-elles ?</p>

Avez-vous remarqué des spécificités, des particularités typiquement suisses dans les pratiques RH ?	◇ attention aux données démographiques de l'interviewé : socialisé dans le contexte suisse ? D'origine étrangère ? Expérience d'expatriation ?.....
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A1.2 Interview template HR managers German version

SYSTEMATISCH GESTELLTE FRAGEN	RÜCKFRAGEN, ERLÄUTERUNGEN, DETAILS
PERSÖNLICHE DATEN	
- Alter, Laufbahn, Position, Stelle, Dienstalster/Betriebszugehörigkeit, Auslandserfahrung - Verantwortung(en), Rolle(n), Ziele	
DAS UNTERNEHMEN UND DIE TOCHTERGESELLSCHAFT	
Das multinationale Unternehmen (Industrie/Dienstleistung) <ul style="list-style-type: none"> - Tätigkeitsfeld(er)/Sektor - strategische Prioritäten/ internationale Strategie - Grösse des multinat. Unternehmens - Gründungsdatum Diese Tochtergesellschaft <ul style="list-style-type: none"> - Tätigkeiten und bediente Märkte (lokal-global) - strategische Ziele - Grösse (Umsatz/Mitarbeiter) - Datum Gründung/Kauf der Tochtergesellschaft - greenfield/brownfield ? <ul style="list-style-type: none"> - falls brownfield: Vorgesichte der Tochtergesellschaft, Kapitalstruktur (Beteiligung in %)	
Entscheidungsfindung : <ul style="list-style-type: none"> - Wer fällt die Entscheidungen? bezügl. : Investitionen, Produktpalette, Managementpraktiken, Budget - Wie werden diese Entscheidungen gefällt ? - Über welchen strategischen Spielraum verfügt die 	<ul style="list-style-type: none"> - internationale Hierarchieebenen - Ausmass an Konzertation - organizationale <i>Prozessgerechtigkeit</i> beim Treffen strategischer Entscheidungen

<p>Tochtergesellschaft? (Über welche Beträge – Grössenordnung in CHF – kann die Tochtergesellschaft frei entscheiden, ab welchem Betrag muss das Einverständnis der Muttergesellschaft/Division o.ä. eingeholt werden?)</p>	<p>◇ gegenseitiges <i>Vertrauen</i> oder Misstrauen?</p>
<p>Spezifische Kompetenzen der Tochtergesellschaft:</p> <p>Besitzt oder entwickelt diese Tochtergesellschaft spezifische Kompetenzen, die das Stammhaus interessieren?</p>	
<p>Kommunikation</p> <ul style="list-style-type: none"> - In Welche Richtung(en)? - Welche Kanäle? - Mit welcher Häufigkeit? 	<ul style="list-style-type: none"> - Top-down, Kommunikationsflüsse in alle Richtungen? - Konferenzen ? - Persönliche Netzwerke ?
<p>Kontrolle</p> <ul style="list-style-type: none"> - Gegenüber welcher Einheit müssen Sie Bericht erstatten? - Wie erfolgt die Kontrolle? - Existiert ein gemeinsames Informationssystem? - Welche Informationen werden gesammelt und was geschieht damit? - Gibt es noch weitere Kontrollmechanismen? 	<ul style="list-style-type: none"> - Geschäftseinheit, Division, Hauptsitz - <i>persönlich direkt</i>/Expatriierte, - <i>unpersönlich/ indirekt</i> Resultate - finanziell, individuelle und kollektive Zielvorgaben; variable Vergütung, Karrieren -- <i>direkt</i> Definition von Arbeitsprozessen, Funktionen, Selektions- und Evaluationskriterien - <i>Unternehmenskultur</i>/Sozialisierung (Weiterbildung, internationale Mobilität, informelle Kommunikation) - Vergleich zwischen verschiedenen Tochtergesellschaften/interner Wettbewerb
<p>Koordination</p> <ul style="list-style-type: none"> - Welche Koordinationsmechanismen kommen in Ihrem Unternehmen zur Anwendung? - Gibt es internationale Leitlinien für die HR-Politik? - Will das Unternehmen Praktiken transferieren? (formaler und strukturierter Ansatz?) - Aus welchen Gründen? - Existiert ein Verhaltenskodex oder eine Philosophie, die auf internationaler Ebene geteilt wird; ein Leitfaden „guter Geschäftspraktiken“/ „guten professionellen Verhaltens“? 	<ul style="list-style-type: none"> - (integriertes) Informationssystem, Expatriierte, persönliche Netzwerke, regelmässige Sitzungen und Konferenzen - Existenz eines HR shared service centre: wenn ja für welche Region(en), welche HR-Bereiche?

DIE HR-PRAKTIKEN

Veränderungen und allgemeine

Entwicklungen bezüglich der HR-Praktiken :

- Welche sind Ihrer Meinung nach derzeit die **wichtigsten HR-Themen**?
- In den vergangenen Jahren?
- In den kommenden Jahren?

Denken Sie, dass sich die **HR-Problematiken** auf **Ebene der Tochtergesellschaft** in derselben Weise stellen, wie für das **gesamte Unternehmen**?

Mit welchen **HR-Instrumenten** haben Sie **gute bzw. schlechte Erfahrungen** gemacht?

- Worauf führen Sie dies zurück?

Wir werden nun versuchen, ein grobes Portrait Ihrer HR-Praktiken zu erstellen (ca. 30 min.).

- Wir interessieren uns hierbei einerseits insbesondere für die Frage, welche HR-Praktiken standardisiert oder lokal angepasst sind und in welchem Mass dies jeweils der Fall ist.

- Andererseits interessieren wir uns für den angelsächsischen, deutschen oder schweizerischen Charakter der Praktiken.

Überblick über die HR-Praktiken in der Tochtergesellschaft (in den interessantesten Bereichen)

Die HR-Bereiche :

- *Rekrutierung*
- *Schulung und Kompetenzentwicklung*
- *Selektion, Karriereentwicklung/-planung der Manager*
- ◊ existiert ein **integriertes HR-IT-System?** (für Kompetenzprofile, Nachfolgeplanung etc.)
- *Leistungsbeurteilung und Entgelt*
- *Industrielle Beziehungen, sozialer Dialog/ Kommunikation/ Teilnahme, aktive Mitgliedschaft in Verbänden*

Können Sie in Ihrer Tochtergesellschaft **Praktiken** identifizieren, die Ihnen **typisch amerikanisch/ deutsch** erscheinen?

- Wieso ?

„mögliche“ *HR-Bereiche* (bei Rückfragen, zur Präzisierung)

Rekrutierung

Junge Absolventen ; Senior Managers – Rolle des Stammhauses?

Traineeprogramm?

Rolle des internen und externen Arbeitsmarktes?

Auszubildende/Lehrlinge?

Schulung und Kompetenzentwicklung

Lehrlinge/duales System?

Wo und wie wurden die Schulungsprogramme ausgearbeitet?

Wer ist für die Programme sowie für die Budgets verantwortlich? Höhe des Schulungsbudgets?

Selektion und Karriereentwicklung bzw. -planung der Manager

Existiert ein internationales Entwicklungsprogramm für Manager?

Mobilitätsprogramme? (HQ ◊ Tochtergesellschaften, zwischen Tochtergesellschaften, Tochtergesellschaften ◊ HQ)

Identifikation von High Potentials – formalisiert, strukturiert?

Anstellung auf Lebenszeit: angestrebt/wünschenswert/ möglich?

Leistungsbeurteilung und Entgelt

Kriterien, Instrumente:

Entgelt abhängig von Leistung, finanziellem Ergebnis, (Dienst)Alter?

Integration mit den strategischen Zielen? (welche Ziele: Wachstum, Marktanteile, Rentabilität/Profit?)

Stock option schemes? (Probleme? Z.B. mit kantonaler Steuergesetzgebung? =>US7/Vaud)

Bedeutung/Rolle der Gewerkschaften bei der Entgeltfindung? Kollektivverträge?

Auf welcher Ebene finden Lohnverhandlungen statt: individuell, Betriebsstätte, Unternehmen, Branche?

Die Industriellen Beziehungen, sozialer Dialog/ Kommunikation/ Mitgliedschaft, aktive Teilnahme in Verbänden?

Beziehungen zu Gewerkschaften / (Anti-) Gewerkschafts-Politik ? Krise(n) in den Beziehungen?

Aktive Mitgliedschaft/ Teilnahme in Verbänden/ schweizerischen

Unternehmensnetzwerken?

Partizipation der Angestellten/ Meinungsumfragen?

	Diversity Management?
TRANSFER VON HR-PRAKTIKEN	
<p>Existieren in Ihrem Unternehmen best practice-Modelle, die Sie berücksichtigen müssen?</p> <p>Welche Praktiken kommen vom Stammhaus?</p> <p>Welche Praktiken wurden lokal entwickelt?</p> <p>Welche der transferierten HR-Praktiken wurden angepasst/abgeändert?</p> <ul style="list-style-type: none"> - Was mussten Sie anpassen? - Wie weit gingen diese Änderungen? - Weshalb mussten sie vorgenommen werden? 	<ul style="list-style-type: none"> - Eins-zu-eins Transfer, kleinere Anpassungen, Hybridlösungen, Behauptung/Beibehaltung lokaler Praktiken
TRANSFERPROZESS / RESULTATE	
<ul style="list-style-type: none"> - Wer kümmert sich um den Transfer? - Wie spielt sich der Transfer ab? - Wer kontrolliert den Transfer und die Resultate? - Wie wird der Transfer kontrolliert? - Was geschieht im Konfliktfall bezüglich des Transfers? - Welche Rolle spielen Expatriierte und internationale Mobilität? - Über welche Kanäle findet ein Meinungsaustausch mit dem restlichen Unternehmen statt? 	<ul style="list-style-type: none"> - Incentives: erfolgreicher Transfer von HR-Praktiken als Ziele für leistungsbezogene Entgeltkomponente definiert? - <i>Konferenzen, Netzwerke, Expatriierungen, Tandem-Management, ...</i>
<p>Probleme/Widerstände beim Transfer von HR-Praktiken?</p> <ul style="list-style-type: none"> - Welche Art von Problemen gab es? - Wie erklären Sie diese(s) Problem(e)? - Gibt es Konflikte mit dem Stammhaus bezüglich der Definition der Praktiken? - Welche Rolle spielt Ihrer Ansicht nach die interne Legitimität bzw. das Ansehen des HR-Departments für einen erfolgreichen Transfer? <p>Gibt es Innovationen, bei deren Entstehung Stammhaus und Tochtergesellschaften zusammengearbeitet haben?</p>	<ul style="list-style-type: none"> - Z.B. interkulturell, sprachlich, Institutionen, Regulierungen ... <p>Oder Zusammenarbeit der <i>Tochtergesellschaften untereinander?</i></p>
<p>Sind Ihnen typisch schweizerische Besonderheiten bezüglich der HR-Praktiken aufgefallen?</p>	<p>◇ demographische Daten des Interviewpartners: im schweizerischen Kontext sozialisiert? Ausländischen Ursprungs? Erfahrung als Expatriierter?.....</p>

[illegible]

- language used? Ethnocentricity?	
Control <ul style="list-style-type: none"> - <i>To what entity</i> do you report? Reporting lines? - <i>How</i> do you report? - Is there any <i>common information system</i>? - Which <i>kind of information</i> is collected and to what purpose? - Do you have other control mechanisms? 	<ul style="list-style-type: none"> - unit, division, HQ – <i>matrix</i> (product/geography – solid and dotted line?) - personal/expatriates, impersonal/control of financial result, <i>corporate culture</i>/socialization, - <i>comparison</i> among subsidiaries/internal competition
Coordination <ul style="list-style-type: none"> - coordination mechanisms? - existence of international HR guidelines? - Written manual of personnel policy & procedures? - willingness to transfer? (in a formal and well-structured manner?) - what are the main reasons? - codes of conduct or international shared philosophy, guide of best practices/personal behaviour? - 	<ul style="list-style-type: none"> - information system, expatriates, personal networks, meetings and regular conferences, informal councils to bring managers together in order to exchange information? - existence of a shared HR service centre? - Relations between HQ HR and country subsidiaries' HR function?
HR PRACTICES	
<p>Changes and general developments concerning HR practices:</p> <ul style="list-style-type: none"> - what are your current HR priorities? - during the last few years? - for the next years? <p>Do you think that HR problems and issues are identical on subsidiary and corporate level?</p> <p>Overview of HR practices in subsidiary (concerning the most interesting domains)?</p> <p>Do you remember particularly positive or negative experiences with specific HR practices? Why? Examples?</p> <p><i>We are now trying to gain an overview of your HR practices (30 minutes).</i></p> <ul style="list-style-type: none"> - <i>We are particularly interested to know which of your HR practices are standardized or locally adapted, and to what extent?</i> - <i>Secondly, we are interested in the Anglo-</i> 	<p>HR domains :</p> <p><i>Recruitment</i></p> <ul style="list-style-type: none"> - Young graduates? Partnership with selected universities?; senior managers (internal development or external recruitment?– role of the parent company?) - Trainee programme? - Importance of internal/external labour market <p><i>Training and competence development</i></p> <ul style="list-style-type: none"> - Apprentices/participation in dual VET? Why? - Where and how have the training programs been elaborated? - Who is responsible for the training programs and the budget? Amount of the budget dedicated to the training programs - Global/regional and local training programmes? - Link between structured training programmes and career advancement? <p><i>Selection and development/career management (managers):</i></p> <ul style="list-style-type: none"> - Is there any programme dedicated to the development of international managers?

<p>Saxon, German or Swiss character of these practices</p> <p>HR domains:</p> <ul style="list-style-type: none"> recruitment training and competence development selection and development of managers/ career planning <i>Working time?</i> Annualised hours? Flexible hours? (“numerical flexibility” vs. working time flexibility) <p>◊ is there an integrated HR IT-system in place? (e.g. for competence profiles, succession planning etc.)</p> <ul style="list-style-type: none"> Performance appraisal and reward/remuneration/compensation Industrial relations, social dialogue/communication/member of an association <p>Can you identify the HR practices that are typically American, German or Swiss?</p> <ul style="list-style-type: none"> Why? In what ways does American influence manifest itself? 	<ul style="list-style-type: none"> Mobility programs? (HQ->subsidiary, between subsidiaries, subsidiaries->HQ) High potential identification – formalised, structured? Career planning/internal careers also for “normal” employees (non-high potentials)? Lifetime employment considered/desirable/possible? <p><i>Performance appraisal and rewards/ compensation</i> criteria, instruments:</p> <ul style="list-style-type: none"> Performance-based remuneration? (% of total?) Variable part based on: individual objectives, financial result, <i>seniority</i>? strategic integration of individual objectives? (which objectives: growth, market share, profitability/profit?) <p>stock option schemes ? (problèmes avec syst. fiscal cantonal? => US7/Vaud)</p> <ul style="list-style-type: none"> importance/role of trade unions in the remuneration negotiation? collective agreements? Level of wage negotiations: individual, plant, company, sector? HQ influence on participation policy in subsidiaries? <p><i>Industrial relations social</i> <i>dialogue/communication/member of an association</i></p> <ul style="list-style-type: none"> Relationships with unions / anti-unions policy? Crises during relationships? Member of an association/Swiss company networks? Employee participation/ survey? Diversity management (strong policy?)
TRANSFER OF HRM PRACTICES	
<p>Existence of best practices to take into account?</p> <p>Which practices are stemming from corporate headquarters (parent company) ? Which practices have been developed locally ?</p> <p>Which of the transferred HR practices have been adapted /changed?</p> <ul style="list-style-type: none"> What did you have to adapt? To what extent? Why? 	<ul style="list-style-type: none"> Total transfer, small adaptations, <i>hybrid solution</i>, maintain local practices
THE TRANSFER PROCESS / RESULTS	

<ul style="list-style-type: none"> - Who is in charge of the transfer? - How is the transfer done? - Who controls the transfer and the results? - How do you control the transfer? - What happens in case of conflict about a practice transfer? - Role of expatriates and international mobility? - Channels used to exchange opinions and experiences internally? - Involvement of national subsidiaries or regional HQ in practice development and definition? 	<p>- Has <i>successful practice transfer</i> been fixed as an individual <i>objective</i> and is <i>linked to variable, performance-related pay</i>?</p> <ul style="list-style-type: none"> - <i>Conferences, networks, use of expatriates, tandem-management, ...</i>
<p>Problems / resistance during the transfer of HR practices?</p> <ul style="list-style-type: none"> - What kind of problem? - How do you explain this problem ? - Existence of conflicts with corporate headquarters about the definition of practices? - How do you feel about the importance of internal legitimacy or the reputation of the HR department for the success of a practice transfer? <p>Are there innovations for which corporate headquarters and the subsidiary cooperated?</p>	<ul style="list-style-type: none"> - cf. intercultural, - language, - institutions, regulations, <p>Or cooperation between subsidiaries?</p>
<p>Did you observe any Swiss particularities concerning <i>HR and managerial practices</i> in particular or <i>the country and people in general</i>?</p>	<p>◇ Due consideration of the interviewee's personal details: socialised in the Swiss context? Foreign origin? Expatriation experience?.....</p>

A1.4 Interview template Swiss plant manager (US3)

DONNÉES PERSONNELLES
<ul style="list-style-type: none"> - Âge, parcours, position, poste, années d'ancienneté, expérience à l'étranger, expériences dans d'autres entreprises avant - Responsabilités, rôles, objectifs + Est-ce que le poste du plant director a été occupé par un expatrié américain avant ? + Est-ce que d'autres postes clés (cf. controlling, financial director) sont actuellement ou ont été occupés par des expatriés américains ?
L'ENTREPRISE ET LA FILIALE

- Comment décririez-vous le **rôle de votre filiale/ce site au sein de l'entreprise** multinationale?
- Est-ce que cette filiale détient ou développe des **compétences spécifiques qui intéressent la maison mère**?
- Comment décririez-vous les **relations** de cette filiale **avec le siège principal**?
- Qui prend quelles **décisions** – niveaux hiérarchiques internationales ?
 - filiale Neuchâtel
 - niveau Europe : HR=Vienne – aussi divisional HQ Europe ?
 - division Biosciences L.A. ?
 - corporate HQ Deerfield/Illinois ?

LES PRATIQUES MANAGÉRIALES

Est-ce qu'il y a des **éléments** concernant le monde du travail ou le style et les pratiques de management lesquels vous avez **particulièrement remarqué** quand vous avez commencé à travailler chez Baxter?

- Avez-vous remarqué des façons de travailler qui vous semblaient étranges (en comparaison avec ce que vous connaissiez des entreprises Suisses) ?
- la façon de prendre des décisions, le comportement des supérieurs hiérarchiques et des collaborateurs?

Dans quels domaines les **pratiques managériales en Suisse se distinguent-elles** de celles au siège principal ou dans d'autres pays que vous connaissez?

- **Comment est-ce que vous expliquez ces différences?**

Pouvez-vous identifier des **ressemblances** et des différences concernant le **style de management et le monde du travail** suisse et américain?

Pouvez-vous identifier des **forces et des faiblesses de l'environnement économique suisse** ?

*Y a-t-il des **obstacles**?*

*Quelles seraient les **opportunités** spécifiques?*

+ **Pourquoi** Baxter a décidé de venir installer ce site **en Suisse** ?

Quelle est la **réputation de la fonction RH** globalement ?

- dans le **groupe**? – dans **cette filiale** ?

- Auriez-vous des **exemples de bons ou de mauvaises expériences** avec des instruments et des pratiques **RH** ou avec la fonction/le département RH ? Pourquoi ?

Quels seraient pour vous les **éléments clé d'un style de management typiquement américain**?

+ Pouvez-vous identifier ces éléments chez Baxter?

US:

- **Stratégie court terme** très axée sur l'atteinte d'objectifs **financiers**
- **Rémunération** fortement **individualisé** avec part **variable** importante liée à la performance (intégration stratégique de systèmes de management de la performance)
- **Faible distance hiérarchique** et contact direct et facile avec le supérieur hiérarchique
- **Idéologie anti-syndicaliste**, High Involvement Work Systems (**HIS**) avec des enquêtes

d'opinion régulières, on cherche le contact direct avec les employés sans intermédiaire collectif

- Politique bien définie et développée de **la gestion de la diversité**
- **Codes de Conduite**, respect de Sarbanes-Oxley (**SOX**), compliance
- Mécanismes de « **whistleblowing** », no. de téléphone au siège principal pour dénoncer des infractions du Code de Conduite etc.
- **Sécurité** au lieu de et **santé** comme politiques RH
- **Seniors Managers des USA** avec **carrière « globale »**, des **changements de poste fréquents**, rôle plus important du marché de travail extérieur, managers sont des **généralistes** plutôt que des spécialistes => Managers américains **peu impliqués dans des réseaux externes locaux** (associations)
- Des **processus et pratiques fortement formalisés et standardisés**
- **Formalisierte, standardisierte Prozesse und HR-Praktiken**
- **Forte volonté de transférer des pratiques venant des US**

D:

- **Stratégie plus long-terme**, moins axée sur des résultats financiers au court terme mais plutôt sur les parts de marché, les produits et le développement au long terme, dépendance du marché financier moins marquée
- Style **plus formel**, importance des titres (Prof. Dr.) vouvoirement répandu
- Inclusion des **stakeholders** les plus importants, particulièrement des Conseils d'entreprises et des syndicats: mindset des managers fortement influencé par la présence du Conseil d'Entreprise puissant
- Les **relations industrielles collectives** et représentatives (moins individualisées qu'aux US et plus importance des contrats collectifs)
- **Très focalisé sur la formation** de base et continue respectivement le développement (interne) du personnel : pratique influencée par l'expérience avec les système dual de formation professionnel en D
- Rôle important du **marché d'emploi interne** pour les cadres, carrières in-house, carrières de managers spécialistes plutôt que de généralistes
- Forte implication dans des **réseaux externes locaux** (associations)
- **Approche au transfert** de pratiques allemandes **plus sélectif**, introduction de pratiques empruntées des MNCs anglo-saxons
- Style de communication direct

Quels seraient pour vous les **éléments clé d'un style de management typiquement suisse**?

+ Pouvez-vous identifier ces éléments chez Baxter?

CH:

- Style managérial et prise de décision **consensuelle**
- **Faible distance hiérarchique**
- **caractère personnalisé des relations** au lieu de travail et dans le monde du business plus généralement : culture de l'apéro => discussions face-à-face
- forte **dynamique des marchés de travail** régionales : il faut faire très attention à ces employés pour ne pas les perdre
- **On se croise et recroise souvent** en Suisse – il ne faut surtout pas empoisonner les relations avec les autres personnes
- style de communication diplomatique

Pouvez-vous identifier des **pratiques qui sont appliquées de la même façon au siège principal** ?

Avez-vous déjà fait l'**expérience d'un transfert de pratiques**?

Si oui :

Y avait-il des **problèmes ou des résistances** lors du transfert de pratiques?

- De quel type des résistance ou de problèmes agissait-il?
- Comment est-ce que vous expliquez ces résistances(problèmes) ?

- *Avantages et inconvénients lors d'une standardisation de pratiques- exemples?*

- Y a-t-il des **conflits avec la maison mère** concernant la définition de pratiques?
- *Dans ce cas, quels seraient vos possibilités de négocier avec la maison mère ?*

Existe-il des **innovations** qui sont nées d'une **coopération** entre la maison-mère et des filiales ? Ou coopération de filiales entre-elles ?

Formation d'apprentis dans le système dual :

- **Pourquoi ?**
 - *Besoin concret* en personnel formé pour la production ?
 - *D'autres raisons (image social, assumer responsabilité pour les jeunes...) ?*
- *Comment* est-ce que l'apprentissage et tout ce qui y est lié est *régulé* : par une association ?
- *Difficultés de justifier* ces investissements en formation aux US (système dual inconnu)?

Convention collective de travail qui couvre les travailleurs dans la production ?

Réseaux et contacts externes :

- *Participation* dans des *associations*/réseaux suisses d'entreprises ?
- *Rôle* des ces réseaux et contacts externes ? Apports ?
- *Caractère personnel* des contacts ?
- *Perception* de ces réseaux et contacts aux USA ? (« suspect » ?)

A1.5 Interview template expatriates German version (D1, D2)

PERSÖNLICHE DATEN
<ul style="list-style-type: none">- Alter, Laufbahn, Position, Stelle, Dienstalter/Betriebszugehörigkeit, Auslandserfahrung- Wie würden sie Ihre Funktion hier im Schweizer Standort beschreiben?<ul style="list-style-type: none">- Verantwortung(en), Rolle(n), Ziele?
MNC UND DIE TOCHTERGESELLSCHAFT
<ul style="list-style-type: none">- Wie würden Sie Rolle dieser Tochtergesellschaft innerhalb des Unternehmens beschreiben?- Besitzt oder entwickelt diese Tochtergesellschaft spezifische Kompetenzen, die das Stammhaus interessieren?- Wie würden Sie die Beziehung dieser Tochtergesellschaft zum Hauptsitz beschreiben?

DIE MANAGEMENTPRAKTIKEN

Was ist Ihnen (im Berufsleben) **besonders aufgefallen**, als Sie in die **Schweiz** gekommen sind?
Gibt es bestimmte Aspekte der Zusammenarbeit, die Ihnen fremd waren?
Entscheidungs- und Kooperationsverhalten; Verhalten von Vorgesetzten und Mitarbeitern?

In welchen Bereichen **unterscheiden sich** die **Managementpraktiken** in der **Schweiz** von denjenigen am Hauptsitz bzw. in anderen Ländern, die Sie kennen gelernt haben?
- **Wie erklären Sie sich diese Unterschiede?**

Wo sehen Sie **Ähnlichkeiten** in **Managementstil und Arbeitsleben** zwischen Deutschland / USA und der Schweiz?

Können Sie **Stärken und Schwächen des schweizerischen Business-Umfeldes** identifizieren?
*Wo sind **Hürden**?*
*Wo liegen die **besonderen Möglichkeiten**?*

Wie ist das **Ansehen der HR-Funktion** in Ihrer Unternehmung?
- Am **Hauptsitz**? In der **Tochtergesellschaft**?

- gute und schlechte **Erfahrungen** mit HR-Instrumenten und der HR-Abteilung ?
- **Beispiele und Begründungen?**

Welches sind für Sie **typische Kernelemente deutschen / US-amerikanischen Managementstils**?

Beispielliste US:

- Kurzfristige, auf Finanzzielerreichung angelegte **Strategie**
- stark individualisierte und leistungsbasierte **Entlohnung** (performance management systems, strategisch integriert)
- flache **Hierarchien**, direkter Kontakt
- **keine Gewerkschaften**, aber High Involvement Work Systems (**HIS**) in welfare capitalism firms
- =>direkte, standardisierte Mitarbeiterbefragungen
- starke **Diversity Management-Policy**
- **Codes of Conduct/Sarbanes-Oxley (SOX) compliance**
- **Whistleblowing-Mechanismen** (Telefonnummern im HQ)
- **Sicherheit am Arbeitsplatz und Gesundheit** als HR-Politik
- **Senior Manager** aus USA - „globale“ Managerkarriere, **häufige Wechsel** und grössere Rolle des externen Manager-Arbeitsmarktes, **Generalisten-Karrieren**
- US-Manager: **schwächere lokale Einbindung** in Verbände etc.
- **Formalisierte, standardisierte Prozesse und HR-Praktiken**
- **Starke Transferneigung**

Beispielliste D:

- stärker auf Marktanteile und längerfristige Entwicklung angelegte **Strategie**, weniger Abhängigkeit vom Finanzmarkt
- formellerer Umgang, **Hierarchien** spürbarer (als in US oder CH-Unternehmen), Gebrauch von Titeln und „Sie“
- Einbindung der **Stakeholder**, insbesondere der **Gewerkschaften** und – in D – der Betriebsräte:
- => „Betriebsratsmindset“ und
- Institutionell-repräsentative Employee Relations: **kollektive Arbeitsbeziehungen**
- starker Fokus auf **Aus- und Weiterbildung** bzw. Personalentwicklung: Prägung durch Erfahrung

des deutschen dualen Ausbildungssystems

- wichtige Rolle des **internen Arbeitsmarktes** für Top-Kader, lange **In-House-Karrieren, Spezialisten-Karrieren**
- D-Manager: **starke lokale Einbindung in Verbandsnetzwerke**
- **selektiver Transfer und Anleihen aus dem angelsächsischen Bereich**

Können Sie in der Tochtergesellschaft **Praktiken** oder Managementinstrumente identifizieren, die **am Hauptsitz genauso** Anwendung finden?

Können Sie in Ihrer **Tochtergesellschaft Praktiken** identifizieren, die Ihnen **typisch amerikanisch/deutsch** erscheinen?

- *Inwiefern ?*

Probleme/Widerstände beim Transfer von HR-Praktiken aus dem Hauptsitz?

- **Welche Art** von Problemen gab es?
- **Gewinne und Verluste bei Standardisierungen - Beispiele?**
- Wie **erklären** Sie diese(s) Problem(e)?
- Gibt es **Konflikte mit dem Stammhaus** bezüglich der Definition der Praktiken?
 - **Welche Möglichkeiten haben Sie, mit dem Stammhaus zu verhandeln?**
 - **Wie können Sie argumentieren und sich Gehör verschaffen?**
- Welche Rolle spielt Ihrer Ansicht nach die **interne Legitimität bzw. das Ansehen des HR-Departments** für einen erfolgreichen Transfer?

Gibt es **Innovationen**, bei deren Entstehung Stammhaus und Tochtergesellschaften **zusammengearbeitet** haben?

Oder Zusammenarbeit der *Tochtergesellschaften untereinander*?

A1.6 Interview template expatriate English version (US5)

PERSONAL DATA
<ul style="list-style-type: none">- Age, nationality, career, position, years of seniority, experience abroad- How would you describe your function at the Swiss subsidiary/European Headquarters?
THE MNC AND THE SUBSIDIARY
<ul style="list-style-type: none">- How would you describe the role of this unit within the MNC?- Does this unit detain any particular kind of competencies Corporate HQ is interested in?- How would you describe the relationship between this unit and Corporate HQ? <p>How do you feel about the image of the HR function within your company?</p> <ul style="list-style-type: none">- Are there any differences between corporate HQ, other subsidiaries and this unit?

HR/MANAGERIAL PRACTICES	
<p>When arriving in Switzerland, what were your first sensations about the country?</p> <p>And about your subsidiary/site? (As distinct from other sites)</p> <p>What did surprise you most? What appeared the most unusual/exotic to you?</p> <p>In what ways does Swiss managerial practice differ from those at Corporate HQ and from those in other countries you got to know?</p> <ul style="list-style-type: none"> - <i>How do you explain these differences?</i> <p>Did you notice similarities and differences regarding managerial style and working life between Corporate HQ/USA, other countries you know, and Switzerland?</p>	<p>“For instance, some people told me...”:</p> <p>Examples:</p> <ul style="list-style-type: none"> - Communication (formal/informal, implicit, criticism...), - management of work time (work hours, intensity, pauses, breaks, punctuality, meetings...), - acquaintances with people in a professional and private context, management style.... <p>Could you give some examples?</p> <p>=> Decision-making, way of communicating, behaviour of supervisors and supervisees, apéro culture?</p>
<p>Do you have examples of good or bad experiences you made with certain HR practices?</p> <p>Do you think that there are certain standard practices which are easier to transfer globally than others?</p> <p>Problems/resistance in the event of HR practice transfer from Corporate HQ?</p> <ul style="list-style-type: none"> - Are there sometimes conflicts with Corporate HQ concerning the definition and/or implementation of practices? - Differences between countries and subsidiary resistance (boy scout subsidiaries in Spain, opposite in UK Ferner/Varul 2001) 	<ul style="list-style-type: none"> - Which ones are problematic? - Why? <ul style="list-style-type: none"> - <i>How and in how far can you negotiate with Corporate HQ?</i> - <i>How can you make yourself heard?</i> - <i>Power resources and arguments you can invoke?</i>
<p>Which characteristics would you consider to be an essential part of</p> <ul style="list-style-type: none"> - American managerial style and practice? - Swiss managerial style and practice? <p>Can you identify (managerial/HR) practices in the Swiss unit</p> <ul style="list-style-type: none"> - that are similar or identical compared to those at Corporate HQ? - that differ from those at Corporate HQ? (in style and/or substance) 	<p>Do you think there is a difference between a U.S. and a Swiss or European understanding of the concept of Corporate Social Responsibility?</p> <p>Swiss Apéro-culture: US-corporations and alcohol at work?!</p> <p>How do you explain the emphasis on safety at work and health in US-companies?</p> <p>How about co-operative behaviour and exchange of information among U.S. managers and/or</p>

<ul style="list-style-type: none"> - CSR - Apéro-culture - Safety at work - Co-operation and exchange of information/ role of associations - Career logic - Overlapping social spheres 	<p>companies?</p> <ul style="list-style-type: none"> - literature states that this is not the case due to anti-trust legislation and strong emphasis on competition, mistrust among economic actors, arm's length relationships and hard-nosed bargaining over prices <p>How about the role of associations and other local networks in the U.S.?</p> <ul style="list-style-type: none"> - literature states that U.S. associations are far from being as strong and integrated as they are in Switzerland due to great geographic distance and greater differences in interests - is such a thing as the GEM conceivable in the U.S.? <p>Overlapping social spheres in Switzerland – militia system: is this fact known? Does it seem odd to foreigners? Social control in the U.S.?</p> <p>Career logic in U.S. companies – generalist and short-term with full participation in the “numbers game” (financial data, targets), not much loyalty to local communities?</p> <p>Individual “career planning” – people propose and promote themselves in order to get ahead; within the company or outside</p>
<p>Could you identify some strengths and weaknesses of the Swiss business environment?</p>	<p><i>Are there specific constraints and/or opportunities?</i></p>

A1.7 Interview template UNIA

DUALE BERUFSAUSBILDUNG UND BERUFLICHE WEITERBILDUNG:	
<p>Generell nachlassende Ausbildungsbereitschaft in CH?</p> <p>Unterschiede</p> <ul style="list-style-type: none"> – zwischen Branchen (Chemie/Pharma vs. Maschinenbau vs. Dienstleistung) – Regionen und (=> Interview D2 ZH: IR in Basel „härter“ als in Zürich) – KMU vs. MNCs => KMUs profitieren i.d.R. mehr von dualer Ausbildung)? <p>– Reaktionen von Gesellschaft und Politik? Gibt es politischen Druck?</p>	<p><i>Giardini et al. (2005):</i> in D nachlassender Wille der Unternehmen, an dualer Ausbildung teilzunehmen</p> <p>=> es gibt allerdings nicht unerheblichen <i>Druck seitens der Politik</i>, « Ausbildungsquoten » zu erfüllen</p> <p>Interview UNIA/Davoine (488): <i>duale Ausbildung wurde teilweise entwertet/abgewertet</i> und es werden zu wenig Mittel bzw. Zeit bereitgestellt (610-614) (keine Zeit, sich um ihre Azubis zu kümmern)</p> <p>=> Wie sieht das in der Schweiz aus?</p>

<p>Rolle von Gewerkschaften und Arbeitgeberverbänden bei der dualen Berufsausbildung sowie berufsbegleitender Weiterbildung – wie genau funktioniert die Zusammenarbeit in den viel zitierten „tripartiten Arrangements“ Arbeitgeber-Arbeitnehmer-Staat (Ausbildungszentren...)</p> <ul style="list-style-type: none"> – Verbundausbildung wie AZW Winterthur (Maschinenbauindustrie), Aprentas Basel (Chemie/Pharma) <ul style="list-style-type: none"> – seit wann gibt es diese Zentren? – Wie kam es zu dieser Entwicklung? – Warum gibt es diese Zentren? – Governance dieser Zentren? 	<ul style="list-style-type: none"> – Flexibilitätsgewinn und Kostenersparnis durch Externalisierung? – Unpassendes Aus- und Weiterbildungsangebot? – Sind Gewerkschaften hier in irgend einer Form mit beteiligt? – Position der Gewerkschaften zu dieser Form der „koordinierten/kooperativen Externalisierung“?
<p align="center">MNCs UND DUALE AUSBILDUNG:</p>	
<p>Unterschiede D-MNCs und US-MNCs bezüglich Teilnahme und Intensität der dualen Berufsausbildung</p> <p>„Markenzeichen Ausbildungsbetrieb“ (=>D5) für (US-)MNCs (=>US3...) im Sinne der „Good Corporate Citizenship“</p>	<p>(<i>Giardini et al. 2005: 76</i>: D-Firmen haben signifikant höhere Ausbildungsquote als US-MNCs)</p> <p>(ähnlich der Existenz eines Betriebsrats in D => <i>Giardini et al. 2005: 76</i>) =>gesellschaftliche Legitimität/Image der Firma dadurch in CH beeinflusst? (Frage der Visibility von HR-Praktiken => <i>Giardini et al. 2005: 77</i>)</p>
<p align="center">MNCs UND IR BZW. GEWERKSCHAFTEN:</p>	
<p>Unterschiede D-MNCs vs. US-MNCs bezüglich allgemeiner Beziehungen zu und mit Gewerkschaften?</p> <p>Gewerkschaften als Sozialpartner und gesellschaftliche Legitimität von Firmen</p> <p>Was können Gewerkschaften hier in der Schweiz tun, um Unternehmen unter Druck zu setzen?</p>	<p><i>These</i>: D-MNC-Manager haben „Betriebsratsmindset“: von D aus <i>müssen</i> Gewerkschaften und andere Stakeholder ohnehin berücksichtigt werden => Macht sich das in den IR mit D-MNCs aus Sicht der Gewerkschaftsvertreter bemerkbar, gerade im Vergleich zu US-MNCs? (=>„<i>negotiated approach</i>“ (Wever 1995))</p> <p>man kann <i>Gewerkschaften</i>, (in D über die bzw. mit den Betriebsräten) <i>als Sozialpartner</i> mit ins Boot holen, um gesellschaftliche Legitimität zu erlangen</p> <ul style="list-style-type: none"> – <i>Bsp. CH: Restrukturierung mit Entlassungen in D1</i>, gemeinsam mit Gewerkschaften

<ul style="list-style-type: none"> – Rolle der lokalen, sprachregionalen und nationalen Presse? – Rolle der Sozialdemokraten im Parlament? – Direkte Demokratie, Vetospielerstatus und öffentliche Meinung/ Aufmerksamkeit <p><i>These: D vs. US-Ansatz der „Corporate Social Responsibility“ bzw. „Good Corporate Citizenship“ und entsprechender Strategien, gesellschaftliche Legitimität zu erlangen</i></p> <ul style="list-style-type: none"> – Kann man das so aus Gewerkschaftssicht bestätigen? – Sind US-MNCs dennoch in GAVs? Oder können sie dies vermeiden? – Wie funktioniert die duale Ausbildung in US-MNCs, die berichten, sie hätten keine Kontakte zu Gewerkschaften? 	<p>ordentlich geregelt, „um nicht hinterher an anderer Stelle Probleme zu bekommen“</p> <ul style="list-style-type: none"> – Welche Art von „Problem“ könnte der D1-Manager gemeint haben? – (Giardini et al. 2005: 77) => Legitimität => Wie legitim und Anerkannt sind Gewerkschaften in der Schweiz als gesellschaftlich-politischer Akteur? <p>D-MNCs durch Sozialpartnerschaft: Einbindung der Gewerkschaften, duale Ausbildung, Arbeitsplatzsicherheit, bedeutende Sozialleistungen (D8-Jahresbericht: wir haben trotz Krise keine unserer gut ausgebildeten Mitarbeiter entlassen – teilweiser Lohnverzicht</p> <ul style="list-style-type: none"> – „negotiated approach“ (Wever 1995), kooperative Beziehungen mit Sozialpartnern (typisch für Social System of Flexible Production - Hollingsworth 1997; sowie für koordiniertem/koopertivem Business System Whitley 2000; Tüselmann 2006 => dualer D-MNC-Ansatz: kollektive IR und employee relations nebeneinander) <p>US-MNCs durch öffentlichkeitswirksame Aktionen: wie Müllsammeln am Lac Léman, grosse Spendenaktionen, freiwilliges Engagement der Mitarbeiter in sozialen Projekten (US8-Jahresbericht: wir haben X Millionen \$ für soziale Zwecke gespendet, unsere Mitarbeiter haben X Stunden Freiwilligenarbeit geleistet; US9-Mitarbeiter haben in Entwicklungsprojekten mitgearbeitet) – aber: weit verbreitete anti-Union-Ideologie, d.h. Kontakte mit Gewerkschaften auf ein absolutes Minimum beschränkt und Stärkung der direkten Employee Relations</p> <ul style="list-style-type: none"> – „unilateral/unitarist approach“ (Wever 1995), Entscheidungen werden einseitig durch Management getroffen, das sich in Entscheidungsfreiheit nicht durch kollektive Interessenvertretungen einschränken lassen möchte – s.a. Interview UNIA/Davoine 193-195: Partizipation schwierig mit angelsächsischen MNCs
<p align="center">GAVs IN DER SCHWEIZ:</p>	

<p>Rechtlicher Status von GAVs in der Schweiz? (=> sofern für allgemeinverbindlich erklärt oder nicht – ändert sich nur Gültigkeitsbereich oder auch rechtlicher Status und Verbindlichkeit?)</p> <p>– Schwierigkeiten, GAVs für allgemeinverbindlich erklären zu lassen? – Welche Branchen betrifft das (ausser Bau?)</p> <p>– Deckungsgrad und Regelungsbereiche (Sicherheit? Sozialleistungen? Arbeitszeiten? Fortbildungen?...) der GAVs und für allgemeinverbindlich erklärte GAVs heute – 1980er-1990er-Jahre?</p> <p>– Sind mehr D-MNCs als US-MNCs von GAVs gedeckt?</p> <p>– Sind mehr KMUs als MNCs in GAVs?</p>	<p>– (im Vergleich zur Tarifautonomie in Deutschland, wo das, was in Tarifverträgen geregelt wurde, quasi gesetzlichen Rang hat und eingeklagt werden kann) – Interview UNIA/Davoine „<i>Ce n'est pas un document juridique</i>“ - <i>sauf par le mécanisme d'extension qui permet de donner force de loi à contrats collectifs</i></p> <p>– Basler Chemie: bis Mitte der 1990er-Jahre waren als Besonderheit (?) auch <i>Löhne</i> in GAVs enthalten? (=> <i>Streckeisen 2007</i>)</p> <p>– Was wurde früher in GAVs geregelt, was heutzutage? Gibt es Unterschiede?</p> <p>– Deckungsgrad der GAVs nach Branchen und Regionen (z.B. Chemie Basel vs. Chemie Zürich; Maschinenbau vs. Chemie/Pharma vs. Finanzdienstleistungen)?</p> <p>– Unterschiede 1980er, 1990er und 2010/11?</p>
<p align="center">SCHWEIZERISCHES UMFELD ALLGEMEIN:</p>	
<p>Sinn für soziale Verantwortung und Wert der Sozialpartnerschaft seitens der Unternehmer/Unternehmen</p> <p>Wie ist das aus Sicht der Gewerkschaften?</p> <p>– Gibt es Unterschiede:</p> <p>– zwischen MNCs und KMUs bzw.</p> <p>– zwischen US-MNCs und D-MNCs</p> <p>– zwischen versch. Nationalitäten der Direktoren</p> <p>Desintegration des CH-Systems der IR?</p>	<p>– Interviewee US4: „In der Schweiz gab es traditionell bei den Unternehmern einen Sinn für soziale Verantwortung und Sozialpartnerschaft. Das verliert sich leider zunehmend. Ein gutes Beispiel für einen solchen Unternehmertypus ist noch Hayek von Swatch“)</p> <p>unterschiedliche Konzeption der CSR US-MNCs vs. D-MNCs, Angst vor kritischer Medienberichterstattung...</p> <p>(Sozialisierung der Direktoren in CH sowie lokale Verankerung und Karriere-logik => <i>US3-Plant manager, Morgan/Kristensen 2006</i>)?</p> <p>Interview UNIA/Davoine: Schwächung der Arbeitgeberverbände und der Gewerkschaften im Bereich KMU => zunehmende „Fragmentierung“ bzw.</p>

<p>Ressourcenausstattung der Arbeitgeberverbände und Gewerkschaften?</p> <p>Neue Gestaltungsstrategien der sozialpartnerschaftlichen Akteure in GAV-Verhandlungen seit 1990er Jahren?</p> <p>Verlagerung nicht sozialpartnerschaftlich-konsensuell geregelter Arbeits-Konflikte von der Branchen- auf die politische Ebene?</p> <p>Zunehmende Verlagerung der Lohnverhandlungen auf Betriebsebene?</p> <p>Gewerkschaftlicher organizationsgrad nach Branchen und</p> <p>Entwicklung 1980er, 1990er-Jahre und heute?</p> <ul style="list-style-type: none"> – Wo sind Gewerkschaften in CH stark, wo nicht, und warum? 	<p>„Desintegration“ des integrierten/koordinierten Systems der IR (ähnlich der Situation in D: <i>Giardini et al. 2005</i>: dort – relativ wenig genutzte – Öffnungsklauseln in Tarifverträgen bzw. Firmentarifverträge)?</p> <p>Ressourcenausstattung der kollektiven Verhandlungspartner (1980er, 1990er-aktuell)? (<i>Meyrat 2000, in Armingeon/Geissbühler 2000: mehr Ressourcen=>mehr Konsensbereitschaft?</i>)</p> <p>seit 1990er-Jahren vermehrt Einsatz von Gestaltungsstrategien der Akteure, insbes. In GAV-Verhandlungen mit Themenvielfalt, die Kompensationsgeschäfte, Paketlösungen und Kreuzkonzessionen ermöglichen (<i>Meyrat 2000, in Armingeon/Geissbühler 2000: 211, 214</i>)?</p> <p>Spannungen und politische Interventionen; Abschwächung der Sozialpartnerschaft (lt. Interview UNIA/Davoine etwas weniger problematisch in Suisse romande als auf nationaler Ebene?!; (<i>Meyrat 2000, in Armingeon/Geissbühler 2000: 216</i> => Veränderungen der Verhandlungsstrukturen auf der Mesoebene der Branchen hatte mittelfristige Rückkopplungseffekte auf die Makroebene der Politik => bislang konsensuell sozialpartnerschaftlich ausgehandelte Themen führen zu polarisierenden und langwierigen Auseinandersetzungen auf der politischen Bühne)</p> <p>zunehmende Verlagerung der Lohnverhandlungen auf Betriebsebene (<i>Meyrat 2000, in Armingeon/Geissbühler 2000: 216</i>)?</p>
<p align="center">CH-IR IM VERGLEICH ZU D, BETRIEBLICHE EBENE:</p>	
<p>Kann man in CH von Zweiteilung der Arbeitnehmerschaft in GAV- und nicht GAV-gedeckte sprechen?</p>	<ul style="list-style-type: none"> – (Analog zu D: <i>Giardini et al. 2005: 71</i>: tarifliche und ausser-tariflich Angestellte („exempts“) – bei letzteren greifen die tariflichen Regelungen nicht) – z.B. In D: Entgelt und leistungsabhängiger Anteil sehr unterschiedlich geregelt; ebenso Leistungsbeurteilung unterschiedlich, bei tariflichen Angestellten haben Betriebsrat und Gewerkschaften mitzureden
<p>Gibt es in CH Einfluss des Mitwirkungsgesetzes und/oder freiwillig konstituierter Arbeitnehmervertretungen?</p>	<ul style="list-style-type: none"> – in D werden Betriebsräte oft als wichtiger Kommunikationskanal beschrieben (<i>Giardini et al. 2005: 72</i>)

Rolle Europäischer Betriebsräte in CH? Andere wichtige Kommunikationskanäle? - z.B. Arbeitsgruppen bei Vernehmlassung?	– D4: in CH sind <i>Arbeitnehmervertreter nicht wie in D freigestellt</i> , d.h. Sie haben de facto gar keine Zeit, sich um viele Dinge zu kümmern – wie sehen Sie das?
Sonstige Themen, die nicht angesprochen wurden? Anregungen?	

A1.8 Interview template Aprentas

SYSTEMATISCH GESTELLTE FRAGEN	RÜCKFRAGEN, ERLÄUTERUNGEN, DETAILS
GESCHICHTE/ROLLE/ZIELE VON APRENTAS	
<ul style="list-style-type: none"> • Wann/Wie ist Aprentas entstanden? • Was war/waren der/die Grund/Gründe, dass Firmen ihre Ausbildungen in Aprentas zusammenlegen? • Wie ist die Expansion zu erklären? • Finanzierung von Aprentas • Angebot an Ausbildungsgänge und Azubi-Zahlen? 	<ul style="list-style-type: none"> • zunächst im Raum Basel - dann auch Schaffhausen und seit 2011 Bern • Kofinanzierung durch die öffentliche Hand Über Trägerschaft der Berufsschulen? • Firmen • Verteilung der 680 Azubis auf die 13 Berufe (welche?); wenn möglich • auch Zahlen zu Anzahl der Azubis der grössten Firmen
ZUSAMMENARBEIT MIT PARTNERN	
<ul style="list-style-type: none"> • Welche Rolle spielen staatliche organizationen für Aprentas? • Welche Rolle spielen Verbände? • Welche Rolle spielen Gewerkschaften? • Welche Rolle spielen die 	<ul style="list-style-type: none"> • Kantone Bern/Basel/Schaffhausen • Bund • Chemische Industrie • Regionale Arbeitgeberverbände • Welche Rolle spielen die Träger- bzw.

Partnerfirmen? <ul style="list-style-type: none"> Welche Rolle spielen andere Ausbildungszentren? 	Gründerfirmen (Novartis, Syngenta und BASF) im Vergleich zu den anderen Mitgliedern? <ul style="list-style-type: none"> AZW Spezialisierung auf Branche/Regionen/Firmen?
ZUSAMMENARBEIT MIT MNCs	
<ul style="list-style-type: none"> Gibt es Unterschiede in der Zusammenarbeit bzgl. der Nationalität? Was für eine Rolle spielen Amerikanische Firmen? Was für eine Rolle spielen Chemie/Pharma gegenüber anderen Branchen? Gibt es Unterschiede zwischen grossen und kleineren Firmen? 	<ul style="list-style-type: none"> Woher stammen die Firmen, mit denen sie zusammen arbeiten? Prozentuale Anteile? Gibt es Unterschiede? Z.B. Cilag, J+J, Drug'on Pharma, Huntsman, SI Group US-Firmen Brownfield und bereits integriert? Warum ist Schindler von der Maschinenindustrie aus Luzern involviert?
AUSBILDUNG IN DER SCHWEIZ	
<ul style="list-style-type: none"> Generell nachlassende Ausbildungsbereitschaft in CH? Rolle von Ausbildungszentren? Gibt es politischen Druck/Unterstützung? 	<ul style="list-style-type: none"> Trittbrettfahrer Unterschiede Branchen/Regionen/KMU, MNC's? Bedarfsentwicklung Seit wann gibt es diese Zentren? Wie kam es zu dieser Entwicklung? Warum gibt es diese Zentren?

A1.9 Interview template Swiss Employers' Association

SYSTEMATISCH GESTELLTE FRAGEN	RÜCKFRAGEN, ERLÄUTERUNGEN, DETAILS
ROLLE DES ARBEITGEBERVERBANDES	
- Rolle des Arbeitgeberverbandes im	- Zunehmende Bedeutung des Staates?

Verhältnis zu Gewerkschaften/Firmen? - Zusammenarbeit mit Gewerkschaften - Zusammenarbeit mit Firmen - Spezielle Zusammenarbeit mit MNC's?	- Warum? - Unterschiede zwischen Amerikanischen/Deutschen Firmen?
SCHWEIZER ARBEITSMARKT	
- Gibt es allgemeine Tendenzen und Entwicklungen im Arbeitsmarkt bzw. im Arbeitgeberverband?	- Personenfreizügigkeit, Austritte - Unterschiede zwischen KMU's, MNC's?
ARBEITSRECHT IN DER SCHWEIZ	
- Was sind die wesentlichen Merkmale des Schweizer Arbeitsrechtes? (institutionelle Rahmenbedingungen) - Wie ist die Rolle des GAV's im Verhältnis zum Arbeitsrecht?	- Stärken/Schwächen? (Arbeitsrecht, Verbände, Wirtschaft, Politik, Steuern etc.) - Können MNC's das umgehen? - Obligationenrecht (Einzelarbeitsvertrag/Gesamtarbeitsvertrag/Normalarbeitsvertrag) - Arbeitsgesetz (allgemeiner Gesundheitsschutz, Arbeits- und Ruhezeit, Jugendliche, schwangere Frauen und stillende Mütter) - Unfallversicherungsgesetz (Arbeitssicherheit)
GAVs IN DER SCHWEIZ	
- Warum GAV's aus Sicht des Arbeitgeberverbandes? - Verbreitung von GAV's? - Allgemeinverbindlichkeitserklärung , gibt es Schwierigkeiten? - Inhalt der GAV's? (Sozialleistungen/Arbeitszeit/Fortbildung)	- Branchen/Firmen (ev. Basler Chemie) - Regionen - KMU/MNC's - Durchsetzbarkeit? - Früher, heute?

<ul style="list-style-type: none"> en) - Unterschiede Deckungsgrad GAV's von Firmen unterschiedlicher Länder? - Unterschiede KMU/MNC? - Kann man in CH von Zweiteilung der Arbeitnehmerschaft in GAV- und nicht GAV-gedekte sprechen? 	<ul style="list-style-type: none"> - Unterschiede zwischen Branchen? - Unterschiede 80/90/2010? - These, MNC's schmettern Verhandlungen ab mit Verweis auf die Wirtschaftlichkeit? - Beispiele von Branchen mit schlechter Deckung? (Versicherungen) - Warum
ARBEITGEBERVERBAND UND DUALE AUSBILDUNG	
<ul style="list-style-type: none"> - Generell nachlassende Ausbildungsbereitschaft in CH? - Rolle des Arbeitgeberverbandes? - Gibt es politischen Druck? - Rolle des Arbeitgeberverbandes bei Verbundausbildungen? (AZW/Aprentas) 	<ul style="list-style-type: none"> - Trittbrettfahrer - Unterschiede Branchen/Regionen/KMU, MNC's? - Bedarfsentwicklung - Seit wann gibt es diese Zentren? - Wie kam es zu dieser Entwicklung? - Warum gibt es diese Zentren? - Ist der Arbeitgeberverband beteiligt?
SOZIALPARTNERSCHAFT IN DER SCHWEIZ	
<ul style="list-style-type: none"> - Abnehmender Sinn für Sozialpartnerschaft der Unternehmen? - Relative Schwäche von Arbeitgeber und Arbeitnehmerverbänden wegen Dezentralisierung? - Konsequenzen der Verlagerung auf Betriebsebene? - Veränderte Rolle des Arbeitgeberverbandes? - Gibt es in CH Einfluss des Mitwirkungsgesetzes und/oder freiwillig konstituierter Arbeitnehmervertretungen? - Desintegration des integrierten CH-Systems der IR? - Verlagerung nicht sozialpartnerschaftlich-konsensuell geregelter Arbeits-Konflikte von der Branchen- auf die politische Ebene? 	<ul style="list-style-type: none"> - Unterschiede KMU/MNC? - Ausländische MNC's? - Nationalität der Manager? - Unterschiede Branchen? Regionen? Gründe? - Unterschiedliche Strategien KMU/MNC? - Freistellung von Arbeitnehmervertretern - Vermehrte Streiks - Verschiebung der Arbeitnehmerstruktur

<ul style="list-style-type: none"> - Prägung des Angelsächsischen Modells ? 	
<p align="center">SOZIALPARTNERSCHAFT UND MNC's</p>	
<ul style="list-style-type: none"> - Unterschiede MNC's zu KMU's in der Sozialpartnerschaft ? - Gibt es Unternehmen die sich gegen GAV's wehren? 	<ul style="list-style-type: none"> - Unterschiede nach Herkunftsland? - Sind US MNC's in GAV's? - Unterschiede nach Branche? - Vergabe von Aufträgen? - Fusionen?

SOZIALPARTNERSCHAFT UND MNC'S

- Unterschiede nach Herkunftsland?
- Sind US MNC's in GAV's?
- Unterschiede nach Branche?
- Vergabe von Aufträgen?
- Fusionen?

A1.10 Interview template SECO

=> was wird generell in GAVs geregelt?

- Löhne

- in wie vielen % der GAVs sind Löhne enthalten?
- in welchen Branchen/Regionen/Unternehmensgrössen etc. eher ja oder eher nein?
- **Tendenzen?** (z.B. Entwicklung in Basler Chemie seit 1990er-Jahren Herausnahme der Löhne aus GAVs, **zunehmende** Verlagerung der **Lohnverhandlungen auf Betriebsebene** (Meyrat 2000, in Armingeon/Geissbühler 2000: 216)?)

- **Arbeitsfriede** relativ und absolut

<p>- Kündigungsschutz</p> <p>- Sozialleistungen & - Sozialpläne</p> <p>- duale Ausbildung</p>	<p>- Gibt es Bestimmungen, die über gesetzliche Normen hinausgehen? Umfang?</p> <p>- Gibt es Bestimmungen, die im Fall von Entlassungen/Massenentlassungen Sozialpläne vorsehen? Umfang?</p> <p>- gibt es in GAVs Bestimmungen zur dualen Ausbildung?</p> <p>- Was wird geregelt?</p> <p>- Unterschiede Branche/Region?</p>
<p align="center">ALLGEMEINVERBINDLICHKEITSERKLÄRUNG VON GAVs</p>	
<p>Prozedere und Voraussetzungen? In welchen Branchen/Regionen wurden GAVs für allgemeinverbindlich erklärt? Aus welchen Gründen? Tendenzen?</p> <p>Auswirkungen geschwächter Arbeitgeberverbände auf kollektive Arbeitsbeziehungen/GAVs Tendenzen?</p> <p>Defragmentierung des CH-IR-Systems und Rolle der GAVs (wirkt dem entgegen?)</p> <p>Konfliktualität und Sozialpartnerschaft</p>	<p>=> Bedeutende <i>excess coverage</i> von GAVs in der CH (Venn 2009?)</p> <p>=> Interview Pardini/UNIA: Gewerkschaften haben fusioniert, Arbeitgeberverbände sind aber schwächer geworden/keine Verpflichtungsfähigkeit => mit wem soll man da verhandeln?...</p> <p>=> Defragmentierung von Giardini <i>et al.</i> 2005 für D festgestellt</p> <p>Meyrat 2000, in Armingeon/Geissbühler 2000: 216 => Veränderungen der Verhandlungsstrukturen auf der Mesoebene der Branchen hatte mittelfristige Rückkopplungseffekte auf die Makroebene der Politik => bislang konsensuell sozialpartnerschaftlich ausgehandelte Themen führen zu polarisierenden und langwierigen Auseinandersetzungen auf der politischen Bühne)</p>
<p align="center">UNTERSCHIEDE MNCs vs. KMUs/CH-UNTERNEHMEN, D-MNCs vs. US-MNCs</p>	
<p>GAVs und MNCs :</p>	
<p>Unterscheiden sich MNCs allgemein hinsichtlich ihrer kollektiven Arbeitsbeziehungen in der Schweiz von KMUs bzw. stärker national schweizerisch ausgerichteten Unternehmen wie Migros oder Swisscom?</p> <p>Inwiefern?</p>	<p>Verbreitung von Haus-GAVs für grössere Unternehmen? (=> Johnson&Johnson Schaffhausen)</p> <p>MNCs eher nicht in GAVs?</p> <p>Abhängigkeit von Branche, Region oder Tätigkeit in der Schweiz? (Produktion vs. Management...)</p>

<p>Stehen MNCs oder CH-Unternehmen unter Druck, einem GAV beizutreten?</p> <p>Inwiefern?</p> <p>GAVs und gesellschaftliche Legitimität?</p>	<p>Was treibt Firmen dazu, einen GAV abzuschliessen?</p> <p>=> gesetzliche Vorschriften, Medien, Gewerkschaften, kantonale Regierungen, Konsumenten, Vorteile durch Sozialpartnerschaft...</p>
D-MNCs vs. US-MNCs:	
<p>Können Sie Unterschiede zwischen D-MNCs, CH-MNCs und US-MNCs hinsichtlich Ihrer kollektiven Arbeitsbeziehungen feststellen?</p> <p>Inwiefern?</p>	<p>Gibt es Zahlen zu GAVs, die mit MNCs verschiedener Ursprungsländer abgeschlossen wurden bzw. denen diese beigetreten sind?</p> <p>=> pluralist HRM in D-MNCs/negotiated approach? (Müller 1999, Wever 1995) Tüselmann 2006 => dualer D-MNC-Ansatz: kollektive IR und employee relations nebeneinander</p> <p>vs. unitarist HRM in US-MNCs Entscheidungen werden einseitig durch Management getroffen, das sich in Entscheidungsfreiheit nicht durch kollektive Interessenvertretungen einschränken lassen möchte s.a. Interview UNIA/Davoine 193-195: Partizipation schwierig mit angelsächsischen MNCs</p>
<p>Sonstige aktuelle/wichtige Themen, die nicht angesprochen worden sind?</p> <p>Anregungen?</p>	

A2 The MAXQDA coding system

Interview transcripts have been analysed using MAXQDA 10 software, following a template analysis approach. As we have seen, in such an approach, thematic issues in text passages are attributed to corresponding codes in the coding system. Starting with a rather limited set of mostly descriptive codes corresponding to the large topics defined in our interview template, our coding system, was successively developed and refined in the course of the investigation. During this process, higher- and lower-level codes were established, and interpretive codes were defined so that a higher level of analytical abstraction could be achieved.

The codes at the left boarder are first level codes with every sub-code level going one space towards the right. The numbers in brackets indicate the numbers of codings listed under the respective codes.

Codesystem [6282]

Information on interviewee [47]

- local career orientation, local embeddedness [5]
- corporate career orientation [9]
- work experience abroad (international) [22]
- job/firm tenure [39]
- vocational education (has done dual VET) [6]

Micro-level variables [0]

Facts MNC [6]

- size (employees) [15]
- activities [23]
- strategic priorities [25]
- internationalization_strategy and growth history (acquisitions? [15]
- year of foundation [6]
- Family-owned enterprise [16]
- organization (Divisions, regions, matrix, int. Integration) [65]
 - shared service centres; centres of excellence/expertise [41]
- structural variables [3]
 - decisions [23]
 - perceived level of transparency and trust [30]
 - mechanisms of decision-making [58]
 - strategic decisional discretion/margin of subsid [34]
 - who decides (financial & managerial issues: investment, product [41]
 - who decides on HR issues? [34]
- coordination [13]
 - kind of coordination mechanism- HR meetings etc. [61]
 - ISO processes/process quality [3]
 - existence/use of int. HR guidelines (Y/N) [29]
- Communication [21]
 - directions and partners, int.HR/Mgt.-meetings [51]
 - channels [70]
 - frequency [48]
 - mechanisms [15]

- Control [31]
 - influence of latest international scandals (Siemens...) [5]
 - kind of control mechanism(s) [44]
 - personal direct [23]
 - impersonal indirect [32]
 - ISO processes/process quality [9]
 - coercive comparisons, performance comparisons [12]
 - existence of a common information system (Y/N) [40]
 - Reporting [40]
 - subsid reports to whom/which unit? [29]
- Strategy/mindset [1]
 - global/ethnocentric [44]
 - multidomestic/polycentric [42]
 - transnational/geocentric (non-ethnocentric) [30]
- Facts Subsid [12]
 - activities, business area, division, EMEA HQ, subsid role/agency [86]
 - Specific subsid competencies of interest for HQ/power resources [79]
 - Strategic priorities [36]
 - Year of foundation [23]
 - history/market entry (Greenfield/Brownfield) [50]
 - Market orientation (global-regional-national/local) [50]
 - Size [36]
 - non-production site [2]
 - Why in Switzerland [21]
- HR practice transfer ; standardized & localised practices [0]
 - Transfer/centralization: willingness, process, mechanisms, conduits [23]
 - HQ-subsid cooperation policy making, innovation, HR practices) [25]
 - will to transfer [69]
 - reasons for transfer [67]
 - Transfer / standardization negative (probl, diver. interests...) [64]
 - In case of conflict over transferred/standardized HR practice [38]
 - transfer process - who? how? control? [55]
 - conduits (communication/coordination) [40]
 - broad frameworks/guidelines [21]
 - change management team [3]
 - expatriate involvement [10]
 - corporate culture [64]
 - trainings, information, explanations, workshops [18]
 - transfer via SAP/common HR-IT and processes [31]
 - best practice scheme [35]
 - transfer control [18]
 - HR practice transfer as objective [9]
 - Reverse Transfer [19]
- standardized/transferred (1:1) practices [33]
 - common HR IT and organization, HR process standardization [31]
 - performance mgt. (process) & rewards [60]
 - safety and health, security, risk management [10]
 - pay policy / compensation-benefits, local benchm. pay increases [47]
 - payroll administration [4]
 - promotion processes, career development/succession [12]
 - pers. development/career, competence mgt., training (HQ-courses) [40]
 - expatriates/mobility (compensation, administration, etc.) [22]
 - recruitment (standards/process/employer branding/trainee progr) [30]
 - Socialization practices [0]

- Corporate values & culture / way of doing things [36]
- Code of Conduct [35]
 - code is trained on and tested [17]
 - Code is part of employment contract [10]
- employee satisfaction surveys (social dialogue/ER) [22]
- diversity policy [19]
- sustainability policy (also "people sustainability") [12]
- job descriptions/job families [12]
- Quality standards / legal compliance / six sigma / ISO [8]
 - legal affairs (centralised function) [1]
- work-life-balance [5]
- harassment [4]
- HR administrative / day-to-day business / contracts [3]
- global service contracts (insurances, pensions, tax control) [3]
- global directive for restructuring/reduction in workforce [2]
- senior/management level [6]
 - performance mgt. for senior management only [8]
 - bonuses, variable, performance-related pay [13]
 - high potential/talent management [37]
 - training,intl.mgt.devlpt(promo criteria)succession/career plang. [33]
 - leadership instruments / principles / guidelines [23]
 - recruitment (senior mgt. level) [11]
 - appraisal interviews, 180°/360° [5]
 - job evaluation [2]
- local adaptations (reasons?how argued against 1:1 transfer?) [67]
- local practices (why?) [48]
 - local agency, power resources [8]
 - tax, social & health insurance,pensions,administration [22]
 - recruitment [35]
 - university marketing activities(Hochschulmarketing) [1]
 - local importance of job reference & personal meetings [3]
- lay-offs, indemnity amounts (though no legal requirement) [11]
- local mobility-provider (tax, social insurance, work permits) [4]
- IR [11]
 - "works council" negotiations with employee commission [4]
 - redundancy programme/social compensation plan [2]
 - GAV for shop-floor (shift work/production, clerical employees) [14]
 - working time management: schedules, flexible working time [6]
- training/developmt (local languages, shop floor techn.training) [32]
 - joint training schemes (participation) [2]
 - leadership training&principles [4]
 - dual VET [26]
- compensation/pay system, benefits, local benchmarking [28]
 - salary [7]
 - payroll [5]
- well-being at work, health [2]
- performance appraisal (forms/instruments)-development discussio [9]
- job descriptions [3]
- high potential identification tools [2]
- diversity - equal pay policy CH (confederation as client) [1]
- succession/talent management - not centralised (!!!) [3]
- below middle/senior manager level [2]
 - recruitment [1]
 - bonus [4]
 - local performance mgt., salary increases, fixing obectives [6]

- training [6]
- HR practices [1]
 - current HR topics/issues [56]
 - HR-issues/problems same for HQ and subsid? (Y/N) [19]
 - positive experiences with HR practices [23]
 - negative experiences with HR practices [22]
 - IR/ER, communication(direct/representative channels) [25]
 - employee surveys [3]
 - employee survey: YES [22]
 - European works council [4]
 - workers representatives [14]
 - union /GAV [18]
 - no workers' representatives [6]
 - no union [21]
 - participation in local associations [15]
 - participation in local associations NO [1]
 - participation in local associations YES [41]
 - reasons for participation in loc. associations? activities? [39]
 - recruitment & selection [62]
 - performance mgt.: appraisal, pay, objectives [104]
 - rather fixed salary (few bonus or performance-related pay) [7]
 - performance-related pay [30]
 - profit-sharing [15]
 - Stock option schemes/share ownership [7]
 - promotion (criteria) & careers [48]
 - lifetime employment [16]
 - lifetime employment NO [11]
 - lifetime employment YES [8]
 - training, personnel development / int.or external labour market [117]
 - internal labour market and mgt. development [4]
 - high potential identification (structured, formalised) [14]
 - high potential identification (structured, formalised): NO [3]
 - high potential identification (structured, formalised): YES [32]
 - international management development programmes (Y/N) [12]
 - internat. mgt. devl prog. NO [6]
 - international mgt. devl. prog. YES [21]
 - Mobility programmes [11]
 - mobility programmes: NO [8]
 - mobility programmes: YES [31]
 - directions of mobility (HQ-> subsid...) [16]
 - engagement with dual VET [19]
 - apprentices NO [6]
 - apprentices YES [22]
 - reasons, number of apprentices [31]
 - Diversity Management Programme [8]
 - Diversity Management NO [5]
 - Diversity Management YES [19]
 - corporate values/ motto/ mission statement [30]
- typical elements (US-D-CH) [1]
 - typically US-American [14]
 - informal clothing style [1]
 - USA = "a transient nation" [1]
 - short termism [6]
 - financial targets/objectives (financial market driven) [7]
 - more long-term elements (corp. culture, career necessities...) [7]

ethnocentrism - English language & practices from US "invading" [28]
 lack of understanding for European differences [10]

centralization [32]
 great exception [3]

strong willingness to standardize, thorough implementation [12]
 standard processes [25]
 cascading [5]
 highly standardized perf.mgt.syst.-strong nexus perf-pay&career [25]
 quarterly/annual HR processes [7]
 Safety & health, security, risk mgt.--(busn.case/inst.effect?) [26]
 strong diversity polic: busin.case / US inst.effect? [17]
 codes of conduct (central tool, signed, tested...) inst.effect? [17]
 Corporate values and engineering corporate culture [31]
 institutional partnerships for mgt. training with selected univ [5]

strong reliance on IT systems & processes (competences, knowled [14]
 e-learning [6]
 exception - outdated/no common IT in US MNC!!! [3]
 exception: structured training programmes (compulsory like in D [5]

unilateralism & no unions [7]
 decisions fast, top-down, universalist, unilateral (e.g. pay!) [23]
 non-union, works councils and ER to avoid unions [8]
 direct communication with employees [12]

Pervasive market mentality, individualism - low trust [24]
 strong performance orientation [3]
 labour market benchmarking-strong competitive market approach [11]
 arm's length relations between people [10]
 principle of contract, impersonal, process & numbers controlled [25]
 US anti-trust legislation: impact on soc.rationality/associatio [3]
 "active" career, entrepreneurial, employability-driven [19]
 frequent changes/no continuity - short job tenures at the top [1]
 individual salary negotiations [2]
 stock options [1]

Performance awards-symbolic [2]

Universalism, legalistic approach, importance of standard rules [8]
 Compliance, SOX, Codes of Conduct, moralizing [25]
 transparency [2]

communication style: everything is fantastic, no criticism [0]
 easy to grow social network [2]
 Make yourself heard, promote yourself [5]
 informal communication style, low power distance [7]

Hooray-mentality, Let's Go for change, message is important [4]

CSR/Employer Image-the business case for CSR (...or not!) [9]
 business case for CSR, volunteer work, "marketing CSR" [13]
 CSR is NOT connected with lay-offs [3]
 a priori no understanding for CH-CSR and dual VET [3]

Anglo-Saxonization (= > global inter-corp. isomorphism) [25]
 ...but what is "Anglo Saxon", after all? [5]

typically German [29]
 institutional D-NBS effects [1]
 works council effects [2]
 institutional (forced) consensus [7]
 Works council mindset_inst. influence on socialised rationality [20]
 more sensibility for local differences, more moderate

than US-M [2]
 rather "humane" performance appraisal [7]
 democratic leadership style, much co-determination [3]
 works council corporate isomorphism (coercive/veto-player) [5]
 labour market institutions (collective bargaining, VET, labour [1]
 tariff and exempt employees - diploma/career influence [2]
 "passive" careers internal, being proposed for promotions [19]
 long internal careers and job tenures, functional careers [11]
 D different labour market (<=> CH), whole families in firm [3]
 compensation aligned [2]
 culture of training & "idée de cursus" for promotion [38]
 technical skills/technical competence are key [7]
 large-scale dual VET (in D-production operations) [9]
 participation in joint training schemes (AZW/Aprentas) [13]
 CSR (see Schlie/Warner 2000; Kieser 2004) [7]
 stakeholder-orientation [3]
 social responsibility, lifetime employment, job guarantee [8]
 CSR and dual VET/apprentice training [7]
 CSR and union involvement in lay-offs, generous social plans [12]
 Kurzarbeit, short-time work (not numerical flexibility) [2]
 associational form of coordination [3]
 German IR/ER_collective (unions, councils) AND direct (surveys) [2]
 old-school expat practices [2]
 many Germans in CH subsidies [5]
 communication German style [15]
 communication more formal, more "Sie" [5]
 D communication more direct than CH [8]
 separation private-professional life [2]
 hierarchy [11]
 Apéro elements/sense for community/Betriebsgemeinschaft [5]
 titles important in D [5]
 problems in latin countries (strict rules on titles) [1]
 co-operative style (in HR HQ-subsid relations) [1]
 car policy [2]
 long term logic, sustainability, trustful relations [9]
 efficiency/ results-orientation [3]
 speed, agility [1]
 cost consciousness [2]
 important planning, structures, slowness, low mistake-tolerance [14]
 tendency towards bureaucracy "deutsche Gründlichkeit" [11]
 control more informal and less than in US-MNCs (except D1? [9]
 typically Swiss [49]
 US cultural elements that don't work in CH -low internalization [14]
 less HR managers with university HR degree (other degrees) [2]
 Swiss values [5]
 Quality of life orientation (flexible working time) [1]
 good food [4]
 modesty-keeping a low profile [7]
 perfectionism, quality, order, universalism, smugness (spießigkeit) [20]
 performance orientation, dependability/reliability [9]
 Sonderfall, local bound, insular mentality, self-centred, Willensn [24]
 sustainability, stable client relations => demand for collaboration [5]

- sustainability and public transport [1]
- many SMEs in local CH economy [4]
- culture of trust, e.g. less control of collaborators [9]
- importance of personal contacts, trustful relations, rituals [47]
- social activities with colleagues outside work [1]
- apero culture [19]
- strengths, chances, opportunities [4]
 - political stability, social peace, security, patent protection [3]
 - quality of life/attractiveness of living conditions [8]
- bank secrecy [1]
- geographic position, infrastructure, skilled workforce [3]
 - multilingualism of Swiss staff as advantage [2]
- high quality processes / process competence [10]
- highly flexible collaborative NBS/legal framework [4]
 - lean state / militia / associational coordination [8]
 - tax system [8]
 - legal limbo (grey areas), flexible syst. co-operation & negotiatio [26]
 - lobbying - political and economic elites intertwined [12]
 - decentralised IR - sector/industry, region [13]
 - GAVs / AV-GAVs, wage floor (minimum wages) [55]
 - GAVs and social plans [2]
 - NAVs (Normalarbeitsverträge) [2]
 - wage bargaining on plant/firm level [18]
 - IR_labour market & labour law liberal [27]
 - strong employers' associations [9]
 - weak unions - but institutional/political veto player power [19]
 - weaker worker representatives [8]
 - social partnership [25]
 - industrial peace/labour peace [2]
 - short-time work (stricter than in D) supported by state & GAVs [4]
 - few strikes, but increasing [2]
 - co-operation, negotiation, tailor-made solutions.../agency [19]
 - local co-operative networks (HR/IR associations) [43]
 - Geneva/EMEA-HQ bringing international dimension into MNC [6]
 - local, cantonal solutions (EU-free movement of persons)/customs [9]
 - dual VET, joint training schemes-competitive supports to MNCs [52]
- weaknesses, problems, threats [4]
 - Swiss Employment Act (Arbeitsgesetz) - old-fashioned, rigid [4]
 - non-EU member, quotas for foreigners (non-EU) [16]
 - high labour costs & cost of living - efficiency, cost pressure; [4]
 - tough labour market, difficult: find qualified staff, retention [17]
 - federalism, languages, tax systems, customs = additional costs [27]
 - Suisse alémanique - Suisse romande [9]
- developments/changes in CH system [35]
- consensus/concordance - non formal-institutional, (<=>D), [23]
 - change resistance, critical/challenging new practices [23]
 - participation/consultation as a must (dir. democracy)/decisions [16]
 - leadership style: low power distance (?), decision-making [31]
- communication Swiss style: Duzen, informal, personal [38]
 - insisting on use of local language: French [2]

dialect (Germanic CH) [8]
 Swiss-Germans and Germans particular relations [20]
 problems with standard German [8]
 indirect, a priori consensus/no debate (Auseinandersetzung) [13]
 more disponibility for interruptions/informal [4]
 faster and more flexible, less administration than D [6]
 social control, Good Citizenship, good treatment of persons, CSR [25]
 multiple encounters in life, local press, pers, relations (clients [6]
 lay-offs - no hire & fire although flexible labour market [12]
 CSR and union involvement in restructuring (negotiating legitim [2]
 CSR and local manager careers [8]
 CSR and dual VET [15]
 direct democracy [4]
 confidentiality [3]
 pragmatism [3]
 more informal clothing than in D [2]
 expats - roles [49]
 Isomorphism (normative+mimetic) exchange in networks [6]

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