# Modes of Global Integration and Local Responsiveness:

# International Human Resource Management of South Korean MNEs

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## Abstract

The constructs of global integration and local responsiveness have been widely used in describing and analyzing international HRM strategy and practices of MNEs. A significant amount of research tends to assume that the global integration means standardization of HRM practices by imposing parent practices to subsidiaries and the local responsiveness connotes localization of subsidiary HRM practices by following local practices. However, emerging developments in IHRM research suggest a more nuanced understanding of the constructs by recognizing multiple modes of integration as well as a pattern of hybridization in practices.

This research extends the insights from the emerging developments in the IHRM literature by examining the modes of global integration and local responsiveness in HRM of MNEs from a newly industrialized economy, South Korea and exploring how they are put into practice through subsidiary HRM practices. A multi-sited qualitative study was conducted across nine MNEs at the corporate level as well as across three India subsidiaries and three U.S. subsidiaries of an MNE. The analysis of data from sixty seven interviews reveals that the firms pursued various modes of global

integration and local responsiveness simultaneously in HRM of MNEs, namely: global cultural integration; global workforce integration; global HR capability integration; localization of people; local customization of HRM practices to avoid legal risks in a host country or to position in local labor markets. The modes were also reflected in subsidiary HRM practices through hybridization between global standardization and localization at the component-level of practices based on the particular modes.

The results of this study contribute to the literature on IHRM strategy and practices by providing (1) a more comprehensive understanding of the higher-level modes of global integration as well as local responsiveness in managing human resources in MNEs, (2) a sophisticated IHRM strategy framework, namely, IHRM strategy as a configuration of the multiple modes, and (3) a more detailed insight on the specific mechanisms of hybridization in terms of level and logic of standardization and localization of practices. The study also makes a broader contribution to the studies of MNEs by providing a function-specific GI-LR framework which integrates the meta-level and the operational level analysis based on the refined view on modes and mechanisms in managing the dual demands of global integration and local responsiveness in MNEs.

**Key words: global integration, local responsiveness, international human resource management, multinational enterprise (MNE), Korea, U.S., India**

This work is dedicated to Sa Hyun.

# Acknowledgements

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# Chapter 1. Introduction

## 1.1 Aims of the Research

Managerial issues of multinational enterprises (MNEs) have been widely examined in

recent decades due to their role in the international economy as well as their

distinctive qualities as an organizational form (Morgan, 2005). It is widely accepted

that one of key issues in managing MNEs is the need to respond to the dual pressures

for global integration and local responsiveness (Bartlett & Ghoshal, 1989). The

management of the dual pressures that MNEs face has also been one of key concerns

in enquiries into human resource management (HRM) in these organizations

(Brewster, Sparrow & Harris, 2005).

The notions of global integration and local responsiveness have been widely used in

describing and analyzing international HRM (IHRM) strategy and subsidiary HRM

practices of MNEs. A significant amount of research has examined the degree of

global integration or local responsiveness in HR functions of MNEs, mainly from

developed economies, by assessing whether particular HRM practices resemble local

practices or parent firm's practices (Rosenzweig, 2006; Brewster, Wood & Brookes,

2008). In this stream of research, it tends to be assumed that: (1) global integration

basically means the standardization of HRM practices by imposing parent practices to

subsidiaries, while local responsiveness typically connotes the localization of

subsidiary HRM practices by following local practices; (2) responding to the dual

pressures for global integration and local responsiveness is to a large extent reduced to

a matter of 'either-or' choice between the global standardization and the localization of HRM practices.

However, there is an emerging stream of studies which suggest a more nuanced view on the constructs, such as the studies of various mode of global integration in IHRM (e.g. Smale et al., 2013; Smale 2008), the multi-dimensional view on IHRM strategy (e.g. Dickmann & Müller-Camen, 2006; Dickmann et al., 2009) and the identification of a hybridization pattern in subsidiary HRM practices (e.g. Brewster et al., 2008; Edwards & Rees, 2008; Gamble, 2010). These studies highlight the complexities underlying the notions of global integration and local responsiveness and indicate that there might be profoundly different ways in enacting those constructs.

This study tries to develop further the emerging stream of research through a fuller examination of specific ways of enacting the notions of global integration and local responsiveness in IHRM strategy and subsidiary HRM practices by MNEs from a newly industrialized economy, South Korea. In so doing, it explores (1) modes of global integration as well as local responsiveness in HRM of MNEs at the higher level (than the practice level) with an inductive research design and examines (2) patterns of pursuing various modes in MNEs. At the operational-level, the study also examines (3) specific ways of hybridization in terms of level and logics underlying standardization and localization of subsidiary HRM practices of MNEs. Through a multi-sited qualitative study of nine Korean MNEs at the corporate level as well as six subsidiaries of a selected Korean MNE, which are located in India and the U.S., this thesis aims to reveal patterns in their IHRM strategies and practices, various modes of global integration and local responsiveness underlying those strategies and practices

and influences which shape the IHRM strategies and practices at the parent firms and the subsidiaries.

## 1.2 Case of South Korean MNEs

Luo and Tung (2007) classified MNEs into three groups: MNEs from advanced markets (e.g., US, Europe and Japan), MNEs from newly industrialized economies (e.g., South Korea, Singapore, Hong Kong and Taiwan) and MNEs from emerging markets (e.g., Brazil, China, India, Mexico and Russia). Despite the rapid growth of foreign direct investment from newly industrialized economies (Filatotchev, Strange, Piesse, & Lien, 2007) and emerging markets, extant research on HRM strategy and practices of MNEs has mainly focused on MNEs based in developed economies such as the U.S., European countries, and Japan (Thite, Wilkinson, & Shah, 2011). However, as the MNEs based in the new generation of home countries grow in number and size, there has been growing interest in various aspects of the activities of these firms (Ramachandran & Pant, 2010).

This research explores a case of MNEs from a newly industrialized economy, South Korea. Successful and well-established Korean MNEs constitute a good case to study because they embody two key characteristics that allow for methodologically justifiable claims for theorizing. Firstly, Korean MNEs compete successfully in global markets against MNEs from developed economies and they are widely considered to be exemplars of successful MNEs from newly industrialized economies and emerging markets (UNCTAD, 2006). Many Korean MNEs are large, with a wide geographical reach in multiple subsidiary locations around the world and in leading

positions in their respective sectors. In other words, as firms, these MNEs resemble

and therefore are directly comparable with their counterparts based in developed

economies in terms of size, global presence, and position in the global market.

Secondly, at the same time, as their home country lacks a dominant status in the world

economy, they might experience potential disadvantages stemming from their country

of origin, confronted by MNEs from less developed countries (Glover & Wilkinson,

2007; Chang et al., 2009; Chung, Bozkurt, & Sparrow, 2012). This particular

combination of qualities embodied by the leading Korean MNEs enable us to identify

patterns which have implications to wider populations of MNEs. Given that they are

largely comparable with their immediate competitors, which tend to be by and large

MNEs based in developed countries, the remaining challenges and the corporate

responses to deal with them promise to reveal the difference being based in a

peripheral home country makes for IHRM strategy and practices. As Korean MNEs

are among the most advanced and "developed", i.e. part of the earlier cohort of MNEs

from newly industrialized economies and emerging markets, it could be argued that an

understanding of the current state of their IHRM will offer insights not just for

subsequent cohorts but also for the general domain of contemporary MNEs in general.

For the purpose of this research, which is to examine various modes of global

integration and local responsiveness in HRM of MNEs, nine Korean MNEs have been

chosen. They could provide an ideal research setting for a number of reasons. First,

the firms might face strong pressures for global integration due to their aggressive

internationalization and global presence. Second, these MNEs have a distinctive

organizational quality in that their home country lacks a dominant status in the world

economy. Compared with MNEs from dominant economies, they are therefore likely

to face greater resistance from subsidiaries in the adoption of IHRM strategies and practices as formulated by the headquarters (Chung et al., 2012). Third, it was known that they have recently made intensive efforts in globalizing their HR functions as a corporate-level strategic initiative to support their rapidly growing businesses in foreign markets (Chung et al., 2012). These conditions that the case companies have might enable the existence of key actors who are recently involved in the conceptualization and enactment of the two constructs in their IHRM strategies and practices.

## 1.3 Overview of the Research Methodology

This research is based on multi-sited qualitative study at the corporate level as well as the subsidiary level. At the corporate level, nine MNEs from a same home country, South Korea, were examined to identify various patterns in conceptualization and enactment of global integration and local responsiveness in their IHRM strategies and practices and factors that shape those patterns. At the subsidiary level, six subsidiaries of an MNE, which was chosen from the nine MNEs mainly because of its accessibility and representativeness, were studied to examine their enactment of global integration and local responsiveness through actual implementation of IHRM strategies in their subsidiary HRM practices. Among the six subsidiaries, three subsidiaries are located in India and other three subsidiaries are located in the U.S. The selection of host countries was based upon their economic status, developed and developing economies respectively, which was identified in the initial study at the headquarter level as an important factor which could lead to different patterns in the implementation of IHRM strategies. In terms of function, which was also identified as another important factor

due to the distinctive labor market related to each function, three subsidiaries in each host country include a sales/marketing office, a manufacturing plant, and a research and development centre.

Main sources of data were semi-structured interviews. Total sixty seven interviews were conducted including twenty eight interviews at the corporate headquarters of the nine Korean MNEs, two interviews with directors in major multinational HR consultancies operating in Korea, seventeen interviews in three subsidiaries in India, and twenty interviews in three U.S. subsidiaries. Interviewees were selected from key actors in corporate HR and subsidiaries who were deeply involved in developing and implementing international HR policies and practices of each firm. Interview topics included IHRM strategy and activities, rationales of the strategies, modes of global integration and local responsiveness in HRM and subsidiary HRM practices. To examine corporate HRM guidelines and subsidiary HRM practices in a systematic way to enable comparisons amongst different companies, between corporate guideline and subsidiaries' practices and among different subsidiaries of an MNE, structured interview instruments were also used in interviews. Documents such as global HR policies and practices and communication documents were also used to support the interpretation of interview data.

## 1.4 Outline of the Thesis

This chapter has presented an overview of the extant research regarding the global integration and local responsiveness in HRM of MNEs, the aims of the research, the

rationales of studying Korean MNEs and an overview of the methodology adopted in this research.

Chapter 2 reviews the ways in which the notions of global integration and local responsiveness have been conceptualized in relevant literature. A review of the international business strategy literature reveals the issue of under-specification in conceptualizing the two constructs. On the other hand, through the review of extant literature on international HRM strategy and practices, it is argued that the constructs have been conceptualized in rather narrow ways in terms of the dimensions involved, the level of analysis and the relationship between the two constructs. A review of emerging literature is also presented, which have identified more complex patterns in the conceptualization of those constructs in practice. Specific research questions are formulated based on the identification of research gaps in the emerging literature on GI-LR in IHRM.

Chapter 3 discusses the research approach, setting and methods which were chosen for the research. It describes the research approach that is adopted due to the particular interest of this research and presents the overview of research procedure. The chapter presents justifications for the selection of the Korean MNEs as a major research setting and outlines the selection of sites for each phase of the field research. It also includes discussions of specific aspects of data collection and data analysis.

Chapter 4 analyses the results of empirical investigation into how the notions of global integration and local responsiveness are conceptualized and enacted in practice within IHRM strategy of the South Korean MNEs. The case study of nine companies at the

corporate level shows that there are various modes of the two constructs across multiple dimensions and the particular modes are related to distinctive patterns in their IHRM strategy and practices. The analysis suggests a more nuanced framework of global integration and local responsiveness in IHRM strategy and practices.

Chapter 5 builds on the corporate level study by investigating in further detail how the modes of global integration and local responsiveness are actually pursued and reflected in subsidiary HRM practices in one major South Korean MNE. The study shows that the three modes of global integration, which were identified at the corporate level, also appear within the subsidiaries. However, interviewees in the subsidiaries did offer more sophisticated modes of local responsiveness, beyond those found at the corporate headquarter. The conceptualizations of local responsiveness, which were drawn upon the conditions of local labor markets or the state of legal systems at the country level, in turn affect the pattern of subsidiary HRM practices. The chapter first provides an overview of the contexts of the subsidiaries and then presents the results of the more systematic data analysis across the six subsidiaries with regards to the modes of global integration and local responsiveness and their implementation through subsidiary HRM practices.

Chapter 6 discusses the implications to the current literature on the issue of global integration and local responsiveness in international HRM strategy and practices based on the results of the data analysis. The key findings are summarized and then major contributions of those key findings to the specific literature, which highlighted various ways of enacting the constructs, are presented. Based on the integration of the key insights from the study, a function-level GI-LR model is proposed.

Chapter 7 summarizes the focus of the thesis, the key findings and the contributions, and extended contributions of the key findings to the literature on issues that move beyond the focus of this research, and then outlines limitations of the study and directions for future research.

# Chapter 2. The Conceptualization of Global Integration and Local Responsiveness in International HRM Research

## 2.1 Chapter Overview

This chapter reviews the ways in which the notions of global integration (GI) and

local responsiveness (LR) have been conceptualized in the international HRM

literature. Though the constructs have been used widely to explore international HRM

strategy and practices of MNEs, how these constructs have been conceptualized has

not yet been discussed exhaustively in international HRM research. The original

conception of the two constructs in the international business strategy literature

implied various domains and dimensions, different levels of analysis and the potential

'duality' of the two constructs, all of which has led to the issue of under-specification

in conceptualizing the two constructs. Through the review of extant literature on

international HRM strategy and practices, it will be argued that the constructs have

been conceptualized in rather narrow ways in the literature in terms of the dimension

or mode involved, the level of analysis and the relationship between the two

constructs. Emerging empirical findings have indicated that there might be

profoundly different ways and complex patterns in enacting those constructs. Thus,

the review of extant literature calls for further in-depth empirical research on how

MNEs *actually conceptualize and enact* the dual demands of global integration and

local responsiveness through their international HRM strategy and practices, as the

lack of relevant conceptualization of key constructs could seriously limit our

understanding of how best to manage the tensions between the dual demands in MNEs.

The next sections outline and review the way that the GI-LR framework has been used in International Business research.

## 2.2 The Origin and Development of GI-LR Framework

The notions of global integration and local responsiveness has its roots in the classic work of Lawrence and Lorsch (1969) who pointed out the integration-differentiation issue as a central management concern (Rosenzweig, 2006; Venaik *et al.*, 2004). They argued that in order to achieve its goal effectively, any large organization needs to pursue differentiation by delegating groups of various activities into relevant actors in a manner that enables the actors to focus on a specialized area of activities (Lawrence & Lorsch, 1969). As each differentiated unit may endanger the effectiveness of an entire organization by pursuing its own goal, it is inevitable that some integration mechanisms are needed to coordinate the differentiated subunits. Thus, how to integrate subunits while allowing them necessary flexibility to respond to their unique situations is a key challenge for leaders of large organizations (Cray, 1984; Lawrence & Lorsch, 1969). In order to respond to the challenge, it is known that large organizations utilize a range of integration mechanisms simultaneously (Martinez & Jarillo, 1989; Lawrence & Lorsch, 1969).

Doz, Bartlett and Prahalad (1981) applied the integration-differentiation framework to MNE context, asserting that MNEs, as collective entities of subsidiary organizations operating in varied local conditions, must be differentiated enough to cope with local demands to compete against local rivals and simultaneously need to coordinate their dispersed overseas operations to exploit the benefits of scale and scope fully. The

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concepts of global integration and local responsiveness were initially developed by

Prahalad and Doz (1987) to capture 'environmental pressures' that a business in an

MNE face and have been used dominantly in the international business research as a

basic framework to explore various international business strategies that MNEs might

pursue (Figure 2.1).

**Figure 2.1 Global integration and local responsiveness framework**

| | | |
|---|---|---|
| High<br><br>Pressures for Global<br>Integration<br><br>Low | Global | Transnational |
| | International | Multidomestic |

Low          High
Pressures for Local responsiveness
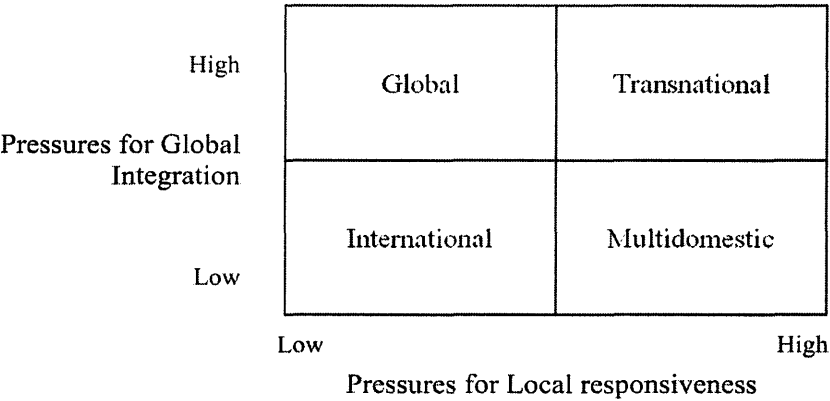
Adapted from Prahalad & Doz (1987); Bartlett & Ghoshal (1989)

2.2.1 Global integration

Initially, the concept of global integration was developed as a combined concept of

strategic coordination and operational integration at the global level (Prahalad & Doz,

1987). Even though the term 'global integration' might refer to a broad managerial

approach within an MNE, the authors used it as a way to identify and classify

environmental pressures that lead to the managerial approach by adding a word

'pressures' to it. They suggested seven factors as the pressures for global integration:

(1) importance of multinational customers, (2) importance of multinational

competitors, (3) investment intensity, (4) technology intensity, (5) pressure for cost

reduction, (6) universal needs of customers, and (7) access to raw materials and

energy (Prahalad & Doz, 1987: pp. 18-21). As indicated by the listed factors, the

needs for global integration might be mainly related to the concerns of exploiting

benefits of scale and scope across various units in an MNE.

## 2.2.2    Local responsiveness

Local responsiveness refers to the adaptation of an MNE's operations to local

conditions. It is mainly driven by the situational conditions at the subsidiary level as

each subsidiary could face unique needs of local customers, supplier networks, local

competitors and governmental regulations (Prahalad & Doz, 1987). Therefore, the

need for local adaptation might vary according to specific local situations (Prahalad &

Doz, 1987; Bartlett & Ghoshal, 1989).  Prahalad and Doz (1987: pp. 20-21) proposed

five factors as the pressures for local responsiveness: (1) differences in customer

needs, (2) differences in distribution channels, (3) availability of substitutes, (4)

market structure, and (5) local regulations.

## 2.2.3    A typology of international strategies

Based on the integration-responsiveness framework, Bartlett and Ghoshal (1989)

proposed four types of international business strategies (Figure 2.1). The *global*

*strategy*, which might be fit in the environment where low pressures for local

responsiveness is combined with high pressures for global integration, refers to the

approach that an MNE offers standardized products or services to multiple host

country markets and aims at taking advantage of economies of scale. Most of decision making is centralized and subsidiaries might be tightly controlled by a parent company. In the situation of high pressure for local responsiveness and low pressure for global integration, *multi-domestic strategy* might be pursued. Following this strategy, companies target specific needs of local customers and try to adapt to local business conditions. Thus, decision making is largely decentralized and subsidiaries operate independently with minimal inputs from a parent company. Under the *international strategy*, which is fit in the condition of low pressures both for global integration and for local responsiveness, a company tries to replicate its strength in its home market to other foreign markets. A parent company might try to leverage and transfer its valuable competences to other subsidiaries. In the condition where both pressures are high, the *transnational strategy* might be relevant as it seeks to achieve the advantages of global efficiency with the benefits of local adaptation. Under this strategy, a company consists of highly interdependent subunits and should deal with significant managerial complexities. In general, as firms move from an international to multi-domestic to global to transnational strategy, coordination complexities tend to increase.

2.2.4    The applications of GI-LR framework to different levels

Though the GI-LR framework was originally developed to capture environmental pressures in international business context, it has been extended to the different levels such as (1) industry/business, (2) function, and (3) task (Rosenzweig, 2006).

Bartlett and Ghoshal (1989) showed that the relative importance of the two sets of demands can be different according to a particular industry. Consumer electronics and auto industries have been suggested as examples of global industries in that the economy of scale in manufacturing and development is an important factor in gaining competitive advantage, but, extensive local adaptation is not required (Porter, 1986). On the other hand, consumer packaged goods industry might require more attention to local customer needs than to the issue of global integration. The framework has also been used to illustrate the degree of pressures for integration or responsiveness can be different by business unit within an MNE, depending on the nature of environment of each business unit (Rosenzweig, 2006).

The framework was extended to a finer level within a business such as function to illustrate that the competing pressures can shape each function differently (Rosenzweig, 2006). For example, research and development function and manufacturing in auto industry might be subjected to more pressure for global integration than local responsiveness; on the other hand, sales and customer service function in the same business would face high degree of pressure for local responsiveness. Malnight (1995) claimed that it is especially important to examine the needs of integration or adaptation at the function level, as it might be difficult to integrate a business without integrating individual functions.

Even within a function, differences exist in relative pressures for global integration and local responsiveness amongst various tasks (Bartlett & Ghoshal, 1989). For example, among a range of tasks such as product policy, advertising, pricing, distribution, promotion, and customer support within marketing function, particular

tasks may tend to face more forces for integration due to the needs of maintaining consistency across the nations and others need local adaptation to support local customers.

## 2.3 Review of GI-LR Concepts in IB Research: Dimension, Level, Relationship

Since the concepts of global integration and local responsiveness were introduced, many researchers in international business studies have utilized the framework in varied ways. To make sense of this, I outline the specific ways of conceptualization of those constructs by summarizing them in terms of (1) concept and dimensions, (2) level of analysis, and (3) relationship between the two constructs (see, Appendix 1 for details).

### 2.3.1 The concept and dimension

Venaik, Midgley and Devinney (2004) extensively reviewed and analyzed how the constructs of global integration and local responsiveness had been conceptualized in international business literature. They identified two broad categories in the ways of conceptualization:

- environmental pressures (e.g. Roth & Morrison, 1990 ; Ghoshal & Nohria, 1993; Johnson, 1995) and

- managerial responses (e.g. Jarillo & Martinez, 1990; Martinez & Jarillo, 1991; Kobrin, 1991, 1994; Johansson & Yip, 1994; Birkinshaw, Morrison & Hulland, 1995; Murtha, Lenway & Bagozzi, 1998; Taggart, 1998; Harzing, 2000; Luo, 2002).

As an example of the first approach, Roth and Morrison (1990) used fourteen industry variables to operationalize the two pressures of the GI-LR framework. For the pressures for global integration, the variables included were:

- customer needs are standardized worldwide; standardized purchasing practices exist worldwide; competitors exist with a presence in all key markets; international competition is intense; distribution channels are concentrated worldwide; business activities are susceptible to scale economies; product awareness exists worldwide; standardized product technology exists worldwide; competitors market a standardized product worldwide.

On the other hand, for the pressures for local responsiveness, such variables were included as:

- domestic competition is intense; international activities are restrained by governments; transportation cost is an important element in final cost; local customer service is required in all markets; factor costs differ from country to country.

From the list of variables, it is clearly noticeable that the concepts of the pressures for global integration and local responsiveness encompass various dimensions in terms of the nature of customers, the nature of competition, and the characteristics in operations.

In terms of the second way of conceptualizing GI-LR Harzing (2000), for example, defined the global integration (labelled as interdependence) as the extent to which various units of an MNE are interdependent to each other and operationalized the term as three levels of dependencies measured by the percentage of intra-company sales and purchases:

- independence (the subsidiary is barely dependent on headquarters or other

  subsidiaries); dependence (the subsidiary is mainly dependent on

  headquarters); interdependence (the subsidiary, headquarters and other

  subsidiaries all form part of an interdependent network).

Local responsiveness was defined as the extent to which subsidiaries respond to local

differences in customer preference and operationalized as:

- product modification; adaptation of marketing; local production; local R&D

Another influential example of conceptualization of GI-LR as managerial responses

can be found in Taggart's work (1998). He operationalized the term of integration,

adapting from the work of Prahalad and Doz (1987), as:

- manufacturing decisions linked to local or worldwide market areas; product

  specification developed by subsidiary for its own or parent's markets; the

  extent to which the subsidiary serves MNC customers worldwide market

  areas; sharing of technology development within the internal network;

  dependence of subsidiary on linkages within the internal network;

  centralization of production planning.

The responsiveness was measured on a 4-point scale (decided mainly by corporate

headquarter without consulting the affiliate; decided mainly by the parent after

consulting the affiliate; decided mainly by the affiliate after consulting corporate

headquarter; decided mainly by the affiliate without consulting corporate headquarter)

in such dimensions as:

- market area served; product range supplied; advertising and promotion;

  research and development; production capacity; manufacturing technology.

Again, even the concepts of GI-LR in the domain of managerial response include various dimensions according to a particular author.

## 2.3.2 The level of analysis

As Bartlett and Ghoshal (1989) asserted that the relative strength of the global integration and local responsiveness pressures can be analyzed at the level of:

- industries,
- businesses,
- functional or task level

The constructs have been utilized at all of these levels of analysis in empirical research in international business. For example, Ghoshal and Nohria (1993) operationalize the forces for global integration and local responsiveness at the industry level to examine the relationship between MNE environment and MNE structure in their study of 41 North American and European MNEs. Kobrin (1991) also used the concept of global integration to identify determinants of global integration at the industry level by analyzing 56 manufacturing industries containing US firms.

The concepts have also been used at the business unit level (e.g. Roth & Morrison, 1990; Kobrin, 1994; Johnson, 1995; Kim, Park & Prescott, 2003). For instance, Birkinshaw, Morrison and Hulland (1995) examined structural and competitive determinants of global integration strategy and their effects on performance by studying 124 businesses of US MNEs. They defined business unit integration as the 'rationalization that may entail standardization of product, centralization of technological development, or the vertical or horizontal integration of manufacturing'

by adopting Kobrin's definition (Kobrin, 1991: 19) and used measurements which cover various integration methods: for example, international control of manufacturing; control within the organization of the international transfer of intangible assets; vertically integrate operations worldwide; horizontally integrate operations worldwide etc.

Although not specified by Bartlett and Ghoshal (1989), GI-LR concepts have been used in the subsidiary-level studies (e.g. Jarillo & Martinez, 1990; Martinez & Jarillo, 1991; Taggart, 1998; Harzing, 2000; Luo, 2002; Venaik, Midgley & Devinney, 2004). Jarillo and Martinez (1990) used the GI-LR framework to develop and test a framework that characterizes different roles of subsidiary in MNEs with 50 Spanish subsidiaries of MNEs. In their study, the integration of activities was defined as the level of integration of a subsidiary with its parent organization and the localization of activities was conceptualized as the amount of localization in the strategy of subsidiary in terms of local production, local content in locally produced goods, amount of local R&D, and adaptation of products.

Finally, the constructs of GI-LR were also used at the function level. One of the rare studies at the function level was conducted by Kim, Park and Prescott (2003). They examined how a firm utilise various integration modes differently to achieve the effectiveness of global integration for a particular business function. In their research, global integration refers to the degree of realizing control and coordination in a business function across borders. Control refers to aligning subsidiaries' activities with corporate centre's expectations, whereas coordination refers to establishing linkages between geographically dispersed units (Kim et al., 2003). More specifically,

they operationalized the concept of global integration in two ways: the outcome and the modes of integration. They defined the outcome, what they called "integration effectiveness", as "the degree of effectiveness in general of the use of integrating modes in globally coordinating and controlling the chosen function" (pp. 335). Regarding the modes of integration, they distinguished four integration modes such as people-based, formalization-based, centralization-based, and information-based integrating mode and found that each function has a different configuration of the integrating modes.

### 2.3.3    The relationship between GI and LR

When the GI-LR framework was initially introduced to the international strategy research, the simultaneous attainment of global integration and local responsiveness, which is called 'transnational solution', was emphasized as an ideal strategic position (Bartlett & Ghoshal, 1989). Roth and Morrison (1990) asserted that the GI-LR framework has two important strengths: first, it is parsimonious yet account for significant variation across organizations; second, it allows international strategy to be conceptualized through alternate contextual settings, rather than a one-dimensional global industry. Most studies assumed that the two constructs are independent constructs rather than opposite ends of a single spectrum. For example, Johnson (1995) tried to verify the utility of the GI-LR framework in international strategy by showing that three generic strategies suggested by the framework appear in a single industry context: globally integrated, locally responsive and multifocal. Jarillo and Martinez (1990) identified three roles of subsidiary, which is receptive, active, and autonomous subsidiaries based on the dimensions of integration and localization.

Through the extensive review of international business literature on GI-LR framework, we can summarize the ways of conceptualizing those constructs as follows:

- There have been various ways in conceptualizing the global integration and local responsiveness in international business research.

- The concepts were used at the varied level of analysis such as industry, business, subsidiary, and function.

- GI-LR framework enables researchers to think of the global integration and local responsiveness as a duality which can be pursued simultaneously, rather than consider the two concepts as a trade-off.

These points indicate that the notions of global integration and local responsiveness are very broad concepts that can be defined in varied ways, potentially encompassing multiple dimensions and levels of analysis. In other words, the two constructs are not self-apparent concepts, but ones that need further specifications. Thus it is difficult to know how the constructs are conceptualized and enacted in the field of practices without in-depth empirical investigations.

## 2.4 Overview of the Application of the GI-LR Framework in IHRM Research

This section examines how GI-LR framework has been applied to IHRM research. As far as the international HRM field is concerned, it is widely agreed that managing tensions between global integration and local responsiveness is a key issue in the management of HR function in MNEs (Brewster, Wood & Brookes 2008; Rosenzweig 2006; Edwards & Kuruvilla, 2005; Evans, Pucik & Barsoux 2002). A significant amount of research on the issue has examined the degree of global integration or local responsiveness in IHRM strategy and practices (e.g. Evans, Pucik & Barsoux, 2002; Rosenzweig, 2006; Björkman & Lervik, 2007; Farndale & Paauwe, 2007; Farndale, Brewster & Poutsma, 2008; Brewster, Wood & Brookes, 2008; Chung, Bozkurt & Sparrow, 2012). The literature on this issue can be divided into two broad categories, conceptual models and empirical studies of HRM in MNEs (Edwards & Kuruvilla, 2005).

One of the influential models of IHRM was developed by Taylor, Beechler and Napier (1996). They identified three generic IHRM orientations at the corporate-level of MNEs: exportive, whereby corporate HR actors attempt to transfer parent company's HRM system to subsidiaries (standardization); adaptive, whereby they attempt to adapt subsidiary HRM system as much as possible to the local context (localization); and integrative, in which "the best" approaches are sought from parent and subsidiary practices (hybridization). The model was refined later, based on ten-year empirical studies of MNE subsidiaries in the U.S., Europe and Asia, by revising the integrative orientation into the closed hybrid and open hybrid (Bird, Taylor & Beechler, 1998). In this model, the issue of managing the demands of global integration and local

responsiveness is translated into the matter of choices between global standardization and localization of HRM practices.

In empirical studies on this issue, the terms of global integration and local responsiveness have been used to describe general context that MNE HR functions face, international HRM strategy (e.g. Hannon, Huang & Jaw, 1995), or subsidiary HRM practice orientation (e.g. Rosenzweig & Nohria, 1994). A significant amount of research on the HRM of MNEs has examined the degree of global integration or local responsiveness in subsidiary HRM practices by assessing whether particular HRM practices resemble local practices or parent firm's practices. Again, it might be assumed that the similarity of subsidiary's practices with parent's indicates the global integration; whereas the resemblance of subsidiary HRM practices to local practices would be a proxy of local responsiveness.

For example, in their empirical research on the international HRM strategy of MNE subsidiaries in Taiwan, Hannon, Huang and Jaw (1995: pp.542) operationalized the global integration as the degree of "importing HR strategies from headquarters" and the local responsiveness as the degree of "customizing HR strategies to respond to the needs of the local environment" and used several related survey items to measure the subsidiary's current state of global integration and local responsiveness in six HRM practice areas such as promotion and career system, compensation and reward systems, staffing activities and so on. They identified three types of international HRM strategy such as autonomous, receptive and active strategy by using a two-by-two matrix of global integration and local responsiveness and showed that the global integration is

related to subsidiary's dependence on parent's resources, while the local responsiveness is associated with the dependence on local resources.

Rosenzweig and Nohria (1994), in their research on HRM practices of 249 U.S. subsidiaries of MNEs, examined the resemblance of subsidiary HRM practices to local practices and to parent practices and identified contextual factors that influence the pattern of resemblance. They found that subsidiary HRM practices are generally similar to local practices with varying degrees according to the particular practices. It was identified that the degree of local responsiveness is high when a subsidiary is founded by acquisition and more dependent upon local inputs, while high frequency of communication and presence of expatriates in a subsidiary have negative influence on the degree of local responsiveness. Tayeb (1998) also conducted research on the degree of standardization and localization by examining the extent of transferring parent policies to subsidiary HRM policies and practices such as recruitment, development, compensation and benefit, industrial relation, teamwork, flexible working, and quality control through a case study of Scottish subsidiary of a US MNE. It was found that some practices were successfully transferred, but other practices were significantly modified or rejected by the subsidiary.

Another type of empirical research is based on studies that measure indirectly the extent of standardization or localization by testing statistically the degree of similarity or differences in HRM practices among selected groups of organizations such as MNE subsidiaries from different home countries and indigenous firms in a same host country context (e.g. Turner, D'Art & Gunnigle, 1997; Ngo, Turban, Lau & Lui, 1998; Tregaskis, Heraty & Morley, 2001; Schmitt & Sadowski, 2003; Kim & Gray, 2005).

For example, Turner et al. (1997) examined the extent of country of origin effect on HRM practices in a subsidiary by conducting a survey research with 101 subsidiaries of MNEs and local firms in Ireland and compare HRM practices such as the use of performance-related pay, human resource flow practices and employee involvement between indigenous and foreign companies in Ireland. Ngo et al. (1998) explored country of origin effect on HRM practices of subsidiaries through a survey with 253 local firms, US, UK, and Japanese MNEs in Hong Kong. They classified 25 HRM practices into 4 groups such as structured training, retention-oriented compensation, seniority-based compensation, and diversity by using factor analysis and compared among four groups (US, UK, Japanese MNEs and local firms) across the four broad areas of practices.

As shown in these exemplar studies, most empirical research on the issue of global integration and local responsiveness in HRM of MNEs tends to regard the degree of similarity of a particular HRM practice with parent or local practices as a main indicator of global integration or local responsiveness. The degree of similarity of a particular HRM practice has been measured directly through respondents' perceptions (e.g. Rosenzweig and Nohria, 1994; Hannon et al., 1995) or tested statistically by comparing particular dimensions of HRM practices among selected groups of organizations (e.g. Ngo et al., 1998; Kim & Gray, 2005; Tregaskis et al., 2001; Gunngle et al., 2002). However, it is questionable whether the degree of similarity of HRM practices with parent or local practices, a specific way of conceptualizing global integration and local responsiveness, is a comprehensive indicator which reflects current reality in the field of practices.

In the next section, I review the way that the GI-LR constructs have been picked up and applied within IHRM research. In so doing, I draw attention to some of the limitations that this "translation" of constructs across fields has resulted in.

## 2.5 Review of GI-LR Concepts in IHRM Research: Dimension, Level, Relationship

Though this strand of research has contributed to our general understanding of the pattern of HRM practices in MNEs, several strong tendencies in conceptualizing the constructs of global integration and local responsiveness can be identified in the current literature. As with my previous summary of the treatment of GI-LR in the IB literature, I summarise the use of GI-LR concepts in the IHRM field against three categories: the dimension, the level of analysis, and the relationship between global integration and local responsiveness (see, Appendix 2 for details).

### 2.5.1 The concept and dimension

Though a few studies explicitly use the labels of global integration and local responsiveness (see e.g. Hannon et al., 1995), these constructs have been narrowly conceptualized in international HRM field in that they have been operationalized mostly in the practice dimension. The degree of standardization (versus localization) of subsidiary HRM practices, a particular mode of integration, has been considered as a key dimension underlying different orientations in IHRM strategy (Brewster et al., 2008; Pudelko & Harzing, 2007; Dickmann & Müller-Camen, 2006). In most

empirical IHRM research, the degree of standardization has been examined through assessing the similarity between parent and subsidiary firm practices.

This confined conceptualization in international HRM research is contrasting to the original conception in the international business strategy research, as the terms global integration and local responsiveness in international business research have been defined broadly, encompassing diverse aspects of environment, industry, business, and function. Pudelko and Harzing (2007) identified that the issue of standardization vs. localization has been more concerned in functional areas such as marketing and HRM. However, the standardization could be considered in essence as a particular *mode* of integration and other integration mechanisms could be used at a function level (Kim et al., 2003).

It is also assumed that when an MNE tries to standardize their HRM practices across the globe, it is the parent's HRM practices that are considered as the major source of the standardization, as shown in the aforementioned orientations of IHRM strategy (see e.g., Bartlett & Ghoshal, 1989; Rosenzweig, 2006; Björkman, 2006). This is evident in the tendency of using the similarity of practices between parent company and subsidiaries as a key indicator of global integration of HRM within IHRM research (Rosenzweig & Nohria, 1994; Hannon, Huang, & Jaw, 1995; Kim & Gray, 2005; Rosenzweig, 2006). The use of parent practices as a major source of standardization has been explained by a company's taken-for-granted view on the kind of effective HRM practices due to the embeddedness of practices in its home country (Björkman, 2006) or the "administrative heritage" (Taylor et al., 1996; Bartlett & Ghoshal, 1989).

With regards to the local responsiveness of HRM, unique cultural and institutional

contexts of a host country as pressures for local responsiveness have been mainly

discussed in the literature. First, studies of cultural difference and their impact on

HRM practices might be one of the most popular research areas in international HRM.

It is widely believed that recognizing the distinctive characteristics of national culture

shared by local employees and accommodating to them would be an imperative for an

MNE to operate successfully in a host country (Evans et al., 2010). However, it is

important to note that the degree of constraining nature of culture should not be

exaggerated too much. Though the dominant view in cross-cultural research tends to

treat national culture as an objective and static one that strongly constrains the

behaviour of organization, several qualitative empirical studies have shown that

cultural values are constantly shifting, contested and renegotiated in a specific context

(e.g. Ailon-Souday & Kunda, 2003; Gamble, 2006).

Secondly, a subsidiary HR function of an MNE should respond to the demands not

only from internal stakeholders, but also from external stakeholders such as legal and

regulatory bodies, trade unions, and educational institutions, which are involved in the

construction of a local institutional environment. According to the institutional

perspective, MNEs are constrained by the national institutional environment, which

refers to distinctive configurations of diverse economic, social, political, and legal

systems of a host country (Whitley, 1999). The coercive or normative pressures

originated by the institutional environment might function as a regulatory regime to a

degree for organizations to comply with in order to gain legitimacy to secure needed

resources in a society (DiMaggio & Powell, 1983; Kostova & Roth, 2002). Similar

with the cultural logic of local responsiveness, the strength of local institutional

pressures should not be exaggerated too much (Evans et al., 2010). As empirical

studies have indicated, the degree of constraint by local institutions varies according

to a particular nation as well as organizations in the same nation (Edwards &

Kuruvilla, 2005).


2.5.2  The level of analysis


There are different levels of analysis in HRM studies such as strategy, practice, or task,

but, when the degree of global standardization and localization has been examined in

international HRM research, the main focus has typically been on the individual HRM

practice level (e.g. performance management, recruitment and selection,

compensation etc.) or the overall aggregated level through the use of aggregate

measures of subsidiaries' HRM practices (Björkman, 2006). Few studies have been

conducted either at the strategy level or more micro level, below that of the practice.


In terms of organizational level, the GI-LR framework has been used at various levels

including corporate as well as subsidiary level in international business strategy

research, as mentioned earlier. In contrast, most empirical studies on international

HRM using GI-LR framework explicitly or implicitly have been conducted at the

subsidiary level (e.g. Hannon et al., 1995), even though conceptual models of

international HRM strategy at the corporate level exist (e.g. Taylor et al., 1996). For

example, a study on HRM practices of MNEs by Björkman and his colleagues (2007)

examined determinants of HRM practices, such as employee training, performance-

based compensation, competence/performance appraisal, merit-based promotion and

internal communication, in subsidiaries of MNEs and test the impact of host country

and subsidiary characteristics on the degree of using each HRM practice.

Bae et al. (1998) examined the determinants of subsidiary HRM practices in MNE by

surveying 190 MNE subsidiaries and indigenous firms operating in Taiwan and South

Korea. They measured the degree of using either high-performance HRM practices or

more traditional ones, and test the impact of host countries, and home countries on

each of 12 HRM practices. In summary, IHRM research based on GI-LR framework

has been focused on studies at the subsidiary HRM practice level.


## 2.5.3. The relationship between GI and LR


Unlike the original concepts in international business field in which global integration

and local responsiveness were considered as qualitatively different constructs, the two

constructs tend to be regarded implicitly as poles in a single scale of continuum in

international HRM research. This might be related with the narrow conceptualization

of the constructs at the practice dimension. If we consider the issue of managing the

global integration and local responsiveness in a single dimension such as practice, it

might be natural that the issue is regarded as either-or-choice between standardization

and localization (Evans et al., 2002).


It should be noted that though the main concern of the research was whether

subsidiary HRM practices are similar to parent practices or local practices, actual

findings were, in many cases, a pattern of *hybridization* between global and local

tendencies (e.g. Hannon et al., 1995; Liberman & Torbiorn, 2000; Schmitt &

Sadowski, 2003; Tayeb, 1994; Brewster et al., 2008). For example, Brewster et al.

(2008) assessed whether variations in HRM practices are resulted from host country effect, home country effect, or global convergence effect with survey data of 6939 MNE subsidiaries and domestic firms in 20 countries. They examined the degree of similarity in the HRM practices amongst different groups (domestic firm vs.foreign MNEs, domestic MNEs vs. foreign MNEs) and their findings support the duality perspective.

**Table 2.1 The summary of review on conceptualizations of GI-LR in literature**

| Area of concern | International business literature (Original conceptions & applications) | International HRM literature (Applications to IHRM) |
|---|---|---|
| Concept/ dimension | • Various concepts in terms of domain (environmental pressures, managerial response) and modes | • Focus on a particular mode: standardization versus localization in HRM practices |
| | • Multi-dimensional: diverse aspects of environment, industry, business, and function | • Single dimensional |
| Level of analysis | • Industry | • Subsidiary & practice |
| | • Firm/business | |
| | • Function | |
| | • Subsidiary | |
| Relationship between GI & LR | • Duality: attention to the dual accomplishment of integration and responsiveness | • Dualistic: attention to the practice orientation towards either standardization or localization |
| Issues in conceptualization | • Lack of consensus | • Absence of review of constructs |
| | • Under-specification | • Narrow operationalization |

Through the extensive review of extant literature on the issue of global integration and local responsiveness in international business as well as more specific international HRM research (Table 2.1), it becomes clear that the notions of global integration and local responsiveness need to be revisited and developed further. In international

business research, there was a critical review of the concepts, which raised several key issues in conceptualizing the constructs - such as lack of consensus as to definition, under-specification in domain and dimension - and called for conceptual clarification (Venaik et al., 2004), but it has not been developed further. In international HRM research, there was no in-depth discussion of the concepts of global integration and local responsiveness though the constructs have been operationalized narrowly, in terms of the dimension and the level of analysis and the relationship between the two constructs.

## 2.6 New developments in the research on GI-LR in IHRM

Recent research in IHRM has offered some fresh insights that move the debate beyond the narrow conceptualization of global integration and local responsiveness in previous IHRM literature by depicting a more complex picture in IHRM. These emerging developments with regard to the issue of GI-LR in IHRM can be discussed under the two themes:

- multiple modes of global integration in HRM of MNEs
- hybridization of global standardization and localization in subsidiary HRM practices of MNEs

2.6.1 Multiple modes of global integration in HRM of MNEs

As a result of reviewing the international HRM literature, it is evident that examining standardization versus localization on a single dimension of HRM practice has been a major concern in previous research. It seems to be assumed that global integration

and local responsiveness can be achieved through standardization or localization of practices and thus other potential modes which are related to the two constructs have been largely ignored in the empirical research.

However, there is indication that global integration and local responsiveness are actually much broader constructs which encompass multiple modes than what has been conventionally thought of, especially in IHRM research field. In the earlier work of Prahalad and Doz (1987), global integration refers to "the centralized management of geographically dispersed activities on an on-going basis", and the local responsiveness refers to "resource commitment decisions taken autonomously by subsidiary in response to primarily local competitive or customer demands" (pp. 14-15). Under the broad definitions, they suggested a range of assessment items across multiple dimensions, to assess the extent of global integration and local responsiveness, which "capture aspects of a business, like the nature of competition, evolution of technology, scope for manufacturing economies, and so forth (pp.31-33)." Venaik et al. (2004) also claimed the potential multi-dimensionality of such broad constructs as global integration and local responsiveness on the basis of their empirical test. Thus, as far as a research is concerned with global integration and local responsiveness in HR function, it might be questionable that the similarity with parent or local practices is a good indicator to assess the degree of achieving the global integration and local responsiveness. Arguably, adopting parent's practices (global standardization) or local practices (localization) might be one of the various ways to achieve the global integration or local responsiveness.

Indeed, there are a few writers who examined various modes of global integration other than global standardization in IHRM research (e.g. Dickmann & Müller-Camen, 2006; Dickmann, Müller-Camen & Kelliher, 2009; Smale, 2008; Smale, Björkman & Sumelius, 2013). Dickmann and his colleagues' pioneering work (2006) expanded the framework of IHRM strategy beyond the dimension of standardization by identifying a new dimension named 'knowledge networking'. The knowledge networking refers to the "internal communication and coordination mechanisms used to support the creation and diffusion of ideas and experience" (pp. 582), which is necessary to identify the particular context in which global standardization is possible or local responsiveness is required. It includes formal as well as informal mechanisms such as bureaucratic, social and personal coordination and control. Based on the dimensions of standardization and knowledge networking, they proposed a typology of IHRM strategies and found their six case firms could be classified into one of the four strategies, namely, global HRM, multidomestic HRM, cognofederate HRM, and transnational HRM. According to the study, an IHRM strategy can be conceptualized as a configuration across the two dimensions of integration mechanisms.

In another detailed case study of major German MNEs operating in Spain and the U.K. (Dickmann et al., 2009), the two dimensions of integration were utilised to capture the characteristics of 'transnational HRM' strategy at a meta level (general HRM principles, guidelines and objectives) as well as at an operational level (HRM practices in various areas such as recruitment and selection, training and development, career management, performance management, and remuneration). They found the significance of the process dimension – knowledge networking – in IHRM strategy

and practices, and argued that transnational HRM strategy is more about communication and coordination processes than structure and outcomes.

Smale (2008) asserted that research on HRM in MNEs had explained more the degree of standardization (or localization) of HRM practices across subsidiaries than what he called 'mechanisms of global HRM integration', through which the global consistency (or standardization) between parent HRM practices and subsidiary practices can be achieved. While Dickmann and colleagues conceptualized the integration mode other than standardization as one broad construct - the knowledge networking – which includes sub-dimensions such as bureaucratic, social and personal coordination, Smale differentiated the mode of integration into more specific categories, following Kim et al.'s typology of global integration modes in business functions (2003), which includes centralization-based, people-based, and information-based mechanisms, in addition to formalization-based mechanism. Here, centralization-based mechanisms refers to locating decision-making authority in the corporate headquarter of an MNE; people-based mechanisms include the utilisation of people in the forms of expatriates, committees or taskforces to integrate a function; information-based mechanisms connote various ways of facilitating the flow of information across different locations; formalization-based mechanisms refer to the standardization of work procedures and policies on a global basis, which represents an impersonal and indirect form of control, often called 'bureaucratic control' (Child, 1973). Through the qualitative study of 20 Finnish-owned subsidiaries in China, it was found that people-based integration through expatriates and local HR managers and formalization-based integration via global policy guidelines and performance monitoring were more widely used than information-based and centralization-based one.

Smale and colleagues (2013) extended the research by examining the extents of using three integration mechanisms such as formalization-based, people-based and centralization-based one across four HRM practice areas through a survey of 76 European-owned subsidiaries in China. They argued that the usage of integration mechanisms is highly dependent upon the headquarters' purpose of integration and the capability of a particular integration mechanism in adapting HRM practices to local contexts. The findings also support Dickmann et al.'s claim for the significance of social and personal coordination mechanisms in the integration of HRM in MNEs.

The findings from these recent empirical studies in IHRM echo previous conceptual works by several authors (e.g. Evans et al., 2002; Ghoshal & Gratton, 2002). For example, Evans and his colleagues (2002) suggested various coordination networks, what they called "organizational glue" mechanism, to circumvent structural mechanisms which have a limitation to coordinate complex organizations such as MNEs. Fostering personal networks and informal interactions though meetings, conferences or community of practices can be considered as this type of mechanism (Evans et al., 2002). The lateral coordination mechanism was suggested as an alternative or complementary solution to traditional hierarchical integration mechanisms, as in contrast to vertical control mechanisms the lateral coordination relies on indirect ways of coordination such as mutual adjustment or knowledge sharing amongst actors to enable coordinated actions across units (Martinez & Jarillo, 1989).

Ghoshal and Gratton (2002) also emphasized horizontal integration modes such as emotional, operational, intellectual and social integration mechanisms. Here, the emotional integration is considered as a mechanism by which subsidiaries' activities can be regulated through internalizing values, principles or norms regarding the way in which HRM activities should be performed. To enable actors to share values and norms, MNEs often transfer managers between headquarter and subsidiaries in the forms of expatriation as well as inpatriation (Harzing, 1999; Moeller et al., 2010). One of the reasons MNEs use expatriates for the integration purpose is that they are believed to internalize certain values or implicit ways of doing things in corporate headquarter, so they can perform in an expected way without specific regulations (Evans et al., 2002).

These multi-dimensional approaches to global integration helped us to be aware of and explore the possibility of multiple modes beyond the conventional mode of standardization. Given that the breadth and diversity of integration mechanisms, it might be reasonable to assume that global integration could be multi-dimensional constructs including multiple modes. It should be noted that the dimensions which reflect different integration mechanisms might not necessarily correlate with each other, as MNEs utilize integration mechanisms with different degrees of intensity in use (Kim et al., 2003; Smale, 2008).

2.6.2 Hybridization of global standardization and localization in subsidiary HRM practices of MNEs

The duality view in HRM (Evans, 1999) suggested that the dualistic conceptualization of the two constructs might mislead researchers only to be constrained in a dilemma situation which does not necessarily reflect realities in the practice of HRM in MNEs. According to the duality perspective, responding to the dual pressures should not be regarded as an 'either-or' choice, but a duality which "must be reconciled or dynamically balanced" (Evans 1999, p. 328).

Although the view of duality in IHRM was proposed earlier, it has attracted attention recently (e.g. Boselie, Brewster & Paauwe, 2009). In the emerging developments in IHRM research, the duality view has been discussed mainly in the studies of the 'hybridization' between global standardization and localization in subsidiary HRM practices of MNEs. Several studies showed that IHRM strategy and practices could be far more nuanced and complex than the rather simplistic framework based on the degree of standardization versus localization had suggested (Brewster et al., 2008; Edwards & Rees, 2008; Edwards & Tempel, 2010; Edwards, 2011; Edwards, Jalette & Tregaskis, 2012; Gamble, 2010; Glover & Wilkinson, 2007; Sparrow et al., 2004; Brewster, Sparrow & Harris, 2005). For example, the work of Edwards and colleagues suggests that a number of complex patterns of transfer, negotiation and combination of practices actually exist in the process of globalizing HRM (Edwards & Rees, 2008; Edwards & Tempel, 2010; Edwards, 2011; Edwards et al., 2012).

In a detailed case study of Japanese multinational retail firms in both their home country and their subsidiaries in China, Gamble (2010) found that transferring HRM practices in MNEs could be too complex phenomenon to be explained by traditional conceptions such as standardization or localization. He argued that previous

theoretical approaches to the transfer of HRM practices in MNEs could provide only

partial explanations. In order to capture the complexity of IHRM, he proposes the

concept of 'hybridization', the complex patterns of creating new management

practices out of highly selective adoption, transfer, and local adaptation.

Similarly, in a study of HR globalization within western MNEs (Sparrow et al., 2004;

Brewster et al., 2005) a distinction between standardization and optimization was

made to capture more nuanced and detail approach in IHRM strategy. Optimization

refers to the discipline of adjusting a process based on multiple viewpoints so as to

obtain a particular goal by setting or optimizing a specified set of parameters without

violating some constraints, whereas standardization occurs when headquarter designed

HRM processes are applied to country operations either formally or tacitly based on

the expectation of performance benefits mostly from a view of corporate headquarter

(Martin & Beaumont, 2001).

Through the extensive review of literature on the issue, Edwards and Kuruvilla (2005)

conclude that:

> "Arguably, most empirical studies acknowledge that both global and
>
> local factors are in evidence…. The theme of the 'hybridization' of
>
> global and local influences is sometimes picked up explicitly, with it
>
> being argued that HR practice in MNCs is a balance of the two. For
>
> instance, Ding et al.'s (1997) study of foreign MNCs in China found that,
>
> while they had moved away from practices which have a long history in
>
> China, such as life-time employment and 'egalitarian pay', they are still

influenced by what the authors term 'Chinese socialist ideology' in others, such as the limited differences in pay between managerial and non-managerial workers (Edwards & Kuruvilla, 2005: pp. 8)."

In essence, in the hybridization approach it is argued that even when parent practices are imposed to subsidiaries, they still have to be 'negotiated' with local norms which are shaped by specific institutional context of a host country (Morgan, 2005; Geppert, Williams & Matten, 2003).

**2.7 Research Gaps and Further Development Opportunities**

The emerging developments in the research on GI-LR in IHRM, which highlighted multiple modes of global integration in HRM of MNEs and the pattern of hybridization in subsidiary HRM practices of MNEs, made significant contributions to our more nuanced understanding of how MNEs manage tensions between global integration and local responsiveness in HRM. However, further development opportunities still exist in each of the new developments. The gaps and further development opportunities in this emerging stream of research on GI-LR in IHRM are outlined below at the meta-level and the operational-level.

2.7.1 GI-LR in IHRM at the meta-level

Although the emerging developments in the IHRM literature clearly indicates the existence of various modes of global integration in HRM of MNEs, limitations still

exist which deserve further exploration. Three gaps are identified in the literature on the multiple modes in HRM of MNEs:

- Limitation in the boundary of exploration of various modes of global integration in HRM of MNEs

- Lack of exploration of the modes of local responsiveness

- Lack of examination of the ways of pursuing GI and LR

Firstly, emerging literature has identified various modes of global integration in HRM of MNEs, but the kind of integration modes examined has still been confined to the context of standardization or transfer of HRM practices across various locations within MNEs. The identified integration modes have been the mechanisms through which 'HRM integration' - global standardization or consistency of subsidiary HRM practices – is achieved (e.g. Smale, 2008; Smale et al., 2013) or 'internal communication and coordination mechanisms' used to facilitate knowledge flows which enable the transfer of HRM knowledge and practices across various locations in the globe. In other words, the studies were largely confined to the exploration of integration mechanisms at the operational level in the context of shaping subsidiary HRM practices, though it is significant, rather than at the higher strategic or meta level. As emphasized by many scholars, it is important to examine HRM in MNEs across multiple levels such as corporate and subsidiary, as well as strategy and practice (Taylor et al., 1996; Schuler et al., 1993; Wright & Boswell, 2002). Furthermore, the utilization of pre-defined typologies of integration modes, largely based on the literature on conventional coordination and control mechanisms in organizations, might also limit the scope of exploration in the studies. A confirmatory study with the pre-defined list of modes could prohibit a researcher from identifying modes that are

actually conceived and enacted by actors in the field. Considering that only a few empirical studies have been conducted on this issue, an inductive and explorative study without a confined view would be desirable.

Secondly, with regards to the local responsiveness, very little work has been attempted to identify various modes of local responsiveness. However, it was indicated that various ways of achieving local responsiveness other than adopting local HRM practices for a subsidiary may exist such as staffing subsidiary key positions with locals, customizing management practices to local conditions and delegating decision-making authority to a subsidiary (Evans et al., 2010). It was also noted that local responsiveness does not necessarily mean adopting local ways. As Evans et al. (2010) pointed out, making a positive variation from local norms based on a deep understanding of the nature of local conditions would be another facet of local responsiveness.

Thirdly, there has been little exploration regarding how MNEs pursue global integration and local responsiveness simultaneously. It has been argued that at the broader HR function level, global integration and local responsiveness could be achieved through the simultaneous pursuit of different ways of each aim (Bartlett & Ghoshal, 1989; Evans et al., 2002; Johansson & Yip, 1994). From the observation of nine MNEs in three industries and three regions, Bartlett and Ghoshal (1989) found that leading firms tend to be more locally responsive as well as more globally integrated than competitors. Evans et al. (2002) illustrated a particular way of pursuing global integration and local responsiveness simultaneously by quoting an executive's comment: "organize one way, manage the other way" (pp. 83). For

example, even when processes are standardized to integrate a function, local responsiveness can be pursued by staffing local people in a key position of a subsidiary. Similarly, Johansson and Yip (1994) also claimed that:

"global strategy is multidimensional setting strategy for a worldwide business requires choices along a number of strategic dimensions. Some of these dimensions determine whether the strategy lies towards the multi-local end of the continuum or the global end." (pp.580)

In this way, it could be much easier to be free from the dualistic thinking, when global integration and local responsiveness are defined at a higher level as broad and multi-dimensional constructs rather than being narrowly operationalized only at the practice dimension.

Based on the discussion of the research gaps in the current developments in research on multiple modes of integration in HRM of MNEs, specific research opportunities can be summarized as below:

- Explore modes of global integration as well as local responsiveness in HRM of MNEs at the higher level (than the practice level) with an inductive research

- Examine patterns of pursuing various modes of GI and LR in HRM of MNEs

2.7.2 GI-LR in IHRM at the operational-level

Recent studies have shown a complex pattern of hybridization between the two options. However, there are still neglected dimensions of hybridization as outlined below:

- Unclear about specific ways of hybridization in terms of the level at which standardization or localization of practices occurs
- Unclear about specific ways of hybridization in terms of underlying logics of standardization or localization of practices

Firstly, as shown in the review of previous IHRM literature, most studies have been conducted at the level of HRM practices. It seems to be assumed that the decision on the issue of integration (standardization) and responsiveness (localization) would be made at the subsidiary HRM practice level, and thus a main focus has been on examining generic patterns of whether an HRM practice is standardized or localized in a particular context. However, it should be recognized that decisions on the global-local issue could be made at the finer level within a single HRM practice. It was noted that while standardization may be implemented across a specific component of an individual HRM practice, the approach towards another component at the same time may be defined by localization (Brewster et al., 2005). In one example, an MNE in the energy sector mapped a set of generic HR processes by breaking these down into detailed components and revamping the country role around each process to establish a new HR system architecture. In this instance decisions were made as to whether to allow local aberrations from the globally designed process on a detailed component by component basis in each HRM practice (Sparrow, Brewster & Harris, 2004).

This interest in global versus local decision at more detailed level is coincident with the argument of "fine-slicing" of activities in "Global Factory" in international business research (Buckley, 2009). It is argued that MNEs might break down their activities and decide a location where each activity should be performed by comparison with the external alternative and an activity can be externalised if it is profitable to do so (outsourcing) or can be relocated if this reduces overall costs (off-shoring) (Buckley, 2009). By the same token, global standardization and localization of each activity could be decided at the finer level of activities. Thus a further empirical investigation would be needed with regard to the level at which global standardization or localization actually occurs when a pattern of hybridization exists in subsidiary HRM practices.

Secondly, though a pattern of hybridization of standardization and localization in subsidiary HRM practices has been identified and described, it is still unclear that why MNEs intend to standardize or localize a particular part of HRM practices. Gamble (2010) rightly has pointed out that the neglected dimensions of hybridization in the existing literature are context-specific, firm-level motives or logics which encourage global standardization or localization of subsidiary practices. He suggested that a firm may try to distribute a particular HRM practice which they perceive as a source of competitive advantage and localize a practice when there is a prevalent norm in local labor markets. However, it is still unclear why a particular practice is perceived as a source of competitive advantage, thus being targeted for global standardization across subsidiaries, and whether a particular practice would be always localized whenever it could be related to a norm in local labor market. Sparrow, Brewster and Harris (2004; 2005) identified five organizational logics which lead to different patterns of

international HRM practices, namely: efficiency orientation, global service provision, information exchange, core business processes and localization of decision-making. However, this study is more concerned with the organizational drivers which are related to general patterns in globalizing HRM, rather than focusing on the specific logics underlying the decisions on which (part of) HRM practice need to be globally standardized or localized in the dynamics of hybridization.

To fill the gaps in the emerging literature on GI-LR in HRM of MNEs, which highlighted a pattern of hybridization in subsidiary HRM practices, a research opportunity can be identified as below:

- Examine specific ways of hybridization in terms of level and logics underlying standardization and localization of subsidiary HRM practices of MNEs

## 2.8 The Research Cases: South Korean MNEs

### 2.8.1 Changes of HRM in South Korea

It has been widely noted that HRM practices in Korea have dramatically changed after the Asian financial crisis in 1997 (e.g., Bae, 2012; Bae & Rowley 2001; 2003; Debroux et al. 2012; Tung, Paik, & Bae, 2013). Before the crisis, HRM practices of Korean firms were largely characterized by an internal labor market orientation, long-term employment and seniority-based systems, similar to Japanese HRM practices in many ways (Bae, 2012). More specifically, companies were focused on mass recruitment activities targeting entry-level college graduates. Hired employees were

expected to work for the company a long time, and loyalty and collective equality were underpinned as core values. Pay and promotions were mainly determined by seniority, and thus performance appraisals were not considered seriously (Bae, 2012; Bae & Rowley 2003; Tung, Paik, & Bae, 2013).

Post-1997, all these traditional practices were perceived as 'problematic' as they were believed to be the cause of the loss of competitiveness and collapse of the national economy (Bae, 2012; Bae & Rowly 2001). Market-driven, performance-based and individualistic approaches in HRM, which were largely influenced by US-style HRM practices, were introduced with a label of 'global standards'. With the legalization of mass redundancies, Korean firms started to lay off employees in large numbers (Debroux et al. 2012). External labor markets were utilized more, leading to increased employee mobility. Performance-based pay and promotion systems were adopted by many large companies and performance appraisals became a critical part of HRM practices (Bae, 2012).

Although there seemed to be huge changes in HRM practices in Korea, actual degrees of implementation and internalization of the practices within firms could be questioned. Considering the considerable differences in their orientations between the old and new practices, it might not be surprising that the changes are still in progress and contested (Bae, 2012; Bae & Rowley 2003).

2.8.2 Study on Korean MNEs

Extant research on HRM strategy and practices of MNEs has mainly focused on the first cohort of MNEs which are based in developed economies (Thite, Wilkinson, &

Shah, 2012). Recently, there has been growing interest in various aspects of the activities of MNEs from emerging markets as these MNEs grow in number and size. However, it could be argued that the attention has been shifted, with missing out research opportunities on the cases of MNEs from newly industrialized economies (exception: e.g. Glover & Wilkinson, 2007). Although the size of newly industrialized economies is smaller than that of major emerging economies, foreign direct investment (FDI) from newly industrialized economies is rapidly growing (UNCTAD, 2006; Filatotchev, Strange, Piesse, & Lien, 2007) and there is a significant number of MNEs which occupy leading position in their global markets.

This research is based on the studies of MNEs from South Korea. Research on Korean MNEs could have implications to wider groups of MNEs including those from advanced economies as well as emerging economies as Korean MNEs share various qualities with both cohorts of MNEs as discussed earlier. With regards to the particular research interest, it could be believed that Korean MNEs represent ideal settings to examine the various ways of enactment of global integration and local responsiveness in HRM for a number of reasons. First, successful Korean MNEs might face strong pressures for global integration due to their global presence as they are major global players in their industries. Thus they need to figure out how to respond to the pressures for global integration. Second, as mentioned earlier, these MNEs have a distinctive organizational quality in that their home country lacks a dominant status in the world economy. Compared with MNEs from dominant economies, they are therefore likely to face greater resistance from subsidiaries in the adoption of practices as formulated by the headquarters (Chung et al., 2012). This condition might force the Korean firms to be more sensitive to various local pressures.

Third, Korean MNEs are known that they have recently made intensive efforts in globalizing their HR functions as a corporate-level strategic initiative (Chung et al., 2012). The three conditions that Korean MNEs have might enable the existence of key actors who are involved in the conceptualization and enactment of the two constructs in their IHRM strategies and practices and thus can share their experiences and views with the researcher.

## 2.9 Research Questions

The question of how MNEs manage the dual needs of global integration and local responsiveness in HRM has attracted significant attention as a central problem in IHRM research. While IHRM scholarship has focus on the issue of global standardization versus localization of subsidiary HRM practices to answer the question, it is evident that the constructs of global integration and local responsiveness has been conceptualized in a too narrow and simplistic way in this line of enquiry.

The new developments in the IHRM literature contributed to our more nuanced understanding of the issue of global integration and local responsiveness by shedding light on multiple modes of global integration in HRM of MNEs and the pattern of hybridization in subsidiary HRM practices. However, as specific gaps and related opportunities were identified above, it would be necessary to examine the issue further with in-depth empirical research on the modes of global integration and local responsiveness and specific aspects in the pattern of hybridization in subsidiary HRM practices. The lack of such research could seriously limit our understanding of

managing the tensions between the dual demands of global integration and local responsiveness in MNEs.

Considering the specific research gaps and opportunities identified, the overall research question is defined as follow:

> "What are the modes of global integration and local responsiveness and how are they put into practice in subsidiary HRM practices by corporate and subsidiary HR actors in Korean MNEs?"

The overall research question comprises of four sub-questions:

(1) What are the modes of global integration and local responsiveness in HRM of Korean MNEs?

(2) What are the patterns of pursuing various modes of global integration and local responsiveness simultaneously in HRM of Korean MNEs?

(3) At which level do global standardization and localization occur in subsidiary HRM practices of Korean MNEs?

(4) How are these modes of global integration and local responsiveness reflected in subsidiary HRM practices of Korean MNEs?

By trying to answer these research questions, it would be expected to address the specific research opportunities, at the meta-level and the operational-level, that were identified through the review of the emerging literature.

# Chapter 3. Methodology

## 3.1 Chapter Overview

This chapter discusses the research approach, setting and methods which were chosen for the research. Considering that the main interest of the research is to explore the various modes and enactment of the global integration and local responsiveness in HRM strategy and practices of Korean MNEs, the multi-sited qualitative study was adopted as a main research approach. In order to gain both breadth and depth in terms of access to the subject of interest, the research followed a two-phased approach: a corporate-level study across companies and subsidiary-level study across subsidiaries of an MNE. In the corporate-level study, thirty interviews were conducted to examine various modes of the two constructs in the international HRM strategies mainly across nine companies from varied industries. In the subsidiary-level study, three US and three India subsidiaries of an MNE, which was chosen from the nine MNEs mainly because of its accessibility and coverage of various modes identified, were studied to examine the modes of global integration and local responsiveness at the subsidiary level and how those modes were interwoven in the subsidiary HRM practices. The following section describes the research approach that is adopted due to the particular interest of this research and presents the overview of research procedure. Third section justifies the selection of the Korean MNEs as a major research setting and outlines the selection of sites for each phase of the field research. Fourth and fifth sections discuss specific aspects of data collection and data analysis, respectively.

## 3.2 Research Approach

This research tries to unpack various modes of global integration and local responsiveness through accessing ample experience of key actors who have decided, acted and interacted with regard to the domains of interest. There are three approaches this research adopted to address the research opportunities identified through the literature review (Table 3.1).

**Table 3.1  Research approach**

| Research opportunities | Methodological requirement | Research approach |
|---|---|---|
| • Explore modes of global integration as well as local responsiveness in HRM of MNEs at the higher level (than the practice level) with an inductive research | • Flexible enough to explore various possibilities | • Qualitative/inductive approach as an explorative research |
| • Examine patterns of pursuing various modes of GI and LR in HRM of MNEs | • Gain breadth and depth of access to the subject of interest across multiple domains and levels | • Two-phased study across multiple levels and sites based on theoretical samplings |
| • Examine specific ways of hybridization in terms of level and logics underlying standardization and localization of subsidiary HRM practices of MNEs | • Comparable across various levels and sites | • Semi-structured as well as structured approach in data collection |

First, it utilized a qualitative and inductive approach as an explorative research. When it comes to the overall research strategy, one of issues widely considered by researchers is a choice between quantitative and qualitative research. Quantitative research can be considered as a research approach which "emphasizes quantification in the collection and analysis of data" (Bryman & Bell, 2011: pp. 26). It is a deductive

approach predominantly to test theories which entail relationships among variables that are pre-defined before collecting data. Kim and his colleagues' study on the modes of global integration in several business functions within MNEs could be an example of this approach (2003). In the study, the authors adopt a list of generic modes of control from traditional organization theory literature and develop a typology of various integration modes to define and measure the degree of using those modes across functions within MNEs. Though the quantitative study could explore relationships between the use of different modes and organizational outcomes through statistical analysis and testing, the deductive approach was unable to show whether the presupposed list of modes are an exhaustive one which are significant from the view of actors in the field. As this research explores the possibility of multiple modes and duality of the constructs and tries to identify various logics underlying the notions of global integration and local responsiveness, the research approach needs to be flexible enough to explore various possibilities. A qualitative approach offers flexibility and openness to explore the subjects that are largely unknown and difficult to access through quantitative approaches (Bryman, 1989; Easterby-smith, Thorpe & Jackson, 2008). More specifically, this research followed grounded theory approach (Glaser & Strauss, 1967) in that theoretical constructs were "derived from data, systematically gathered and analyzed through the research process" (Strauss & Corbin, 1998: pp. 12). Though insights gained from the literature review would guide the field research, the research procedure was basically 'iterative' in that there was a continuous interplay between theory and empirical data to clarify domains, dimensions, and relationships which are related to the constructs of interest.

Second, the research adopted a two-phased approach across multiple levels and sites based on 'theoretical samplings' (Strauss & Corbin, 1998; Eisenhardt, 1989). As evidenced by the review of IHRM literature, most empirical studies on global integration and local responsiveness have been conducted at the subsidiary level. There is a merit of studies at the subsidiary level, as subsidiary HR function is located in a critical position to implement corporate HRM strategies, facing pressures for global integration from corporate headquarter as well as pressures for local responsiveness from distinctive local conditions. However, the studies at the subsidiary level do not fully encompass the corporate HR actors' views and actions, which may be critical. To fully understand how a firm conceptualize and implement the notions of global integration and local responsiveness through IHRM strategy and practices, an examination of how contexts are interpreted and enacted by a variety of groups of actors promises to be highly important, as variations might still exist even in apparently similar notions due to different interpretations and logics of actions by different actors (Budhwar & Sparrow 2002).

As the study needs to examine the modes of global integration and local responsiveness at the multiple levels, it is a key methodological requirement to gain breadth and depth of access to the subject of interest across multiple domains (such as IHRM strategy and subsidiary HRM practice). In the corporate-level study phase, thirty interviews were conducted to examine various modes of the two constructs in the international HRM strategies across nine Korean companies from varied industries. In the subsidiary-level study phase, three US and three India subsidiaries of an MNE, which was chosen from the nine MNEs mainly because of its accessibility and coverage of various modes identified, were studied to examine the modes of global

integration and local responsiveness at the subsidiary level and how the modes were

interwoven in the subsidiary HRM practices. The subsidiaries were carefully chosen

based on two criteria, namely, degree of economic development of host country and

function of subsidiary, as it was expected that different patterns could emerge

depending on those factors through the initial cross-company study.

Third, to make data comparable across various levels and sites, the research adopted

structured as well as semi-structured approach in data collection. As the research

examines multiple domains across various levels and sites surrounding the core

notions of global integration and local responsiveness, ensuring comparability of data

across various levels and sites would be one of key requirements in the research

design. Though overall research design was intended to be flexible enough to be

open to any unexpected findings, a part of data collection followed a structured way in

that structured research instruments with predefined categories –especially, a list of

micro-components of HRM practices – were used as guidance in parts of interviews.

Based upon the methodological approaches, a research procedure was developed

(Figure 3.1). Initially, relevant literatures were reviewed to identify research problems

and define research questions and methodological requirements. Then, specific

research methodology and research instruments were developed.

After literature review and research design, a two-phased field research was conducted.

The purpose of the first phase corporate-level study was to explore modes of global

integration and local responsiveness in HRM function and examine how the modes of

global integration and local responsiveness are reflected in international HRM strategies of Korean MNEs by conducting thirty interviews across nine firms. Through the corporate-level study, research sites for the following in-depth study were also selected.

In the second phase of field study, a more in-depth study was conducted to examine patterns of subsidiary HRM practices through thirty seven interviews across six subsidiaries of an MNE in India and the U.S in addition to the five interviews which were performed at the headquarter of the company. Main focus of the second phase of field research was to examine various modes of global integration and local responsiveness by subsidiary HR actors and identify how those modes by corporate and subsidiary HR actors were interwoven in the subsidiary HRM practices through the implementation of IHRM strategy. The interviews were semi-structured or structured according to the particular interview subject, but some interview questions were designed to remain sufficiently open and flexible so as to avoid limiting findings to preconceived themes.

Finally, collected data was transcribed, interpreted and analyzed to draw implications and conclusions. Specially, comparisons were made between headquarters and subsidiaries as well as across different functions and host countries of subsidiaries in order to make sense of the considerable amount of data from the field study.

**Figure 3.1 Research design**



<u>*Overall Research Question:*</u>
*What are the modes of global integration and local responsiveness and how are they put into practice in subsidiary HRM practices by corporate and subsidiary HR actors in Korean MNEs?*
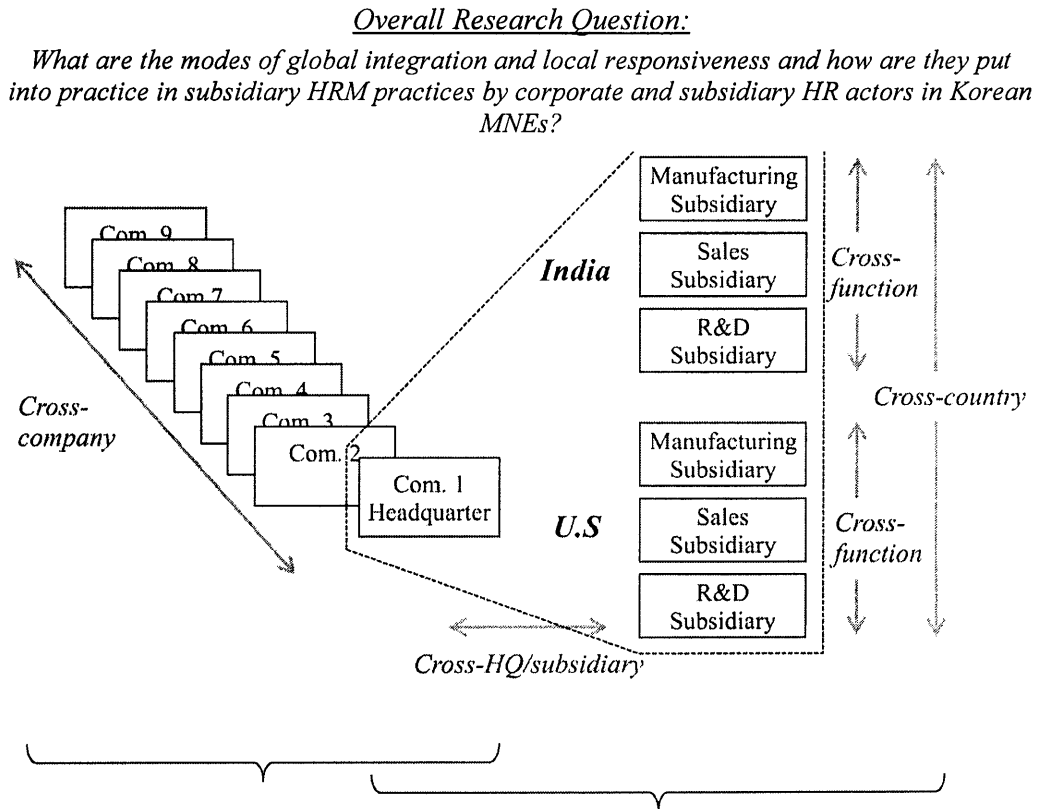
### II. Corporate-level Study

- Examine patterns of IHRM strategy through 30 interviews across 9 Korean MNEs

- Selecting main study sites

### III. Subsidiary-level Study

- Examine patterns of subsidiary HRM practices through 37 interviews across 6 subsidiaries of an MNE in India and the U.S

### I. Literature Review & Research Design

- Define research questions and develop a methodology

### IV. Analysis and Integration

- Transcribe and analyze data

- Interpret results and draw conclusions

## 3.3 Companies and Subsidiaries for the Study

In the corporate-level study, nine MNEs from a same home country, South Korea, were examined to identify modes of global integration and local responsiveness in their IHRM strategies. As suggested in the former chapter, Korean MNEs could be a good case to examine the subject of interest because they face strong pressures for global integration as well as local responsiveness and they are struggling to globalize their HR function recently. The nine companies were selected because they have all of these characteristics. First, through prior contacts, it was known that the pressures of global integration and local responsiveness in HR function were salient in these organizations due to the nature of their industries, their strong presence across the globe, or their international business strategies which emphasize globalization as well as localization. Second, they have made an intensive effort to globalize their HR functions across their subsidiaries in recent years to support their rapidly growing businesses in foreign markets. These conditions would enable the existence of key actors who could get ample experience to provide important insights regarding the subject of this study and may constitute 'critical cases', which have significance in relation to the general problem (Yin, 2009; Flyvbjerg, 2006).

The selected Korean MNEs are leading companies in their industries and arguably, they could be representative companies in terms of international HRM activities in Korea in several respects. Though it might be difficult to claim the generalizability of the findings in this study based on the small number of cases to the larger population

of Korean MNEs, the nine firms captured a considerable range of sectors including automotives, electronics, steel, industrial wire and cable, infrastructure building, IT services, cosmetics, and confectionary. The nine firms also varied in size, thereby helping the researcher avoid claims overly dependent on the largest firms only. Importantly for the study at hand, all nine firms included in the study had very concrete, focused and active globalization strategies, which included HR functions. The proportion of revenues generated overseas ran the whole range from the mid-teen percents to over eighty percent, total sales likewise spread across a wide range (see Table 3.2). As companies' efforts for globalizing HRM were mainly focused on white-collar employees, the research only includes their approaches to subsidiary-HRM practices for this segment of employees.

### Table 3.2 Profile of companies[a] researched

| ID No. | Company | Industry | Total sales (billion USD) | Proportion of sales abroad (%) | Number of employees / % of employee abroad |
|--------|---------|----------|---------------------------|-------------------------------|---------------------------------------------|
| 1 | AutoCo | Auto | 55.1 | 75 | 124,000 / 30 |
| 2 | ElecCo1 | Electronics | 135.7 | 83 | 190,000 / 50 |
| 3 | ElecCo2 | Electronics | 48.2 | 85 | 93,000 / 65 |
| 4 | SteelCo | Steel | 53.2 | 39 | 27,000 / 37 |
| 5 | CableCo | Wire and cable | 6.8 | 70 | 8,050 / 70 |
| 6 | ConfCo | Confectionery | 1.1 | 52 | 5,900 / 63 |
| 7 | EbizCo | Online game | 0.6 | 36 | 3,300 / 27 |
| 8 | CosmeCo | Cosmetics | 1.8 | 16 | 8,600 / 48 |
| 9 | InfraCo | Heavy equipment | 21.6 | 55 | 38,000 / 47 |

[a] Source: Annual reports (2010), company websites, interviews; [b] Pseudonym

In the subsidiary -level study, six subsidiaries of an MNE (AutoCo) were studied to examine the various modes of the two constructs at the subsidiary level and actual implementation of international HRM strategies through their subsidiary HRM practices. AutoCo was chosen from the nine MNEs due to three reasons. Firstly, it

represented other Korean MNEs in that it showed most of common patterns in international HRM strategy and practices, which were identified as important across nine firms. Secondly, it was believed that the company could provide an ideal research setting in terms of high degree of internationalization in its business and its global presence in emerging markets as well as developed countries across various regions. Thirdly, the company willingly allowed the researcher to access its subsidiaries in different countries with a promise of good support to the research.

Among the six subsidiaries of the company, three subsidiaries are located in India and other three subsidiaries are located in the U.S. The selection of host countries was based upon their economic development state, developing and developed economies respectively, which was identified in the initial study at the corporate level as an important factor which could lead to different patterns in modes of the two constructs and implementation of international HRM strategies. More specific information regarding the contexts of the two host countries are presented in Chapter 5. In terms of function, which was also identified as another important factor due to the distinctive labor market related to each function, three subsidiaries in each host country include a sales/marketing office, a manufacturing plant, and a research/engineering centre (see Table 3.3).

**Table 3.3 Profile of subsidiaries[a] of the company researched**

| Subsidiary[b] | Host country | Function |
|---|---|---|
| Ind-sales | India | Sales/marketing |
| Ind-R&D | India | Research/development |
| Ind-manufacturing | India | Manufacturing |
| US-sales | U.S | Sales/marketing |
| US-R&D | U.S | Research/development |
| US- manufacturing | U.S | Manufacturing |

[a] Source: Company internal document; [b] Pseudonym

## 3.4 Data Collection

### 3.4.1 Research method and sources of data

To gain an understanding of how corporate and subsidiary HR actors conceptualize and enact various modes of global integration and local responsiveness, the research utilized in-depth interviews with key actors including corporate HR managers, subsidiary HR managers and subsidiary line managers as a main method of data collection. Interview method, if it is carefully designed and conducted, could allow researchers to gain rich data and insights which are difficult to access with other methods (Bryman, 1989; Easterby-smith, Thorpe & Jackson, 2008). Documents were also collected and utilized to supplement the interview data.

Across four research areas, specific research topics and relevant sources of data were defined (Table 3.4). Corporate-wide international HRM strategies and related initiatives were examined mainly through semi-structured interviews with corporate HR managers. Parts of these interviews, especially on parent companies' approaches

to subsidiary HRM practices, were highly structured by using pre-defined specific categories to enable comparisons across various research sites. Modes of global integration and local responsiveness were explored through semi-structured interviews with corporate HR managers as well as HR managers and line managers in the selected subsidiaries. Interpretations of subsidiary contexts and implementation of IHRM strategy in subsidiaries were examined mainly through semi-structure interviews with corporate and subsidiary HR managers and line managers. More structured interviews were conducted with subsidiary HR managers to gather specific information regarding subsidiary HRM practices.

**Table 3.4 Research topics and sources of data**

| Research area | Research topic | Source of data |
|---|---|---|
| • IHRM Strategy & initiatives | • Description of IHRM strategy<br>• Specific IHRM initiatives & activities<br>• Rationale of IHRM strategy & initiatives | • Semi-structured interview with corporate HR managers<br>• Supplemental document |
| | • Parent company's approach to subsidiary HRM practices | • Structured interview with corporate HR managers<br>• Supplemental document |
| • Mode of global integration & local responsiveness | • Modes of global integration<br>• Modes of local responsiveness<br>• Right balance between global integration and local responsiveness | • Semi-structured interview with corporate HR managers<br>• Semi-structured interview with subsidiary HR managers/line managers |
| • Interpretation of subsidiary context | • Key challenges in managing people<br>• Description of what HR team does | • Semi-structured interview with subsidiary HR managers/line managers |
| • Implementation of IHRM strategy in subsidiary HRM practices | • Corporate headquarters' observation of subsidiary response to IHRM strategy & initiatives | • Semi-structured interview with corporate HR managers |
| | • Subsidiary responses to IHRM strategy & initiatives | • Semi-structured interview with subsidiary HR managers/line managers |
| | • Implementation of IHRM strategy in subsidiary HRM practices | • Structured interview with subsidiary HR managers |

## 3.4.2 Interviewee

Total sixty seven interviews were conducted, including twenty eight interviews at the corporate headquarters of nine Korean MNEs, two interviews with directors in major

HR consultancies in Korea, seventeen interviews in three subsidiaries in India, and

twenty interviews in three U.S. subsidiaries (see Table 3.5). In each company

interviews were arranged through an initial key contact, a HR manager in a corporate

HR team. The majority of the interviewees were selected from key actors in corporate

HR and subsidiaries who were involved in developing and implementing international

HRM strategies and practices in their organizations. Each interview was conducted on

a one-to-one basis except one interview which was carried out with two interviewees.

**Table 3.5 Summary of interviewees' profiles**
(Number of interviewees for each category)

*Corporate-level study*

| Company | | Level | | Department | | Nationality | | Sample job title |
|---|---|---|---|---|---|---|---|---|
| AutoCo | 5 | Executive | 5 | Corporate/ | 30 | S. Korea | 30 | · Senior Vice |
| ElecCo1 | 2 | | | global HR | | | | President HR |
| ElecCo2 | 5 | Senior | 25 | | | | | · HR Director |
| SteelCo | 3 | manager | | | | | | · HR Senior |
| CableCo | 3 | | | | | | | Manager |
| ConfCo | 4 | | | | | | | · Managing |
| EbizCo | 2 | | | | | | | Director |
| CosmeCo | 2 | | | | | | | |
| InfraCo | 2 | | | | | | | |
| Con[a] | 2 | | | | | | | |
| *Total* | *30* | | | | | | | |

*Subsidiary-level study[b]*

| Organization | | Level | | Department | | Nationality | | Sample job title |
|---|---|---|---|---|---|---|---|---|
| Ind-sales | 5 | Executive | 7 | Subsidiary HR | 17 | S. Korea | 14 | · Head of plant |
| Ind-R&D | 6 | | | | | | | · Vice President, |
| Ind-plant | 6 | Senior | 30 | Subsidiary line | 20 | India | 10 | HR |
| US-sales | 6 | manager | | (including head | | | | · Director, HR |
| US-R&D | 7 | | | of subsidiary) | | US | 13 | · Senior Manager, |
| US-plant | 7 | | | | | | | Engineering |
| *Total* | *37* | | | | | | | Design |
| | | | | | | | | · Director, |
| | | | | | | | | Marketing |

[a] HR consultancies , [b] excluding interviews with AutoCo in the corporate-level study

In the corporate-level study, around three interviews were targeted with a corporate

HR executive and senior HR managers in each company and two to five interviews

were actually conducted. It can be argued that two interviews for some companies might be too limited to gather sufficient information. However, as the purpose of the corporate-level study was to examine how the modes of global integration and local responsiveness were reflected in international HRM strategy at the corporate level, there were only few people who could share sufficient knowledge of how the company's international HRM strategy had been developed. Each interviewee was one of these key persons in each company and provided critical information which was highly relevant to the research purpose. All of them were Koreans who were directly responsible for the development and implementation of international HRM strategy, including activities associated with globalizing HRM at the firm level. The purpose of using multiple interviewees was to capture a holistic picture of the company's approaches, as a single interviewee may have been unable to answer all of the questions given the wide range of information sought at the firm level. Thus interviews in a given company were largely complementary to each other. When there were multiple responses to a question from different interviewees in a company, the researcher checked on consistency and found that those responses tended to be highly congruent with each other and the congruent responses were adopted in the data analysis. Given the focus of questioning was on company's approach and the policy design intent, this was to be expected. Additionally, to gather information regarding general trends in globalizing HR activities in South Korean MNEs, two more interviews were conducted with directors of Seoul offices of two international HR consultancies, which had been and were, at the time of research, involved in multiple international HRM-related projects with a large number of Korean MNEs.

In the second phase of the field research, around six interviews were sought with an HR director, an HR manager, an HR expatriate, head of subsidiary and two line managers in each subsidiary. A balance was sought between HR and non-HR managers in the number of interviewees as non-HR managers would be also involved in the implementation of HRM strategy and practices in each unit of organizations and they might more directly interact with employees in their units on a daily basis. In terms of nationality, fourteen interviewees were Korean expatriates who worked in the India and the U.S. subsidiaries, ten interviewees were Indians and thirteen interviewees were Americans. By including all the three groups as interviewees, the researcher could access not only views of expatriates, but also those of local employees. Another purpose of using multiple informant groups was to triangulate the data across different groups.

3.4.3 Interview questions and research instruments

One of the key issues in using interview method is the degree of structuring interviews and way of interview questioning (Bryman, 1989). In qualitative research, interviews tend to be unstructured or loosely structured to "elicit interviewees' way of thinking" about the issues of concern and "minimize the degree to which they are constrained" (Bryman, 1989: pp. 147). In an unstructured interview, researchers do not use a pre-defined interview schedule and just try to remind an interviewee of interview topics. The main aim is to give interviewees considerable freedom to tell what they want to tell in a way that they prefer. On the other hand, a structured or semi-structured interview is guided by an interview schedule which consists of specific questions developed by a researcher to maintain a research focus and consistency across

interviews. However, the interviews could be also open to the possibility that emerging themes from interviewees would be pursued in an interview setting.

In this research, semi-structured and structured interviews were utilized depending on the specific topic of inquiry. On the one hand, most parts of interviews were semi-structured against a pre-designed interview protocol, where the focus was on the investigation of emergent phenomenon and hence an open-ended approach was appropriate. More specifically, interviews with informants about the overall corporate IHRM strategies and the activities associated with globalizing HRM, as well as the justifications offered for the pursuit of these particular directions in IHRM strategy, were semi-structured. Specific interview questions were developed to remain sufficiently open and flexible so as to avoid limiting findings to preconceived themes (Table 3.6).

On the other hand, where the focus was on the collection of detailed data so as to allow for the comparative analysis of component level practices (1) across different companies, (2) between corporate guideline and subsidiaries' practices and (3) across different subsidiaries of an MNE, a more structured approach was adopted. More specifically, in the corporate-level study, interviews that solicited data for the analysis of company-wide IHRM strategy in terms of particular orientations towards global standardization, localization or hybridization between the two at the component level of HRM practices were structured (see, Table 3.7). In the subsidiary-level study, interviews which examined the degree of implementing the corporate guideline across the component level of subsidiary HRM practices were also structured in a similar

way (see, Table 3.8). Methodologically, the structured approach was best suited to pursue further the suggestions in previous literature that globalization can happen at the micro-component level in HRM practices (Rosenzweig, 2006), remedying the tendency in much of the extant literature to only investigate this at the broad HRM practice area level.

**Table 3.6 Semi-structured interview questions**

| Research area | Research topic | Main interview question | Interviewee | | |
|---|---|---|---|---|---|
| | | | Corporate HR manager | Subsidiary HR manager | Subsidiary line manager |
| • IHRM strategy & initiatives | • Description of IHRM strategy<br>• Specific IHRM initiatives & activities<br>• Rationale of IHRM strategy & initiatives | • If you consider the situation in which you are presenting your IHRM strategy to a subsidiary, how would you describe your IHRM strategy in terms of what, why, how?<br>• Could you explain specific IHRM initiatives/ 'global HR standard' that your organization is pursuing?<br>• Why does (what drives) your organization pursue the IHRM strategy and initiatives you described? | √ | | |
| | • Parent company's approach to subsidiary HRM practices | * Structured interview | √ | | |
| • Mode of global integration & local responsiveness | • Mode of global integration<br>• Mode of local responsiveness<br>• Right balance between global integration and local responsiveness | • Please, give three examples of subsidiary that you assessed as high in the degree of global integration of HR function and three examples of subsidiary assessed as low in that.<br>* For subsidiary interviewees: please, give ratings from 1 (very low) to 5 (very high) to assess your HR function in terms of global integration and local responsiveness.<br>  o On what/which aspect were you basing your judgement?<br>• Could you describe any episode/event which you were | √ | √ | √ |

| Research area | Research topic | Main interview question | Interviewee | | |
|---|---|---|---|---|---|
| | | | Corporate HR manager | Subsidiary HR manager | Subsidiary line manager |
| | | involved in to discuss global HR initiatives with subsidiary or corporate HR actors? Could you describe any episode/event in which you felt conflict between the needs of global integration and local responsiveness?<br>o What was your organization's way of achieving global integration and local responsiveness at those episodes?<br>• Widely used terms such as global integration and local responsiveness might have different meaning according to a particular organization.<br>o What is the meaning of global integration in your HR function? What are the objectives of global integration?<br>• How could your organization achieve global integration?<br>• What is the meaning of local responsiveness in your HR function? What are the objectives of local responsiveness?<br>• How could your organization achieve local responsiveness?<br>• What would be the right balance between global integration & local responsiveness? | | | |
| • Interpretation of subsidiary context | • Key challenges in managing people<br>• Description of what HR | • What are the key challenges in managing people in your organization (in terms of hiring, developing, retaining, and motivating local talent)? Why? | √ | √ | √ |

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| Research area | Research topic | Main interview question | Interviewee | | |
|---|---|---|---|---|---|
| | | | Corporate HR manager | Subsidiary HR manager | Subsidiary line manager |
| | team does | o In managing people in your organization, what are the key aspects of local context your HR team needs to consider?<br><br>o To what degree do you think unique local contexts determine HRM practices in your organization? Why? In which area of HRM practices?<br><br>o As a Korean multinational company, are there any unique challenges in HRM of your organization?<br><br>• Could you describe what your HR team does in responding to the local demands in HRM with concrete examples? What led to such response? | | | |
| • Implementation of IHRM strategy in subsidiary HRM practices | • Corporate headquarters' observation of subsidiary response to IHRM strategy & initiatives | • Could you describe subsidiary's response patterns to each global HR initiatives with concrete examples of subsidiary?<br><br>o Could you describe subsidiary's response patterns to the 'Global HR Standard' with concrete examples of subsidiary? What led to such response? | √ | | |

| Research area | Research topic | Main interview question | Interviewee | | |
|---|---|---|---|---|---|
| | | | Corporate HR manager | Subsidiary HR manager | Subsidiary line manager |
| | • Subsidiary responses to IHRM strategy & initiatives | • Could you describe briefly what Global HR Standard (GHRS) is?<br>• Could you share your experience and thoughts on it? To what degree is it useful to your organization? Why?<br>• Could you share your experience and thoughts regarding integration activities initiated by corporate headquarter? | | √ | √ |
| | • Implementation of IHRM strategy in subsidiary HRM practices | * Structured interview | | √ | |

The structured interview instrument for the corporate-level study solicited data about firm's approach to subsidiary HRM practices in terms of particular orientations towards global standardization, localization or hybrid across five broad HRM areas that have widely been identified as core areas of practice in previous research (Huselid, 1995; Youndt et al. 1996): job and grades, recruitment and selection, learning and development, performance management, compensation and benefits (Table 3.7). It entailed data at the component level of HRM practices within each of these areas. For example, the general HRM area of performance management that was opened up here comprises of sixteen micro-components such as performance evaluation factors; performance measurement items; weighting of evaluation factors; performance rating scale and so on. The list of forty seven components representing generic design elements of the five HRM areas were identified in an earlier study (Chung et al., 2012) with two Korean MNEs (AutoCo and ElecCo2) which also participated in this study. Both companies already had a set of components of HRM practices in their global HRM guidelines, and common components were identified by comparison between the two companies and a more comparable version of component list was developed. The respondents of this study expressed that they could answer with the instrument without difficulties and the list of components in the instrument covered their HRM practices comprehensively. Such detailed data collection at the level of micro-components was essential, as it made it possible to refrain from a priori assumptions about the existence of a universal and homogenous orientation in the strategies across different HRM areas. It also enabled a systematic comparison across the firms.

For each company, one interviewee was identified by key contacts as the most appropriate informant who had been involved in the development of corporate

guidelines for subsidiary-HRM practices. This individual was first asked to respond to the structured-interview instrument as well as the semi-structure interview questions. Most interviewees could respond to the instrument without difficulty, offering explanations of why their companies adopt the particular approaches to subsidiary HRM. In two companies (AutoCo; ElecCo2), two interviewees were separately involved in responding to the instrument as one could not answer questions in all the categories in the instrument due to their scope of job responsibilities. The results of initial response to the instrument by one or two interviewees were then reviewed by another respondent. In most cases they were confirmed without disagreement, but in a few cases the initial responses were amended in the following interviews as it became apparent that there had been misunderstandings of categories in the instrument by the former interviewees.

## Table 3.7 Structured-interview instrument (for corporate HR managers)

| HRM practice area | Micro-component of HRM practices | Globally common[a] | Hybrid[b] | Localized[c] |
|---|---|:---:|:---:|:---:|
| Job & Grade | Job classification: job family | √ | | |
| | Job classification : job list | | √ | |
| | Job description: category | | | √ |
| | Job description: content | | | √ |
| | Grade: number | √ | | |
| | Grade: criteria/definition | √ | | |
| | Grade: title | | | √ |
| | Promotion: requirement/ criteria | | | √ |
| | Promotion: process | √ | | |
| Recruitment & selection | Recruiting methods | | | |
| | Recruiting message | | | |
| | Selection: criteria | | | |
| | Selection: assessor | | | |
| | Selection: process | | | |
| | Selection: assessment tools | | | |
| Learning & development | Succession planning: executive pool | | | |
| | Succession planning: high potential talent | | | |
| | Learning program: leader | | | |
| | Learning program: Common competency | | | |
| | Learning program: profession/ job related | | | |
| | Learning delivery/ operation | | | |
| Performance management | Performance evaluation factor | | | |
| | Performance measurement item | | | |
| | Weighting of evaluation factors | | | |
| | Performance rating scale | | | |
| | Forced distribution | | | |
| | Evaluation cycle/ frequency | | | |
| | Performance management process | | | |
| | Performance evaluation assessor | | | |
| | Performance management form | | | |
| | Linkages to other HR applications | | | |
| | Common competency | | | |
| | Leadership competency | | | |
| | Job skill/ competency | | | |
| | Competency assessment process | | | |
| | Competency assessor | | | |
| | Competency assessment rating scale | | | |
| Compensation & benefit | Employee pay structure | | | |
| | Employee base pay range | | | |
| | Employee base pay increase | | | |
| | Employee Incentive | | | |
| | Executive pay structure | | | |
| | Executive base pay range | | | |
| | Executive base pay increase | | | |
| | Executive Incentive | | | |
| | Benefit: employee | | | |
| | Benefit: executive | | | |

[a] Globally common (following globally common standards), [b] Hybrid (allowing local modifications on the global standards), [c] Localized (allowing subsidiary discretion fully to respond to local needs)

In the subsidiary-level study, a similar instrument was used for structured interviews with subsidiary HR managers to examine the implementation of IHRM strategy in subsidiary HRM practices across the five broad HRM practice areas (Table 3.8). For each component of HRM practices, respondents were asked to choose one from three alternatives – (1) adopt the global standard guideline; (2) modify the global standard guideline to accommodate local needs; (3) utilize HRM practices which were developed locally to accommodate local needs – which reflect the degree of implementation of corporate guidelines regarding subsidiary HRM practices, and several probing questions followed to gain more-detailed information. Subsidiary HR managers or HR expatriates were asked to respond to the structured interview instrument with other semi-structured interview questions and the results were cross-checked through interviews with others.

# Table 3.8 Structured-interview instrument (for subsidiary HR managers)

| HRM practice area | Micro-component of HRM practices | CHQ Guide[a] | Subsidiary Current Status | | |
|---|---|---|---|---|---|
| | | | Follow GHRS[b] | Modify GHRS[c] | Pure local[d] |
| Job & Grade | Job classification: job family | MS[a] | √ | | |
| | Job classification : job list | R[a] | | √ | |
| | Job description: category | MS | | | √ |
| | Job description: content | L[a] | | | √ |
| | Grade: number | | | | |
| | Grade: criteria/definition | | | | |
| | Grade: title | | | | |
| | Promotion: requirement/ criteria | | | | |
| | Promotion: process | | | | |
| Recruitment & selection | Recruiting methods | | | | |
| | Recruiting message | | | | |
| | Selection: criteria | | | | |
| | Selection: assessor | | | | |
| | Selection: process | | | | |
| | Selection: assessment tools | | | | |
| Learning & development | Succession planning: executive pool | | | | |
| | Succession planning: high potential talent | | | | |
| | Learning program: leader | | | | |
| | Learning program: Common competency | | | | |
| | Learning program: profession/ job related | | | | |
| | Learning delivery/ operation | | | | |
| Performance management | Performance evaluation factor | | | | |
| | Performance measurement item | | | | |
| | Weighting of evaluation factors | | | | |
| | Performance rating scale | | | | |
| | Forced distribution | | | | |
| | Evaluation cycle/ frequency | | | | |
| | Performance management process | | | | |
| | Performance evaluation assessor | | | | |
| | Performance management form | | | | |
| | Linkages to other HR applications | | | | |
| | Common competency | | | | |
| | Leadership competency | | | | |
| | Job skill/ competency | | | | |
| | Competency assessment process | | | | |
| | Competency assessor | | | | |
| | Competency assessment rating scale | | | | |
| Compensation & benefit | Employee pay structure | | | | |
| | Employee base pay range | | | | |
| | Employee base pay increase | | | | |
| | Employee Incentive | | | | |
| | Executive pay structure | | | | |
| | Executive base pay range | | | | |
| | Executive base pay increase | | | | |
| | Executive Incentive | | | | |
| | Benefit: employee | | | | |
| | Benefit: executive | | | | |

[a] CHQ Guide: corporate headquarters' global HRM guideline regarding subsidiary HRM practices.
- MS: Mandatory Standardization (required to follow globally common standards);
R: Recommendatory (the global standard guideline exists for this area, but allowing subsidiary discretion whether to adopt or modify the standard); L: Localized (local delegation without any guideline). [b] Adopt the global HR standard guideline; [c] Modify the global standard guideline to accommodate local needs; [d] Utilize HRM practices which were developed locally to accommodate local needs

## 3.4.4 Interview procedure

In preparing and conducting interviews, three points were considered. First, the focus of interview was to elicit organizations' views rather than interviewees' personal opinions on the topics of interest. In the interviews, the researcher sought accounts which could be treated as constructs used in an organization, that were reflected in organizational strategies and practices by asking interviewees to answer from the view of their organizations. Also, the researcher utilized multiple informants to minimize individual bias by cross-validation between interviewees and to capture the reality in organizations more accurately (Hammersley & Atkinson, 1983).

Second, rather than drawing upon managers' "espoused theory" which refers to the way they "claim that they think and operate", this research attempts to examine the managers' "theory in use", which refers to "the way they actually think and act" and which has been shaped through interactions, decisions and actions in their daily working life (Argyris & Shon, 1974: pp.6-7; Gummesson, 2000). For this purpose, the researcher tried to identify empirical evidences by asking specific incidents or organizational practices which support interviewees' accounts, rather than depending on interviewees' personal opinions. Also, the interview procedure was carefully designed to proceed from questions regarding specific contexts and actions to questions on abstract conceptions underlying the courses of actions.

Third, to explore topics as thoroughly as possible in a given time and to overcome potential limitations of interview method in eliciting conceptions in use in an organization, multiple interview techniques were employed in exploring particular

topics, especially the modes of global integration and local responsiveness. It was

intended that various modes in practice could be revealed through interviewees'

accounts which were generated in reference to particular organizational entities they

had been associated with, or specific incidents that they had observed.

**Figure 3.2 Interview procedure**

| Step I | Step II | Step III* |
|---|---|---|
| Context, strategies, practices | Modes of global integration & local responsiveness<br><br>Question type 1: Entity-related<br><br>Question type 2: Incident-related<br><br>Question type 3: Construct-related | (Structured interview)<br><br>• Firm's approach to subsidiary HRM practices<br><br>• Implementation of IHRM strategy in subsidiary practices |
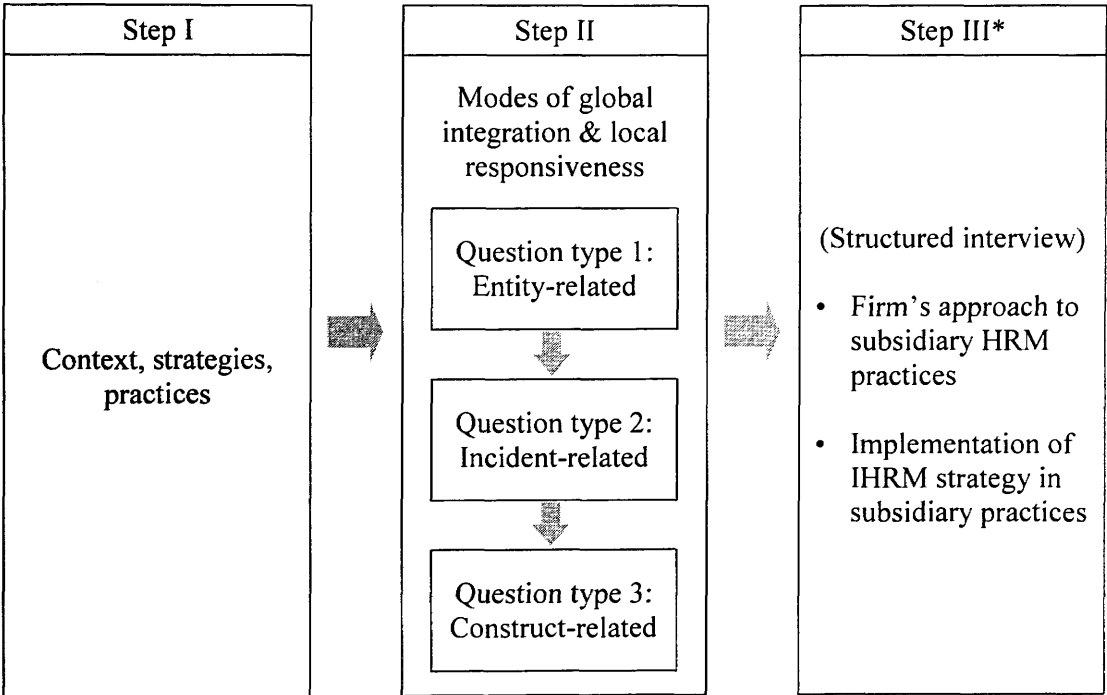
\* Only for selected corporate HR managers and subsidiary HR managers

Interviews were conducted following three steps (Figure 3.2). In the first step, after

building rapport with an interviewee, the interviewer asked questions which are

related to particular context of organizations, IHRM strategy or HRM practices

following the interview protocol. The focus of this step was to let an interviewee gain

a sense of what the interview is about and to gather information regarding what they

did and the rationales behind it. Research topics included IHRM strategy and

initiatives, interpretation of subsidiary context, and implementation of IHRM strategy

in subsidiary HRM practices. Interviews were semi-structured and specific interview questions were tailored according to the different groups of interviewees (Table 3.6). In the first step of interview, interviewees were not asked explicitly about the modes of global integration and local responsiveness, but allowed to tell their stories in their own way. As the interviewees were key actors in developing and implementing IHRM strategies in their organizations, they could answer the questions without any difficulty.

In the second step of interview, interviewees were engaged in more focused discussions around the central topic, modes of global integration and local responsiveness in IHRM strategy and practices by answering three different types of questions. Through the first set of questions, interviewees were asked to assess the degree of global integration (and local responsiveness) of their subsidiaries and tell on which aspect they were basing their judgement. The entity (subsidiary)-related questioning was intended to trigger the generation of accounts which might reveal underlying dimensions of the constructs in interviewees' own contexts. The second set of questions was to ask interviewees to describe any episode or incident which they were involved in to discuss global HR initiatives with subsidiary or corporate HR actors, or incidents in which they felt conflict between the needs of global integration and local responsiveness. By focusing on the descriptions of specific incidents which had been associated with the constructs, the researcher could access more concrete accounts which anchored to evidences in real situations and examine prevailing views on the constructs in the organizations. The third set of questions was to explore potentially various dimensions of the constructs in a rather direct way by using two broad dimensions such as means and ends related to those constructs. Though the

interviewees were asked to get involved in the discussions of abstract notions, which could have been difficult for them without the former sets of discussions, they could reflect upon and reveal particular modes regarding the two constructs in their organizations more easily, as they had already thought of the modes of global integration and local responsiveness in reference to specific entities and incidents through answering the previous questions. By engaging the interviewees in focused discussions around the central topics using three sets of questions, the researcher was able to gain considerable insights into the modes that are reflected in their IHRM strategies and practices. Interviewees also had an opportunity to tell what seemed to be important for them regarding the topic. In this step, interviewee's views could be revealed more freely and unexpected departures could occur to further discussions.

In the third step of interview, structured interviews were conducted only with selected corporate HR managers and subsidiary HR managers. After responding to the structured interview instrument as described earlier, several follow-up questions were asked including: (1) please, describe each HRM practices in your organization; (2) could you tell me why particular corporate HR guidelines were not implemented in your organization, if any?; (3) in implementing the corporate HR guidelines, what has been going well and why?; (4) what were the difficulties in implementing it and why?

Interviews were carried out at the interviewees' workplaces. Each interview, which included first and second steps of questions, lasted from one to one and a half hours. It took an additional one hour to conduct the third step of interview with the selected interviewees. All interviews except two interviews were tape-recorded and transcribed. The researcher took extensive notes during the interviews when recording was not agreed to. The interviews with subsidiary managers with Indian or U.S. citizenship

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were conducted in English and those with Korean managers were performed in Korean and selectively translated into English by the researcher after they were transcribed.

3.4.5 Documentary data

A range of documents were collected including: (1) annual reports; (2) international HRM strategy related documents in such forms as reports and presentations; (3) international HRM initiative related documents; (4) corporate HRM guidelines regarding subsidiary HRM practices; (5) communication document with subsidiaries regarding international HRM initiatives such as e-mail notices and newsletters; (6) meeting notes on key internal meetings or subsidiary visits. Reviewing the collected documents helped the researcher to understand the context of case organizations and their espoused strategy and policies in HRM and facilitated the interpretations of interview data.

**3.5 Data Analysis**

The transcription of the sixty seven interviews generated more than nine hundred pages of interview scripts. To analyze the large volume of interview data systematically, a data analysis procedure was carefully devised (Figure 3.3). In general, the analysis follows an inductive approach by trying to ensure flexibility to avoid sticking to a predefined conceptual framework and be open to new insights by

being exposed to unexpected ideas as interviewees might offer. The part of data

coding was supported by NVivo version 9.

### Figure 3.3  Data analysis procedure

*Corporate-level study dataset*                     *Subsidiary-level study dataset*

| Individual data coding | • Categorize accounts into predefined broad categories<br>• Coding with emergent codes<br>• Grouping the emergent codes with codes of higher-level constructs<br>• Coding the structured interview data regarding firm's approach to subsidiary HRM practices |
|---|---|
| Company level analysis | • Aggregate the individual analysis into a company case<br>• Validate and refine the coding result of the interview data<br>• Identify modes of global integration and local responsiveness<br>• Analyze how the modes were drawn on in IHRM strategy |
| Comparative analysis across companies | • Identify common or distinctive patterns across companies<br>• Draw implications to the research questions |

| Individual data coding | • Categorize accounts into predefined broad categories<br>• Coding with emergent codes<br>• Grouping the emergent codes with codes of higher-level constructs<br>• Coding the structured interview data regarding the implementation of firm's approach to subsidiary HRM practices |
|---|---|
| Subsidiary level analysis | • Aggregate the individual analysis into a subsidiary case<br>• Validate and refine the coding result of the interview data<br>• Describe interpretations of local context and subsidiary responses to IHRM strategy<br>• Identify modes of global integration and local responsiveness<br>• Analyze how the modes were drawn on in subsidiary HRM practices |
| Comparative analysis across units | • Identify common or distinctive patterns across headquarter and subsidiaries (functions, host countries)<br>• Draw implications to the research questions |

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3.5.1 Analytical process

The interview data was reviewed, coded and analyzed as follows. Figure 3.3 summarizes the entire analytical process of the research. For the corporate-level study dataset, the data analysis followed three steps. In the first step of analysis, the interview accounts from each interviewee were initially categorized into predefined broad categories such as (1) IHRM strategy, (2) IHRM initiatives and activities, (3) modes of global integration and local responsiveness, (4) observations of subsidiary responses and (5)influencing factors on IHRM strategy and the modes of global integration and local responsiveness. Due to the enormous amount of data, it was necessary to select and classify accounts using these categories which delineate domains of data, reflecting the focus of research, and specify a scope of analysis (Level 4).

Each account was then coded using an emergent label which represents a key notion or a category of specific activities within each broad initial category (Level 1). The purpose of constructing the emergent codes was to summarize the content of each account rather than theorize or abstract from the interview data. In order to identify modes of global integration and local responsiveness in practice, the researcher tried to understand the views of participant organizations on the topics and avoid missing any original meaning from the interview accounts by using their own languages in summarizing the accounts.

After then, the emergent codes were classified with codes of higher-level constructs through inductive reasoning (Level 3). If needed, further-level codes were developed

to classify a number of interrelated constructs into more abstract ones. The higher-level codes (Level 2 or Level 3) were provisional and subject to change in the next step of analysis. Concurrently, coding the structured interview data regarding firm's approach to subsidiary HRM practices was conducted. As the data from the structured interviews was highly structured, it could be coded in a straightforward manner.

The second step of analysis was focused on aggregating and analyzing at the company level (Bougon, 1992). After aggregating the results of individual data coding at the company level with the broad categories, each initial higher-level code (Level 2 or Level 3) was re-examined across interviewees in a company and refined further to reflect common views across interviewees. When it is necessary, other higher-level constructs were identified and coded. After validating and refining the coding result of the interview data, various modes of global integration and local responsiveness were identified and summarized by examining relevant codes of data. After then, the researcher analyzed how the modes were drawn on in IHRM strategy (in terms of approaches to subsidiary HRM practices or broader IHRM strategy) of each company.

In the third step of analysis, a comparative analysis across the firms was conducted. For each broad category, the refined codes at the company level were compared among the companies and the researcher examined whether common or distinctive patterns existed across the companies. Through the comparative analysis, modes of global integration and local responsiveness, which were used widely by the firms, and patterns of using those modes in different degrees could be identified. Several factors which might explain the patterns of using the modes and the ways in which those modes were related to the firms' approaches to subsidiary HRM practices were also

examined. Several key implications to the research questions were drawn from the comparative analysis.

The analysis of subsidiary-level study dataset followed the similar procedure of three step analysis. In the first step, each account was categorized into the predefined broad categories of domains and coded with emergent codes. The emergent codes were grouped into codes of higher-level constructs through the inductive reasoning. The structured interview data regarding the implementation of firm's approach to subsidiary HRM practices were coded in a straightforward way.

In the second step, the codes from the analysis of individual interviewee data were aggregated into a subsidiary case. By comparing the codes developed through the analysis of interview data from multiple respondents in each subsidiary, the initial codes were validated and refined to reflect common views in a subsidiary. In the subsidiary-level analysis, the codes with regard to interviewees' interpretations of local context and their subsidiary's responses to IHRM strategies developed by the corporate headquarters were also reviewed. The researcher identified the modes of global integration and local responsiveness and examined how those modes were drawn on in subsidiary HRM practices.

In the third step, comparisons between the headquarter and the subsidiaries as well as among the subsidiaries of different functions and host countries were made to examine common or distinctive patterns across the domains of interest and implications were drawn to the research questions.

3.5.2 Coding framework

As mentioned above, a coding framework with four levels was used in the analysis of interview data. To provide fuller description of the coding framework and interpretive decisions made, one of the broad categories of domain, 'modes of global integration', is taken as an example:

- Accounts and activities which could be classified into the category were coded with the label of 'modes of global integration' (Level 4) and then coded with a number of emergent codes (Level 1) such as 'GI for constructing corporate organizational identity as a global one company', 'GI as a seamless communication through informal and formal communication channels', 'internal best practices sharing for GI' and so forth.

- The emergent codes were grouped into six higher-level codes such as 'notion of GI as cultural integration', 'activities for GI as cultural integration', 'notion of GI as workforce integration', 'activities for GI as workforce integration', 'notion of GI as HR capability integration', and 'activities for GI as HR capability integration' (Level 2).

- The level 2 codes were then classified into three abstract codes such as 'global cultural integration', 'global workforce integration', and 'global HR capability integration' (Level 3). A concept description for each code was developed by the researcher through carefully reviewing common themes and concepts across the relevant level 1 codes and interview quotes.

The codes were continuously refined and changed through the process of aggregating the results of individual-level analysis at the company or subsidiary level and comparing the codes among the companies and subsidiaries as described in the former section.

# Chapter 4.  The Modes of Global Integration and

# Local Responsiveness in IHRM Strategy of Korean MNEs

## 4.1  Chapter Overview

This chapter analyses the results of empirical investigation into the modes of global

integration and local responsiveness, widely used constructs in IHRM research, within

IHRM strategy of South Korean MNEs.  The interview-based qualitative study of nine

companies, carried out at the corporate level, shows that there are various ways of

conceptualization and enactment of the two constructs across multiple modes.  The

findings also suggest that the particular modes are related to distinctive patterns in the

firms' IHRM strategy and practices.  It will show that global integration within HR

function is conceptualised across three separate modes of global cultural integration,

global workforce integration or global HR functional integration.  Local

responsiveness is conceptualized across two modes - that of localization of people or

the local customization of HRM practices.  The analysis suggests that a more nuanced

framework of GI-LR is needed in IHRM strategy.  The implications of this will be

picked up in the Discussion chapter.

In section 4.2, an overview and description of IHRM strategy - corporate HR

strategies to globalize HRM- in each South Korean MNE is presented. In section 4.3,

the modes of global integration and local responsiveness, identified through the

analysis of IHRM strategies and related activities or initiatives of the nine firms, are

suggested. In section 4.4, the analysis of the relationship between the modes of global

integration and local responsiveness are presented. Section 4.5 shows how the modes

of global integration and local responsiveness are reflected in parent firm's approach

to subsidiary HRM practices at the micro-component level. It will be also

highlighted that to assess a particular HRM practice as globally standardized or

localized, careful examinations of each practice at the component level is necessary.

Section 4.6 presents additional findings which are not directly related to the main

research questions.

## 4.2 Overview of the corporate HR strategies to globalize HRM in the South Korean MNEs

### 4.2.1 Emergence of "Global HR" in Korean MNEs

The changes in HRM practices in South Korea after the 1997 Asian financial crisis

have been well reported in the literature and these were broadly related to the

implementation of new concepts and practices, such as performance-oriented HRM

systems, within the Korean business context (see, e.g., Bae & Rowley, 2001, 2003).

The interview data in this study also confirm that the most significant HR issue seen

by the key actors in the corporate headquarters of the Korean MNEs is the set of

challenges posed by the perceived need for the globalization of the HR function.

Interviewees consistently argued that there was a clear and widespread trend among

Korean MNEs to attempt the globalization of HRM at the firm level.

According to the interview data, large Korean MNEs which established and developed their businesses in global markets initiated projects aimed at globalizing their HR function from the mid-2000s onwards. According to a director at the subsidiary of a major American HR consultancy firm, which was the HR service provider to ElecCo1, ElecCo2, InfraCo, and other numerous Korean MNEs, "Global HR" has been established as a common and critical issue for MNEs in the Korean institutional context:

"Within [the last] 5-6 years... the term, "Global HR" has been used widely in

Korean business society. Before then, a main focus of Korean companies'

headquarters had been on expatriation management. As the

internationalization of businesses by Korean companies has rapidly

progressed, core functions such as marketing, R&D, and manufacturing went

outside Korea, or some Korean companies even acquired foreign MNEs,

which means a large number of employees are now non-Koreans. Korean

MNEs began to think of how the major practices of HRM such as the grade

system, performance management, reward, and recruitment should be

designed and managed in a global context" (Director, a major HR

consultancy)

Indeed interviewees used the term "Global HR" frequently to refer to the activities to globalize their HR functions and the growing emphasis on "Global HR" was observed in all companies studied as the discussion in the following sections will explain in further detail. Previously, then, the management of subsidiary HR functions had been

largely delegated to subsidiary HR managers, who were mostly hired in each host country. Until recently, corporate HR staff had not been overly concerned with the operation of HRM in individual subsidiaries. However, the rapid growth of business in foreign markets produced significant pressure for the corporate HR staff to initiate globalizing efforts across their organizations, linking the corporate HR function and foreign subsidiaries.

The nine companies that were investigated were profiled in the Methodology chapter and in Table 3.2. Table 3.4 showed the research sources for each topic. The following overviews are based on the twenty eight interviews at the corporate headquarters of nine Korean MNEs, and two interviews with directors of major HR consultancies in Korea. Between two to five interviews were conducted in each company, from which the overall IHRM strategy was ascertained. Before presenting findings from the analysis of data across all the companies, the relevant context for each company is now introduced and presented. Each description was constructed as a short story, which includes the overview of the industry, international business strategy, the IHRM related strategy, and activities within each company based on the narratives from the multiple interviewee sources for each company. The following overviews of the business context and approach to globalizing HRM in each company describe the essence of the approach that each company took. The meaning and implication of the strategy is expanded upon later.

4.2.2 AutoCo

AutoCo is affiliated with AutoCo Group, one of three biggest business groups in South Korea, focusing on auto related industries from steel manufacturing to auto financial services. AutoCo consists of two auto makers which are independent in terms of legal entity, brand and car design, but sharing common platforms for each type of car and sharing research and development functions. There is a corporate HR function which controls and guides both car makers. This is responsible for international HRM strategy and policies for entire subsidiaries of the two car makers.

Since the mid-2000s, AutoCo has globalized its business operations aggressively by building overseas plants and engineering centres in China, India, North America and Europe. As businesses in foreign markets have grown, the number of locally hired employees has increased dramatically, and the issue of how to manage local employees to sustain its growth in those markets emerged as being critical. Once each subsidiary was set up and stabilized, senior managers in subsidiaries, as well as in corporate HR, began to consider the issues of developing, utilizing and retaining local employees more seriously. The Corporate HR team also perceived that subsidiary HRM practices were too closely defined by the personal view of the head of a subsidiary, rather than corporate policies and the practices, and they tended to be changed whenever a new head came into a subsidiary. The corporate HR team realized that there needed to be guidelines or policies regarding subsidiary HRM practices in order to maintain a minimal consistency as a global company across subsidiaries.

The corporate HR team launched a series of global HR initiatives intended to transform their HR functions from a multi-domestic state to a transnational state, in

which functions were to be more globally integrated, as well as locally responsive. The global HR initiatives started in 2005 when the corporate HR team launched an 'HR Innovation' project. In the project, the corporate HR team developed a global HR strategy and an initial draft of a 'Global HR Standard', which is a guideline describing the desired features of the HRM systems that their subsidiaries are expected to adopt. Since 2007, the corporate headquarters of the company has tried to deploy their newly developed 'Global HR Standard' to each subsidiary, whose HR function had previously been operated independently without any formal control from the parent company. Subsequently, various initiatives to support successful implementation of the 'Global HR Standard' were planned and implemented by the corporate HR team, such as publishing a Global HR Newsletter, sharing an internal Best Practice Manual, holding Global HR Conferences, implementing a Global Staff Exchange Program, deploying the 'Global HRD Standard', deploying a 'Global HR Standard 2.0' and announcing a new corporate value statement.

The particular orientation in their IHRM strategy, which guides those initiatives, was expressed as 'Glocalization', a term that interviewees explicitly used to describe their IHRM orientation as AutoCo pursued both global integration and local responsiveness simultaneously. Though there are academic originations of the term (e.g. Robertson, 1995), it was not clear whether interviewees actually adopted the term from the academic sources. It was apparent that interviewees were willing to express their IHRM strategy as neither sole globalization nor localization. They also tried to standardize their subsidiary HRM practices very selectively, based on decisions regarding whether each component of the various HRM practices, needs to be standardized or not in order to facilitate global assignments or corporate value sharing.

## 4.2.3  ElecCo1

ElecCo1, an affiliate of one of largest business groups in South Korea, is one of the leading MNEs in the global electronics industry.  Recently the firm surpassed most major competitors from US, Germany, and Japan in terms of revenue.  It is one of the pioneering companies in South Korea which went abroad early, and now more than 80 percentage of its revenue comes from overseas markets.

ElecCo1's global HR initiatives started from the headquarters' perceived needs to develop a consistent standard regarding the performance levels of employees across regions.  Due to the use of various standards across subsidiaries when evaluating local employees' performance, it was difficult to compare employees across subsidiaries. This prohibited corporate HR team of ElecCo1 from managing its workforce on a global basis.  After developing a globally standardized performance appraisal scale, a taskforce team was formed in 2004 to expand this global standardization work to other HRM areas, in order to improve the level of subsidiary HR teams' capabilities in conducting HRM in each subsidiary to a globally required standard.  The taskforce team consisted of HR directors and managers from each region, as well as the HR staff from the corporate headquarters.  To assist the development of consensus among different regions, and thus make the implementation process smooth, the corporate HR team involved every region in the design process by assigning members from each region to the design of a particular HRM practice.  This regionally-delegated co-design of each practice was then intended to be applied globally to every subsidiary beyond the lead region.

The team hired an international HR consultancy to provide support for the design of an employee grade system that could be used in every subsidiary. They benchmarked other leading MNEs intensively, such as GE, IBM and Toyota, and adopted practices selectively from these non-Korean MNEs. The targeted areas for standardization included the grade system, performance evaluation, pay policy and people review process. Though the new global HR system was introduced to standardize key elements of HRM practices globally, it was not applied to the corporate headquarters in South Korea, as they believed the distinctive HR systems (e.g. non-job based, partly seniority-based grade system) in corporate headquarters still had some merits in managing Korean employees (e.g. flexible assignment of tasks). So, the HR globalization strategy was one of standardizing the practices of all overseas subsidiaries to a new norm, but still having a separate brand of HR at headquarters, but a brand of HR that would slowly then be brought in line with the subsidiaries – a sort of periphery to headquarters flow process. It took several years to roll out the standardized HRM practices to all subsidiaries. Interviewees stated that the corporate headquarters has also been adopting the global HR system in an incremental way.

Following the global standardization work in selected areas of subsidiary HRM practice, ElecCo1 conducted a series of activities or efforts aimed at globalizing the HR function. They developed a global HR information system to support the implementation of newly designed HRM practices and integrate personnel information globally. The corporate HR team hosts a global HR conference every year. HR managers from regional headquarters and subsidiaries meet together and share key information and practices. The regular event has facilitated communication

and social networking across regions to some degree, though the event seems to be mainly driven by corporate headquarters' initiatives and agendas. With these globalization efforts, the localization of some other people initiatives was implemented concurrently to accelerate the development process of local employees and give them career visions by setting a specific target of filling key positions in subsidiaries with local employees within a limited time period. Inpatriation, a practice of assigning selected subsidiary employees into a team in the corporate headquarters for a period, was also initiated by corporate headquarters and used to give development opportunities for high potential local employees.

4.2.4 ElecCo2

ElecCo2 is also an affiliate of one of largest business groups in South Korea, and a major competitor to ElecCo1. The company has been widely recognized as an exemplary company in South Korea, which has put great emphasis on the globalization of its business operations, including HRM. For example, a former CEO intended to drive the firm rather radically toward what he termed a 'truly global company' and hired foreign nationals to fill the majority of top executive positions including CHRO (Chief HR Officer) at the corporate and regional headquarters.

Before the mid-2000s, like other South Korean MNEs, ElecCo2 had largely delegated the management of its subsidiary HR function to local managers in each subsidiary. Major integration efforts at the corporate level were subsequently focused on cultural integration, by trying to transfer and share 'ElecCo2 Way', which is a core value statement of the company, to every subsidiary. A number of communication activities,

including various campaigns and training programs for local managers to promote the corporate values, were initiated by the corporate headquarters.

From 2005, global integration approaches that had previously emphasized what was termed 'software' by an interviewee - such as values, mindsets, spirits - were shifted towards more 'hardware' oriented approaches, which focused on the HRM systems. The 'Global HR System' development project was launched in 2005 and the new system was deployed to the subsidiaries until 2008. The Global HR System is a basic HR information system based on an Enterprise Resource Planning HR module, using globally common HR principles. Through this globally integrated HR information system, ElecCo2 tried to standardize those HRM policies which were associated with basic personnel information, such as grade, performance appraisal rating, year of services and so forth. Interviewees asserted that the integrated HR information system would be a critical infrastructure that might enable corporate HR managers to manage workforces on a global basis.

The firm's endeavour for global integration in its HR function then focused on particular areas of HRM. One of the targeted areas was the performance appraisal system. ElecCo2 introduced a global performance management system from a global software vendor and implemented it in all its subsidiaries. Every subsidiary now operates the performance management system in an almost identical way. The next targeted area for global standardization was the grade system and reward schemes. The corporate HR team hired a US-based HR consultancy support the development of a globally standardized grade system through the use of systematic job evaluations

across regions. One of the purposes of introducing the global grade system and reward schemes was to facilitate staffing across regions regardless of nationalities of employees. The former CEO believed strongly that talent pools within each region could be utilized across regional borders as a 'truly global firm' and that idiosyncratic and distinctive grade systems and reward schemes in each subsidiary would be a substantial barrier to the transfer of employees from one region to another. Other supporting activities, such as a global HR conference, HR newsletter in business units, various HR related meetings at the regional level, were conducted in ElecCo2.

4.2.5  SteelCo

SteelCo is one of the largest steel manufacturers in the world. The firm was established as a government owned company in the late 1960s to build the foundation of the Korean economy, and was privatized in the early 2000s. Since the mid-2000s, the globalization of its component businesses has been a top priority for the firm, as they recognized that growth in their domestic market would be highly limited. Their new growth strategy, which was called 'SteelCo vision 2020', has been announced in 2010. One of key objectives in the strategy was to achieve almost 200 billion US dollars in revenue by 2020, almost four times the revenue in 2010. It was believed that the aggressive expansion of businesses to foreign markets would be a crucial means to achieve these ambitious objectives. SteelCo has rapidly expanded its businesses to Asian countries such as China, Vietnam, India and Japan, among others, and acquired several companies which were expected to support the execution of the globalization strategy.

As the company set up plants and other functions in foreign countries within a short time, HR related issues such as a shortage of expatriates and a lack of systematic HRM practices, emerged as central problems in the execution of the globalization strategy. The CEO of SteelCo emphasized strongly the need for 'global management systems' to resolve the problems, which would encompass South Korea as well as other countries in their scope of application. In response to the CEO's call, the HR team in corporate headquarters developed the 'Global HR roadmap' and launched a series of global HR initiatives based on this plan. The Global HR roadmap included several areas of focus, such as the corporate culture and HRM practices.

To deploy the 'SteelCo Way' across foreign subsidiaries, the company selected 'change agents' from subsidiaries and assigned them to attend a three week-learning program which was held at the corporate headquarters in South Korea. The selected change agents were then expected to customize the learning content delivered to them at the corporate headquarters to fit the context of their subsidiaries, and they subsequently deployed these customized learning programs to subsidiaries where they had worked. The focus of the learning programs was on the issue of how to implement the 'SteelCo Way' in each subsidiary. Another activity related to the cultural aspect in the globalization efforts was the implementation of 'Quick Six Sigma' in foreign subsidiaries. The Six Sigma is a method of quality management, which was initially developed by US MNEs and introduced widely among Korean companies as a tool for continuous innovation in the practices of management. SteelCo introduced it in the early 2000s and developed their own version of Six Sigma method, called the 'Quick Six Sigma (QSS)'. The firm tried to develop a pool of selected 'QSS Masters' in subsidiaries by training them through special learning

programs in order to make them initiate and lead QSS activities in each subsidiary. To support the development of local employees, SteelCo also introduced various special learning programs such as 'Global Challenge' and 'Global Leadership Development'. The Global Challenge program was intended to give selected local employees opportunities to work at the corporate headquarters in South Korea for six months to one year. The attendants were expected to build social networks with key contacts and learn the 'SteelCo way' through the work experience with people in the parent company. The Global Leadership Development program is a six-week learning program, delivered by an in-house learning institute at the corporate headquarters, for local managers to gain an understanding of corporate values, the distinctive method of continuous innovation, and the role of managers in leading each subsidiary with the values and the innovation method.

With regards to HRM practices, SteelCo supports the development of subsidiary HRM systems by providing HRM consulting services to subsidiaries. Corporate HR staff who were responsible for supporting the work visited subsidiaries to help subsidiary HR teams develop their own distinctive HRM systems, which fitted with local situations. The corporate HR staff followed an approach of what they called 'local optimization', which refers to the customization of the global templates they developed, as a basic principle in designing subsidiary HRM practices. They tried to standardize subsidiary HRM practices in highly limited areas and developed local versions of HRM practices in other areas. The senior management, as well as the HR team in the corporate headquarters, believed strongly that they need to prioritize the need for 'local responsiveness' in their management practices, including HRM, because the industry itself is highly regulated by national governments. Therefore

most of their business functions are operated in a locally distinctive way. For example, they asserted that SteelCo China, their subsidiary in China, should be considered as a Chinese company rather than a Korean company operating in China. However, they still emphasized that global integration was needed, at least in the corporate cultural aspect, as evidenced by the activities to share the 'SteelCo way' with their foreign subsidiaries.

4.2.6 CableCo

CableCo is one of the world's largest manufacturers of industrial cable products such as optical fibre, optical cable, communication cable, connectors and cable materials. The industrial cable industry is similar to the steel industry in that it is highly regulated by national governments. Business functions therefore tend to be operated independently at the country level. Thus localization of each business operation to meet distinctive demand of a local market could be a strategy that most firms would pursue in the industry. CableCo is not an exception as its international business strategy is much oriented towards the localization of business operations in each host country. The CEO of the company has explicitly emphasized that developing and delivering leading solutions to each market is the most fundamental requirement to succeed in the industrial cable industry.

Accordingly, the corporate HR team deliberately pursued a localization strategy in their HR function to support the international business strategy. One of the most significant ways in which they made judgements about what needed to be localized in their international HRM strategy was that they tried to design subsidiary HRM

practices which could address the distinctive needs, what they called 'engagement drivers', of local employees in each host country. Their notion of 'localization' of HRM practices is not then the simple adoption of HRM practices which are widely used in a host country (either for legislative or normative reasons). They did not take for granted that the adoption of widely used practices in a host country is always the best solution to gain local responsiveness in HR function, especially in a developing country. Interviewees mentioned that in many cases, developing countries lack dominant local practices due to the early phase of economic development. They believed that when they try to identify practices which could address the needs of local employees they should consider a wider range of sources of practices such as local practices, parent practices, practices in other subsidiaries as well as other MNEs. This distinctive notion of localization is similar to that of 'local optimization' in the case of SteelCo.

At the same time, however, the firm developed and operated some globally standardized practices in selected areas, such as global talent management and development programs, which were centrally controlled processes. There is a goal to replace current expatriates in key senior positions with local employees in each subsidiary, by accelerating the speed of development of the local employees. Each senior manager in subsidiaries, a majority of them are currently Koreans, is required to submit succession plans which include the identification of local employees as candidates for the key positions, their personal development plans and supporting requirements. The corporate HR team also developed a 'Global Talent Development' program to support the succession planning as a part of global talent management program. It is an integrated development framework which includes the definition of

the types and levels of needed global capabilities, and the specific learning

requirements for each of these types and levels. Leaders and potential leaders in each

subsidiary, as well as current and potential expatriates from corporate headquarters,

were the main target of the program. In the program, the sharing of corporate values

and developing leadership skills were emphasized strongly. Inpatriation to corporate

headquarters for one to two years was also utilized as a learning tool for selected local

employees.

4.2.7 ConfCo

ConfCo is one of three leading companies in the confectionery industry in South

Korea. Interviewees mentioned that most confectionery companies in South Korea

had focused on the domestic market, but ConfCo was one of the few exceptional

companies which had been successful in globalizing their businesses as a

confectionery firm, as more than half of sales came from foreign markets. The

company launched its international businesses by setting up foreign subsidiaries

including manufacturing plants and sales offices in China, Russia and Vietnam from

the late 1990s. For the last twenty years, the businesses in overseas markets have

grown dramatically and the sales in those markets have overtaken domestic sales. In

general, the company has pursued localization as its international business strategy,

though its products have been developed and customized to meet local tastes by the

research centre in the corporate headquarters. An HR senior manager of this firm

mentioned that the chairman of the company strongly asserted that its subsidiary in

each host country should be regarded as a 'local company' rather than as an MNE by

consumers in the host country.

In terms of HRM, ConfCo's approaches are oriented toward the pursuit of localization. For example, unlike other companies which send expatriates for a specific time duration, the company has sent employees in the parent company to foreign subsidiaries but transferred them permanently as subsidiary employees. The transferred employees were expected to learn local cultures, languages and ways of doing businesses to become 'truly local' employees. In 2010, the corporate HR team tried to define the role and responsibilities of the corporate headquarters and subsidiaries with regards to HRM-related activities by hosting a workshop which subsidiary HR managers were invited to attend. Through the discussions in the workshop, it was decided that subsidiary HR managers would be responsible for designing and operating most elements of subsidiary HRM practices, whilst corporate HR managers would be in charge of only a few selected areas of HRM practices, such as executive compensation. Interviewees from the corporate HR team reported that although there was freedom for subsidiary HR managers to choose the HRM practices which they think would be most appropriate for their subsidiary, in many instances, the reality was that many parts of parent practices were adopted in subsidiaries, as those practices were regarded as very advanced practices by the subsidiary managers or expatriates simply tried to apply the practices which they were familiar with. The parent company is one of the early adopters of the job and performance-based HRM practices in South Korea in the early 2000s, with the help of a US based HR consultancy.

In 2011, ConfCo started a project to identify the corporate cultural values which have been shared among employees as key sources of its competitiveness in the parent

company. It was intended that the identified values would be documented as corporate value statements to be transferred to foreign subsidiaries as a vehicle for cultural integration at the global level. The key idea underlying the intervention was that these values acted as the 'DNA' of the company, and therefore needed to be shared globally to maintain competitiveness across organizations, in all geographies. It was reported that historically this kind of cultural intervention had been highly regarded as a fundamental way of gaining competitiveness of the company, especially by the chairman. For example, in the early 2000s, the parent company conducted a similar project to define its desired culture as summarized as 'smart and strong' and the chosen values were promoted to be shared by employees through various ways such as communications, training and related HRM practices. The recent cultural project could be understood as an extension of the former endeavour of cultural integration to the foreign subsidiaries.

4.2.8 EbizCo

The online game industry first emerged from South Korea in the late 1990s and EBizCo is one of two leading online gaming companies in South Korea. EBizCo has grown rapidly and became a dominant player in the industry due to the launch of a serious of popular games in the global market. The company first ventured overseas in 2000 and now has a global network in the major markets of Asia, Europe, and North America. The expansion of businesses to foreign markets has been a top priority of the company like other Korean competitors as the domestic market became mature. The company pursues a localization strategy in its overseas businesses as it is believed that meeting the distinctive needs of local gamers is a key success factor in

the industry. However, the company also asserted the needs for global integration in particular areas of business operation to leverage its unique assets and expertise across component organizations within the company.

Regarding the HR management, the company has been focused on the localization of HRM practices in each subsidiary, following its international business strategy. The management of the company has been very cautious about the idea of integration in HRM, as they believed that blind efforts for integration might stifle entrepreneurial vitality in each subsidiary, and this innovative vitality is critical for success in each foreign market. To build up localized HRM practices, they needed a strong HR team in each subsidiary and thus hired capable HR experts in each market. The corporate HR team intended to construct a collaborative network across the headquarters and subsidiaries rather than relying on hierarchical relationships, as knowledge and learning could occur and flow in multiple directions including from headquarters to subsidiaries as well as from a subsidiary to headquarters and other subsidiaries. Facilitating knowledge flows across component organizations was a key consideration in building such a collaborative network within the global HR function.

Recently, they have started to think about the need for integration in several areas of HR management to strengthen their capabilities to attract, develop and retain talented employees across organizations. One of such efforts was the operation of a centralized compensation committee at the corporate level to review the available talent pool in each subsidiary, their development plans and appropriate compensation to retain them. It was mentioned by an HR executive that the management of talented employees and related labor cost is seen as a critical issue in the industry. The

corporate HR team also began to identify which areas of subsidiary HRM practices need to be standardized across host countries. The team tried to globally standardize selected practices, such as executive HRM practices, core competency-based learning program and key elements of the performance management system. They emphasised the significance of sharing corporate values as a global company and also believed the standardization of the selected areas of HRM practices would help to facilitate the cultural integration by promoting and reinforcing behaviours that they consider to be related to the corporate values.

4.2.9 CosmeCo

CosmeCo is a cosmetics company which has dominated the Korean market for six decades. From the late 1990s, the company started to expand its businesses into overseas markets. It currently has businesses in the US, France and Asian countries such as China, Vietnam, Taiwan, Thailand, Malaysia, Singapore and Japan, with an ambition of becoming one of top global brands. The company owns various lines of brands, from one brand considered to be of good value, to a prestigious one. It has differentiated the types of brand according to the economic development status of a host country. Its overall international business strategy could be described as the country-specific localization strategy. However, the CEO of the company recently decided to pursue a strategy which is geared toward global integration, as he faced several cases that signified the parent company's loss of control of its global operation due to the excessive localization. It was observed that several subsidiaries pursued their own interests rather than followed firm's corporate policies. It was believed that a localization strategy could be pursued more effectively, but only after building the

needed capabilities and monitoring mechanisms in each subsidiary through a global integration strategy.

Like ConfCo, CosmeCo is one of the pioneering companies in Korea which introduced the performance-based HRM practices in the early 2000s. After implementing the practices in the parent company, the corporate HR team has tried to deploy them to subsidiaries. Though the parent practices were utilized as a basic point of reference, it was intended to customize the practices to fit each local situation rather than transfer the whole system in a wholesale manner. With the localization of HRM practices, the company also emphasized the hiring and development of local employees who have a good understanding of local customers' needs, as the success in the cosmetics business would be highly dependent upon whether a company could understand and meet distinctive needs of local customers.

In terms of the global integration in the HR function, CosmeCo recognized the importance of building a distinctive and shared organizational identity across subsidiaries. It was reported that the CEO and other senior managers were very surprised when they visited subsidiaries, as they felt that local employees did not behave like members of the company, but more like employees of other companies. It was believed that they could not become a top global brand without sharing the unique 'DNA' of the company with all other employees in foreign subsidiaries. In the company, one of the main purposes of sending expatriates to subsidiaries was to share the ways to do work, the corporate values. The company even had a team specializing in the promotion of the corporate culture across organizations. Another aspect of the integration the company emphasized was to build a certain level of needed HR

capabilities in each subsidiary. This capability was seen in terms of bedrock HR disciplines, so it was asserted for example that basic HRM practices should be in place such as performance management, employee grade system and a performance-based payment system. The corporate HR team has supported each subsidiary in building such practices and implementing the ERP HR modules necessary to operate those practices.

4.2.10 InfraCo

Finally, the ninth company examined is InfraCo, which is a diversified group of businesses focusing on various infrastructure support businesses such as the construction of plant, including various power plants, and the manufacturing of construction equipment, machine tools and engines. Although the Group's business areas were mainly in consumer product industries, it restructured its businesses dramatically by selling major businesses in the consumer industries and acquiring other businesses mostly in heavy industries from the late 1990s. The group utilized cross-border mergers as its preferred mode of restructuring and entering new business domains in Korea as well as other countries. In the mid-2000s, the group acquired a number of global companies, including a UK-based leading engineering company, the largest casting and forging company in Romania, and the world's largest supplier of small construction equipment in the US. Through a series of mergers, the Group now has more than 80 subsidiaries in 35 countries in Asia, Europe and North America.

InfraCo has emphasized the significance of human resource development as a key requirement of its business success, as expressed by a statement of its management

strategy that 'business growth through people growth'. The chairman of the group has shown a strong interest in HR aspects of the businesses and tried to direct the Group towards being a global company which has a strong corporate culture, namely the 'InfraCo Way'. HRM practices were considered as an important way of embedding the desired culture in country organizations, and thus several components of HR practices have been globally standardized, especially those which were believed to be related to the promotion of the corporate culture. Such components of HR practices include executive level HRM practices, grade system, key elements of the performance management system, and talent management programs including succession planning. The standardized components of the HRM practices were also expected to be helpful for staffing across borders in order to realize the potential synergy effects between merged organizations by sharing key human resources.

Though the group attempted to integrate several areas of HRM, its general approach to international expansion was oriented more toward the pursuit of localization, as the businesses were highly diversified and most of the subsidiaries were acquired ones, some of which were bigger than the parent company. The parent company did not intend to integrate the HR function of country operations or owned local businesses excessively without there being a strong rationale. To retain and utilize local talents in each subsidiary, the corporate HR team was keen to show these individuals that there were opportunities of personal growth within the organization. They promoted local employees to fill the key positions in subsidiaries, rather than sent expatriates from the parent company. The talent management program, including succession planning, was one of the vehicles used to support the development and utilization of local employees. Most HR-related decision authorities were delegated to each

subsidiary HR team, who were expected to localize subsidiary HRM practices to fit their distinctive local contexts.

Table 4.1 summarizes the overview of each company, including its industry, international strategic orientation, IHRM orientation, and IHRM related activities. Detail analysis across the companies with regard to modes of global integration and local responsiveness, and influences on the different patterns in IHMR strategy and practices will be presented in the following sections.

**Table 4.1 Summary of globalizing HRM of the companies**

| | AutoCo | ElecCo1 | ElecCo2 | SteelCo | CableCo | ConfCo | EbizCo | CosmeCo | InfraCo |
|---|---|---|---|---|---|---|---|---|---|
| Industry | Auto | Electronics | Electronics | Steel | Wire & cable | Confectionery | Online game | Cosmetics | Heavy equipment |
| International strategic orientation | Global | Global | Global | Local | Local | Local | Local-some global | Local-some global | Local-some global |
| IHRM orientation | Global-local | Global-some local | Global-some local | Local-some global | Local-some global | Local-some global | Local-some global | Local-some global | Local-some global |
| IHRM-related activities | • Selective standardization of subsidiary HRM practices<br>• Deploy 'AutoCo values'<br>• Global Staff Exchange<br>• Sharing a best practice manual<br>• Global HR conference<br>• Global HR Newsletter<br>• Global HRD | • Selective standardization of subsidiary HRM practices<br>• Inpatriation<br>• Global HR information system<br>• Global HR Conference | • Selective standardization of subsidiary HRM practices<br>• Deploy 'ElecCo2 way'<br>• Global HR information system<br>• Global HR conference<br>• Publishing Global HR Newsletter | • Selective standardization of subsidiary HRM practices<br>• Deploy 'SteelCo way' & 'QSS'<br>• 'Global Challenge - inpatriation' & 'Global Leadership Development'<br>• Global HR conference | • Selective standardization of subsidiary HRM practices<br>• 'Global Talent Management/Development'<br>• Inpatriation | • Selective standardization of subsidiary HRM practices<br>• Deploy ConfCo values | • Selective standardization of subsidiary HRM practices<br>• Deploy corporate values<br>• HR Practitioner network<br>• Centralized Compensation committee | • Selective standardization of subsidiary HRM practices<br>• Deploy corporate values<br>• Global HR information system | • Selective standardization of subsidiary HRM practices<br>• Deploy 'InfraCo way'<br>• Global talent management |

## 4.3 The Modes of Global Integration and Local Responsiveness in IHRM

The interviews with corporate HR executives and managers in nine companies, then, show that the seemingly apparent notions of global integration and local responsiveness are actually conceptualized and enacted in different ways. Based on the analysis of interview data, several modes – particular ways of conceptualization and enactment - of global integration and local responsiveness in managing human resources of the nine MNEs were identified. Each company showed different patterns in terms of the salience to particular modes of global integration and local responsiveness and those patterns are reflected in their distinctive IHRM strategy and practices. It is also found that the pattern of showing different modes and related IHRM strategy are largely influenced by three broad factors: overall international strategy responding to the characteristics of a particular industry; management beliefs regarding ways of effective management of human resources at the global level; liability of origin.

### 4.3.1 Modes of global integration

Regarding the global integration in managing human resources of MNEs, several distinctive modes were identified across three dimensions such as corporate culture, workforce, and HR function. Table 4.2 summarizes the empirical evidence regarding the different modes of global integration from the research. In the table, three modes are presented with a conceptual definition, indicative interview quotes and related activities for each mode. Several common themes emerged through the review of

interview data and the provisional modes which represented the common themes were identified. The provisional modes were then refined and validated through the on-going data analysis process across the nine firms. The specific name and the conceptual definition for each mode were also developed through the interpretation of the common themes.

4.3.1.1 Global cultural integration

The study shows that "cultural integration as a global company" is the most widely found mode of the global integration in HRM of the companies (Table 4.4). Most companies had a belief that in order to construct organizational identity at the corporate-wide level, at least corporate values should be shared amongst all employees in each subsidiary, regardless of the degree of orientation toward global standardization of HRM practices.

## Table 4.2 Summary of data analysis on the mode of global integration

| Mode | Concept | Indicative interview quote | Related activities |
|---|---|---|---|
| Global cultural integration | To construct organizational identity at the corporate-wide level, corporate values should be shared globally amongst all employees in a company. | #1. "One of the key goals of the global HR initiatives is to deploy our company's core values. When we went to subsidiaries and worked with our colleagues there, it was quite difficult to find a sense of identity as a member of AutoCo from them. We even called them with such a label as 'Hyun–Chae-In' (locally recruited employee), though we all are actually employees of the same company. That was the starting point of our globalization journey. We redefined our core values recently to deploy them to all our employees in the world, basically saying 'now we are the one, sharing common values and minds regardless of differences in nationality, ethnicity, language and culture!'" (corporate HR senior manager, AutoCo.)<br><br>#2. "Our company has strongly emphasized the 'SteelCo Way'. We believe sharing the sense of a family as a member of SteelCo is very important. We do various communication and training activities to share a common mindset based on the 'SteelCo Way' with all employees regardless of location or nationality." (corporate HR group leader, SteelCo.)<br><br>#3. "The key is our 'InfraCo (company name) way'. We believe business growth can be realized only through sharing how to work in our company. Our chairman has a clear philosophy regarding people and he wants to deploy our credo or key values through our HRM systems. We view the integration of our global organization in this way. Our organization strives to achieve chemical integration rather than mere mechanical integration." (corporate HR executive, InfraCo.) | • Definition and communication of corporate values<br><br>• Design and delivery of learning program to share corporate values<br><br>• Selective standardization of components of HRM system based on corporate values – e.g. uses of competency framework based on corporate values as a part of selection criteria for new employee/top talent or an element of performance evaluation system |
| Global workforce integration | To support business growth in foreign markets, workforce pool in a home base as well as host countries needs to be developed and utilized fully on a global basis. | #4. "The most fundamental objective of our globalizing HRM efforts is to build a platform for global assignment. The reason why the global assignment is so important for us is that we are doing business in developing countries such as India and China as well as developed countries. In developing countries, there is always resource shortage, insufficient pool of experienced people. It would be | • Global assignment across units of organization<br><br>• Construction of globally integrated HR information |

| Mode | Concept | Indicative interview quote | Related activities |
|---|---|---|---|
| | | great for our business, if we can fully leverage our current employee pool through globally optimal staffing. It also could give a career vision to local employees beyond their current locations." (corporate HR executive, AutoCo.)<br><br>#5. "Initially, our Global HR work started to set a common view on our human resources, as we didn't have a consistent framework to evaluate, develop and utilize employees all over the world to manage them effectively at the corporate level.... To identify, develop, and utilize key human resources at the global level based on human resource information and to fill key positions such as head of subsidiary with those people is everything we try to do. That might be a key difference between truly global company such as GE and other companies with foreign operations." (corporate HR senior manager, ElecCo1.)<br><br>#6. "There might be a clear limitation in the growth of our businesses if we are solely dependent on our Korean employees. For us, the true globalization means that any excellent person in our Indian subsidiary, for example, can be assigned as a head of our US subsidiary like other global firms do. To do this, the basic components of subsidiary HRM systems need to be standardized, as otherwise it could be more difficult to transfer our employees across the subsidiaries than to hire external candidates. That is the basic logic of our 'global HR' initiatives." (corporate HR manager, ElecCo2). | system<br>• Design and implementation of global talent management program<br><br>• Selective standardization of components of HRM system to facilitate global staffing – e.g. standardized grade system and performance management system |
| Global HR capability integration | To achieve the minimal level of functional expertise required in each subsidiary, basic HRM systems and organizations need to be built, coordinated and connected globally. | #7. "When we think of the degree of global integration in HR function of a subsidiary, firstly we see overall capability of HR function in the subsidiary and secondly, we see how effectively the subsidiary communicate with the corporate headquarters and other subsidiaries. Seamless and active communication between units of organization across the globe is really important." (corporate HR executive, ElecCo2.)<br><br>#8. "Our view on global integration is that every site should have a consistent level of people management practices regardless of locations. Specific HRM systems could be different according to each subsidiary's unique situation, but, | • Definition of roles and responsibilities of corporate, regional and local HR organizations<br><br>• Support of designing subsidiary HRM system from corporate headquarters through guidelines and/or subsidiary visits |

| Mode | Concept | Indicative interview quote | Related activities |
|---|---|---|---|
| | | each HR function in subsidiaries needs to gain and maintain a minimum level of expertise in HR management." (corporate HR manager, SteelCo.)<br><br>#9. "When we say a function is well integrated globally, it means that the function has seamless communication channels across countries, formally as well as informally. A subsidiary which is well integrated globally tends to communicate in a speedy and reliable way with other units, and thus our CHQ (corporate headquarters) can have a sense of what is going in the subsidiary and respond quickly when an issue emerges." (corporate HR team leader, AutoCo.) | • Promotion of sharing knowledge and building social ties amongst HR practitioners – e.g. global HR conference, newsletters, conference calls, best practice sharing |

Though there was some cynicism regarding the plausibility and efficacy of endeavours toward value sharing across different cultures, it was nonetheless considered as a mandatory requirement to be a 'Global Company' regardless of their international strategy, a necessary condition if not sufficient element of global integration. Importantly, companies such as SteelCo, CableCo and ConfCo, which pursue a localization strategy as their international strategy, tend to consider it as a prerequisite to local delegation. The degree of emphasis on this mode as a key underlying logic of international HRM strategy was largely influenced by top management's belief regarding the importance of corporate values as an integrating glue across globally dispersed units of organization.

Typical activities which reflect this mode include defining corporate values and deploying them through various communication methods such as presentations by corporate HR department, brochure, management speech, and value statement cards. The development and delivery of company-wide learning program to communicate and share those corporate values was also widely conducted. Some companies who prefer more systematic approaches tried to standardize their components of HRM system selectively based on corporate values. For example, InfraCo used a competency framework based on corporate values as a part of selection criteria for top talent. AutoCo uses a globally common competency framework based on its corporate values as an element of performance evaluation system.

4.3.1.2 Global workforce integration

The second mode of the global integration in HRM of MNEs is related to the workforce aspect. When business in foreign markets grows rapidly, corporate HR actors tend to face strong pressures from business managers to support their business growth by preparing and supplying needed workforce in a timely manner. In the interviews for this study, it was argued that to support business growth in foreign markets, the workforce pool in a home base as well as host countries should be developed and utilized fully on a global basis. Six of the companies studied were keen to utilize the potential of the workforce fully at the global level, by extending corporate HR's attention to workforce pools in various foreign subsidiaries. Their concept of global integration was explicitly oriented toward the workforce aspect. Interviewees from MNEs which expand their businesses into emerging markets strongly emphasized the importance of utilizing workforces on a global basis to address the workforce shortage issue in those markets (Table 4.2: #4). It was also identified that companies which pursued a global business strategy also tended to focus on the development and utilization of global workforce across countries, whereas those following a localization strategy emphasized the development and utilization of local employees.

Several activities that reflect this mode were identified, such as global assignment across units of the organization, construction of globally integrated HR information systems to support the identification and utilization of people needed in any place in the world, design and implementation of global talent management programmes, and

selective standardization of components of HRM system to facilitate global staffing (for example, standardized grade system and performance management system).

### 4.3.1.3. Global HR capability integration

The third mode of global integration is to focus on HR functional effectiveness at the global level, which is labelled "global HR capability integration" in this research. The basic concept of this mode is that in order to build HR functional expertise at a minimum level in each subsidiary, basic HRM systems and organizations should be built and connected with each other seamlessly. This concept is more narrow than the other two, in that in terms of organizational scope it mainly concerns 'within HR function', whereas cultural integration or workforce integration might have an organizational scope beyond the HR function.

Typical activities which reflect this global HR capability integration concept include the definition of roles and responsibilities of corporate, regional and local HR organizations. For example, the corporate HR team of ConfCo organized a workshop which corporate and subsidiary HR managers attended with an aim of deciding specific roles of each HR organization at the different level regarding each area of HRM tasks. After the workshop, a role and responsibility chart was developed which defines what each corporate and subsidiary HR team should be in charge of in order to operate entire HR function across countries more effectively. Another type of related activity is to provide consultancy support from corporate headquarters for the

designing of subsidiary HRM systems, through the provision of guidelines or visiting

subsidiaries. The promotion of sharing knowledge and building social ties amongst

HR practitioners through global HR conference, newsletters, and conference calls was

also widely identified as a type of activity with regard to global HR functional

integration.

4.3.2 Modes of local responsiveness

When it comes to the construct of local responsiveness, two modes were identified on

the dimensions of workforce and HRM practice. Table 4.3 present a summary of the

data analysis results, which shows the modes with indicative interview quotes as well

as related activities for each mode.

4.3.2.1 Localization of people

The local responsiveness as localization of people was most widely identified mode

across nine companies. All the companies showed strong or moderate level of

emphasis on this mode. Interviewees from several companies such as SteelCo,

CableCo and ElecCo1 explicitly mentioned that their ultimate goal of globalizing HR

is to replace current expatriates with competent local staffs. As businesses in foreign

markets rapidly grow, it might become key challenges for the companies to expand

regional scope in developing and utilizing workforce regardless of their international

strategies as the pool of competent expatriates become very limited. The core logic of

the mode is that the pool of local staff should be developed and utilized actively to do

business successfully in each local market as local staff would be more appropriate in developing local markets. This is also believed to give a sense of long-term career vision to local staff.

**Table 4.3 Summary of data analysis on the modes of local responsiveness**

| Mode | Concept | Indicative interview quote | Related activities |
|---|---|---|---|
| Localization of people | To do business successfully in each local market, the pool of local staff should be developed and utilized actively. | #1. "We are talking about 'Global ConfCo (company name)', but actually our company is heavily oriented toward localization. Our first priority is to acquire, develop and utilize local people. Even our expatriates are requested to localize themselves fully…think themselves as local people. If you go to China, you should love China and you even should be a Chinese. That is our core concept of localization." (corporate HR executive, ConfCo.)<br><br>#2. "We prefer developing local people internally to acquiring people from outside. Developing local people who would share our values in the long run and replacing current expatriates in key positions of each subsidiary with those locally developed people is one of criteria in judging our global business success. We are aware of the risk of short-term buying from external labor market." (corporate HR senior manager, SteelCo.)<br><br>#3. "Our focus is on the attraction and retention of local employees who we need in each local market. We always request subsidiary HR managers to keep focus on that. Sometimes we support the recruitment and selection process to hire local managers. The corporate HR regularly runs a special training program for locally selected employees in Korea. Every year the corporate HR team requests subsidiary HR teams to submit a list of local candidates to replace current expatriates in key positions in subsidiaries and ask the candidates to come to the corporate headquarters to have an opportunity to work for one year." (corporate HR senior manager, CableCo.) | • Talent management program to identify high potentials from local people and accelerate development process for them<br><br>• Inpatriation as a tool for local employees to develop social ties with people in headquarters and share corporate values<br><br>• Define the role of expatriate as a coordinator rather than a decision maker within a subsidiary to delegate decision authorities to local employees |

| Mode | Concept | Indicative interview quote | Related activities |
|---|---|---|---|
| Local customization of HRM practices | To address unique context of each subsidiary, subsidiary HRM practices should be customized to local situations such as legal, cultural and labor market conditions. | #4. "We don't try to transfer parent practices to subsidiaries as we don't think standardized practices can address all the distinctive contexts of each subsidiary. There is an enormously wide range of different kind of subsidiaries in our company. Thus, instead, we tried to identify the core areas that really need to be standardized and in all other areas we strive for the local customization. Our management strongly asserted that we shouldn't make a mistake of excessive standardization in HRM practices as the role of HR is to support local businesses. Only the core philosophies of our company should be reflected in the locally optimized HRM practices. That is our direction." (corporate HR manager, SteelCo.)<br><br>#5. "Our goal of global HRM is to support business success in each local market. We believe people in each country and region are so distinctive and thus the drivers to engage them are different with each other....For example, in emerging markets such as China, a key engagement driver would be pay. Local employees may have good opportunities to move by offer of pay increase by competitors and thus they tend to be quite sensitive to payment system. We don't set specific pay ranges for key people in those regions and instead we are very flexibly in adjusting their pay level to respond to rapidly changing labor market conditions." (corporate HR senior manager, CableCo.)<br><br>#6. "We try to localize everything except our core values. Subsidiary HR systems are all different across host countries as a result of adapting to different legal system and local practices." (corporate HR executive, ConfCo.) | • Design of each subsidiary HRM system to address distinctive engagement drivers of local employees<br><br>• Selective adjustment of component of subsidiary HRM system to avoid legal risk or adopt general practices in a particular labor market |

The activities based on this mode include the development and delivery of talent management program to identify high potentials from local people and accelerate their development process. For example, CableCo runs a talent review session and global succession planning yearly. Each senior executive should designate more than two successors for each key position and at least one successor should be a locally hired candidate. AutoCo and SteelCo utilize inpatriation as a tool for local employees to develop social ties with people in headquarters and share corporate values. Those companies believed that if local people with high potential have good relationships with key people in corporate headquarters and understand how things work in the companies, they can be assigned to key positions in subsidiary more quickly. In order to delegate decision authorities to local employees, for instance, AutoCo defines expatriates' role as a coordinator between corporate headquarters and a subsidiary rather than a decision maker within a subsidiary.

## 4.3.2.2 Local customization of HRM practices

Another mode of local responsiveness is local customization of HRM practices. A general manager and line managers in a subsidiary face unique business situations in terms of growth of industry, degree of competition, customer's needs and so on. To do their business successfully in the local situation, they have distinctive needs related with HRM practices and judge the degree of local responsiveness of their HR function based upon their perceptions regarding how the HR function anticipates and responds sensitively to the distinctive business dynamics of local market by understanding local business dynamics, responding to them in a timely manner, devising and doing

appropriate practices, and acting flexibly. The concept of local customization of

HRM practices is far more nuanced than that of localization of HRM practices, which

conventionally refers to the adoption of local practices that are widely used in a host

country as discussed earlier. A major concern in this concept is how to address

distinctive needs of current or potential local employees under legal, cultural and labor

market conditions of a host country, but not necessarily adopting the local practices.

Rather, "effective practices" in meeting the needs of local employees are decided

among parent practices, practices in other host countries, or even well-known best

practices, as well as practices in the local labor market by either domestic or foreign-

owned firms. Thus the practices resulting from this concept could be those that are

differentiated from, as well as adapted to, local practices.


Activities following this conception include the design of each subsidiary HRM

practices to address distinctive engagement drivers of local employees and the

selective adjustment of component of subsidiary HRM system to avoid legal risk or

adopt local practices in a particular labor market. SteelCo, CableCo and ConfCo

offered concrete illustrations of this. SteelCo expressed explicitly that the 'local

optimization' is one of the goals in globalizing HR function. When the corporate HR

team visited a subsidiary and tried to support design work of subsidiary HRM

practices, they tried to customize the subsidiary's HRM practices to meet unique

needs of local employees. Similarly, CableCo tried to optimize each subsidiary's

HRM system to address distinctive 'engagement drivers' of each subsidiary. There

were corporate HR staffs who were fully dedicated to study and identify those

engagement drivers in each subsidiary in collaboration with local HR managers and

expatriates and they helped each subsidiary to design subsidiary HRM practices based on the concept of local customization.

## 4.4. Relationship between Modes of Global Integration and Local Responsiveness

With regards to the relationship between the global integration and local responsiveness, all the companies in the study expressed a view that both of them should be pursued simultaneously, rather than considered as a trade-off. Several companies such as AutoCo and EbizCo explicitly used a term 'Glocalization' to describe their overall orientation of international HRM strategy:

"The terms, global integration and local responsiveness seem to be opposite direction. But, 'Glocalization' would be an appropriate word in recognizing the importance of balancing them and not solely striving for one of them, sacrificing the other. Should we localize entirely? Or should we integrate fully? Those would not be right answers. We need to integrate in core areas, but localize in other areas." (Corporate HR senior manager, AutoCo)

Though all the companies pursued both the global integration and local responsiveness to an extent, there were differences in the way of balancing between the two. Companies such as AutoCo, ElecCo1, and ElecCo2 emphasized the global

integration more than the other, pursuing the local responsiveness in limited areas. Other six companies strived for the local responsiveness as much as possible, limiting areas of integration in selected core. However, more importantly, all of them perceived such tendency of a particular focus as a temporary state. In most cases, the current state of focus between the global integration and local responsiveness was considered as a particular phase in globalization or an outcome of continuously responding to evolving issues with regard to international HRM and expected to change in the future. One interviewee in CosmeCo expressed this view clearly:

"Initially our approach was more focused on localization. We delegated a lot to each subsidiary. But, recently our focus has changed dramatically. Now we are emphasizing global integration, as our CEO recognized too much localization could be problematic. Our ultimate goal is still to localize as much as possible, but we approach differently according to a particular phase of globalization. Current focus of integration can be viewed as an intermediate phase or foundation to strive for localization more thoroughly in the next phase." (Corporate HR Senior Manager, CosmeCo.)

Another important insight from the interviews, and identified across companies, was the differences in the degree of relative salience of a particular mode. Here the degree of relative salience of, or emphasis on, a particular mode was judged by the researcher based on (1) interviewees' perception with regard to their company's focus on particular modes, and (2) their observation of activities in relation to the modes in

their companies. As shown in Table 4.4, every company pursues both global integration and local responsiveness in various ways, but the degree of emphasis among the modes of global integration and local responsiveness is different with each other. For example, AutoCo, ElecCo1 and ElecCo2 are similar in their overall orientation toward global integration rather than local responsiveness and their emphasis on localization of people as a way of achieving local responsiveness. However, they are different in their degree of emphasis on a particular mode of global integration: AutoCo empahsizes global cultural integration and global workforce integration; ElecCo1 strongly emphasizes global workforce integration; ElecCo2 emphasizes global HR capability integration. SteelCo, CableCo and ConfCo shows a similar pattern in their strong emphasis on local responsiveness, in terms of both localization of people and local customization of HRM practices, but, they are also different in their specific emphasis on the modes of global integration. In short, each company shows a distinctive profile across the five modes of global integration and local responsiveness regarding its international HRM strategy.

## Table 4.4 Degree of relative salience of modes across companies

| Category | Mode | AutoCo | ElecCo1 | ElecCo2 | SteelCo | CableCo | ConfCo | EbizCo | CosmeCo | InfraCo |
|---|---|---|---|---|---|---|---|---|---|---|
| Global integration | Global cultural integration | ●[1] | ◎[2] | ◎ | ● | O[3] | ◎ | O | O | ● |
| | Global workforce integration | ● | ● | ◎ | O | ◎ | n/e | n/e | n/e | ◎ |
| | Global HR capability integration | ◎ | ◎ | ● | ◎ | O | O | O | O | O |
| Local responsiveness | Localization of people | ◎ | ● | ◎ | ● | ● | ● | ◎ | ◎ | ◎ |
| | Local customization of HRM practices | O | O | O | ● | ● | ● | ◎ | ◎ | ◎ |

1. ●: Strong emphasis; 2. ◎: Moderate emphasis; 3. O: Minimal emphasis; n/e: No evidence.

## 4.5 Parent Company's Approaches to Subsidiary HRM practices

In the previous section, it was shown that there are various modes of global integration and local responsiveness in HRM of MNEs and a series of activities performed by the companies can be understood as incidents of a particular mode of global integration or local responsiveness. It was also presented that in reality firms use these modes in different degrees and can be profiled on them in terms of the salience of each mode. This section analyses how these modes are actually reflected in parent firms' approaches to subsidiary HRM practices – one aspect of IHRM strategy of MNEs. Before analyzing each company's approach to subsidiary HRM practices and its relationship with the modes of global integration and local responsiveness, common patterns across nine companies are reviewed first.

### 4.5.1 General patterns in parent company's approaches to subsidiary HRM practices: 'hybridization at the component level'

In every firm the researcher found evidence of standardization, localization and hybridization in each of the five core HRM practice areas. The analysis of orientations across the micro-components of the five HRM practices reveals that, at this level, evidence for wholesale and homogeneous approaches that can be coherently summarized as standardization or localization is lacking. Rather, in each participant firm, it is observed that viable options are sought and selected from among the three orientations for each micro-component of practices. For the firms in the study, the main reference point for standardization efforts emerges from perceived 'global best

practices', mainly influenced by U.S. MNEs' practices, rather than the imposition primarily of parent company or home country practices on subsidiaries. These patterns of IHRM strategy regarding subsidiary HRM practices reflect a more sensitive and receptive approach to the multiple institutional pressures by the Korean MNEs, which will be discussed in detail in the Discussion chapter.

All participant companies were involved in those common activities associated with the development of global HRM guidelines, designed to guide and regulate HRM practices in subsidiaries or, in some cases, across an entire MNE including the parent company. For the most part, these guidelines are intended for white-collar employees only, HRM practices for blue-collar employees still being largely left at subsidiaries' discretion.

Table 4.5 shows how ElecCo1 planned to regulate their subsidiary HRM practices in selected areas: job/grade system and performance management system. In each of the five HR practice areas, the MNE carefully decided which component of the HRM practices needed to be globally standardized (following globally common standards), localized (allowing subsidiary discretion to respond to local needs), or hybridized (allowing local modifications on the global standards).

## Table 4.5 Selective example of global HRM guideline: ElecCo1

| HRM practice area | HRM practice element | Globally common[1] | Hybrid[2] | Localized[3] |
|---|---|---|---|---|
| Job & grade | Job classification: job family | √ | | |
| | Job classification : job list | √ | | |
| | Job description: category | | | √ |
| | Job description: content | | | √ |
| | Grade: number | √ | | |
| | Grade: criteria/definition | √ | | |
| | Grade: title | | | √ |
| | Promotion: requirement/ criteria | | | √ |
| | Promotion: process | √ | | |
| Performance management | Performance evaluation factor | √ | | |
| | Performance measurement item | | √ | |
| | Weighting of evaluation factors | √ | | |
| | Performance rating scale | √ | | |
| | Forced distribution | √ | | |
| | Evaluation cycle/ frequency | √ | | |
| | Performance management process | √ | | |
| | Performance evaluation assessor | | √ | |
| | Performance management form | √ | | |
| | Linkages to other HR applications | √ | | |
| | Common competency | √ | | |
| | Leadership competency | √ | | |
| | Job skill/ competency | | | √ |
| | Competency assessment process | | | √ |
| | Competency assessor | | | √ |
| | Competency assessment rating scale | | | √ |

1. Globally common (following globally common standards), 2. Hybrid (allowing local modifications on the global standards), 3. Localized (allowing subsidiary discretion to respond to local needs)

For example, for the purpose of facilitating global staffing across different organizational units and locations – a logic of global workforce integration – with an introduction of company-wide HR information system, they had to first use a globally common job classification system for job families and even a job list. However, specific job description categories and the content of job descriptions were left to local discretion. Similarly, the number of job grades, the general definition and criteria for each grade, and the formal promotion process were defined as globally common elements, whereas the grade title and the specific promotion requirements could be localized. In the performance management system, the majority of elements were defined as globally common or at least hybrid, based upon a global guideline, as this MNE considered that maintaining a performance-oriented management style was a critical ingredient for their business success, while specific job related competencies could be developed locally, reflecting local business and organizational contexts. In short, the choices made for each component reflected a nuanced understanding of where local discretion was possible without impacting the high-level global requirements of the HR system as a whole.

As illustrated by the example, it is difficult to assess a particular HRM practice as globally standardized or localized without also carefully examining each practice at the component level.

# Table 4.6 Summary of global HRM guidelines of the companies

| Component of HRM practices in MNEs 1 to 9 | 1[1] | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|---|
| ***Job & Grade*** | | | | | | | | | |
| Job classification: job family | G[2] | G | G | H | H | H | H | G | H |
| Job classification : job list | G | G | H[2] | H | H | H | H | H | L |
| Job description: category | L[2] | L | H | H | L | L | H | G | G |
| Job description: content | L | L | H | H | L | L | H | H | H |
| Grade: number | G | G | G | G | H | L | H | G | G |
| Grade: criteria/definition | G | G | H | G | H | L | H | G | G |
| Grade: title | G | L | H | L | H | H | H | G | H |
| Promotion: requirement/ criteria | G | L | H | H | H | L | H | G | H |
| Promotion: process | L | G | L | H | H | L | H | H | H |
| ***Recruitment & selection*** | | | | | | | | | |
| Recruiting methods | L | G | L | H | L | L | H | H | H |
| Recruiting message | L | L | L | H | H | L | L | L | L |
| Selection: criteria | H | L | L | H | H | L | H | L | H |
| Selection: assessor | H | L | L | H | H | L | H | L | L |
| Selection: process | L | G | L | H | H | L | H | L | H |
| Selection:  assessment tools | L | L | L | H | H | L | L | L | H |
| ***Learning & development*** | | | | | | | | | |
| Succession planning: executive pool | G | G | G | H | G | H | L | H | G |
| Succession planning: high potential talent | L | G | G | H | G | L | L | H | G |
| Learning program: leader | G | G | G | G | G | L | L | H | L |
| Learning program: Common competency | G | G | G | G | G | H | G | H | G |
| Learning program: profession/ job related | L | L | H | H | H | L | L | H | L |
| Learning delivery/ operation | H | L | H | H | H | L | L | H | L |
| ***Performance management*** | | | | | | | | | |
| Performance evaluation factor | G | G | G | L | G | H | G | G | G |
| Performance measurement item | L | H | H | L | H | H | H | H | H |
| Weighting of evaluation factors | G | G | G | L | H | H | G | H | H |
| Performance rating scale | G | G | G | L | H | H | G | H | L |
| Forced distribution | G | G | G | L | H | H | G | H | L |
| Evaluation cycle/ frequency | G | G | G | L | H | H | H | H | G |
| Performance management process | G | G | G | L | H | H | H | H | H |
| Performance evaluation assessor | L | H | H | L | H | H | H | H | L |
| Performance management form | L | G | G | L | H | H | G | H | H |
| Linkages to other HR applications | L | G | G | L | G | H | H | H | H |
| Common competency | G | G | G | L | L | L | G | H | G |
| Leadership competency | G | G | G | L | G | L | L | H | G |
| Job skill/ competency | L | L | G | L | H | L | L | H | L |
| Competency assessment process | G | L | G | L | H | L | H | H | G |
| Competency assessor | L | L | G | L | H | L | H | H | G |
| Competency assessment rating scale | G | L | G | L | H | L | G | H | G |
| ***Compensation & benefit*** | | | | | | | | | |
| Employee pay structure | L | G | G | L | H | H | L | G | L |
| Employee base pay range | L | L | L | L | L | L | L | H | L |
| Employee base pay increase | H | H | L | L | L | L | L | H | L |
| Employee Incentive | L | L | H | L | H | L | L | H | L |
| Executive pay structure | L | L | G | L | H | G | H | H | G |
| Executive base pay range | L | L | G | L | L | G | H | H | H |
| Executive base pay increase | L | L | G | L | L | G | H | H | H |
| Executive Incentive | L | L | G | L | H | G | H | H | H |
| Benefit: employee | L | L | L | L | L | L | L | H | L |
| Benefit: executive | L | L | G | L | L | H | L | H | L |

1. Company ID number: 1.AutoCo; 2.ElecCo1; 3.ElecCo2; 4.SteelCo; 5.CableCo; 6.ConfCo; 7.EbizCo; 8.CosmeCo; 9.InfraCo
2. G: Globally common (following globally common standards), H: hybrid (allowing local modifications on the global standards), L: Localized (allowing subsidiary discretion to respond to local needs)

Through the analysis across the nine firms (Table 4.6), it was found that all can be

classified as being oriented toward a hybridization approach at the component level as

described above. Although variations in the particular blend of hybridization exist

across the MNEs in their overall approach, there is not one case that could be

classified as being geared predominantly toward either global standardization or

localization. Even in the electronics and automotives sectors, which have been

recognized as examples of globally integrated industries (Porter 1986), the Korean

MNEs intended to standardize only a highly selective range of components within

their HRM practices.

Reflecting this, most interviewees were reluctant to describe their IHRM strategy as

being based on a global-local dichotomy as shown in the quotation from a corporate

HR manager:

> "Actually, we began to approach the issue of global HRM with the concept
>
> of standardization, but, after giving careful consideration to it, we finally
>
> concluded that it might be unrealistic to stick to a standard model which is
>
> developed by the center due to the complexity in each subsidiary situation.
>
> We thought that how to deploy and make it work in each subsidiary is a
>
> real issue. So, we took the view of local optimization, utilizing [external
>
> global] best practices as just one source of reference." (Corporate HR
>
> manager, SteelCo)

As illustrated above, the Korean MNEs standardize their HRM activities selectively,

based on a finer level of practices. This tendency was explained by a senior manager

involved in the development and implementation of global HRM guidelines in his company as follows:

"We developed something called a 'global HR standard' and deployed it to all subsidiaries. Initially, we intended to define core areas for global standardization on an entire practice-by-practice basis, such as global grade system, job classification system, performance management and so on. For example, regarding the grade, we wanted to say, this is our mandatory standard system that every subsidiary should follow. However, after a pilot test with several subsidiaries, we found that the approach was unrealistic and a more sensible approach would be needed to accommodate diverse local needs as well as to maintain key element as globally common. Thus, we break down major HRM tasks into more detailed elements and decided which one should be a key area for global standardization."

(Corporate HR senior manager, AutoCo)

Another distinctive aspect in the IHRM strategy of the Korean MNEs is the strong willingness to adopt a so-called "global standard" as a source of standardization. Seven out of nine organizations extensively used benchmarking with leading U.S. MNEs such as GE and IBM, and eight of the MNEs hired U.S.-based global consultancies to support their globalizing efforts. The majority of the companies adopted so-called "global best practices" as a major source of standardization, based on the information gathered through benchmarking and through work with consultancies. The HRM practices of US-based MNEs have been widely introduced to Korean companies since the Asian financial crisis in 1997 (Bae & Rowley, 2003).

However, the scope and depth of the implementation of these practices differed among the Korean MNEs in the study. The majority of the companies reported that their parent companies could not fully implement these espoused "ideal" practices because of internal constraints in their home base, such as resistance from labor unions (e.g. AutoCo.), and thus even their home practices could best be described as a mix of traditional seniority-based and a newly introduced performance-based system. When they developed global HRM guidelines or HRM practices for subsidiaries, they were not willing to consider their parent companies' current practices as the major source of standardization and rather actively adopted "global best practice" as a basis of standardization as illustrated below:

"The HRM practices of the Korean headquarters may be effective in Korea, but, could they be the same in other countries? We don't think so. Why? Because it [the context] is very different. Then what would be an alternative? Maybe something like 'global best practices' could be considered as a tool or source if they are more applicable universally, even though it might not be really the best one." (Corporate HR executive, ElecCo2)

4.5.2 Distinctive patterns in parent company's approaches to subsidiary HRM practices: the role of modes of GI-LR

It is shown that there are similarities in parent firm's approaches to subsidiary HRM practices, which is described as the "hybridization at the component level of practices". At the same time, several differences across companies were also

identified. The distinctive patterns in approaches to subsidiary HRM practices seem

to be associated with particular modes of global integration and local responsiveness

by each firm, as summarized in Table 4.7.

**Table 4.7 The modes of GI-LR and parent company's approaches to subsidiary**

**HRM practices**

| Category | Mode | Approach to subsidiary HRM practices | Indicative cases of company |
|---|---|---|---|
| Global integration | Global cultural integration | • Selectively standardize:<br>−Learning program: common competency<br>−Common competency assessment based on core values | AutoCo;<br>ElecCo1;<br>ElecCo2;<br>InfraCo |
| | Global workforce integration | • Selectively standardize:<br>−Job classification: job family<br>−Grade: number, criteria<br>−Succession planning<br>−Performance evaluation factor<br>−Performance rating scale | AutoCo;<br>ElecCo1;<br>ElecCo2 |
| | Global HR capability integration | • More standardization in general | ElecCo2 |
| Local responsiveness | Localization of people | • Selective standardize:<br>−Succession planning<br>−Learning program: leader | ElecCo1;<br>CableCo |
| | Local customization of HRM practices | • Local customization:<br>−More hybridization or localization in general | SteelCo;<br>CableCo;<br>ConfCo;<br>EbizCo;<br>CosmeCo |

In the study, when companies had an emphasis on the global cultural integration, they

tended to develop standardized learning programs based on company's core values

and deploy them to each subsidiary. They were also keen to develop and implement a

competency assessment program based on globally common competency framework reflecting their corporate values. It was believed that through those learning and assessment programs they could increase awareness of the corporate values among employees in their foreign subsidiaries. For example, AutoCo recently defined their new corporate values and communicated those values to employees in every subsidiary through various vehicles such as a communication booklet and a card set which was specially designed for employees to understand the corporate value statements easily. Following the announcement of corporate values, Corporate Human Resource Development team launched a globally common learning program. It was developed base on a core competency framework which reflects the core values and delivered to all employees in the form of an online learning program.

The companies which prioritized the global workforce integration tried to standardize particular components of subsidiary HRM practices. Especially when they considered global assignment across borders regardless of nationality of employees, they were willing to standardize the classification of job family, the number of employee grades and criteria of each grade as they believed different grade systems among subsidiaries could become a barrier to transferring employees across subsidiaries. Succession planning for key positions as a form of global talent management was other targeted area for global standardization. It is a differentiated approach to assess and review employees in each subsidiary, identify high potential employees early and accelerate the development process for them to get ready to be appointed to key positions such as senior manager posts in their organization or other subsidiaries. Corporate HR managers expected that through the talent review process they could have a good understanding of current talent pool in the entire company and deploy employees in a

more optimal way at the global level of a company. They also believed that

performance factors and performance rating scale of subsidiary performance

management system need to be standardized globally in order to review employees

across subsidiaries based on consistent criteria. AutoCo, ElecCo1, and ElecCo 2

clearly showed this pattern of selective standardization in their approaches to

subsidiary HRM practices (see, Table 4.6).

For the companies which emphasized the global HR capability integration, a general

tendency was that their approaches to subsidiary HRM practices were more oriented

toward standardization at the global level than other companies as shown in the cases

of AutoCo, ElecCo1, and ElecCo 2. However, it should be noted that a different

approach other than the global standardization was also identified, as mentioned in the

former section. For example, SteelCo strived for the logic of global HR capability

integration at the modest level, but the company didn't intend to standardize most of

its subsidiary HRM practices. Instead, they used such means as the support of

designing subsidiary HRM system from corporate headquarters through guidelines

and subsidiary visits and the promotion of sharing knowledge and building social ties

amongst HR practitioners to achieve the global HR capability integration.

The companies such as ElecCo1 and CableCo, which emphasized the localization of

people as a way of attaining local responsiveness, actively utilized globally

standardized succession planning and learning program for potential local leaders to

accelerate the process of developing local employees. As shown earlier, those

programs were also used to support the global workforce integration. However,

unlike the concept of localization of people, the focus in the integration mode was to

cultivate a pool of globally deployable employees rather than locally deployable employees.

Finally, as shown in the cases of SteelCo, CableCo, ConfCo, EbizCo and CosmeCo, when companies follow the concept of local customization of HRM practices, they tended to pursue more hybridization or localization of their subsidiary HRM practices in general.

In summary, it becomes clear that a particular mode of global integration and local responsiveness by an MNE is highly associated with a particular pattern in parent company's approaches to subsidiary HRM practices.

## 4.6 Influences on the IHRM strategies

Which factors had an influence on the common or particular patterns in the IHRM strategies across the firms? From the analysis of interview data, three broad factors emerged, which might be associated with the particular IHRM strategies identified in this research. Those factors are (1) overall international strategy, (2) top management's beliefs regarding ways of effective management of global human resources and (3) liabilities of origin.

### 4.6.1 Overall international strategy

Company's international strategy, which is closely related to nature of industry or business, was one of the major factors which distinguished firms more oriented toward global integration from those toward local responsiveness in their HR function. AutoCo, ElecCo1, ElecCo2 were exemplary cases in this respect (see, Table 4.1). They are in auto and electronics industries which have been classified as globally integrated industries traditionally (Porter, 1986) and their international strategies were more oriented toward global integration than those of other companies in the research. As shown in the former section (see, table 4.4) the overall orientation toward global integration than local responsiveness can also be found in their IHRM strategy, when they are compared with other firms. In terms of the approach to subsidiary HRM practices, which is a specific aspect of IHRM strategy, they strive for global standardization in more components of HRM practices than those of other companies (see, table 4.6).


On the other hand, companies which pursued localization strategy or multi-domestic strategy as their international strategy showed strong orientation toward local responsiveness in their IHRM strategies. SteelCo, CableCo, ConfCo and EbizCo clearly exhibited the association between their particular IHRM strategies and overall international strategies in their businesses as an interviewee in CableCo explained:


"It would be needed to understand our business. Cable business is an

infrastructure related business for a specific country. There are strong

regulations by a government and huge cost in logistics. When we went to

other countries, our aim is to develop complete business operations from

manufacturing to sales within a country targeting at specific local markets

in the country. Our Vietnam subsidiary is producing specific cable

products only for the Vietnam market. It is the same with China and India

subsidiaries. So, integration is not our priority. Our goal of international

HRM is how to engage or drive local workforce to improve business

results in a particular local market. A key question are what is a driver to

gain engagement from local employees and how to replace expatriates with

local people within three to five years. Those are top priorities for us."

(Senior HR manager, CableCo.)


However, though the international strategy could explain the differences in overall

IHRM orientation, it cannot account for the significant variations within a particular

orientation: for instance, variations within global integration among AutoCo, EleCo1

and ElecCo2 in terms of modes of global integration (see, Table 4.4).


4.6.2 Top management's beliefs regarding ways of effective management of global

human resources


Another significant factor, which explains more specific aspects of differences within

a particular orientation of global integration or local responsiveness as well as overall

orientations, was top management's beliefs regarding ways of effective management

of global human resources. When interviewees discussed difficulties in initiating and

implementing global HRM related tasks, one of most recurring themes was the

complexity and ambiguity accompanied by the globalization initiatives. They

expressed that multiple cultural and institutional contexts were often perceived as overwhelmingly complex and it was not an easy task to find an optimal solution as in many cases there were competing rationalities which stemmed from those contexts. In this situation, particular beliefs regarding a potentially effective way of HRM management shared by key decision makers tended to emerge as a basis for decision making on the courses of actions related to IHRM strategies and initiatives as it might be hard to find proven evidences for decision making due to the aforementioned nature of globalization efforts. For instance, when key decision makers in a company strongly believed that value-based approach might be a most effective way of managing people, the company tended to emphasize the global cultural integration (e.g. AutoCo, SteelCo, InfraCo). When they believed that to support businesses is a key mission of HR function, they tended to prioritize the local responsiveness in general to support local businesses (e.g. SteelCo, CableCo, ConfCo, EbizCo) or the global workforce integration as an important way to support global businesses (e.g. AutoCo, ElecCo1). On the other hand, when they perceived the HR function as a relatively independent function from business side, they made a greater emphasis on the global functional integration (e.g. ElecCo2). The case of ElecCo2 could be an example of this tendency as evidenced by the following quote:

"In the last decade, our company's approach to global HRM has been shifted according to each CEO's character. When Mr. Kim was CEO, he drove the company toward localization with minimal centralization in the headquarters. Maybe due to his career background, he strongly believed the significance of empowering the front line. He delegated many things for each region to be fully run by the head of the subsidiary and allowed

Korean headquarters only to draw a big picture for global businesses. Accordingly, most HR activities were performed independently by each subsidiary. At that time, integration effort at the global level focused on activities for cultural integration. The CEO believed that almost everything could be delegated, but at least, spirits such as 'ElecCo2 way' or 'Innovation School' should be shared across regions. When Mr. Nam came as a new CEO, as he spent most of his career in staff functions, he strongly emphasized global integration of each function.... he asserted that to become a 'truly global company' we should be able to appoint a best person in each position regardless of nationality and thus we need globally integrated (standardized) HRM systems to support this. He emphasized 'system' rather than 'culture' as a way of global integration" (Senior manager corporate HR, ElecCo2).

## 4.6.3 Liabilities of origin

When it comes to the factors which could explain the common patterns identified across the Korean firms (see, section 4.5.1), particular institutional conditions of the home country and cognitive conditions regarding the status of home country emerged as significant ones. First, regarding the institutional conditions, the companies perceived a lack of mature practices in their home country due to rapidly changing institutional environment. Before the financial crisis, HRM practices in Korea had been largely influenced by Japanese HRM practices (Bae & Rowley, 2003). After the crisis U.S. practices gained a legitimacy as more advanced and effective and thus have been introduced widely in Korea. However, changes are still in progress and there is

still contestation between the old and new practices that have originated from different institutional contexts (Bae & Rowley, 2003). Because of the short time span over which the considerably radical shifts in practices have taken place, and the consequent contestation amongst different practices, newly legitimized practices have not been fully established as the desired forms by Korean MNEs. Given the partiality in implementing the new 'ideal' practices, and also the lack of strong legacy practices in parent companies, when they opt to standardize particular elements of their HRM practices across subsidiaries, Korean MNEs are likelier to develop and utilize prototypes that are closer to the so-called "global best practices" rather than transferring their current parent practices.

An HR planning manager, who had been extensively involved in global HR projects in his firm emphasized it as such:

> "We developed and deployed new global practices which were not
>
> stemming from parent company practices, but based on the benchmarking
>
> studies of well-known global companies. One major reason is that we
>
> don't think our HR practices in the headquarters are the ideal ones we want
>
> to implement and changing HR practices in Korea could be quite difficult
>
> and need more time due to potential industrial relation issues. In a sense,
>
> we could feel more comfortable in implementing the new global practices
>
> in foreign subsidiaries first." (HR planning manager, SteelCo)

Second, with regard to cognitive conditions, the majority of respondents from the companies expressed the lack of perceived legitimacy of MNEs from a non-dominant

economy. They were explicitly concerned that if a label of "Made in Korea" is imprinted in their global HR practices, it will not be received positively by subsidiary employees. This cognitive orientation might explain why the Korean MNEs utilized diverse external sources of practices actively and were highly concerned about the legitimization of their global practices, by relying on more visible processes of optimization. A corporate HR manager in a company supported this view in the following manner:

"U.S. companies already have global concepts in their home practices in that their practices may be adopted by subsidiaries without serious conflicts as 'advanced' ones. They don't need to develop something new for globalization. If Korea is (becomes) a dominant country in the world economy, we might be able to plant our practices to other countries in the same way as U.S. companies do. But, we don't have 'the global consensus' that the U.S. firms have. If we try to implement something called Korean practices in our U.S. subsidiary, they may say we are crazy! We change ours just because we need to do it." (corporate HR manager, ElecCo1)

Those institutional and cognitive conditions might be interpreted as specific incidents of the 'liabilities of origin', which refers to the unique set of disadvantages as a consequence of their national origins (Ramachandran & Pant, 2010; Chang et al., 2009; Bartlett & Ghoshal, 2000). In other words, the common patterns in IHRM strategy of Korean MNEs could be understood as a deliberate response to their particular institutional and cognitive conditions, which might be interpreted as specific incidents of the liabilities of origin.

# Chapter 5. The Modes of Global Integration and Local Responsiveness in Subsidiary HRM Practices of a Korean MNE

## 5.1 Chapter Overview

In the previous chapter, the results of examining the modes of global integration and local responsiveness in international HRM strategies of nine Korean MNEs were presented. This chapter builds on the corporate level study by investigating in further detail how the modes of global integration and local responsiveness are actually pursued and reflected in subsidiary HRM practices in one major South Korean MNE. The chapter analyses the findings from a multi-sited study of this MNE, conducted at the headquarters in the preliminary study as well as within three subsidiaries of different functions in India and at another three subsidiaries in the U.S. The study shows that the three modes of global integration, which were identified at the corporate level, also appear within the subsidiaries. Notably, the modes emanating from the mindset of managers from the subsidiaries very closely mimick and match those articulated by the managers in headquarters and no distinct new or contradictory conceptualization emerged from the interviews in the subsidiaries. The subsidiaries tended to show rather passive acceptance of the modes of global integration on the normative ground that the acceptance of such notions and related corporate initiatives might be a requirement which was largely taken for granted to become a 'truly global firm'. However, as should be expected given their embeddedness in the subsidiaries, interviewees in the subsidiaries did offer more sophisticated conceptualizations of

local responsiveness, beyond those found at the corporate headquarters, in terms of the firm's positioning in local labor markets, or avoiding legal risks in a host country. These modes of local responsiveness, which were drawn upon the conditions of local labor markets or the state of legal systems at the country level, in turn affect the pattern of subsidiary HRM practices. Namely, the mandatory elements for global standardization in subsidiary HRM practices, which were selected based upon the particular modes of global integration by the corporate headquarters, were implemented selectively and with significant modifications to particular components of HRM practices by the subsidiaries. The chapter first provides an overview of the contexts of the subsidiaries and then presents the results of the more systematic data analysis across the six subsidiaries with regards to the modes of the two constructs global integration and local responsiveness.

## 5.2 Overview of IHRM in AutoCo

### 5.2.1 Corporate IHRM strategy and initiatives

As presented in the previous chapter and summarized in Figure 5.1, AutoCo planned and implemented a number of significant corporate-wide initiatives to support its globalization efforts. One of the central initiatives was the development and deployment to foreign subsidiaries of the 'Global HR Standard', a guideline that describes the desired features of HRM practices that their subsidiaries are expected to adopt, in order to maintain a minimal consistency across subsidiaries as a 'global' firm. The company also introduced a corporate value statement to share its desired core

values with employees in every unit of the organization. Other tangible activities,

which were conducted to support those key initiatives, included publishing 'Global

HR Newsletter', sharing of internal best practice manual, hosting the global HR

conference, and launching the global staff exchange program (see, Chapter 4:4.2.2 for

the details).

**Figure 5.1 Corporate initiatives to globalize HRM in AutoCo.**

| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|------|------|------|------|------|------|------|

• HR Innovation Project

• Deploy 'Global HR Standard' to All Subsidiaries

• Share Internal Best Practice Manual

• Deploy 'Global HR Standard' 2.0
• Deploy New Corporate Values

• Pilot-test/ Refine 'Global HR Standard'

• Publish Global HR Newsletter

• Global HR Conference
• Global Staff Exchange Program
• Deploy 'Global HRD Standard'

AutoCo conceptualized the notion of global integration in a particular way. The most

salient modes underlying the corporate initiatives were those of 'global cultural

integration' and 'global workforce integration', although the company also

emphasized moderately the mode of 'global HR capability integration'. On the other

hand, the company conceptualized the notion of local responsiveness mainly as the

'localization of people' (see, Table 4.4 in the Chapter 4). The mode of 'local

customization of HRM practices' was identified with minimal emphasis. Overall, the

corporate HR team focuses on the aspects of global integration more than those of

local responsiveness. The particular modes of the two constructs were consequently

reflected in the actual corporate activities, as well as company's approaches to subsidiary HRM practices, as evidenced by the 'Global HR Standard'. The corporate HR team intended to standardize specific components of the HRM practices, those components which were believed to contribute to the cultural integration or workforce integration (see, Table 4.6 in the Chapter 4).

The initial corporate level study discussed previously outlined now the modes of global integration and local responsiveness, which were conceptualized within the corporate HR function of AutoCo, and how those modes were then reflected in the parent company's approach to subsidiary HRM practices. However, this is at best a partial description of an entire picture, as MNEs constitute a distinctive form of organisztion in terms of the complexity due to their geographical coverage across borders (Morgan, 2005). Subsidiaries in different country locations, performing different functions, might develop their own distinctive conceptualizations regarding the constructs depending on their unique contexts. Indeed, the findings in this study from the subsidiary locations illustrates variations within an MNE in the modes of global integration and local responsiveness implemented through subsidiary HRM practices. In the following section, the specific aspects of the context, in which the selected subsidiaries of AutoCo are embedded, are presented.

5.2.2 Context of subsidiary HRM in the U.S.

When one tries to understand the context within which a subsidiary HR function is operated, various aspects of the context could be explored. Here, the focus lies on the

particular aspects of local context that the respondents in the research themselves

depicted as critical in their HRM operations. Thus, this section reviews the shared

interpretations offered by the respondents about their perceptions of the context of

their subsidiary HR function, rather than an objective observation or analysis of the

context by the researcher. However, managers respond and act upon their worldview,

and not necessarily an objective reality beyond their vision, and it is important to

understand what actually gets enacted in the subsidiaries, and why, for right or for

wrong.

Broadly speaking, four dimensions of the local context of subsidiary HR function

were identified as key aspects in which the subsidiary actors characterize their context:

(1) national culture, (2) local labor market, (3) national legal system, and (4)

institutionalized practices in HRM. These dimensions emerged as salient in the

respondents' unstructured characterization of their local context when they were asked

about unique contexts and challenges they faced. Although there were variations

across subsidiaries in terms of the significance placed on each of these four

dimensions, they all appeared to a degree as aspects that subsidiary actors considered

as key to characterizing their distinctive context. Tables 5.1 and 5.2. present the

results of data analysis on the perceived context of subsidiaries in the U.S. and India,

respectively. For each dimension, more specific contextual characteristics, which

were identified through interpreting common themes perceived by interviewees with

regard to their particular context, are shown with indicative interview quotes.

# Table 5.1 Context of subsidiary HRM: the U.S.

| Dimension | Characteristics | Indicative interview quote |
|---|---|---|
| National culture | • Heterogeneity due to the diversity in ethnicity | #1. "I know Korea's pretty homogenous meaning it's probably 96/7/8% Korean and as you know just being in the US here we're about... well in California we're 50% Hispanic and we're 20% African American or a little less than that, actually less than that I think it's 13% and then Asia and everything else. So it's a very... it's a mixing pot and the very diversity of work styles and how we do it. And sometimes that's very tough if you come from a country like Sweden or Korea or China that's very homogenous, because things kind of get done the same way." (HR director, US sales subsidiary)

#2. "I think you were very astute in your observation when you said that Korea is very homogenous and there's a shared set of common expectations. I think in America we're very heterogeneous. We have a wide diversity of people here, a wide diversity of thinking and I think Americans, at least most educated Americans, are, I think, more open-minded from the aspect of different cultures and different experiences and they have, I think, a...you can always find somebody in an American company that might have a Korean background or a Chinese background or an Indian background and an example growing up, my son attends high school with Koreans, Chinese, Japanese, Indians, all very wide diverse culture and so I think generally well educated Americans are more open to that culture where in Japan or Asia they're much more homogenous society." (Line manager2, US R&D subsidiary) |
| | • Value on autonomy and openness | #3. "In the America culture it's one where Americans don't always like to be told what to do, they like to... the whole spirit of the United States was a pioneering spirit that's how it got started coming from Europe over to the US and founding the United States and then moving from the East Coast gradually over the years all the way to the West Coast. So it's a very pioneering type of a spirit here. So one thing when you work with a multinational corporation is probably if you ask many AutoCo. affiliates here in the US they would like to run a little bit more independent. But because our mother ship, our corporation is then Seoul, South Korea there are many guidelines and that that we have to follow. So there's always a ying and a yang tension back and forth. The United States currently is one of the largest export markets for Korea, so a lot of us do believe we should have a lot more say in |

| Dimension | Characteristics | Indicative interview quote |
|---|---|---|
| | | how things are run…. Here people are a little bit more autonomous and we empower them to get things done and work a little bit more independently maybe on tasks than maybe in Korea from my understanding." (HR director, US sales subsidiary) |
| | | #4. "It's the culture difference between the Korean and American, where just because I'm senior to you, everything else is – it doesn't matter if it's right or wrong, I'm not going to argue with you, I'm just going to do what you tell me to do. Where in American culture it's a little bit different and many times already I've had to politely steer the right direction. I understand what he wants to accomplish, but the way they want to accomplish is very different than what our culture normally use to accomplish things and you know I can see that in Korea having spent time over there and seen the workers on line and everything like that, how it could be an issue on the plant floor if they were allowed to interact with their hourly team members in that manner." (Line manager1, US manufacturing subsidiary) |
| Local labor markets | • Competition with parent companies of U.S. multinationals in their dynamic labor markets | #5. "That's something that I know Korea's concerned about because in Korea you start with a company like AutoCo and they usually stay for life if you're a good employee right? But in the United States that's not true and even if it's a good company people generally don't stay. It's very typical to see people work four to six years go onto the next company, even in a different industry work four to six years go to a different company in a different industry. And I know sometimes that's a challenge when we try to explain that to our parent company about that because it's just different culturally, it's just different here. And we sat here in Southern California and California has I believe over 34 million people so it's a huge state as big as most countries around the world. And there are many, many opportunities here because of biotechnical, biopharmaceutical, medical, sales, all in this area and it's very easy for people to just go from one company to the next." (HR director, US sales subsidiary) |
| | | #6. "Right, we're recruiting them out of Ford Chrysler, GM, Toyota, in order to do things here. Any number of things, when you think about design, designing automotive, cars, many engineering aspects, and we try to recruit those people. But once we have them, or while we try to attract them, we have to be able to compete to some degree with all those companies, and that can be very difficult. When you talk about career development, or |

| Dimension | Characteristics | Indicative interview quote |
|---|---|---|
| | | certain things that are cultural that home office might not understand, because there's certain things that competitors offer that we do not, but if we were to explain it, sometimes they're culturally different enough to where it is difficult for them to maybe embrace the idea. Certain things of, like, flexibility, that of work/life balance …We are in a very competitive time now. In the metropolitan and Detroit area for every one engineer there are four jobs available….They (major US firms) have more money, more projects and they are staffing out for those projects. We are a small company. We have a big name but as a small company we are competing with these larger ones for the same types of people who are doing similar projects. When you are dealing with an engineer that you want and there are four jobs out there how do you make sure that you are the one that he selects or if you already have him, how do you keep him. It makes it very challenging." (HR staff, US R&D subsidiary) |
| National legal system | • Restrictive legal system which is highly sensitive to discrimination issues | #7. "U.S. is a country with diverse groups and mature institutional systems, and thus we need to be very careful about the discrimination issues. You can be easily sued if you violate any regulation which is highly sophisticated and detailed to protect any minority group in terms of ethnicity, gender, sexual orientation, disability and so on. For example, you shouldn't ask any personal question which is not related to the requirement of job performance. That is very different from Korean practices." (HR Expatriate, US sales subsidiary)

#8. "Where I think you get into localisation differences is, for example, one of the things in the US is we have a much stricter legal system than other countries. There's certain thing here in this country you have to follow the law. Sometimes it's broad and legal. You have safety areas you have to follow, legal laws. You have to respect what laws you have to have in each country. That can be different from country to country. It has to be an absolute." (HR Vice President, US manufacturing subsidiary) |
| Institutionalized practices in HRM | • Existence of highly institutionalized HRM practices | #9. "There is a kind of standard recruiting and selection process which many US firms follow. Initially candidates apply online through a database and HR screens the candidates based on the qualifications and the requirements for the job, and then the resumes are sent to the hiring manager. And at each step you have to record your decision. So the hiring manager then reviews the resume and decides whether he or she wants to conduct the interview. If they wish to conduct the interview, then HR will schedule the interview. But HR does not participate in those interviews. We have trained all the managers on how to interview, and we give them an interview guide that |

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| Dimension | Characteristics | Indicative interview quote |
|---|---|---|
| | | we've written and the types of questions that they can ask. So they're all trained, they all have an interview guide, they do their own interviewing. … and then they come back and tell HR, sometimes we'd like to do a second or third interview, and then they'll come back and say we would like to make a job offer. And then HR's responsible for creating the offer." (HR manager, US R&D subsidiary) |
| | | #10. "U.S. firms have a compensation scheme which is widely used in every industry. For example, Ford in 2010 managed to achieve their market and sales at 180% of their goal. So 80% over their goal. All the employees are aware of this. So they distributed their bonus pay-out based on their formula which they've communicated out months prior, so you knew what you were working toward." (HR manager, US sales subsidiary) |

5.2.2.1 National culture: Heterogeneity, value on autonomy/openness

When respondents in the U.S. subsidiaries were asked about distinctive aspects of their local context, they tended to depict cultural differences between the U.S. and South Korea as a way of explaining the uniqueness of their local context. Two cultural characteristics were repeatedly mentioned by the respondents. First, most respondents, including local managers as well as Korean expatriates, described the U.S. national culture as highly heterogeneous when compared with Korean culture, which they perceived as more homogeneous (see, Table 5.1: #1; #2). Especially, they referred to diversity in ethnicity as a major source of the cultural heterogeneity in the U.S. society (Table 5.1: #1). They argued that managerial practices including HRM in the U.S. should be in harmony with the cultural characteristics. Second, respondents also emphasized that people in the U.S. value highly autonomy (Table 5.1: #3) and openness (Table 5.1: #4) in an organizational setting. It was reported that employees in the U.S. subsidiaries tend to expect more autonomy regarding their job performance and explicit communication including backgrounds of an event or request, as they tend to be frustrated with a lack of communication or limited autonomy in the course of their job performance, which were major areas of complaints regarding working in the Korean MNE.

5.2.2.2 Local labor markets: Competition with parent companies of U.S. multinationals

One of the key challenges that was mentioned by the respondents across three U.S. subsidiaries was the difficulty of competing against major U.S. multinationals in their

home labor markets as a subsidiary of an MNE from a non-dominant economy. It was reported that compared with Korean employees in the parent company, employees in the U.S. are more likely to move across companies to build up their career (Table 5.1: #5). Furthermore, as a major market in auto industry, the U.S. labor markets provide various job opportunities to move (Table 5.1: #6). There are major U.S. car makers as well as foreign MNEs such as Japanese and European MNEs. These potential employers have been established much earlier in the U.S. markets and thus are perceived in the US labor markets as more established firms than AutoCo. Thus, when AutoCo launched its U.S. subsidiaries, it had a difficulty in attracting competent employees from the local labor markets. After building up its presence in the U.S. market, the company has also struggled to retain local employees who were beginning to get offers from the major competitors.

5.2.2.3 National legal system: Restrictive U.S. legal system

Most respondents of the research agreed that another defining feature of the U.S. context with regards to HRM is a highly restrictive legal system to protect various minority groups in the U.S. society. Korean HR expatriates found it surprisingly different from what they had experienced in their home country (Table 5.1: #7). Local managers also understood that the U.S. legal system is much stricter than those in other countries (Table 5.1: #8). It was echoed in the interviews that companies should consider legal risk seriously when they deal with employment-related issues in the U.S. as there have been many law-suit cases that even well-known employers lost and severe penalties were imposed on them.

### 5.2.2.4 Institutionalized practices in HRM: High degree of institutionalization

As the U.S. is one of the most developed economies in the world and the origin of many HRM practices, which were referred to as so-called 'best practices', local HR managers in each subsidiary who have experience of working in other U.S. companies claimed the existence of 'US-style' HRM practices that are widely used in the U.S. For example, it was reported that there are recruitment and selection processes which are widely adopted in the U.S. as described in the interview quote (Table 5.1: #9). Reward practices in the U.S., which are usually based on clear communications regarding the relationship between expected performance and actual reward, would be another example that shows the existence of highly institutionalized practices in the U.S.

### 5.2.3 Context of subsidiary HRM in India

When it comes to the context of subsidiary HRM in India, several distinctive aspects across the four dimensions were mentioned by respondents in the Indian subsidiaries (see, Table 5.2). Due to differences in geographical location as well as in the state of economic development, the context of India was perceived as significantly different from that of South Korea and the U.S.

## Table 5.2 Context of subsidiary HRM: India

| Dimensions | Characteristics | Indicative interview quote |
|---|---|---|
| National culture | • Openness to diversity | #1. "But one good thing, which is very, very positive in this, we welcome everyone. Our heart is very big. Yes, openness. Also we have very different cultures. Every 100Km – I don't have the data but, there's a language difference, eating habits, dressing. But our religion is very strong. Indians are very religious people and respect for other religions and openness is very, very strong. Democracy is a nature of India. We can speak well, we can talk well but sometimes democracy also has some negative aspects but anyway this is fine because it has made India a very strong nation, the way it is." (Line manager1, India sales subsidiary) |
| | | #2. "When we talk about uniqueness of India, it is frequently mentioned that Indian people tend to respect diversity and other cultures quite openly. It seems to be related to its religions tradition as Hindu is polytheism and regarded as a very inclusive religion. In regard to HRM practices, I found there is high degree of acceptance of various HRM practices in India. You can see very traditional India approaches co-exist with very westernized HRM practices." (HR expatriate, India R&D subsidiary) |
| | • Influences of family-oriented traditions | #3. "Indian people have a very strong family bondage as I mentioned earlier. So that has to be respected. I mean, as compared to maybe ..., Indian culture is quite different.... More family oriented which also means to quite a bit be considerate. Sometimes orthodox also, you know relatively higher than for example the US or Japanese people so that has to be a very, clearly accepted and supported practice." (Line manager2, India sales subsidiary) |
| | | #4. "India is a very family-oriented society. Family event is always a first priority and there are many social customs and events which are related to family traditions. It is a kind of social obligation in India to serve for family and even relatives. It is not unusual that you get Indian employees' requests for quite a long leave for an event for relatives. But, you can get trust from Indian people when you show that you take care of their family, for example, by giving a small present for the wife of your Indian colleague." (HR expatriate, India R&D subsidiary) |

| Dimensions | Characteristics | Indicative interview quote |
|---|---|---|
| | | #5. "It is an Indian culture and we are more of a caring culture rather than a very rigid, rule bound situation. …It is like father - son relationship…they are really that simple. A member of the family, an elder member of the family, or the eldest member of the institution or organization, he shows his benevolence so that the employees feel part of our institution. So this concept is going to receive change now with all of this opening up of the economy and there's so many new places coming in. Now it is becoming more and more tangible, visible, measurable parameters but, their caring attitude still exist even with somebody who is not able to fulfil their requirement and not having the competence to come up facilitating into bringing him up." (HR manager, India manufacturing subsidiary) |
| Local labor markets | • Highly dynamic labor market due to the fast growing economy | #6. "Basically, hiring, I would say, slightly difficult these days, because a lot of car players has come up. In India, (previously) we only had Maruti as a key player, plus AutoCo. And now, with the arrival of new players… now every MNC is here – and AutoCo. is the biggest target for them, because if you work for AutoCo – any employee, if he has worked for Hyundai, that means he's OK. If he's OK in terms of quality, he's best (in the labor market). So everybody wants to get the best from their company – easy to get." (HR manager, India sales subsidiary) |
| | | #7. "Currently we have major challenges in retaining…. In India actually people generally look at around three to five years' experience. They will generally come and then change their job. Unlike a lot of countries, they have one company for a long period. Since India is an emerging market these kind of things are very common." (HR manager, India R&D subsidiary) |
| National legal system | • Rigid labor related regulations | #8. "It is quite-, the requirement is also very high because local Government-, the Indian market is very, very volatile and local Government is very sensitive to the labor market. They are very, very, sensitive to the labor market because it is on a ward ballot so they make all the decisions mostly for all labor. So when pro-labor take a stand it will be very difficult for our relationship, very highly professional so we also need to align with the Government's thinking of modifying our systems…. We have, in India, a number of labor laws and not only labor laws we have to report to the Government on the regular basis. It is a very, very cumbersome and time consuming process.…These are some of the frameworks and the regulations of law made very long time, 1940 / 1950 / 1960. |

| Dimensions | Characteristics | Indicative interview quote |
|---|---|---|
| | | They haven't reviewed it. Industry side, they want a big change. The last fifteen to twenty years since globalisation, liberation and privatisation it's required. It hasn't changed since 1992. Thereafter the changes were brought in and the labor laws. The labor laws are not supporting the type of growth the Government is looking at so there is always a tension between these two." (HR manager, India manufacturing subsidiary) |
| Institutionalized practices in HRM | • Less institutionalized HRM practices | #9. "(We don't have a widely used HRM practices)…Not really in India actually. We have all bits and pieces kind of approaches. Like India's culture of eastern part and western part. So if you look at the European companies and American companies, like for the IBM company, they don't actually have an agreement with the people. Their attrition is also touching around 18 to 20%. So they mostly engage people in the more now friendly work environment, like they give them flexi hours, they can have the work from home kind of a concept so that people will be staying with that. They have a contract, so maybe two years/three years extendable contracts like with this initiative. Similarly, Eastern side companies like Korea, Japan, these companies has a total different system…India companies also have different approaches to HRM." (HR manager, India R&D subsidiary) |
| | | #10. "Yeah – which, perhaps I feel it is not very good also, sometimes, because the larger the organization, we need to follow the system and practices, which MNC does – this is good. But in many Indian companies, they just play a certain game – they give the employee promotion, they give the salary high level, which is not perhaps good. Indian companies are not very systematic – they … look at people - suppose you are not happy with some reasons, you decide to go leave the company. They'll increase your salary, just to retain you, which is not good." (HR manager, India sales subsidiary) |

5.2.3.1 National culture: Openness to diversity and family-oriented

When respondents, local managers and expatriates from Korea, were asked about

distinctive aspects of managing people in India, cultural aspects were more repeatedly

mentioned than legislative or institutional aspects, which were frequently referred to

among respondents in the U.S. subsidiaries. Indian managers as well as Korean

expatriates identified the openness to diversity as a key strength of Indian culture (see,

Table 5.2: #1; #2). India was described as a multi-cultural society, as there are a

range of various ethnic groups, languages and religions in India. It was suggested that

Indian religious traditions might explain partly why Indian people tend to show

openness to different cultures (Table 5.2: #2).

Family-oriented culture was another distinctive characteristic in Indian culture that

most interviewees mentioned (Table 5.2: #3; #4; #5)., Korean expatriates especially

identified it as a key difference comparing with what they had experienced in their

home country, as they described Korean culture as far more company-oriented. It was

also reported that traditional customs with regards to family-related events need to be

respected as following such traditions is an obligation in Indian society (Table 5.2: #4).

5.2.3.2 Local labor markets: Dynamic labor markets

As the Indian economy is considered as one of the major emerging markets,

respondents commonly described their local labor markets as highly dynamic in terms

of movement of employees across companies. Thanks to the fast growth in the Indian

economy and a surge of foreign investments to Indian markets, it was observed that

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there are high demands and job opportunities in local labor markets. It was also

mentioned that Indian employees tend to move every three to four years to develop

their career when there are job opportunities in the labor markets (Table 5.2: #7).

Furthermore, AutoCo competes with major global players in the auto industry as

many of them have also already entered Indian markets. Thus, attracting and retaining

local employees is one of key challenges across the Indian subsidiaries of AutoCo

(Table 5.2: #6; #7).


5.2.3.3 National legal system: Rigid labor-related regulations


Indian HR managers as well as Korean expatriates in the subsidiaries commonly

perceived labor-related regulations in India as complex and rigid as there are various

legislative regimes across states within India and some of the regulations are based on

pro-labor orientation (Table 5.2: #8). They reported that the focus of labor-related

legislation has been on the protection of basic rights of workers in such areas as

working hours, wages and working conditions, although there were changes in the

legislations to attract investments to develop the Indian economy.


5.2.3.4 Institutionalized practices in HRM: Less institutionalized practices


The respondents considered that it is difficult to identify HRM practices which are

widely used across companies in India. It was reported that a range of different styles

of people management practices exist together in India, as some Indian companies

utilize less systemized approaches to people management, whilst, on the other hand,

MNEs from various countries such as the U.S. and Japan use their distinctive practices

originated from their home countries. Considering the state of economic development and the range of different types of employers, it might be expected to observe such diverse practices in India.

## 5.3 Modes of Global Integration and Local Responsiveness in Subsidiary HRM of AutoCo

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### 5.3.1 Modes of global integration

In the initial studies at the corporate headquarters of AutoCo, it was found that there are three modes of global integration in the HR function: global cultural integration, global workforce integration, and global HR capability integration. These three modes are reflected in a series of activities that HR actors at the corporate headquarters initiated and also in a specific approach to subsidiary HRM practices by carefully selecting which components were suitable and necessary for standardization across a range of HRM practice areas.

Respondents at the subsidiary-level study clearly expressed that the notion of global integration in their company is a concept which has nuances far beyond that of global standardization, and encompasses several modes in it, as evidenced in the following interview quote:

"When we talk about the global integration in this company, it is a different concept from the global standardization, which could be used in a confusing

way. We understand that the integration is a higher concept than the standardization. It needs to be answered, standardization for what? In other words, the standardization itself may not be an objective and the real question would be 'what are the objectives underlying the standardization and how can we achieve them?'" (HR expatriate, US R&D subsidiary)

Table 5.3 shows the results of data analysis across the six subsidiaries. Through the same inductive analysis as described earlier, the three modes which were identified at the corporate headquarters level study were also found at the subsidiary level and the modes identified earlier also sufficiently captured the conceptualizations offered at the subsidiaries. Thus the dataset from the subsidiary-level study is largely confirmatory of the existence of such modes across the subsidiaries.

**Table 5.3 Summary of data analysis on the mode of global integration: subsidiaries of AutoCo**

| Mode | Concept | Indicative interview quote |
|---|---|---|
| Global cultural integration | To construct organizational identity at the corporate-wide level, corporate values should be shared globally amongst all employees in a company. | #1. "These are the new values announced on January 1, things like being global, people, collaboration, customer and challenge and then there are definitions for them here. So basically the company has looked where we've come from and where we're going and established a set of five core values and it's important that we have all of our employees, but especially our leaders, our managers to really understand these values and the behaviours associated with it so that they can lead their teams probably a little bit more effectively. We can work better together which is our mission for this company, together for a better future is really what our vision is, it's been articulated. And so training around these values helps our management team have really good behavioural examples and practice how to be an effective leader in that. So for example we work with our suppliers and at times there are difficult discussions and that go on because maybe we don't believe the supplier or vendor is working well. Well one of our values is collaboration. And so one of the half days of training was all about how to work with difficult employees, customers who are irate, working with people who disagree with the direction you're given and this kind of training, very practical training helps our managers hopefully be a little bit better at collaborating together in this case with difficult people or difficult vendors and that.... So anyway the values and the leadership training that came together because we identified some of the issues that were happening in our workforce and these two things seem to go very well together." (HR director, US sales subsidiary)

#2. "The corporate culture has to be corporate culture. So BMW's BMW, AutoCo.'s AutoCo. I don't think you ever want to lose that. And you don't want to just give that right to somebody else that's not going to be in line with what the original intent of the company's formation was. Having said that I think you also need to trust people if you think that the person, the best person for this job happens to be a US person give them a shot. But then if you are going to give them a shot you really have to explain to them what the goal is." (HR Vice President, US sales subsidiary)

#3. "But when it comes to people and their beliefs, trust, challenge with spirit, mindset, being positive or can dos, to me you can all make that the same globally. That would be powerful if people can believe in the same thing. It's like you can have a common religion across the world, meaning our core values, but each church that you may go to might be slightly different. The reason is they may have a minister or a preacher that may preach slightly different and you might hear slightly different things, but the bible if you will or the book is similar. I think that our book, our company book, is our global values. Meaning, let's just take trust. Trust is one of our |

| Mode | Concept | Indicative interview quote |
|---|---|---|
| | | values. Well everybody builds trust differently in various countries. Building trust may not be done the same in the US as it is in Korea or as it is in China or Mexico or Canada or Europe, but the result's the same. The result is trusting one another. How you do it might be different, meaning the process could be different by country, but the result's the same. The result is where you get your core values being the same." (HR Vice President, US manufacturing subsidiary) |
| | | #4. "I think this (corporate value statements) is a very good thing to have but, we have to interpret it and how it makes sense for us. I think it comes down to each local region and our President and what his vision is and how he applies this and what he tells his managers to do. I think that has more strength than this. As you said, you can interpret this different ways and it has to be rather general because it is the whole world you're looking at. The key, I think, is for each local, regional director or president has to make a decision of how they implement that and where the priorities will be. I think the company as a whole, AutoCo. or any other global company has to put extra emphasis on the person who is sitting in charge of them because they have to set the direction for their local market....The leaders of North America, or India, or Europe, they have to decide how to implement this. It's a good document to have but it's not the answer to everything. We have to develop our own philosophy and our own way to interpret this and where we put the priorities.... Who can argue? It's a good thing but how do we apply it on a day-to-day basis? That's the key and you have to rely on the local managers to make that happen." (Line manager1, US R&D manager) |
| | | #5. "If all employees in AutoCo internalize the core values, it would be fine that even someone from our US subsidiary or Czech subsidiary works here in India plant, or Indian employees can work in the US subsidiary. The borders or nationalities may not matter. The purpose of sharing the core values is to overcome national differences. From my point of view, the other things seem to be all secondary and sharing the core values, though it might not be easy, would be most important. It is crucial particularly for employees in subsidiaries. Otherwise, the operation of a subsidiary could be too much influenced by personal characters of the head of subsidiary. It looks like a different organization depending on who comes to our subsidiary. Then employees at fields would see it as a lack of consistency. One way to avoid the significant variations according to personal characters of a key person in a subsidiary might be sharing core values." (HR expatriate2, India manufacturing subsidiary) |
| | | #6. "So first we should form AutoCo culture, not specifically AutoCo want a Korean culture. They should have AutoCo culture. Once that culture is established, definitely we can have global staffing or whatever we feel. So once AutoCo culture is there, we should frame our own culture not necessarily always the same as Korean |

| Mode | Concept | Indicative interview quote |
|---|---|---|
| | | culture. It should be because AutoCo is now global. So definitely, all the four stakeholders are global stakeholders. So we should have AutoCo culture so this organization culture will definitely improve all the organization's competency, each member's competency. Then you can do global staffing. Any activity we can start. We should focus on our culture which should be unique apart from that." (Line manager1, India manufacturing subsidiary) |
| | | #7. "Ultimately, to be integrated culturally or mentally would be a most ideal vision. But in reality it is far from easy to attain. We have been making significant efforts to share those values with our employees in this subsidiary, but I am not sure how they feel." (HR expatriate, India R&D subsidiary) |
| Global workforce integration | To support business growth in foreign markets, workforce pool in a home base as well as host countries needs to be developed and utilized fully on a global basis. | #8. "I'm not sure a lot of people but I think there's enough that it could be a resource for the parent company in Korea, to identify certain people that might be interested in that, and could help some of the markets because they do it on the Korean side, AutoCo side, you see the AutoCo co-ordinators moving all around the world. But, not so much the employees that might be able to help some of the other groups that have some of the, you know, experience and expertise in different areas. And, that might be a source of being able to grow your career too, you know, within the organization, because we are a global company. And, I think that that's a resource that's untapped." (Line manager1, US sales subsidiary) |
| | | #9. "I would say it (global workforce integration) is important even in the short term, but for us it is not utilised that much. ..... the amount of where we are at currently is rather low. We had two designers from California that went and did a two year assignment in Korea. They came back and we had one that went to Korea." (HR staff, US R&D subsidiary) |
| | | #10. "...lower level in (globally) optimal staffing because we don't have a lot of people that want to go to Korea to foreign assignment because they know they're coming back here, they're probably not going somewhere else in the world because we're the bigger operation here. And so unlike when I worked at Ford people would go overseas to get international experience, but they knew they were coming back to Michigan because that's where the mothership was and that's where your assignment would grow. Our employees here are saying, well I'm not going to grow by going to Korea. I'll go for a little bit and learn a little bit but I don't want to stay there I want to stay here in the US. So I don't think it's quite as important to go there, it would be important to understand some things that are happening in Korea. And we're not doing anything, we've never sent anybody on a long-term |

| Mode | Concept | Indicative interview quote |
|---|---|---|
| | | assignment. We do have an eight week programme every September and October and we send two people and they live there with other people from around the world and they work in the corresponding department and they do cultural things on Saturday and Sunday to learn the Korean culture and they come back. So we do that but in terms of staffing across borders we don't, it's pretty low." (HR director, US sales subsidiary)<br><br>#11. "I see global companies speaking about and thinking about and aspiring to it theoretically. I think in reality at the end of the day, few do it and do it well. In the real true value as such, it's probably not quite as significant or great as theorised in executive board rooms and company leadership positions. Not to diminish it but I met recently with someone in a major Japanese auto maker and about ten years ago, they had a very aggressive management development program and they would hire in college graduates, let them work for two or three years at the facility, and send them to Japan for a two year assignment. The turnover rate at ten years was eighty per cent of those, so it didn't really prove to develop the future of company leadership from a global mindset perspective. It was just another piece of doing business." (Line manager1, US manufacturing subsidiary)<br><br>#12. "I would say, if you can go to any part of the world and, from there others can come to this part – it's a global exchange – when a person move from here, they also look at, from a career point of view, that something is getting development also. So that, it obviously helps in terms of development – no doubt about it." (HR manager, India sales subsidiary)<br><br>#13. "Someone who shares such core values can go to Korea, corporate headquarters or other regions and our Indian employees also can go to Korea to work there for two years or US plant for a year…that should be possible. That is the global staffing we need." (HR expatriate2, India manufacturing subsidiary)<br><br>#14. "The global staffing across borders is very important for our subsidiary, because we are here in Hyderabad. We don't know exactly how a car will get manufactured, how a car gets designed, because the people are freshers. They should be trained. Their skill is not sufficient. Their competence level is low, so these people should exchange, and people can be trained only by the people with expertise, and these people are located at Korea, Germany and other places. So these people should move there, should get trained to work here properly and get more results. The skill level has to be improved a lot." (HR manager, India R&D subsidiary) |

| Mode | Concept | Indicative interview quote |
|---|---|---|
| Global HR capability integration | To achieve the minimal level of functional expertise required in each subsidiary, basic HRM systems and organizations need to be built, coordinated and connected globally. | #15. "Because I know Korea has set this umbrella of the Global Human Resource, I was looking for the book here, the Global Human Resource Development System and they're dictating and asking that we all operate very similarly across the US. So I do think it's of high importance to do that. And I think we're doing our best to make sure we're in compliance with that. Even doing some things we wouldn't do but we're going to do it because they're asking to do it. So I think it is highly important because I think they're asking us to do it and I think we should do it as we become much more of a global company." (HR director, US sales subsidiary)

#16. "How can other things work without effective communications among HR organizations across countries? Staffing across borders and other strategic initiatives may happen only after the communications across HR organizations in the headquarters and subsidiaries are conducted effectively. First of all, we (subsidiary HR managers) need to gather more often. The global conference held in last year would be a good example. More opportunities for communications between the organizations using various ways such as video calls or conference calls would be needed. Through the communication opportunities, subsidiary HR managers can talk to each other and learn from what others are doing and corporate headquarters can also understand to what would be needed to support subsidiaries." (HR expatriate, US sales subsidiary)

#17. "Global integration in terms of functional integration would be a very basic level of integration. Of course, this is a mandatory. It includes sharing good practices and bad practices across subsidiaries, developing some common practices and implementing them, getting feedback from subsidiaries and revising the practices and so on." (HR expatriate 2, India manufacturing subsidiary)

#18. "The integration in terms of HR functional aspect would be a most basic model. As our global HR is at the beginning stage, this is very important and urgent for us. HR managers in other subsidiaries told me that it should be done when each subsidiary was launched. Currently, subsidiaries which have already developed their own practices have a difficulty to change theirs, so cross-communication between headquarters and subsidiaries would be also critical." (HR expatriate, India R&D subsidiary) |

5.3.1.1 Global cultural integration

The mode of global cultural integration was one of the most salient ones in the initial

study (see, Table 4.4 in the previous chapter). Like the other Korean MNEs, AutoCo

conceptualized global integration in terms of the cultural integration at the global level

of the firm and based on this conceptualization, the corporate HR actors in the

company initiated such activities as the definition and communication of corporate

values, design and delivery of learning program to share corporate values, and

selective standardization of components of HRM system which was expected to

contribute to sharing the corporate values. It was found that this particular mode was

driven by a fundamental belief about the need to construct an organizational identity

as a 'proper' global firm, which can be summarized through corporate values that

should be shared globally amongst all employees in a company to be a 'global

company'. A corporate HR manager's comment clearly illustrates this point:

"One of the key goals of the global HR initiatives is to deploy our company's

core values. When we went to subsidiaries and worked with our colleagues

there, it was quite difficult to find a sense of identity as a member of AutoCo

from them. We even called them with such a label as 'Hyun-Chae-In'

(locally recruited employee), though we all are actually employees of the

same company. That was the starting point of our globalization journey. We

redefined our core values recently to deploy them to all our employees in the

world, basically saying 'now we are the one, sharing common values and

minds regardless of differences in nationality, ethnicity, language and

culture!'" (corporate HR senior manager, AutoCo.)

The concept of global cultural integration was evidenced across all six subsidiaries of AutoCo as the most salient one amongst the three modes. The respondents of each subsidiary evidenced related activities, such as a survey to examine subsidiary employees' responses to the new value statement which had been announced recently by the corporate headquarters, communication activities to deploy the new value statement, and implementation of a manager development program which was designed to facilitate behavioural changes to realize the new corporate values at each workplace (see, Table 5.3: #1). There was no evidence of significant variation across the six subsidiaries in terms of the salience of this mode.

In a similar way, as found at the corporate headquarters, there was evidence that respondents at the subsidiaries largely took for granted the notion of global cultural integration as a critical requirement for becoming a global company (Table 5.3: #2). Furthermore, the normative adoption of this particular mode seems to be reinforced by subsidiary actors' interest in the pursuit of more autonomy in running their organizations. Respondents at the subsidiaries showed their support to the idea of cultural integration, qualifying this with an implicit reasoning that if they share the corporate values as ultimate objectives, they should then enjoy greater freedom in terms of *how* to achieve those objectives in their own context. The several interview quotes (Table 5.3: #3; #4; #5; #6) illustrate such thinking.

Considering that there might be potential conflicts between the espoused corporate values and any local culture, it is rather surprising that the notion of global cultural

integration was so prevalent across the six subsidiaries regardless of host country and of function. However, it should be noted that a few respondents whilst supportive of the intent, were suspicious of the actual feasibility of the idea that every employee can share same values globally, as the discrepancy between the normative adoption of the corporate values and the actual internalization of them could still exist (Table 5.3: #7).

5.3.1.2 Global workforce integration

Another mode which was salient at the corporate headquarters of AutoCo was that of global workforce integration. This refers to fuller development and utilization of the workforce on a global basis to support business growth in foreign markets. It was the ultimate direction of the 'Global HR' initiatives of AutoCo, as the corporate HR executive asserted as follows:

"The most fundamental objective of our globalizing HRM efforts is to build a

platform for global assignment. The reason why the global assignment is so

important for us is that we are doing business in developing countries such as

India and China as well as developed countries. In developing countries, there

is always resource shortage, insufficient pool of experienced people. It would

be great for our business, if we can fully leverage our current employee pool

through globally optimal staffing. It also could give a career vision to local

employees beyond their current locations." (corporate HR executive, AutoCo.)

As suggested in the previous chapter, the adoption of the idea of global workforce integration was driven largely by the expectation that the internal transfer of employees across subsidiaries would contribute to filling the gap between demand and supply in any local labor market as well as expanding career horizons of employees in subsidiaries. It was emphasized that the utilization of global workforce would contribute to addressing the issue of workforce shortage, especially in the case of managers in subsidiaries in emerging markets.

The mode of global workforce integration as a way of conceptualizing and enacting the broad notion of global integration was also identified across all six subsidiaries. There seems to be an agreement amongst the subsidiary respondents regarding potential benefits of global staffing across borders, if it can be realized as intended (Table 5.3: #8; #9; #12; #14). Although the corporate headquarters put a strong emphasis on this mode as a core direction of its international HRM strategy, clear variation across respondents at the subsidiary level existed in terms of the degree of acceptance of the mode as a viable option. The respondents in Indian subsidiaries were more willing to recognize the significance of global workforce integration to become a global firm (Table 5.3: #12; #13; #14), but some of the respondents in the U.S. subsidiaries withheld their endorsement for the idea of global workforce integration by pointing out its impracticality, as only a few U.S. employees might ever have an interest in moving to other places outside the U.S (Table 5.3: #10; #11). The notion of global cultural integration was rather easily adopted as a mandatory requirement to become a global firm as personal implications to each employee were not explicit, whereas that of global workforce integration could be more problematic

to a particular group of employees as there were significant implications for their working conditions if they move to other places to work.

5.3.1.3  Global HR capability integration

As identified in the initial study at the corporate level, the concept of global HR capability integration refers to the building of HR functional expertise to a minimal threshold level in each subsidiary, by developing basic HRM systems and organizations, as well as connecting the subsidiary HR systems and organizations to those of corporate headquarters and other subsidiaries.  It was found that corporate HR actors in AutoCo conceptualized global integration in terms of the need for HR capability integration at the global level, although the mode was relatively less salient than the other ones:

> "When we say a function is well integrated globally, it means that the function has seamless communication channels across countries, formally as well as informally.  A subsidiary which is well integrated globally tends to communicate in a speedy and reliable way with other units, and thus our CHQ (corporate headquarters) can have a sense of what is going on in the subsidiary and respond quickly when an issue emerges." (corporate HR team leader, AutoCo.)

Based on this conceptualization, the corporate HR actors in AutoCo initiated a series of activities including supporting work to develop subsidiary HRM practices through

corporate headquarters' guidelines and visits to subsidiaries, promotion of sharing

practices and building social ties amongst HR practitioners through hosting global HR

conferences and publishing newsletters.

The mode of global HR capability integration and the related activities could be

identified in the six subsidiaries that were studied (see, Table 5.3). Especially, local

HR managers as well as HR expatriates in the subsidiaries recognized that such mode

of global integration was regarded as highly significant one in their company as they

observed a series of activities which could be related to the mode (Table 5.3: #15; #16;

#17). In the interviews, it seems to be clear that the global HR capability integration

was viewed as a basic requirement rather than a strategic focus among the various

modes of global integration (Table 5.3: #17; #18).

5.3.2  Modes of local responsiveness

Table 5.4 exhibits the results of data analysis with regard to the modes of local

responsiveness identified at the subsidiaries. The initial study at the corporate

headquarters revealed that there were two modes of local responsiveness: (1) the

localization of people and (2) the local customization of HRM practices. These

modes were much more salient in the subsidiaries than in the corporate headquarters,

as subsidiaries might have more direct responsibilities of responding to various local

demands. Also, based on the detailed accounts on the different drivers, the latter

mode was specified further at the subsidiaries into: (1) local customization of HRM

practices to position the firm in local labor markets and (2) local customization of

HRM practices to avoid legal risks in a host country. Although these two modes were identified across all subsidiaries, it was also found that a difference also existed in terms of a relative focus between the two modes according to the host country.

## Table 5.4 Summary of data analysis on the mode of local responsiveness: AutoCo

| Mode | Concept | Indicative interview quote |
|---|---|---|
| Localization of people | To do business successfully in each local market, the pool of local staff should be developed and utilized actively. | #1. "A most serious concern for us is to develop local employees who can lead this organization (a US subsidiary) being in charge of key positions here including the head of subsidiary. We have a consensus that we shouldn't depend on expatriates any more. But at the same time, we cannot delegate key decision authorities to local employees without trusting their capabilities. Currently, there are a few local employees who have the capabilities and mindsets we expect. They are different from normal US employees who move quickly from a company to a company based on their short-term career interests. If the number of such people increases, then they can deliver results without much depending on our corporate head quarter. Our lesson until now is that normal employees who had moved from the Big 3 US makers tended to fail to adjust to the new work environment in this company. That's why we are now keen to recruit entry-level college graduates rather than hire experienced applicants. We investing a lot on this new hires, for example, sending them to Korea headquarters to let them attend a new employee training program with other new hires in Korea. If only 30 percent of the people we had sent felt a sense of belonging as a member of this company, it would be a success as they will change the climate of our organization. (HR expatriate, US R&D subsidiary)" <br><br> #2. "It's very important to make sure we're developing our talent here. So to get her professional certification our other manager has received her certification in several areas, is what we call a professional HR.... HR professional. It's a certification through the Society of Human Resource Management and so we're very big on that. The person who works in our facilities area is a certified facilities manager. Everybody else who works for them we allow them to go to one or two different trainings per year and that we pay for and two of our people are also working on advanced degrees. And we have a tuition reimbursement programme here that pays for almost all depending on the school you go to, unless it's a very expensive school like Stanford or UCLA or something, but would pay for the majority of that training." (HR director, US sales subsidiary) <br><br> #3. "What we're doing in a number of things. First of all we've been coaching the managers to change the hiring strategy to entry level, college graduates or less than three years. Not only because we're very heavy at the top with seniors, but also because then you can... well the word is mould them, they can have their career as a AutoCo. culture. They will learn AutoCo.'s culture, so they will have a better understanding versus others who came from Ford, GM, Chrysler, where we compare those cultures to this one. These new employees will start their career in |

| Mode | Concept | Indicative interview quote |
|---|---|---|
| | | this culture and so they have more energy, they're very excited, they are willing to write the administrative reports, they're willing to do more of the support work and then they will learn the research type work. So what we've been doing is we have had to engage a number of different resources. The younger generations are very tied into technology now, so we use new resources. We've gone off and we've used LinkedIn. We've used a number a different resources called Job Central who then sources your jobs out through numerous websites, many websites. We use career builder and master. We use another source called NACElink which ties you into multiple campuses. We've posted our job on campuses. We've started a summer internship." (HR manager, US R&D subsidiary) |
| | | #4. "What we strive for in terms of local responsiveness is to fill the key positions in our subsidiary with local employees except some position in finance and accounting. The role of expatriates was to teach local employees at the initial phase of operating this plant and now local employees here experienced three to four cycles of expatriation. They might get needed techniques already and they now should be able to do what expatriates do. Replacing expatriates in key positions with our local employees is a top priority in the localization (HR expatriate2, India manufacturing subsidiary) |
| | | #5. "The best way is to delegate the local managers. When we have two persons responsible for the same job, automatically the responsibility is shared, authority is shared and no one is fully responsible. And here, whether it is positive or negative, there is some kind of pay off between two. So definitely localised management … if Global HR really wants globalised management, directly we have to delegate." (Line manager1, India manufacturing subsidiary) |
| **Local customization of HRM practices to position the firm in local labor markets** | To position the firm positively in local labor markets, subsidiary HRM practices should be customized to local situations | #6. "We struggle sometimes that they come from companies like General Motors or Ford that they don't have to worry about overseas operations and they say, 'No, this is what I want to do. I'm the American. I want to do it this way.' It is like, 'No! You have to balance.' We need people that are open-minded enough to balance. In the past when we would hire engineers we would struggle because some people are very, very smart but the personality was that they had to do it this way. This was the right way. This is the way we do it in the US. That's not always the best way. You have to balance. We have been focusing more on character of people rather than just their knowledge. That's a very difficult thing to try and judge. I could meet you for one hour and you could say, 'Oh, he's a nice guy,' but you really don't know until you start working with someone if they are really open-minded or if they're really going to work with other people. That's a challenge for us, understanding and hiring people that have an open-mind and are willing to work with different people.…To try and compensate for that what we've been trying to do is two things: first, people that have worked here for a number of years and we respect their |

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| Mode | Concept | Indicative interview quote |
|---|---|---|

opinion we say, 'Okay if you have friends that you trust bring them here as referrals.' That allows us to have a higher confidence that if we hire this person we are not only taking his word but also your word because you recommended him so I trust you, so I trust him. So we are trying to do that. The second thing we're trying to do more of is hire contract-based engineers first or students for a short time, evaluate them and say, 'Okay, are they are good personality? Do they work well?' During working every day I can better judge if they are a good person for AutoCo, or not. Then we can make a better assessment if I hire them permanent." (Line manager1, US R&D subsidiary)

#7. "Of course, we need to adapt our HRM practices to local situations, especially engineer labor market in Michigan area. I'll give you an example. We have flex-time here but the interpretation of flex-time here is this: you have to let your manager know what time you're coming in by official system and, say, you, Mr. Chung, said, I want to start every day at 7:00 A.M. Okay, you have the ability to start every day at 7:00 A.M. and somebody else says, okay, I want to work at 9:00 o'clock, so they come in every day at 9:00 o'clock but our normal start time is 8:00 o'clock. That's not flex-time. Flex-time is being able to come in, one day I want to work at 7:00, the next day I want to come in at 9:00, so I have the variation between 7:00 and 9:00 to come in any time I want between 7:00 and 9:00. If I want to come in at 7:15 or 7:45 or 8:15 or 8:50, any time I want, that's flex-time. (Is it a common practice in the U.S. engineers?) Yes. So that's flex-time. Our flex-time is very rigid flex-time because you have to say, okay, you can either work at 7:00, 8:00 or 9:00. You have to choose what time you want to work at and come in all that time at that. If you want to change you have to notify with one month in advance and then you can start working at 8:00 o'clock or 9:00 o'clock, whenever you want, but true flex-time, especially in an international company where you have communication at night or early in the morning." (Line manager2, US R&D subsidiary)

#8. "In the real operation of HRM, HRM policies can not specify every aspect of operation. Sometimes the framework that was set in the corporate is not well fit to local situations and needs to be adjusted. From the view of our subsidiary, the concept of long-term development orientation which underpins our employee development practices may not be compatible with the local labor market conditions here. In this area, there are huge demands from various employers for hiring people with some experience, but supply side, there is always skill-shortage. So in this labor market, it is a kind of norm that employees move across companies every two to three years. If you don't move, you may be considered in the job market as person who is not very competent. We might invest in people, but end up with losing people to our competitors." (HR expatriate, India R&D subsidiary)

#9. "So likewise out of the philosophy and start working in our own set systems maybe whatever is country

| Mode | Concept | Indicative interview quote |
|---|---|---|
| | | specific / culture specific we can try to adapt it. Here, in India, we've got a grade structure. We have got ten grades (the corporate guide is to use a five grade system). When you have got ten grades, we are adopting some standards and done some team member, section head, team leader, then group head likewise. ...there may be more grades but the grade for the purpose of giving ego satisfaction, sheer employee appeal. 'I got a promotion in two years.' This is a very common practise in India labor market." (HR manager, India manufacturing subsidiary) |
| Local customization of HRM practices to avoid legal risks in a host country | To avoid legal risk in a host country, subsidiary HRM practices should be customized to local situations | #10. "Aspiring to local and regulatory environment is very, very important here in the US and California, it's very regulatory and we do an excellent job of that." (HR director, US sales subsidiary)

#11. "It's a very significant element because failure to comply and failure to operate in a legalistic manner can have great penalties. It's important that you understand and comply, understand so that you can still accomplish the company's goals and objectives while doing so in a compliant way." (HR manager, US manufacturing subsidiary)

#12. "Well just like every country there are rules. The Government have different rules so from a HR standpoint there are certain rules we have to follow. We cannot do discrimination of certain rules. When we hire someone there are certain questions you can ask or not ask so that has to be in the region and we have to honour those because the Government says, 'You will have to do this.' Whatever those rules are we have to follow those rules. So those are the country rules and we have to follow those." (Line manager1, US R&D subsidiary)

#13. "In terms of talent acquisition, I feel still local responsiveness. And the legislation wise, following the labor laws in respect to country what we need to do, that should be completely localised." (HR manager, India R&D subsidiary) |

5.3.2.1 Localization of people

As identified in the study at the corporate-headquarters level, local responsiveness was conceptualized in terms of the localization of people at subsidiaries in AutoCo. This particular mode of local responsiveness was found in all six subsidiaries as the most salient one. Under this mode, a major concern was to replace expatriates in key positions of subsidiaries with local employees by fully developing and utilizing them (Table 5.4: #1; #4; #5). This involved local management development and local employee's capability development, but went beyond a merely technical requirement by also expecting a cultural alignment of the local staff with the global organization. A president of the R&D subsidiary revealed the conceptualization clearly as follow:

"Each subsidiary should be led by local leaders who truly understand our

culture and systems. If local leaders lead subsidiaries without the

understanding of our distinctiveness, it might be also problematic as this

company is a Korean firm anyway. Thus combining local strengths with our

own identity as a Korean company would be a key challenge. It is true that

US employees tend to change their employers more often, but at the same

time, there are people who show strong loyalty which are not expected. How

to identify and develop them as key members of this company and deploy

them in key positions is a key to operation of a subsidiary." (President, US

R&D subsidiary)

Even though such a conceptualization was so prevalent across subsidiaries that it is recognized as one of critical goals in globalizing HRM, it was still of course reported that replacing expatriates with local employees was not easy and would need dedicated efforts. To fill the key positions currently occupied by expatriates with local employees, it needed to be proved that they have sufficient expertise in related areas as well as loyalty as a member of the company (Table 5.4: #1). Several subsidiaries made special endeavours to develop such local employees (table 5.4: #2; #3). For example, US subsidiaries launched a new management development program which was aligned with the newly announced core values. It was 12 week-long intensive program to develop managerial capabilities of local middle managers who might become future leaders in each subsidiary. An HR expatriate expressed that it was a key investment priority in HRM area in his subsidiary to build up a pool of competent local managers who can lead their subsidiaries in the future instead of expatriates (Table 5.4: #1). Another example was the special effort to recruit entry-level employees who was believed to adapt more easily to AutoCo's culture and work environment than experienced employees from US competitors (Table 5.4: #3). The "local responsiveness" is defined by staffing locally, but the prerequisite to such staff being local is that they are in fact technically and culturally comparable to peers at the corporate headquarters.

5.3.2.2 Local customization of HRM practices to position the firm in local labor markets

From the study at the corporate headquarters, it was found that local responsiveness in the HR function could be conceptualized as local customization of HRM practices. In

relation to this over-arching conceptualization, further ones were identified and specified through the subsidiary-level study. One such refined conceptualization was that of local customization of HRM practices to position the firm within local labor markets. As discussed earlier (Section 5.2), a local labor market is one of the important aspects of local context with regard to HR function of a subsidiary. One of important external stakeholder groups for a subsidiary HR function of an MNE might be potential employees in local labor markets. Regardless of the reputation an MNE enjoys in their home labor market, it might be a significant challenge for the MNE to build a strong position as an employer, namely 'employer brand', in local labor markets in a host country (Sparrow, 2007; Sparrow et al., 2004). There might be unique competitive dynamics in a labor market in a host country, which is shaped by local competitors, other MNEs, potential employees and educational institutions. Thus, it might be an important dimension of local responsiveness to understand the nature of dynamics, opportunities and threats, and position strategically in a local labor market so as to support the growth of businesses.

This particular mode was found in all six subsidiaries to a degree, but it was more prevalent in the three subsidiaries in India and the R&D subsidiary in the U.S. as the labor markets which those subsidiaries were dependent upon seemed to be more dynamic than others. Here we can find the influence of the condition of local labor markets, which was presented earlier as a significant aspect of local contexts (5.2.2; 5.2.3).

Specific instances were identified which clearly revealed this mode. Notably, both the US and the Indian labor markets were challenging ones for AutoCo as labor turnover

was high. For example, the R&D subsidiary in the U.S. tried to customize their recruitment practices as well as working time arrangements to position the subsidiary in the highly competitive local labor market (Table 5.4: #6; #7). The R&D subsidiary of AutoCo is located in the same area as R&D organizations of most U.S. automotive companies as well as major foreign firms, due to the established labor market for automotive engineers in the area. As a relatively small subsidiary of an emerging MNE, it had a difficulty in competing with the larger competitors to attract local employees. Furthermore, retaining the local employees was another challenge as normal engineers recruited from the U.S. companies tended to leave the firm after working for several years due to the difficulty of adapting to AutoCo's culture and work environment. To identify the right persons in the local labor markets, those who can adapt to AutoCo's culture, it had to devise alternative recruitment methods, such as an employee referral program and contract-based recruitment. To compete against other large firms in the local labor market, it also had to adopt the flexible working arrangements which were widely used in other firms in the area, although such adaptation was compromised with current working time practices of AutoCo. Similarly, the grade systems in the Indian subsidiaries were adapted to local practices as a larger number of grade system was a norm in the local labor markets (Table 5.4: #8).

It should be noted that the concept of customizing HRM practices does not always mean the simple adoption of local practices. Sometimes a subsidiary devised a distinctive approach to reflect the firm's status in a given local context, as the case of the R&D subsidiary in the U.S. showed.

5.3.2.3 Local customization of HRM practices to avoid legal risks in a host country

As shown earlier (5.2.2; 5.2.3), labor-related legislation in each host state or nation was considered by interviewees as one of the significant aspects of local contexts. Thus, it might not be surprising that the notion of customization of HRM practices to avoid legal risks in a host country was found as another distinctive way of enacting local responsiveness in the HR function. In every subsidiary studied, it was revealed that customizing HRM practices to adhere to labor-related legislative requirements of local institutions was regarded as a basic requirement that a subsidiary HR function needs to fulfill (Table 5.4: #10; #11; 12; #13). This mode was closely linked to the other cmode that emphasized adjusting to the local labor markets, but nevertheless distinct in its focus on ensuring the firm to avoid legal complications.

Although this mode was found in the India subsidiaries to some extent, it was emphasized much more in the U.S. subsidiaries as indicated below:

"U.S. is a country with diverse groups and mature institutional systems, and thus we need to be very careful about the discrimination issues. You can be easily sued if you violate any regulation which is highly sophisticated and detailed to protect any minority group in terms of ethnicity, gender, sexual orientation, disability and so on. For example, you shouldn't ask any personal question which is not related to the requirement of job performance. That is very different from Korean practices." (HR Expatriate, US sales subsidiary)

Whenever a local HR manager in the U.S. subsidiaries tried to persuade corporate HR actors regarding an irrelevance of a particular HRM practice in the U.S. context, which had been suggested by the corporate HR, the US local HR manager tended to refer to a legal risk as a basis of their argument. The following is an example for this with regard to the introduction of forced-distribution practice in performance management:

> "I changed the percentage for distributions. We don't have forced distribution in the United States, it leads to lawsuits... Forced distribution is a very tricky one. It is very tricky, especially in the United States. Ford Motor Company lost their class action lawsuit....So we've modified that to guidelines. The form is a little bit different, but the underlying principles are the same, the SMART principles are the same." (HR manager, US R&D subsidiary)

Here, the concept of local customization of HRM practices includes a more pro-active meaning, as it is related to not just abiding by the law, but preventing any potential legal risk in advance.

## 5.4 Relationship between Modes of Global Integration and Local Responsiveness

As indicated in the previous chapter (4.4), the term 'Glocalization' was used in the corporate headquarters of AutoCo to emphasize the dual requirements of global integration and local responsiveness. Some interviewees at the subsidiary-level study corroborated this as below:

"I would encourage companies like AutoCo., I think this is a word they use,

"Glocal", which means thinking global like they're doing but allowing the

subsidiaries to act locally. So as long as that continues and it is part of our

values, … this is the company's values, management philosophy and

values.… So I think it's important for the company to set the big picture like

this but then allow the subsidiaries to interpret how we're going to train, live

these values in our operation everyday and how we conduct our business,

how we select our people, how we develop them and give us a little bit of

leeway on that." (HR director, US sales subsidiary)

As found in the corporate-level study, interviewees within the subsidiaries agreed that

the requirements of global integration and local responsiveness needed to be pursued

simultaneously, as shown in the interview quote above. However, the interview

quote also indicates a particular way of pursuing the dual requirements together,

which is to pursue each requirement at the different level or domain: e.g. global

integration at the higher-level such as corporate culture or principles versus local

responsiveness at a finer-level, such as specific practices or ways of doing things.

This view was echoed repeatedly through subsidiary-level interviews and in many

cases it was revealed when subsidiary actors argued for their autonomy in operating

their organizations.

Another important point which was repeatedly mentioned in the subsidiary-level

interviews was that the dual requirements of global integration and local

responsiveness could ultimately be achieved by balancing them at the individual level. This point was discussed earlier with regard to the conceptualization of local responsiveness as the localization of people (5.3.2), as the president in a U.S.-based subsidiary clearly explained:

"It would be fine if local employees who know very well about ours (culture and system) lead this subsidiary, working as key members in each team. But, if they don't know our system well and do things however they want, then the organization may go in a wrong direction. One of our subsidiaries was localized very early and led by local employees. At first, it looked very good showing good performance but eventually showed that the subsidiary could not be aligned to corporate directions. To integrate the operation of the subsidiary to corporate goals, integration in terms of structure or system have clear limitations and it should be supported by local people who know both aspects – global requirement and local reality - very well. Thus, it is really crucial in order to be integrated globally to develop local people and deploy them in key positions to let them lead the organization." (President, US R&D subsidiary)

## 5.5 Modes of GI-LR As Reflected in Subsidiary HRM Practices

In the previous section, various modes of global integration and local responsiveness across the subsidiaries of AutoCo were reported. In this section, key findings with regard to how those mode were reflected in subsidiary HRM practices in a given

context are presented. Table 5.5 presents corporate headquarters' guideline with regard to which components of subsidiary HRM practices need to be standardized, localized or modified and how the guideline is implemented in each subsidiary.

5.5.1 General patterns in subsidiary HRM practices: the selective imprinting of integration and localization

As presented earlier, the corporate headquarters of AutoCo has tried to deploy their newly developed 'Global HR Standard' to each subsidiary, whose HR function had been operated independently without any formal control from the parent company previously. The 'Global HR Standard' is a guideline describing the desired features of the HRM systems that their subsidiaries are expected to adopt. Based upon the distinctive modes of global integration, which were global cultural integration, global workforce integration, and global HR capability integration, the corporate HR actors carefully selected and defined what they considered must be mandatory components of standardization, which every subsidiary is required to comply with, and then recommendatory components, which were recommended for implementation subject to subsidiaries' decisions (Table 5.5: CHQ Guide column). For example, to promote sharing corporate values across subsidiaries, several components of HRM practices were selected as mandatory standardization components such as learning program for common competency development and performance assessment on common competencies based on core values. For the purpose of facilitating global staffing across different organizational units and locations, the components of practices such as classification of job families, the number and criteria of grades, succession planning

program, performance evaluation factor, and performance rating scale were defined as globally common mandatory components.

From the multi-sited study of AutoCo, two general observations across the six subsidiaries can be summarized as follows.

1. HR managers in the six subsidiaries demonstrated some knowledge of their corporate-headquarters approaches to subsidiary-HRM practices as they had been given a corporate guideline regarding subsidiary-HRM practices, called 'Global HR Standard'.

2. Although there are variations across subsidiaries and components of HRM practices, the interviewees from all six subsidiaries reported that they implemented the corporate guideline to some extent. As subsidiary HR managers were expected to implement the corporate guideline in their own subsidiaries, significant parts of the mandatory standardization components of the corporate guideline were adopted by subsidiaries (Table 5.5). A HR director in a U.S. subsidiary reported that:

"So the biggest struggles were getting some of the funding to do some of this in the training area and then that issue with the performance appraisals, which was a really big issue for us and other countries. I had heard from Canada and my counterparts in Europe who I've met and I know at AutoCo and they all struggled with some of this change with the performance appraisal. But some of that has changed now and I think things have gotten better. And like any new initiative when you come out with something that big and here's the

global umbrella it's going to take a little time to work through it. But other than that I think AutoCo has done an outstanding job of putting together a process that can be basically utilised around the world. It's very good work from whoever had put that together." (HR director, US sales subsidiary)

# Table 5.5  Summary of subsidiary HRM practices

| Component of HRM practices for each subsidiary | CHQ Guide[1] | US Sales | US Plant | US R&D | India Sales | India Plant | India R&D |
|---|---|---|---|---|---|---|---|
| *Job & Grade* | | | | | | | |
| Job classification: job family | MS[2] | ◎ | ●[3] | ◎[3] | ○[3] | ○ | ◎ |
| Job classification : job list | MS | ◎ | ● | ◎ | ◎ | ◎ | ○ |
| Job description: category | R[2] | ◎ | ◎ | ○ | ● | ● | ○ |
| Job description: content | R | ● | ○ | ○ | ● | ● | ○ |
| Grade:  number | MS | ● | ● | ◎ | ○ | ○ | ○ |
| Grade: criteria/definition | MS | ● | ● | ◎ | ○ | ○ | ○ |
| Grade: title | MS | ● | ◎ | ○ | ○ | ○ | ○ |
| Promotion: requirement/ criteria | MS | ● | ◎ | ◎ | ◎ | ◎ | ○ |
| Promotion: process | R | ● | ○ | ◎ | ◎ | ◎ | ◎ |
| *Recruitment & selection* | | | | | | | |
| Recruiting methods | L[2] | ○ | ○ | ○ | ○ | ○ | ○ |
| Recruiting message | L | ○ | ○ | ○ | ○ | ○ | ○ |
| Selection: criteria | MS | ● | ◎ | ○ | ◎ | ◎ | ◎ |
| Selection: HR interview | MS | ● | ● | ○ | ● | ● | ● |
| Selection: other assessor | R | ● | ○ | ○ | ◎ | ◎ | ◎ |
| Selection: process | R | ◎ | ◎ | ○ | ◎ | ◎ | ◎ |
| Selection:  assessment tools | R | ● | ○ | ○ | ◎ | ◎ | ◎ |
| *Learning & development* | | | | | | | |
| Succession planning: executive pool | MS | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ |
| Succession planning: high potential talent | R | ◎ | ○ | ◎ | ◎ | ◎ | n/a[3] |
| Learning program: leader | MS | ◎ | ● | ○ | ● | ● | ◎ |
| Learning program: Common competency | MS | ● | ● | ◎ | ● | ● | ● |
| Learning program: profession/ job related | R | n/a | ○ | ○ | ● | ● | ◎ |
| Learning delivery/ operation | R | ○ | ○ | ○ | ● | ● | ◎ |
| *Performance management* | | | | | | | |
| Performance evaluation factor | MS | ● | ● | ◎ | ● | ● | ● |
| Performance measurement item | R | ● | ● | ◎ | ● | ● | ◎ |
| Weighting of evaluation factors | MS | ◎ | ● | ◎ | ● | ● | ◎ |
| Performance rating scale | MS | ● | ● | ◎ | ● | ● | ● |
| Forced distribution | R | ◎ | ○ | ○ | ● | ● | ◎ |
| Evaluation cycle/ frequency | MS | ● | ● | ◎ | ● | ● | ● |
| Performance management process | MS | ● | ● | ◎ | ● | ● | ● |
| Performance evaluation assessor | R | ● | ● | ◎ | ● | ● | ● |
| Performance management form | R | ● | ◎ | ○ | ● | ● | ◎ |
| Linkages to other HR applications | R | ◎ | ● | ◎ | ◎ | ◎ | ● |
| Common competency | MS | ● | ● | ◎ | ● | ● | n/a |
| Leadership competency | MS | ● | ● | ◎ | ● | ● | n/a |
| Job skill/ competency | R | ◎ | ● | ◎ | ● | ● | n/a |
| Competency assessment process | MS | ● | ● | ◎ | ● | ● | n/a |
| Competency assessor | R | ● | ● | ◎ | ● | ● | n/a |
| Competency assessment rating scale | MS | ● | ● | ◎ | ● | ● | n/a |
| *Compensation & benefit* | | | | | | | |
| Pay philosophy - pay for performance | MS | ● | ● | ● | ● | ● | ● |
| Employee pay structure | R | ● | ● | ○ | ◎ | ◎ | ○ |
| Employee base pay range | R | ● | ◎ | ○ | ◎ | ◎ | ◎ |
| Employee base pay increase | R | ● | ● | ○ | ◎ | ◎ | ○ |
| Employee incentive | R | ◎ | ● | ○ | ● | ● | ● |
| Employee benefit | L | ○ | ○ | ○ | ○ | ○ | ○ |

1. CHQ Guide: Corporate headquarters global HRM guideline regarding subsidiary HRM practices.

2. MS: Mandatory Standardization (required to follow globally common standards);  R: Recommendatory (the global standard guideline exists for this area, but allowing subsidiary discretion whether to adopt or modify the standard);  L: Localized (local delegation without any guideline).

3. ●: Adopt the global standard guideline;  ◎: Modify the global standard guideline to accommodate local needs;  ○: Utilize HRM practices which were developed locally to accommodate local needs;  n/a: Not Applicable (not yet introduced).

5.5.2 Distinctive patterns in subsidiary HRM practices: the role of local labor markets and legal systems

Although significant parts of the mandatory standardization components of the 'Global HR Standard' were adopted by subsidiaries, it was also found that the mandatory standardization components were selectively adopted or modified by subsidiaries based upon their distinctive localization logics which were related to their dynamics of local labor markets or local legal systems.

In India, a major collision between the headquarters' intentions and subsidiary practices emerged in the area of the grade system, as the global five-level grade system could not be implemented in this location and instead a ten-level grade system was introduced (Table 5.5). Local actors could persuade corporate-headquarters actors successfully and implement their own local version of grade system based upon their localization conceptualization (Local customization of HRM practices to position in local labor markets): more specifically, in this instance a highly differentiated hierarchical grade system was perceived as a norm or standard in their local labor markets. This is evidenced by the interview quotes below:

"Our grade system is much more differentiated than our global standard. It is a 10 level-grade system. We need to synchronize our grade system with India market practices…if we don't, it might affect attraction and retention of our local employees." (HR expatriate, India manufacturing subsidiary)

It was suggested that in India people are concerned with job titles associated with a particular grade system and many companies use more hierarchical grade structures with a number of grades to appeal to local people who want to be promoted within a short period of time. This view is evidenced by the interview quotes below:

"If you go to any multinational in India, it might be very common to see the grade system. That also are more or less, designations baskets will be given in each level. So based on the baskets they can, because Indian people are more fascinated by higher designation. Even though my grade has not changed, my designation (title) changed. I feel okay. I've done something....Today I was same G1 position, like level one. And today I'm an executive. In the level one, also senior executive. I've been given a title, senior executive, I would be happy. So people are not looking at the grade level changing, but they are also looking at the title level changes." (HR manager, India R&D subsidiary)

In the U.S., the performance evaluation method of forced distribution practice, where managers are required to distribute ratings for their employees into a pre-defined performance distribution guideline could not be implemented. This was all the more worth noting as the U.S. could largely be seen as the origin of such practices the performance management area. Local actors could reject the application of the practice based on their localization logic that highlights legal risks, referring to a lawsuit case against their major competitors on the ground of discrimination, known as a highly sensitive issue in the U.S.

"I understand that but a lot of US companies actually went to court on this ten years ago or so because General Electric used to have something called the 10-80-10 System and Ford Motor Company used it too. And what it said is every year the people who are in the bottom 10% should leave the company. And sometimes when you force that upon a corporation that means every year 10% you're going to be pushing out and at some point there's like diminishing returns meaning it's not always going to be 10% there's going to be less and less because you've got very good people. So if you're forced to do this... so I believe what AutoCo just came back and said it's recommended and you may vary the percentages and we do. Most of our employees are what's called a 3 here and so we do follow this general curve. But it might not be zero to five, it could be zero to three down here. So we modify it a little bit. But the general concept is sound and we understand that." (HR director, US sales subsidiary)

By contrast, the forced distribution practice seemed to be accepted in India subsidiaries as a necessary mechanism to ensure differentiated evaluation by managers, as evidenced by the interview quote:

"Initially, the performance management system, the forced distribution was ... I personally feel that is definitely required.... that gives you some competitiveness between my subordinates. And moreover, if we are ... if, as a leader, if I am allowed to give any rating, sometimes the leader becomes so

weak he gives everyone the same thing....Very positive or very negative rating. So that does not give any motivation to the person who is working for you." (Line manager1, India manufacturing subsidiary)

It was also found that significant variations could exist in the degree of adoption of the global HR guideline among subsidiaries within a same country according to particular characteristics of a subsidiary, such as the function and the age. The result of the study shows that the subsidiaries of the research and development function in both countries were seen as tending to show relatively low degrees of acceptance of the global HR standard partly due to their distinctive dynamics of local labor markets (Table 5.5). Newly established subsidiaries such as the U.S. plant were generally perceived as more willing to adopt the global HR standard than subsidiaries with a longer history. For example, in the U.S. the subsidiary of research and development function tended to show relatively low degrees of acceptance of the corporate guidelines. By contrast, the U.S. plant, a newly established subsidiary, was perceived by interviewees as more willing to adopt the corporate guideline (Table 5.5).

# Chapter 6. Discussion

## 6.1 Chapter Overview

In the previous chapters, the results of analyzing data from sixty seven interviews at both the corporate level within nine MNEs, as well as at the subsidiary level of six subsidiaries of one of these MNEs were presented. Based on the results of the data analysis, this chapter discusses their implications to the current literature on the issue of global integration and local responsiveness in international HRM strategy and practices. Firstly, the key findings are summarized to show what can be legitimately argued with regard to each of the four research questions based on the empirical data. Secondly, major contributions of those key findings to the emerging literature on the issue of global integration and local responsiveness in IHRM strategy and practices are presented.

## 6.2 Major Findings

To find answers to the research questions, the inductive empirical research was conducted across nine Korean MNEs at the corporate-headquarters level as well as across six subsidiaries of an MNE. The major findings of the research with regard to the four research questions are summarized below in Table 6.1.

## Table 6.1 Major findings for research questions

| Research questions | Major findings |
|---|---|
| RQ1 What are the modes of global integration and local responsiveness in HRM of Korean MNEs? | *Specific modes of global integration and local responsiveness in managing human resources in MNEs at the meta level:*<br>• There are different modes of global integration in HRM, three key ones including global cultural integration, global workforce integration and global HR capability integration.<br>• There are different modes of local responsiveness, three key ones being the localization of people and local customization of HRM practices to avoid legal risks in a host country or to position the firm in local labor markets. |
| RQ2 What are the patterns of pursuing various modes of global integration and local responsiveness in HRM of Korean MNEs? | *Simultaneous pursuit of the multiple modes of global integration and local responsiveness:*<br>• The different modes of global integration and local responsiveness are pursued simultaneously with varying degrees of emphasis in the use of each mode. |
| RQ3 At which level do global standardization and localization occur in subsidiary HRM practices of Korean MNEs? | *Hybridization at the component-level of subsidiary HRM practices:*<br>• Hybridization between global standardization and localization occurs at the component-level of HRM practices |
| RQ4 How are these modes of global integration and local responsiveness reflected in subsidiary HRM practices of Korean MNEs? | *The modes as logics for the selection of particular components of practices for global standardization or localization:*<br>• Corporate HR actors select components for global standardization based on their particular modes of global integration and local responsiveness.<br>• Subsidiary HR actors implement HRM practices, which are designed by corporate HR actors for global standardization, in a highly selective way, based on their distinctive modes of local responsiveness conditioned by particular local contexts such as local legal systems or dynamics of local labor markets. |

6.2.1 Specific modes of global integration and local responsiveness in managing human resources in MNEs at the meta level

Regarding the first research question about the modes of global integration and local responsiveness in HRM in MNEs, it was found that there are different modes of global integration and local responsiveness in HRM of the MNEs. These findings are corroborated by corporate-level interview data of the nine MNEs as well as subsidiary-level data of the six subsidiaries of one MNE, AutoCo.

In general, a mode simply refers to a manner, way, or method of doing something and the term is used widely in international business research (e.g. "modes of foreign entry", "modes of international adjustment", "mode of integration"). In this research, I identified different activities, approaches and underlying rationales with regard to the notions of global integration and local responsiveness mainly through interviews with key actors who developed and executed IHRM strategy and practices in the Korean MNEs and then classified them into categories which were labelled as 'modes'.

Before the discussion of specific modes of global integration and local responsiveness, three points need to be noted to clarify the nature of these modes identified in this study. First, the modes are groups of activities and approaches, which were distinguished from each other by different concepts or rationales. For example, the mode of global cultural integration refers to a particular way of enacting global integration, which was revealed by interviewees' accounts as a rationale (e.g. to construct organizational identity at the corporate-wide level, corporate values should be shared globally amongst all employees in a company) to explain why they did a

series of related activities and approaches (e.g. definition and communication of corporate values, design and delivery of learning program to share corporate values, and selective standardization of components of HRM system based on corporate values such as uses of competency framework based on corporate values as a part of selection criteria for new employee/top talent or an element of performance evaluation system). Here, it is unclear whether the "rationale" is a strategic logic which has led to the particular activities and approaches mentioned by the interviewees or just a post-justification of the activities and approaches they adopted. The research has mainly relied on what interviewees said rather than what they actually thought (though what they said can reflect what they actually thought to some extent) and there is a possibility that the particular group of activities and approaches were initiated with a different reason regardless of what actors actually believed (Kostova & Roth, 2002). In short, from this research, it can be said that there are different ways of enacting the notion of global integration and local responsiveness in HRM of MNEs, but whether the identified rationales are actual strategic logics, which have led to the particular activities and approaches, could still be called into question.

Second, the modes identified by the researcher reflect particular ways of enactment of the two notions *by actors in the field*, rather than pre-defined categories from the existing literature. There have been attempts to develop or validate a typology of mode of integration in the international business research (e.g. Ghoshal & Gratton, 2002; Kim et al., 2003; Martinez & Jarillo, 1989) and in the IHRM research (e.g. Evans et al., 2002; Smale, 2008). Most of the studies follow typologies of generic control mechanisms in organizations, such as centralization, formalization, standardization and socialization, which have been developed in traditional

organization theory literature from 1960s (Harzing, 1999). However, there is lack of research that examines modes which managers in MNEs actually conceive of. The modes identified in this research are what actors conceived of and enact through engagements in their situations.

Third, the modes identified in this study are HR-function-specific ones, rather than generic ones which can be applied across different levels and functions. Although there was a call for research on the issue of global integration and local responsiveness at the function level (Malnight, 1995), only a few studies have examined it empirically. One of the rare studies is Kim and his colleagues' research (2003) on the effectiveness of modes of global integration at the function level. They developed a typology of four-generic modes of integration, based on existing literature on control mechanisms in organizations, and applied it across different functions. However, they didn't include HR function in their study. Later, Smale (2008) adopted the typology of integration modes, developed by Kim and his colleagues, and applied it to HR function, but HR-specific modes were still not examined.

In summary, the modes identified in this study are particular groups of activities and approaches with rationales, which were conceived of and enacted by actors in HRM of the MNEs and indeed multiple HR function-specific modes of global integration and local responsiveness could be found through the study.

In terms of specific modes of global integration, three modes were identified: global cultural integration, global workforce integration and global HR capability integration, as particular ways of achieving global integration in managing human resources in the

MNEs. The interview data at the six subsidiaries also verified that these three modes of global integration, which were sought after by the company at the headquarters, were observable to a degree at the subsidiary level. Now I try to interpret each integration mode with a reference to the relevant literature.

First, the mode of global cultural integration is similar to what Ghoshal and Gratton (2002) called "emotional integration" through a sense of shared identity and meaning, or "socialization" or "normative control" (Harzing 1999), where employees' decisions and behaviours follow a set of norms and values established at the corporate level. In the literature, the normative integration has been considered as an important alternative to traditional control mechanisms such as bureaucratic control, as it could be more effective than the traditional ones when responding to local needs is critical (Evans et al., 2002). Similarly, interviewees in the study expressed that the cultural integration can go hand in hand with local autonomy and indeed this mode was identified as most widely used one regardless of the degree to which local responsiveness is pursued by each firm.

Second, the mode of global workforce integration can be understood as the construction and consolidation of a global internal labor market, including increased international mobility, to ensure the optimal utilization of workforce on a global basis. It is difficult to find this mode of integration in the extant literature, but similar notions can be found such as "global talent management" or "global staffing", which have been recently emerged as important areas of studies in IHRM (Farndale, Scullion & Sparrow, 2009; Collings & Mellahi, 2009). However, the mode of global workforce integration is a broader concept as the global talent management and global

staffing can be included as one of various activities which are related to the mode. The global talent management tends to focus on the development and deployment of high-performers or high potentials, who can fill strategically important positions in MNEs (Collings & Mellahi, 2009; Tarique & Schuler, 2010). On the other hand, the notion of workforce integration in this research does not necessarily specify a target group of employees and can be extend to the utilization of wider groups of employees on a global basis. The mode of global workforce integration is also a broader concept than the global staffing, as it includes the development aspect as well as utilization of workforce at the global level.

Third, the mode of global HR capability integration is related to the construction of HR-related capability within subsidiaries and also includes connecting the subsidiary HR capabilities with each other. This mode includes a number of specific integration mechanisms, which have been identified in the existing literature, such as formalization of practices, social integration across subsidiary HR actors, intellectual integration through the creation of a shared knowledge base (Ghoshal & Gratton, 2002), knowledge networking (Dickmann et al., 2009; Dickmann & Müller-Camen, 2006), or organizational glue mechanism (Evans et al. 2002). Here, we can see a hierarchy of modes in terms of series of means-and-ends relationships among the specific modes and find that different modes can be recombined together to form a broader mode, based on a particular framework or conceptualization.

In terms of the local responsiveness, two modes were identified at the corporate-level: localization of people and local customization of HRM practices. For the second mode of local responsiveness, more specific modes were identified which are

distinctive in terms of the driver of localization at the subsidiary level: local customization of HRM practices to avoid legal risks in a host country; and local customization of HRM practices to position the firm in local labor markets.

As mentioned early, few studies have examined the mode of local responsiveness. In the extant literature, the local responsiveness has been understood mostly as the localization of HRM practices in terms of adopting widely used practices in a host country and most researches have been focused mainly on various integration modes. In this study, the localization of people, which refers to the development and utilization of local employees to fill key positions in a subsidiary, was considered as a key mechanism by the companies, based on the assumption that local people might respond more effectively to unique local needs than others. Another finding with regard to the local responsiveness is that the local customization of practices is a more proactive mode than the simple adoption of local practices. For example, the local customization of HRM practices to avoid legal risks does not only mean compliance to local labor laws, but imply to anticipate any potential legal risk, as shown in the U.S. subsidiary case.

Although it might be difficult to argue that the identified modes of global integration and local responsiveness are a complete list which can be applied to most HR functions of MNEs, at least the multiplicity and the breadth in the scope seen in the identified modes of global integration and local responsiveness even within Korean MNEs suggest that we need to incorporate such richer description into studies of global integration and local responsiveness. It should be noted that in the firms studied the organizational scope of 'HR function' was not limited to specific

organizational units that mainly deal with HR-related matters (e.g. HR departments), but extended to an entire organization, as indicated by the modes of global cultural integration, global workforce integration and localization of people. This explains why the much broader (meta-level, higher than practice-level) type of modes was found in this study than the ones in the existing literature on modes of integration at the function level. This point is discussed further in a later section.

6.2.2 Simultaneous pursuit of the multiple modes of global integration and local responsiveness

Although different patterns across the nine MNEs were identified in terms of the degree of using a particular mode, most modes were identified in each of the firms at the corporate level and further specified modes in localization were also identified at the subsidiary level. Thus, it could be argued that the modes of global integration and local responsiveness are pursued concurrently rather than sought after solely based on 'either-or-choice' between the global integration and local responsiveness. In the literature, there have been arguments for 'duality' of global integration and local responsiveness (e.g. Evans, 1999; Evans et al., 2002), but they are mostly on a theoretical basis (except, Brewster et al., 2008) and how the seemingly contradictory aims could be pursued simultaneously in practice was not clear. The finding of the research which shows the use of multiple modes of global integration and local responsiveness in parallel indicates a way to manage the duality in practice. Some of the interviewees at the corporate headquarters and subsidiaries explicitly claimed that they considered the global integration and local responsiveness as dual requirements, which should be pursued simultaneously, rather than an 'either-or-choice'. The

patterns of activities they reported seemed to generally confirm their argument and the multiplicity of modes gave them an opportunity to pursue the two requirements simultaneously.

Regarding the relationships among the individual modes, each mode seems to be conceptually independent from others and it is difficult to identify clear patterns of relationships between the modes in general from the limited number of cases. However, the interview data exhibits that some modes have potential relationships with others. For example, the global cultural integration was considered as a prerequisite or facilitating factor for local autonomy, and thus it is possibly related to more appointment of local people in key positions in subsidiaries (localization of people). Some interviewees showed their implicit reasoning that if they share the corporate values as ultimate objectives, they should then enjoy greater freedom and more local people may have decision authorities regarding how to achieve those objectives in their own context. It could be also questioned whether a mode is alternative to, or replacing, other modes in the same category (either global integration or local responsiveness), as in the literature some integration mechanisms tend to be considered as an alternative to other ones (e.g. normative integration as an alternative to bureaucratic integration: Harzing, 1999). However, the result of the study does not show any evidence of replacing with each other, as the modes in a same category were pursued in parallel (for example, concurrent pursuit of global workforce integration and cultural integration in AutoCo; pursuit of localization of people and local customization of HRM practices in SteelCo).

In short, the result of the study indicates that various combinations or configurations of the modes with different degrees in use are possible. However, particular patterns of relationships, or configuration, among the modes did not appear strongly in the data from this research.

Admittedly, it remains unclear whether the pattern of concurrent pursuit of the different modes are results of actors' strategic choices and thus can be considered as evidence of managing the duality of global integration and local responsiveness intentionally, or whether this is an ex-post justification of activities presented in the context of interviews.

6.2.3 Hybridization at the component-level of subsidiary HRM practices

Regarding the third research question, it was found that these firms take a more nuanced approach to their subsidiary HRM practices rather than adopt a position along a single continuum of global standardization versus localization dichotomy. The analysis of orientations across the forty seven components of the five HRM practices revealed that evidence for universal, wholesale and homogeneous strategies that can be coherently summarized as global standardization or localization is lacking. Rather, in each participant firm, it was observed that viable options are sought and selected from among the three orientations - global standardization, modification of standards and pure localization - for each component of HRM practices. Thus, it is difficult to assess a particular HRM practice as globally standardized or localized without carefully examining each practice at the component level, and even harder to describe the overall IHRM strategy, which the literature traditionally defines as the general

orientation in overall IHRM system design, using the traditional dichotomy of global standardization versus localization (e.g. Taylor et al., 1996). The notion of "hybridization" may be considered then to describe an IHRM strategy based on combining different orientations together. However, in the case of the Korean MNEs it can be seen to be more complex than merely "mingling" different orientations together. Some elements of a practice are standardized, whilst other parts are allowed to be modified based on the global standards, and yet other parts are allowed to be localized. The corporate HR staff of the firms try to select a viable option from the three alternatives in each component of the HRM practice (e.g., the performance evaluation factor, performance measurement item, weighting of evaluation factors, performance rating scale etc.) in order to achieve a set of objectives (e.g., the globally common goals, such as facilitating global staffing, promoting corporate values etc.) within the potential constraints (e.g., the accepted legal and cultural context of host countries). It is found that the pattern of the approach to their subsidiary HRM practices in all nine companies could be described as such a "hybridization approach at the component level". In other words, the choices made for each component reflected a nuanced understanding of where local discretion was possible without impacting the high-level global requirements of the HR system as a whole. However, the actual outcome of such endeavours was different according to the particular context of each company. It should be noted that the hybridization approach at the component level refers to *the intended approach*, not the *realized one*. In other words, the hybridization approach identified here differs from the recent use of the concept of hybridization of HRM practices within MNEs in that it implies not merely the process whereby practices are modified through the implementation phase, but are strategically conceived as such from the beginning. As reported elsewhere (e.g.

Chung et al., 2012; Gamble, 2010; Kostova & Roth, 2002) and the subsidiary-level study shows, there are potential gaps between the corporate headquarters' intention and actual implementation in subsidiaries.

6.2.4 The modes as logics for the selection of particular components of practices for global standardization or localization

With regard to the fourth research question, which asks about how the modes of global integration and local responsiveness are reflected in subsidiary HRM practices, it was found that the modes are related to particular patterns in subsidiary HRM practices (1) through the selection of components of subsidiary HRM practices for standardization based on the modes of global integration and local responsiveness by corporate HR actors, and (2) through the selective implementation of the HRM practices based on how local HR actors perceive local responsiveness. It was revealed that under the hybridization approach at the component level, particular modes of global integration and local responsiveness were related to the selection of components for global standardization and localization in subsidiary HRM practices. Corporate HR actors selected components for global standardization or localization, which they considered to contribute to achieving a particular mode of global integration and local responsiveness. In other words, the corporate headquarters of the companies intended to standardize or localize subsidiary HRM practices in a highly selective manner based on their distinctive mode of global integration and local responsiveness. Corporate HR actors' intention with regard to the scope of global standardization in subsidiary HRM practices is selectively implemented and subject to modification or rejection by subsidiary HR actors based on their distinctive modes of

local responsiveness conditioned by particular local contexts. It was found that the local legal systems and the dynamics of local labor markets were especially critical in the selective implementation of subsidiary HRM practices by local HR actors, as evidenced by the cases of India subsidiaries (e.g. grade system) and the U.S. subsidiaries (e.g. forced distribution practice in performance management). As these instances highlight, it can be said that actual hybridization at the component-level of HRM practices is a combined outcome of strategic choices by corporate HR actors and responses to the strategic choices by subsidiary HR actors in the process of implementation of subsidiary HRM practices.

## 6.3 Major Contributions to the Literature on IHRM Strategy and Practices

While previous IHRM research had conceptualized the notions of global integration and local responsiveness narrowly, alongside the standardization versus localization dichotomy, the emerging literature has suggested a nuanced view by identifying the various modes of global integration in HR function of MNEs and the hybridization pattern in subsidiary HRM practices. This study extends this emerging literature in IHRM strategy and practices by doing the following:

- First, it contributes to the literature on the mode of global integration in IHRM (e.g. Smale et al., 2013; Smale 2008) by offering a fuller and more comprehensive understanding of the higher-level modes of global integration as well as local responsiveness in managing human resources in MNEs through the inductive study.

- Second, this research offers a new insight on the IHRM strategy framework, which extends the multi-dimensional view on IHRM strategy (e.g. Dickmann

& Müller-Camen, 2006; Dickmann et al., 2009), by indicating that IHRM

strategy can be conceptualized as a configuration of multiple modes of global

integration and local responsiveness.

- Third, it extends the literature on the hybridization in subsidiary HRM

practices (e.g. Brewster et al., 2008; Edwards & Rees, 2008; Gamble, 2010)

by providing a more detailed insight on the specific mechanisms of

hybridization in terms of level and logics of standardization and localization.

The significance of these contributions is discussed in detail in the following sections.

6.3.1 A more comprehensive understanding of the higher-level modes of GI-LR in IHRM

As discussed in the chapter 2, the notions of global integration and local

responsiveness have been widely used in international business research as key

concepts in describing international business strategies. In the international HRM

field, the notions of global integration and local responsiveness have also been used in

describing MNEs' approaches to their subsidiary HRM practices or patterns of HRM

practices across subsidiaries. Extant research in IHRM has focused on the issue of

global standardization or localization as a central problem in international HRM

strategy and practices. A significant amount of research has examined the degree of

global integration or local responsiveness in HR functions of MNEs by assessing

whether subsidiary HRM practices resemble local practices or parent firm's practices

(e.g. Rosenzweig & Nohria,1994; Hannon et al., 1995). In this stream of research, it

tends to be assumed that global integration simply means standardization of HRM

practices by imposing parent practices to subsidiaries and the local responsiveness

connotes localization of subsidiary HRM practices by following local practices. In

other words, the standardization or localization of practices has been considered as a

major mode of global integration or local responsiveness explicitly or implicitly and

thus other potential modes have been largely ignored in the empirical research.

A stream of the emerging scholarship addressed the issue of narrow conceptualization

of the two constructs in IHRM literature by recognizing various modes of global

integration other than global standardization (e.g.; Dickmann & Müller-Camen, 2006;

Dickmann et al., 2009; Evans et al., 2002; Ghoshal & Gratton, 2002). A number of

different modes of integration have been suggested such as: knowledge networking

(Dickmann & Müller-Camen, 2006; Dickmann et al., 2009); people-based,

formalization-based, information-based (Kim et al., 2003; Smale et al., 2013; Smales,

2008); organizational glue mechanisms (Evans et al., 2002); emotional, operational,

intellectual, social integration (Ghoshal & Gratton, 2002). Although these studies has

made significant contributions to our knowledge regarding the management of HR

function in the global context and multinational firms more broadly, it was pointed out

that the boundary of exploration of various modes of global integration was limited

and the exploration of the modes of local responsiveness was lacking.

The inductive study of the Korean MNEs addresses these gaps in the emerging

literature on the mode of global integration by offering a fuller and more

comprehensive understanding of the higher-level modes of global integration as well

as local responsiveness in managing human resources in MNEs. Table 6.2 shows that

the modes identified in this study are much broader and comprehensive than those

recognized previously in IHRM research in that they encompass global organization-wide integration mechanisms beyond HR organizations' boundaries. Most modes identified previously in IHRM literature can be mapped into the mode of global HR capability integration in this study (see, Table 6.2). It is unclear why the managers in this study perceived the modes of global integration and local responsiveness in a much broader sense than suggested in the literature. But, the result of this study indicates that IHRM research on the issue of global integration and local responsiveness needs to extend to broader territories to understand how MNEs actually manage the dual demands in HRM.

**Table 6.2 Mapping identified modes of GI-LR with relevant literature**

| Identified modes | Concept | Literature in IHRM | Literature in management of MNEs |
|---|---|---|---|
| Global cultural integration | • To construct organizational identity at the corporate-wide level, corporate values should be shared globally amongst all employees in a company. | | • Emotional integration (Ghoshal & Gratton, 2002)<br>• Normative control (Harzing 1999) |
| Global workforce integration | • To support business growth in foreign markets, workforce pool in a home base as well as host countries needs to be developed and utilized fully on a global basis. | | |
| Global HR capability integration | • To achieve the minimal level of functional expertise required in each subsidiary, basic HRM systems and organizations need to be built, coordinated and connected globally. | • Knowledge networking-bureaucratic/ social/ personal coordination (Dickmann & Müller-Camen, 2006; Dickmann et al., 2009))<br>• People-based; formalization-based; information-based (Smale, 2008; Smale et al., 2013)<br>• Organizational glue mechanisms (Evans et al., 2002) | • Operational integration; intellectual integration; social (relational) integration (Ghoshal & Gratton, 2002)<br>• People-based; formalization-based; information-based (Kim et al., 2003) |
| Localization of people | • To do business successfully in each local market, the pool of local staff should be developed and utilized actively. | | |
| Local customization of HRM practices to position the firm in local labor markets | • To position the firm positively in local labor markets, subsidiary HRM practices should be customized to local situations | | |
| Local customization of HRM practices to avoid legal risks in a host country | • To avoid legal risk in a host country, subsidiary HRM practices should be customized to local situations | | |

It should be noted that the inductive research design could reveal the broad understandings of global integration and local responsiveness by actors in the field. The traditional modes of integration such as formalization, standardization, socialization, and centralization, whilst conceptually neat, do not fit very well with the data from this study, as Sparrow and his colleagues have argued (2004). For example, the mode of centralization did not appear strongly as a mode of integration. The mode of standardization was not considered by interviewees as a distinctive mode of integration at the same level with other modes identified in this study, but recognized as a more specific means to support the various modes such as cultural integration or workforce integration through selective standardization of components of practices. This could be revealed by using the inductive research approach, which enabled the researcher to explore what actors conceive and enact with regard to the dual demands of global integration and local responsiveness, rather than using predefined categories of modes, informed by the literature. The gap between what has been said in the literature and what was found from the field study indicates a methodological implication that an inductive approach is useful to reveal what kind of modes of global integration and local responsiveness are actually conceived and enacted by actors.

More specifically, this study identifies modes – global cultural integration and global workforce integration – which are not widely recognized as modes of integration in IHRM literature. Although the cultural integration has been recognized by Ghoshal and Gratton (2002) as an important integration mechanism in MNEs, as being labelled as 'emotional integration' through a sense of shared identity and meaning, but rather surprisingly it has not been highlighted in IHRM literature. Cultural aspects in MNEs

have been mainly considered as sources of difference rather than integration mechanism across countries in the IHRM research. This research raises the need for further research on the global cultural integration as an integration mode.

With regard to the global workforce integration, there is an emerging theme of global talent management in IHRM literature (e.g. Farndale, Scullion & Sparrow, 2009; Beechler & Woodward, 2009; Collings & Mellahi, 2009), but few studies have explicitly identified it as a main mode of integration in HRM of MNEs. One of the reasons is that modes of global integration have tended to be considered mainly as control or coordination mechanisms (Kim et al., 2003), and the global workforce integration is not a control or coordination mechanism. It shows that integration mode can be considered in terms of something other than control or coordination mechanisms. It also indicates that global talent management strategy of a particular firm can be described or analyzed with the reference to the GI-LR framework.

This study also identifies a mode of local responsiveness, namely localization of people, which has not been recognized explicitly as a mode of local responsiveness in the previous research. In the literature on the modes of global integration and local responsiveness, most studies have focused on the modes of integration and few studies have examined specific mode of local responsiveness other than the local adaptation of subsidiary HRM practices.

In summary, this research contributes to the literature on the modes of global integration by offering more comprehensive list of modes of global integration as well as local responsiveness at the higher level than the ones suggested in the former

researches. It shows that the constructs are used in a much broader sense in practice than assumed in academic research in IHRM and provides empirical evidence to support the argument that there is a multiplicity of modes of global integration and local responsiveness in HRM within MNEs, some of which are not recognized widely in previous IHRM research. Examining various modes of the two constructs in the field of practice enables us to understand the issue of global integration and local responsiveness in IHRM more holistically beyond the simple dichotomy of global standardization versus localization.

6.3.2 A sophisticated IHRM strategy framework as a configuration of multiple modes of GI-LR

As discussed earlier, the concepts of global integration and local responsiveness have been considered implicitly as poles in a single scale of continuum in some IHRM studies. In this strand of research, the issue of managing global integration and local responsiveness in HRM in MNEs has been regarded as 'either-or-choice' between practice standardization and localization (e.g. Rosenzweig & Nohria,1994; Hannon et al., 1995; Turner et al., 1997; Tayeb, 1998). The particular way of conceptualization of the two constructs has led to a rather simplistic model of IHRM strategy alongside the practice dimension in terms of the degree of standardization or localization (e.g. Taylor et al., 1996).

On the contrary, there is a view which conceives managing global integration and local responsiveness as a duality that must be balanced dynamically (Evans et al., 2002). There have been empirical studies which identified simultaneous pursuit of

multiple modes of global integration in IHRM (e.g. Smale, 2008; Smale et al., 2013) and suggested a multi-dimensional IHRM strategy framework (e.g. Dickmann & Müller-Camen, 2006; Dickmann et al., 2009). This study extends the previous research by examining various modes of local responsiveness together with those of global integration and thus, provides clear evidences regarding how MNEs actually manage the seemingly contradictory demands of global integration and local responsiveness simultaneously. Although the issue of managing the dual demands has been recognized as a critical one in IHRM research, few empirical studies have been conducted. This study couldn't identify the specific relationships between the modes of global integration and local responsiveness fully, but it suggests at least that global integration and local responsiveness can be pursued simultaneously across various modes with different degrees of emphasis.

More importantly, this finding suggests that an MNE's IHRM strategy can be described as a configuration of the multiple modes of global integration and local responsiveness, which are emphasized to different degrees. The study is constrained in its capacity to identify clear patterns in degrees across the multiple modes. But, it nevertheless offers a starting point to gear IHRM strategy research toward the exploration of a new typology of IHRM strategy based on the configurations of varying modes of global integration and local responsiveness.

In summary, this research offers a new insight on the IHRM strategy framework, which extends the multi-dimensional view on IHRM strategy by indicating that IHRM strategy can be conceptualized as a configuration of multiple modes of global integration and local responsiveness based on empirical evidences of the multiple

pursuit of the various modes. It shows how MNEs can manage the seemingly

contradictory demands of global integration and local responsiveness simultaneously.

It seems to be clear that corporate HR managers in MNEs conceive their IHRM

strategy in a much wider sense across multiple modes than the mere practice

orientations such as global standardization or localization. The new framework

proves to be useful for capturing broader IHRM strategies in practice.


6.3.3 Specific mechanisms of hybridization in terms of level and logics


Several assumptions have been dominant in the research on subsidiary HRM practices.

First, the degree of standardization (versus localization) of subsidiary-HRM practices

has been considered as a key dimension underlying different orientations in IHRM

strategy (Brewster et al., 2008; Pudelko & Harzing, 2007; Taylor et al., 1996). In most

empirical IHRM research, degrees of standardization, in essence a particular

integration mechanism, have been examined through assessing the similarity between

the parent and subsidiary firm practices as mentioned earlier (e.g. Brewster et al. 2008;

Rosenzweig, 2006; Björkman, 2006). Second, where the degree of standardization

has been examined, the main focus has typically been either on the overall practice

level (e.g. performance management, recruitment and selection, compensation etc.) or

the level of entire HRM functions, through the use of aggregate measures of

subsidiaries' HRM systems (Björkman, 2006).


However, the dominant assumptions above have been challenged by more recent

scholarship which depicts a more complex picture in subsidiary HRM practices.

Several recent studies show that the constitution of subsidiary HRM practices could be

far more nuanced and complex than the rather simplistic framework based on the degree of standardization versus localization suggests (e.g. Brewster, Sparrow & Harris, 2005; Edwards & Rees, 2008; Gamble, 2010; Sparrow et al., 2004). For example, Gamble (2010) proposed the concept of "hybridization", which involves complex patterns of creating new management practices through simultaneous processes of highly selective adoption, transfer, and local adaptation in order to capture the complexity of IHRM. However, in this strand of research the specific ways of hybridization are still unclear, such as the level at which standardization or localization of practices occurs and the underlying logics of standardization or localization of practices.

This study provides not only empirical evidence supporting the emerging view on the hybridization of HRM practices, but also identifies the specific mechanisms of hybridization in terms of level and logics of standardization and localization. It was found that the standardization or localization occurs at the component level of practices, and thus the study shows the merit of using the component level of analysis to reveal complex patterns of hybridization more accurately than previous research did. It will be difficult to capture the nuanced approach without examining at such a finer level of practices, as clearly shown in this research. Contrary to the previously identified orientations of IHRM strategy, the detailed empirical findings reveal that these MNEs pursue more nuanced approaches - a hybridization approach at the component level of practices, a combination of standardization, localization or modification. Although such a nuanced approach has also been observed in MNEs from developed countries in prior research (e.g., Gamble, 2010; Sparrow et al., 2004), it could be argued that some key features of the context of MNEs from South Korea, a

newly industrialized economy, renders such approaches more explicit. This finding calls for new constructs and/or new typologies to help capture emergent repertoires of subsidiary HRM practices that go beyond the traditional global standardization-localization dichotomy, in MNEs from both developed and developing home countries. A number of proposed concepts including hybridization (e.g., Gamble, 2010), optimization (e.g., Sparrow et al., 2004), and duality (e.g., Brewster et al., 2008; Evans et al., 2002) therefore demand and deserve more sustained empirical attention, and MNEs from newly industrialized economies and emerging markets constitute particularly pressing and promising cases for empirical and theoretical enhancement of current understandings of IHRM strategy.

The study also shows that selected modes of global integration and local responsiveness guide selection decisions regarding which components of practices need to be standardized globally or localized. There has been a lack of empirical investigations regarding why MNEs intend to standardize or localize certain practices. A few studies (e.g. Sparrow et al., 2004) suggested that which HRM practices tend to be globally standardized (e.g. expatriate management, management development, succession planning, performance management, equal opportunity/diversity etc.) and which practices are left for localization (Sparrow et al., 2004). But, specific logics underlying the choices of practices for standardization are largely under-explored. This study provides evidence that a particular mode serves as a decision criterion in selecting components for global standardization.

## 6.4 An Integrative Model of GI-LR for a Function of MNEs

In a broader sense, this study contributes to the function-level global integration literature in international business by extending the function-level modes of global integration and local responsiveness to HRM function. It sheds light on the existence of modes which are specific to a particular function. The extant studies tend to presuppose generic integration mechanisms across functions (e.g. Kim et al., 2003), informed by the literature on control and coordination mechanisms, and try to examine them with a survey method, rather than explore what actors actually conceive and enact with regard to the global integration in a function. This research is one of the rare attempts to explore not only modes of global integration, but also those of local responsiveness, which are specific to a particular function in practice. The results of the study strongly indicate that the constructs of global integration and local responsiveness need further articulation at the function level. Explorative studies to examine the modes of global integration and local responsiveness in various functions of MNEs with the grounded theory approach (Strauss & Corbin, 1998) would significantly contribute to the understanding of how MNEs actually manage global integration and local responsiveness at the function level.

Furthermore, putting the new insights from the key findings together, this study makes a broader contribution to the literature on GI-LR in the international business by providing an integrative GI-LR framework at the function level based on the refined view on modes and mechanisms in managing the dual demands of global integration and local responsiveness in MNEs (Figure 6.1).

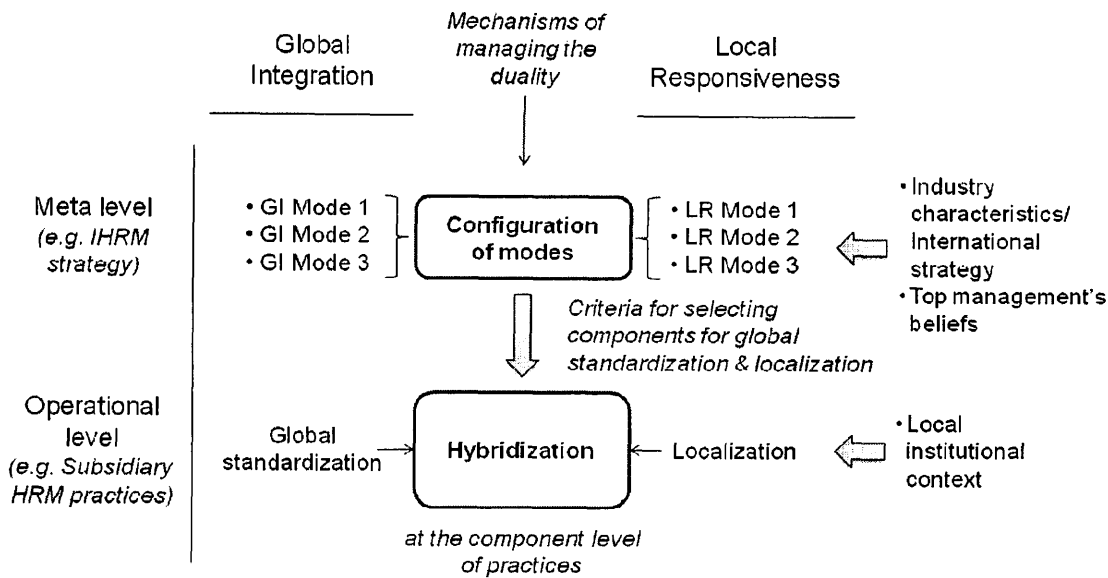**Figure 6.1 An integrative model of GI-LR for a function of MNEs**



Figure 6.1 represents the function-level model of GI-LR in MNEs. At the meta level,

MNEs conceive and enact various modes of global integration and local

responsiveness to manage their particular function, such as HRM, on a global basis.

The degree of using a particular mode is different across firms depending on industry

characteristics, international strategy and top management's beliefs with regard to the

kind of effective modes in a given context. Here, a function-level international

strategy can be depicted as a configuration of the different modes of global integration

and local responsiveness in the function of MNEs. At the operational level, specific

practices within the function in subsidiaries are shaped through selective

standardization or localization at the component level of practices. A configuration of

modes at the meta level plays a role as the criteria for selecting the components of

practices for global standardization or localization and corporate and local actors are

involved in the process of hybridization in a specific local institutional context. Throughout the model, two mechanisms of managing the duality of global integration and local responsiveness are presented such as the configuration of modes at the meta level and the hybridization at the operational level.

It becomes clear that the extant literature on GI and LR at the function level, including recent developments in IHRM, covers only parts of this diagram, as the previous researches have focused on the management of practices of a function in MNEs at the operational level or the modes of integration in the context of practice transfer, as discussed earlier. The model suggested here is crucial as it enables us to have a more comprehensive and nuanced understanding of the management of a function in MNEs by including multiple levels - even within a function - (meta level and operational level), multiple modes (various GI and LR modes) and multiple mechanisms of managing the duality (configuration of modes, hybridization at the component level of practices), and importantly, how all of these are related to each other. This refined model provides a way to integrate insights from the previous literature on the integration modes and the hybridization for the fuller description and explanation of IHRM strategy and practices of MNEs. It could be utilized as a conceptual framework to guide further explorative and detailed studies with regard to the global management of a function in MNEs.

Then how can we explain the emergence of the complex pattern of selective behaviours of the firm, such as the configuration across the modes and the hybridization at the component level of practices, confronting the dual pressures of global integration and local responsiveness? Although structural factors such as

industry characteristics, overall international strategy and local institutional contexts affect a firm's broad orientation in responses to the dual pressures, the actual configuration or a pattern of hybridization would be determined by the choices across viable options, made by key actors in a firm such as top management, corporate HR actors and subsidiary HR actors. It can be explained as a "selective coupling" behaviour within pluralistic institutional environment (Pache & Santos, 2013). In a study of social enterprises, which incorporate competing commercial and social welfare logics, Pache and Santos (2013) identified that the case organizations selectively coupled intact elements prescribed by each logic, rather than decoupling or compromising between the two competing logics. Their inductive comparative case study revealed that each organization carefully decided which logics, between the commercial and the social welfare one, they would adopt in each of ten organizational elements when they set up new operations. The hybridization practice of combining competing logics in a systematic way can be interpreted as an attempt to gain legitimacy and acceptance within multiple, competing institutional contexts. The combinations of competing logics across a number of organizational detailed elements create multiple models of action which might reduce the risk of losing legitimacy from a related-stakeholder group by following one logics at the expense of the other (Pache & Santos, 2013). The selective coupling behaviour showed a "fair amount of agency" (pp. 995), but only within the constraint of institutional contexts. Similarly, the IHRM strategy and practices identified in this study can be considered as a deliberate legitimacy seeking behaviour involving multiple actors embedded in different global integration and local responsive logics.

It should be noted that Korean MNEs could be expected to show the selective

coupling practices more explicitly. The selective coupling might be more observable

in organizations with weaker legitimacy as those organizations might be prone to

perceive strong institutional contradictions, which have been argued as a critical

condition of actor's reflexivity for any institutional agency (Pache & Sache, 2013; Seo

& Creed, 2002). Arguably, Korean MNEs might be the case of organizations with

weak legitimacy due to their liabilities of origin as shown earlier.

# Chapter 7. Conclusion

## 7.1 An Overview of the Study

The extensive review of extant literatures on the development and application of the notions of global integration and local responsiveness in the IB and IHRM field reveals that the two key constructs have been conceptualized and utilized differently across the fields. In the IB literature, the notions of global integration and local responsiveness have been conceptualized in a number of ways across various domains, dimensions and levels. On the other hand, in the IHRM literature, the notions of global integration and local responsiveness have been conceptualized and utilized in a narrow way on a uni-mode basis such as global standardization and localization of HRM practices, respectively. However, emerging researches challenge the narrow conceptualization by revealing much more complex patterns in enacting the two constructs in IHRM strategy and practices than the previous research has suggested.

This research tries to extend the emerging perspectives on the issue of managing global integration and local responsiveness, which have highlighted the existence of various integration mechanisms and the pattern of hybridization in practices as a form of managing the dual forces, by studying the management of human resources in MNEs from South Korea. In so doing, the modes of global integration as well as local responsiveness in IHRM and specific mechanisms of the hybridization between global standardization and localization in subsidiary HRM practices were examined through the interview-based qualitative study of nine Korean MNEs at the corporate level as

well as six subsidiaries of a selected Korean MNE, which were manufacturing, sales, and R&D subsidiaries in India and the U.S.

The inductive and multi-level research allowed the researcher to gain more comprehensive as well as detailed insights on the management of global integration and local responsiveness in HRM of MNEs. It showed empirical evidences of profoundly various ways in enacting those constructs in the field of practices in IHRM. From the results of analysing sixty seven interviews with corporate HR actors and subsidiary actors including local HR managers, HR expatriates, and line managers, it was found that there are specific modes of global integration and local responsiveness in HRM of the MNEs, which are higher level than what has been found in the previous studies, namely: global cultural integration, global workforce integration, global HR capability integration, localization of people, and local customization of HRM practices to avoid legal risks or to position the firm in local labor markets. Furthermore, this study shows how those modes are actually reflected in their subsidiary HRM practices through the hybridization between global standardization and localization at the component level of practices, as the identified modes function as criteria in selecting which components need to be standardized or localized depending on a particular local context.

## 7.2 A Reflection on the Theoretical Contributions

### 7.2.1 Contributions to the GI-LR framework

This study adopted the GI-LR framework as a conceptual lens to explore IHRM strategy and practices of the Korean MNEs. Although the GI-LR framework was useful by providing broad categories to capture a general orientation of IHRM activities of an MNE, it became clear that the constructs are so broad that they need further specification even for a particular function of MNEs. The research with the GI-LR framework has been developed further by the recent endeavours to correct the underspecified conceptualization of the constructs through adopting the multi-dimensional or the hybridization perspective. However, it could be argued that the emerging efforts have been fragmented and incomplete.

The results of the analysis of interview data showed how the constructs can be specified across levels (meta and operational level), modes (modes of global integration and local responsiveness) and mechanisms (configuration and hybridization) and an integrative framework of GI-LR for a function of MNEs was suggested. The integrative framework enables us to capture the emerging realities of the management of MNEs, which seem to be much more complex than what has been known from the previous studies, and to understand the issue of global integration and local responsiveness in IHRM more holistically including the specific logics for global standardization and localization of practices.

The results of the study also support the view that the function is a relevant level of analysis to apply the GI-LR framework (Malnight, 1995) by highlighting the existence of modes which are specific to a particular function. Indeed, this research is one of the rare attempts to unpack the integration modes which are specific to a particular function in the field of practice. The empirical evidences of the pursuit of the multiple

modes also led to the broader IHRM strategy framework - a configuration of the multiple modes of global integration and local responsiveness. It helps us to understand how MNEs manage the seemingly contradictory demands of global integration and local responsiveness simultaneously, which has been recognized as a critical issue in IHRM, but has not been fully understood yet.

### 7.2.2 Contributions to the institutionalist approach to the studies of IHRM

In addition to the major theoretical contributions to the GI-LR framework, the findings of the research have implications to other literatures which are not within the focus of this research, such as the institutionalist approach to the studies of HRM in MNEs. Institutional theory has provided an important theoretical foundation in the studies of HRM practices of MNEs (Björkman, 2006). Initially, it has been used mostly to explain the host country effect or the home country effect on subsidiary HRM practices. For example, Rosenberg and Nohria (1994) claim that as HRM practices of MNEs are subject to strong pressures from local institutional context, they tend to adhere to local practices. Another stream of institutional approach suggests that even MNEs are deeply embedded in the national business system of their country of origin, and accordingly their HRM practices in foreign operations are strongly influenced by their home practices (e.g. Ferner & Quintanilla, 1998). Recently, an emerging stream of research in the studies of MNEs tries to extend the institutional theory by adopting a more dynamic view on the nature of institutionalization, highlighting the multiple institutional context of MNEs, and paying attentions to the role of socio-political dynamics among various actors in shaping managerial practices

of MNEs (e.g. Kostova, Roth & Dacin, 2008; Geppert, Matten, & Walgenbach, 2006; Morgan & Kristensen, 2006).

The findings of the study generally support the 'actor-centred' institutionalist view. It shows that various transnational, home and local institutional contexts influence managerial practices of MNEs selectively rather than pervasively through distinctive modes of integration as well as localization, which are enacted by corporate HR as well as subsidiary HR actors. These actors are involved in the process of establishing and changing institutions - here HRM practices- with various resources available to them, such as authorities given by corporate hierarchy or distinctive local institutional context (Geppert, Matten, & Walgenbach, 2006; Morgan & Kristensen, 2006). As shown in this study, the corporate headquarters of the MNE tried to impose the global HRM standard to subsidiaries, which defines mandatory elements of standardization in a highly selective manner based on their modes of global integration and local responsiveness, and adopts so-called "global best practices" as a basis of the global template. At the subsidiaries, the mandatory elements of global standardization were implemented selectively with significant modifications in particular areas of HRM practices by local actors who drew upon distinctive mode of local responsiveness based upon their local legal systems or conditions of local labor markets. These findings provide empirical support to the emerging view on the institutionalization of managerial practices in MNEs, which emphasizes multiple-institutional context and role of actors.

This study makes an empirical contribution to the argument of dominance effect on the diffusion of HRM practices by MNEs by highlighting that MNEs from South

Korea utilize external practices, so-called "global best practices", as an alternative to parent-company practices, which have hitherto been recognized as the major source of standardization. The results of the study suggest that this emphasis on "universal best practice" may be more prominent and observable in the IHRM strategies of MNEs from newly industrialized economies and emerging markets and that they therefore may be more active and critical agents in the diffusion of dominant models and approaches on a global scale than previously recognized. In turn, it can be seen such so-called "global best practices" to be widely linked to a dominance effect, which refers to the tendency of following and learning a role model- widely perceived as best practices- stemming from a country which occupies a dominant position in a hierarchy of national economies (Smith & Meiksins, 1995). In a study on HRM practices of MNEs headquartered in the U.S., Germany and Japan, Pudelko and Harzing (2007) found that their subsidiary-HRM practices can be shaped not only by local practices or parent practices, but also by "global best practices" coming from U.S. MNEs. MNEs from newly industrialized economies and emerging markets, lacking an institutionally and organizationally mature and entrenched set of alternative HRM practices, and feeling inclined to adopt already legitimized practices due to their distinctive institutional and cognitive conditions, may indeed emerge as the frontrunners of the adoption of global best practices, and, arguably, key actors in the perpetuation and consolidation of dominance effects.

The research findings also challenge the significance of a national state as a major boundary or unit of analysis in identifying local institutional context (e.g. Almond, 2011). It was shown that significant variations exist in the degree of adoption of the global HRM standard among subsidiaries not just across different countries, but also

within a same country. For example, the subsidiaries of research and development function in India and the U.S. were seen as tending to show relatively low degrees of acceptance of the global HR standard partly due to their distinctive dynamics of local labor markets. Although it is not clear that such different patterns across subsidiaries within a same country appeared due to the effects of location, function or employee subgroup (Taylor et al., 1996), it would be necessary to examine specific local contexts and their influences more carefully even in a same host country.

## 7.3 A Reflection on the Methodology

The research adopted the grounded theory approach (Strauss & Corbin, 1998), rather than using predefined generic categories of integration modes, to explore the modes of global integration and local responsiveness in HRM of MNEs. The inductive approach was useful in that it can reveal how actors in the field actually conceive and enact the constructs of interest, and show the modes which are specific to HRM of MNEs. This implies that further investigations on the modes of global integration and local responsiveness in other functional areas of MNEs might reveal the modes which are different from the ones identified in this research.

Another key feature in the methodology of the study is the examination of HRM practices at the component level. It shows that overall practice-level analysis could have a limitation in revealing actual patterns of standardization, hybridization, or localization of HRM practices, and the examination of practices at the finer level would be helpful to understand the complex patterns in shaping subsidiary HRM practices. This insight also provides an important methodological implication to the

study on the institutionalization of managerial practices of MNEs. Contrary to the dominant assumption that standardization (or institutionalization) might occur at the overall function level or the practices level, this study shows that MNEs could also attempt to standardize their managerial practices highly selectively at the finer level within a practice area. Thus, analysing at the entire function level or overall practice level may have serious limitations in adequately revealing the complex patterns of standardization or institutionalization in managerial practices of MNEs. As shown in this study, the comparative analysis at the component level of HRM practices across corporate headquarters and different subsidiaries with a consistent template proves useful to capture the complex patterns of hybridization and adaptation of practices. Recent studies (e.g. Muzio & Faulconbridge, 2013) also support this fine-grained and micro-level analysis of practices in the studies of institutionalization in MNEs.

## 7.4 A Reflection on the Empirical Cases

Studying Korean MNEs, which are currently emerging in the global markets, contributes to the extension of empirical basis in IHRM research. This research is one of rare studies which examined IHRM strategy and practices of Korean MNEs at the corporate level as well as subsidiary level. It also gives significant implications to other MNEs from newly industrialized economies and emerging markets by showing these firms' approaches to IHRM and the conditions of emergence of such approaches.

Dominant assumptions in the extant research largely based on the studies of MNEs from the developed economies such as the U.S., European countries and Japan (Thite, Wilkinson, & Shah, 2012) become problematic in the distinctive context of new wave

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of MNEs such as South Korean MNEs, because these firms might not be driven by the same assumptions about or the same pathways to the globalization of their HRM. For example, an MNE from a developed country may claim legitimacy in the transfer of parent-company practices to subsidiaries, as these can more easily be framed as a source of competitiveness, as corroborated by the global status of the home country, and expect acceptance of these by local employees as "advanced" practices. In contrast, MNEs from home countries that lack such claims to legitimacy are likely to be more sensitive to diverse institutional pressures and more reluctant to transfer home country practices to subsidiaries because of such perceived shortcomings (Chang, Mellahi, & Wilkinson, 2009; Bartlett & Ghoshal, 2000; Smith & Meiksins, 1995). Additionally, mature practices may not exist in the parent company or home country because of the more limited heritage and experience in conducting businesses (Ramachandran & Pant, 2010; Cuervo-Cazurra & Genc, 2008; Luo & Tung, 2007; Dunning, Kim, & Park, 2008). These distinctive challenges stemming from national origins have been referred to as the "liability of origin", compared with their counterparts from developed economies (Bartlett & Ghoshal, 2000; Chang et al., 2009; Ramachandran & Pant, 2010). The study of South Korean MNEs contributes to the understanding of the globalization of MNEs from newly industrialized economies, and arguable MNEs from emerging markets, by showing the impact of the "liability of origin" on their IHRM strategy as well as identifying specific incidents of the "liabilities of origin", and thus challenges some of the key dominant assumptions of current IHRM debates.

First, the empirical findings of the study highlight that the "liabilities of origin" play a significant role in shaping IHRM strategies of the emerging MNEs. The empirical

results show that the institutional instability and the perceived weak legitimacy of being a non-dominant economy could play a significant role in shaping a parent company's approach to subsidiary HRM practices, such as a more nuanced approach that fully recognizes multiple institutional pressures experienced by these firms and adopt "global best practices" as a source of standardization. This strategic orientation, rather than being an unintended aggregate consequence of ad-hoc practical solutions for individual HRM practices, should be understood as part of a deliberate attempt by Korean MNEs to overcome their "liability of origin". However, it is arguable whether the initial conditions in which Korean MNEs found themselves are "liabilities" or "advantages" in fact as such conditions enabled the firms to develop the nuanced approaches in their IHRM strategies and practices.

It might be more plausible to understand this phenomenon as a distinctive variation of the "country of origin" effect. Previous IHRM research has examined the effect of country of origin by assessing the similarity between subsidiary-HRM practices with home country practices based on two assumptions: (1) the existence of dominant HRM practices which are strongly embedded in a home country; (2) parent company's willingness to transfer those practices to subsidiaries because they are taken for granted as an appropriate way of managing people or a critical source of the company's competitiveness. As the study of Korean MNEs clearly shows, it is problematic to presuppose these conditions in the case of MNEs from newly industrialized economies and emerging markets. The emerging MNEs largely lack clearly demarcated and consolidated dominant practices in their home country, conceivably due to the contestation among different institutions in the process of rapid transformation. Even if there are practices these firms recognize as being effective in

the home countries, the perceived weakness of legitimacy makes expectations of local

adoption of these home country HRM practices precarious. Hence, approaches of

practice standardization based on home country standards are unlikely for these firms.

Thus, when we examine the country-of-origin effects in the HRM practices of MNEs

from newly industrialized economies and emerging markets, the similarity of practices

between home country and subsidiary practices may be a poor, and even misleading,

indicator of the effect. It is important to examine the institutionalization state of a

home country in a particular domain of interest and key actors' cognitive aspects more

carefully in order to understand MNE's approaches, especially those of MNEs from

newly industrialized economies and emerging markets, to their managerial practices

across countries.


Second, this research contributes to the understanding of the nature of "liability of

origin" by identifying specific incidents of them. In the literature, the disadvantages

associated with the "liability of origin" of MNEs from newly industrialized economies

and emerging markets can be broadly classified into two dimensions: institutional and

cognitive (see, e.g., Ramachandran & Pant, 2010; Cuervo-Cazurra & Genc, 2008; Luo

& Tung, 2007; Bartlett & Ghoshal, 2000). The institutional dimension includes a lack

of mature and sophisticated institutional intermediaries at the national level (e.g.,

under-developed markets, poor access to well-developed financial markets, scarcity of

skilled talent base, lack of intellectual property regimes) as well as the absence of

well-established management infrastructures and practices at the organizational level

(Ramachandran & Pant, 2010; Cuervo-Cazurra & Genc, 2008). The former may be

more salient in MNEs from emerging markets, but the latter can also apply to the

relatively well-established MNEs from newly industrialized economies, as they tend

to simultaneously experience an accelerated time frame of internationalization

(Dunning, Kim, & Park, 2008). The disadvantages in the cognitive dimension include

adverse judgements by host country constituencies based upon perceptions and

stereotypes imprinted in the firm's country of origin (Ramachandran & Pant, 2010)

and a lack of self-confidence regarding the firm's potential for globalization with its

own capabilities (Bartlett & Ghoshal, 2000). The international marketing literature

acknowledges that customers can judge a company's products negatively based on a

particular image of their country of origin (Ramachandran & Pant, 2010). Similarly,

employees in a host country may question the legitimacy of managerial practices

originating from non-dominant economies (Chang et al., 2009). Corporate managers

in MNEs from newly industrialized economies and emerging markets may also

perceive constraints on the range of viable actions due to self-doubt regarding the

legitimacy of the managerial practices of the MNE home country, out of a belief that it

is in an inferior position in the "hierarchy of national economies" (Smith & Meiksins

1995).

Two incidents of the "liabilities of origin" were identified in this study: (1) the

absence of mature and unique national bundles of HRM practices due to recent and

rapid changes in the home country institutional context and (2) the self-perception of

less-privileged status as firms based in a non-dominant economy. Arguably, such

institutional and cognitive conditions also widely apply to the larger population of

MNEs from newly industrialized economies and emerging markets. It could be argued

that the study of Korean MNEs' IHRM strategies therefore helps reveal critical

features of the new generation of MNEs based in the less developed economies,

challenging the dominant assumptions of the current IHRM literature. There is a clear

contrast between the widely shared assumptions about the IHRM strategies of MNEs

and what was found in this empirical study. Our understanding of the IHRM

strategies and practices of MNEs demands critical re-examination. Closer study of

MNEs from newly industrialized economies and emerging markets promises to extend

such understanding by encompassing a wider, heterogeneous group of MNEs.

## 7.5 Limitations of the Study and Implications to Future Research

Despite the contributions this study makes, it is not without limitations. The

limitations identified and their implications to future research are discussed below.

Firstly, through the corporate-level study across nine MNEs from South Korea and

subsidiary-level study across six subsidiaries of an MNE, various modes of global

integration and local responsiveness in managing human resources were uncovered.

The modes identified have some commonalities as well as differences with ones in the

relevant literature. However, it might be difficult to argue any generalizability and

comprehensiveness of the finding with the study of nine MNEs. Further empirical

researches in different contexts would supplement the findings from this study.

Considering that there is lack of studies on this issue, inductive qualitative studies

might be preferable to observe modes that managers actually draw upon when they

perform IHRM activities, rather than using predefined conventional typologies. This

study indicates that the modes in the literature could not be fit very well with actual

data. A more generalizable typology of modes of global integration and local

responsiveness, especially at the function level, could be suggested based on

significant amount of inductive research across different contexts.

Secondly, the study indicates that the multiple modes of global integration and local responsiveness could be pursued simultaneously by an MNE. However, various patterns and relationships among the modes of global integration and local responsiveness are not explored fully in this research, as such explorations would not be possible due to the research design of the study. Even the study of nine MNEs reveals various configuration patterns across the modes with different degrees of use. Similarly, potential relationships could be identified (1) between the modes of global integration, (2) between the modes of local responsiveness, (3) between the modes of global integration and those of local responsiveness. Through the studies of patterns in companies' configurations across the modes of global integration and local responsiveness and the examination of relationships amongst them, we can better understand the aspects of managing the duality of global integration and local responsiveness in HRM of MNEs.

In this strand of potential research, large scale survey research would be relevant to examine various patterns and relationships among the modes of global integration and local responsiveness. One example of similar studies could be found in the work by Brewster et al. (2007) which identified "a series of different strategic recipes" (pp. 949) combining various organizational drivers and enablers examined through a large scale quantitative study. Through the identification of different patterns in companies' configurations of the different modes of global integration and local responsiveness, we can have a better understanding of strategic orientations with regard to managing the dual requirements of global integration and local responsiveness in HRM of MNEs.

Thirdly, although it was beyond the scope of this research to examine factors which affect patterns of companies' configurations across the modes of global integration and local responsiveness, the data indicates several potential factors such as industry or international strategy, management's beliefs, and liabilities of country of origin on the configuration patterns across companies (see, Chapter 4: 4.6). If we can identify distinctive patterns across MNEs in terms of the differences in the degrees of using modes of global integration and local responsiveness, the next important question might be why those patterns emerge. However, the research design of this study didn't allow a systematic exploration of the factors that might affect companies' configuration patterns across the modes.

Similarly, in seeking to identify patterns across MNEs in their approaches to subsidiary HRM practices it was nevertheless recognized that such approaches could differ depending on the industry and the characteristics of companies including size and degree of internationalization of businesses (Schuler et al, 1993; Rosenzweig & Nohria, 1994). The nine Korean companies studied have various qualities in terms of the size, industry and proportion of sales abroad, but our study does not allow us to systematically test the effects of these factors on MNEs' approaches to subsidiary-HRM practices due to the limitation in the number of case companies.

With regard to this issue, future research can follow two directions. First, considering that few studies have examined the issue, explorative research to identify factors that might affect the patterns of companies' configurations across the modes would be useful. Second, when we found testable factors from the explorative studies, survey research with a larger sample would be well placed to explore the patterns of differences in the

international HRM approaches across companies and effects of various factors on them.

Fourthly, the detailed analysis at the component level of practices regarding firms' approaches to subsidiary HRM practices and their implementations at subsidiaries revealed that the hybridization approach at the component level can be found across the nine Korean MNEs. The results of analysing interview data also indicate incidents and influences of liabilities of origin on the identified pattern of hybridization. However, based on the small number of company cases, it might be difficult to argue that these findings are generalizable to other MNEs from newly industrialized economies and emerging markets.

This study shows that further research of MNEs from newly industrialized economies and emerging markets could be fruitful as different patterns in IHRM strategy and practices could be identified. In-depth case studies with other MNEs from various newly industrialized economies and emerging markets, which examine modes of global integration and local responsiveness and also analyse how they are reflected in specific HRM practices, would show whether the patterns that identified in this research would be generalizable to other contexts. The methods used in this study could be also useful in exploring such issues effectively.

Fifthly, the research includes corporate headquarters-level study with nine MNEs as well as subsidiary-level study to verify data across different levels and identify potentially different patterns in areas of concern across the levels. The data from the headquarters of MNEs enable the researcher to examine the headquarters' view on the

firm's strategic orientation in IHRM. However, a seemingly optimal alternative could very well be interpreted differently by subsidiary actors and thus actual implementation at the subsidiary level could diverge considerably from the one intended and envisioned by the headquarters. Several interviewees at subsidiaries of an MNE mentioned that even though there are mandatory requirements in subsidiary-HRM practices, which were intended to be followed by all subsidiaries, variations from the corporate guideline can exist in a particular subsidiary. Thus, it might be ideal to include as many subsidiaries as possible from all nine MNEs. However, this research access only six subsidiaries from a chosen MNE due to limitations in time and resources. More multi-level studies including headquarters-level and subsidiary-level would be needed to build upon the findings from this research. When one selects subsidiaries to examine, the factors such as state of economic development of a host country, function and age of a subsidiary could be considered as useful criteria for the selection, as this study shows that those factors can affect responses from subsidiaries to corporate initiatives in HRM.

## 7.6 Policy Implications

This research offers significant policy implications to the management of human resources in MNEs. Four of them stand out. Firstly, it provides a strategic framework for managers to identify the areas that need to be considered when they develop their IHRM strategies. The modes suggested in this study could be a good starting point for managers to think of their strategic directions. As the multiple modes of global integration and local responsiveness in IHRM have been identified, there seems to be large rooms for manoeuvre in HRM of MNEs by corporate managers. It is clear that

managers in MNEs need to consider various options other than the practice standardization or localization in managing the dual demands of global integration and local responsiveness. The IHRM strategy framework with the multiple modes of global integration and local responsiveness can help managers to think of various possibilities in terms of the combinations of various modes in managing the dual demands within the unique context they face and clarify focuses or priorities of their efforts.

Secondly, the results of the study offer insights to the management of subsidiary HRM practices by suggesting the specific logics with regard to which components of HRM practices need to be globally standardized or localized. Clear rationales in the choices of areas for global standardization or localization would help corporate HR managers to persuade subsidiary managers. Contrary to the dominant assumption that standardization might occur at the overall HRM function level or the HRM practices level, the study also shows that MNEs could attempt to standardize their HRM practices highly selectively at the finer level within a practice area. This further suggests that there is an important managerial implication to the practices of HRM of MNEs. An MNE might need to consider carefully the needs of standardization at the very detailed level for each component of practices rather than constrained within the traditional "lumping" typologies at the entire HRM-function level or overall practice level, which may have serious limitations in adequately considering the likely complex patterns in IHRM approaches of MNEs.

Thirdly, this study informs managers of the specific mechanisms to address the seemingly contradictory needs of global integration and local responsiveness

simultaneously, such as the configuration approach at the meta level and the hybridization approach at the operational level. Managers have been advised that they shouldn't constrain themselves with a bipolar view on the issue of global integration and local responsiveness. However, the specific ways of dealing with those dual demands simultaneously have been less explicitly discussed. The mechanisms identified in this study show the usefulness of dividing a whole into smaller elements in deciding between the seemingly opposing tendencies such as global integration and local responsiveness. More nuanced choices were explicitly available when we divide the two constructs into various modes at the meta level, or when we divide HRM practices into finer components at the operational level.

Finally, the study exhibits the importance of management's beliefs in shaping IHRM strategy. Due to the complexities, ambiguities, and risks pertained to the management of human resources on a global basis, it seems to be unavoidable to rely upon a view of power groups in a firm within given contextual constraints when a firm develops and implements an IHRM strategy. Thus it might be important that a power group in a firm should be aware of the significance of their view in shaping the IHRM strategy and try to get a more informed view with regard to the implications of the businesses characteristics to the matter of IHRM and the nature of contextual complexities across their operations in various host countries.

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# Appendix 1. The summary of conceptualizations of GI-LR in International Business research

| Authors (year) | Issue of concern; Methods; Sample | Domain; Level of analysis; Relationship between GI & LR | Construct name | Definition/Operationalization/dimension |
|---|---|---|---|---|
| Roth & Morrison (1990) | • Examine the effectiveness of the integration-responsiveness framework in categorizing businesses and business level strategy competing within the global industry context<br>• Survey<br>• 147 Businesses in US global industries | • Environmental pressure<br>• Business unit<br>• Independent constructs | NA | • No definition<br>• Fourteen industry variables were used to classify groups based on the two pressures of the Prahalad-Doz framework. (e.g. customer needs are standardized worldwide; standardized purchasing practices exist worldwide; competitors exist with a presence in all key markets; international competition is intense; distribution channels are concentrated worldwide etc.) |
| Jarillo & Martinez (1990) | • Develop and test a framework that characterizes different roles of subsidiary in MNEs<br>• Structured interview (with one of top three managers in subsidiaries)<br>• 50 Spanish subsidiaries of MNEs | • Managerial response<br>• Subsidiary<br>• Independent constructs | Integration of activities | • The level of integration of the subsidiary with the parent organization<br>• Result of factor analysis of 9 strategy variables: percentage of purchases coming from the group (parent company and other subsidiaries): level of integration in purchasing; percentage of products sold in the local market that are produced (at least partially) by the subsidiary; percentage of local content in products made locally; level of integration in manufacturing; proportion of the R&D performed in the subsidiary; level of integration in R&D; percentage of products specially created or substantially adapted to the domestic market of the subsidiary; level of integration in marketing |
| | | | Localization of activities | • The amount of localization in the strategy of subsidiary<br>• Local production; local content in locally produced goods; amount of local R&D; adaptation of products |
| Martinez & Jarillo (1991) | • Explore the relationship between the strategy of an MNC – defined as its choice of integration and differentiation levels across its organizational units–and the mechanisms of coordination<br>• Survey<br>• 50 Spanish subsidiaries of MNEs | • Managerial response<br>• Subsidiary<br>• Independent constructs | Integration of activities | • The level of integration of the subsidiary with the parent organization<br>• Result of factor analysis of 9 strategy variables (Same with the research in 1990) |
| | | | Localization of activities | • The amount of localization in the strategy of subsidiary<br>• Local production; local content in locally produced goods; amount of local R&D; adaptation of products |

| Authors (year) | Issue of concern; Methods; Sample | Domain; Level of analysis; Relationship between GI & LR | Construct name | Definition/Operationalization/dimension |
|---|---|---|---|---|
| Kobrin (1991) | • Identify determinants of global integration at the industry level<br>• Archival data analysis<br>• 56 manufacturing industries containing US firms | • Managerial response<br>• Industry<br>• LR not covered | Transnational integration | • Rationalization that may entail standardization of product, centralization of technological development, or the vertical or horizontal integration of manufacturing<br>• Intra-firm flow of resources: intra-firm trade (the sum of affiliate-to-affiliate, affiliate-to-parent, parent-to-affiliate sales) as a portion of all international sales (the sum of parent export sales and all affiliates' sales) |
| Ghoshal & Nohria (1993) | • Examine the relationship between MNE environment and MNE structure<br>• Survey<br>• 41 North American and European MNEs | • Environmental pressure<br>• Industry & company<br>• Independent constructs | Forces for global integration | • Pressures to subsidiaries to coordinate their activities due to linkages across national boundaries<br>• Kobrin's index of integration: same above (Kobrin, 1991)- aggregated at the industry level (all MNEs in an industry) |
| | | | Forces for national responsiveness | • Local contingencies presented by the multiple environments (local customers, governments, regulatory agencies etc.) in which a subsidiary operates<br>• above/below the mean of either variable: the advertising-to-sales ratio of an industry, average of the values on the questionnaire for the extent of local regulation by industry |
| Kobrin (1994) | • Explore relationships between a geocentric mind-set, geographic scope and the structural and/or strategic characteristics of firms and industries<br>• Survey<br>• 68 U.S.-based manufacturing firms | • Managerial response<br>• Company<br>• LR not covered | Global strategy | • Relatively transnationally integrated industry (each industry classified based on literature)<br>• No operationalization |
| Johansson & Yip (1994) | • Testing alternative causal models of industry structure, global strategy, organization structure, management processes and performance<br>• Survey and interviews<br>• 36 businesses of US/Japanese MNEs | • Managerial response<br>• Business unit<br>• LR not covered | Global strategy | • Seeks to maximize worldwide performance through sharing and integration across subsidiaries<br>• 5 dimensions (Yip, 1989; 1992) included: global share balance; standardized products; activity concentration (average of measures in R&D, purchasing, raw material processing, sub-assembly, final assembly, marketing, selling, distribution and service); marketing uniformity; integrated competitive moves |
| Birkinshaw, Morrison & Hulland (1995) | • Structural/ competitive determinants of a global integration strategy and their effects on performance<br>• Survey<br>• 124 businesses of US MNEs | • Managerial response (global integration strategy)<br>• Business unit<br>• LR not covered | Business Unit Integration | • Rationalization that may entail standardization of product, centralization of technological development, or the vertical or horizontal integration of manufacturing (Korbin, 1991: 19)<br>• 8 items (6 used in the analysis) covering various integration area/methods (the importance of methods potentially used to compete internationally): international control of manufacturing; control within the organization of the international transfer of intangible assets; vertically integrate operations worldwide; horizontally integrate operations worldwide etc. |

| Authors (year) | Issue of concern; Methods; Sample | Domain; Level of analysis; Relationship between GI & LR | Construct name | Definition/Operationalization/dimension |
|---|---|---|---|---|
| Johnson (1995) | • Verify the utility of the integration-responsiveness framework in identifying international strategies in a single global industry<br>• Survey<br>• 346 businesses in US construction equipment industry | • Environmental pressure<br>• Business unit<br>• Independent constructs | NA | • No definition<br>• Cluster analysis was used to define and classify strategic groups (three groups) based on executive perceptions on sixteen industry variables (e.g. standardized customer needs worldwide; standardized purchasing; competitors exist in key markets; domestic competition is intense etc.) |
| Murtha, Lenway & Bagozzi (1998) | • Develop measurements of global mind-sets and expand the empirical support for their significance as drivers and impediments to international strategy in multinationals<br>• Survey<br>• 370 managers in 13 country affiliates and the head office of a U.S.-based MNEs in 1992 and 1995 (developed questionnaire items from unstructured interviews with 25 senior managers of a U.S.-based MNE) | • Managerial response<br>• Individual manager (attitude or cognitive orientation)<br>• Independent constructs | Integration expectations | • Integration refers to the centralized management of geographically dispersed or non-dispersed activities on an ongoing basis in response to pressures to reduce costs and optimize investment.<br>• 'As the company globalizes, the country operations most familiar to me will:<br>- have global marketing responsibility for one or more products.<br>- produce one or more products for global markets.<br>- go global with locally developed products.<br>- lead global product development processes.' |
| | | | Responsiveness expectations | • Local responsiveness refers to resource commitment decisions taken autonomously by a subsidiary in response to primarily local competitive, political, or customer demands.<br>• 'As the company globalizes, I believe that the country operations most familiar to me will:<br>- demonstrate clear benefits to the local economy.<br>- have flexibility to respond to local conditions.<br>- harmonize the company's activities and products with national government policies.<br>- adapt existing products to local markets.' |
| | | | Country coordination expectations | • 'The management of flows, commonalities, and scope economies in a multinational network of affiliates<br>• 'As the company globalizes, I believe that the country operations most familiar to me will:<br>- provide early warning of global competitive threats.<br>- put global objectives ahead of country bottom line.<br>- identify local business opportunities with global potential.<br>- learn from the company's operations in other countries.' |

| Authors (year) | Issue of concern; Methods; Sample | Domain; Level of analysis; Relationship between GI & LR | Construct name | Definition/Operationalization/dimension |
|---|---|---|---|---|
| Taggart (1998) | • Extend the Jarillo & Martinez framework and apply it to a sample of 171 manufacturing subsidiaries in the UK<br>• Survey<br>• 171 MNE manufacturing affiliates in the UK | • Managerial response<br>• Subsidiary<br>• Independent constructs | Integration | • No definition<br>• [Adapted from Prahalad and Doz (1987)]: manufacturing decisions linked to local or worldwide market areas; product specification developed by subsidiary for its own or parent's markets; the extent to which the subsidiary serves MNC customers worldwide market areas; sharing of technology development within the internal network; dependence of subsidiary on linkages within the internal network; centralization of production planning |
| | | | Responsiveness | • No definition<br>• market area served (Hedlund, 1981); product range supplied (Egelhoff, 1988); advertising and promotion (Takeuchi and Porter, 1986); research and development (De Meyer, 1993); production capacity (Gates and Eglehoff, 1986); manufacturing technology (Young et al., 1988).<br>• measured on a 4-point scale as follows:<br>1 = decided mainly by HQ without consulting the affiliate; 2 = decided mainly by the parent after consulting the affiliate; 3 = decided mainly by the affiliate after consulting HQ; 4 = decided mainly by the affiliate without consulting HQ. |
| Harzing (2000) | • Construct explicit typologies incorporating a large number of different characteristics and test the typologies on a large sample of MNEs<br>• Survey<br>• 166 subsidiaries in 22 countries of 37 MNEs (US, European, Japanese) | • Managerial response<br>• Subsidiary<br>• Independent constructs | Interdependence | • The extent to which various units of a MNE are dependent on each other and so the level of integration within the MNE as a whole<br>• Three different levels of dependencies (measured by the percentage of intra-company sales and purchases): independence (the subsidiary is barely dependent on headquarters or other subsidiaries); dependence (the subsidiary is mainly dependent on headquarters); interdependence (the subsidiary, headquarters and other subsidiaries all form part of an interdependent network) |
| | | | Local responsiveness | • the extent to which subsidiaries respond to local differences in customer preferences<br>• product modification; adaptation of marketing: local production; local R&D (measured by the percentage of products and marketing that was substantially modified for the local markets; the percentage of local R&D and local production incorporated in products sold by the subsidiary) |

| Authors (year) | Issue of concern; Methods; Sample | Domain; Level of analysis; Relationship between GI & LR | Construct name | Definition/Operationalization/dimension |
|---|---|---|---|---|
| Luo (2002) | • Examine organizational factors which affect global integration<br>• Survey<br>• 168 manufacturing subsidiaries of MNEs in China | • Managerial response<br>• Subsidiary<br>• LR not covered | Overall integration | • The degree of how well integrated a subsidiary is with the rest of the MNE network in terms of internalization, coordination and interdependence.<br>• 'Overall, to what extent do you think your head office seeks financial and operational synergies from global integration of your activities in China with the rest of the network?; Overall, to what extent do you think intra-firm coordination and integration between your operations in China and the rest of the network is always maintained even though the dynamics of the Chinese market necessitate the adoption of different strategies and policies under different institutional and market conditions?; Overall, to what extent do you think your interdependence with the rest of the network, with regard to resources, knowledge and transactions, is high?' |
| Kim, Park & Prescott (2003) | • Examine the pattern of integrating modes that a firm uses to achieve effective global integration of its individual business functions and its impact on the performance of the firm<br>• Survey<br>• 161 businesses of the US global manufacturing MNEs | • Organizational outcomes/ Managerial response<br>• Business<br>• LR not covered | Integration effectiveness; Integrating modes | • The degree of effectiveness in general of the use of integrating modes in globally coordinating and controlling the chosen function<br><br>• People-based integrating mode: international transfers of people; liaison personnel to integrate activities internationally etc.; Formalization-based integrating mode: fairly well-specified worldwide common rules and policies; fairly well-specified worldwide standard operating procedures etc; Centralization-based integrating mode: the extent of local vs headquarters' influence on various decision areas; R&D: R&D program, project selection etc.; Information-based integrating mode: databases to share information internationally; world-wide electronic communications systems etc. |
| Venaik, Midgley & Devinney (2004) | • Review conceptualizations of GI-LR in IB literature and examine empirically the domain of GI-LR<br>• Survey<br>• 191 business units from 126 subsidiaries in 36 countries of 119 MNEs (mainly UK, US and Japanese MNEs) | • Distinguish environmental pressure from managerial response<br>• Subsidiary (a business unit in a subsidiary)<br>• Independent constructs | Environmental pressures for global integration; Environmental pressures for local responsiveness; Global integration as firm responses; Local responsiveness as firm responses | • 'the impact of global competition' and 'pressures from technological change' (from the interpretation of the factor analysis result)<br>• e.g. Competitors are mostly global; competitors sell globally standardised products; the nature of competition is global etc. (from 48 measurement items from previous literature)<br>• 'pressures from the local business infrastructure'<br>• e.g. Quality of local infrastructure: logistics; channels; advertising; personnel; suppliers<br>• 'intra-firm sharing of resources'<br>• e.g. Sharing of production resources; R&D resources; management services<br>• 'the influence of local regulations on firm decisions'<br>• e.g. Product decisions; price decisions; advertising decisions; promotion decisions; sourcing decisions; R&D decisions influenced by government |

# Appendix 2. The summary of conceptualizations of GI-LR in International HRM research

| Authors (year) | Issue of concern; Methods; Sample | Dimension/Level of analysis; Relationship between GI & LR | Construct name | Definition/Operationalization |
|---|---|---|---|---|
| Rosenzweig & Nohria (1994) | • Understanding the forces that shape specific management practices in subsidiaries of MNEs<br>• Survey<br>• 249 U.S. subsidiaries of MNEs | • Subsidiary HRM practice (benefits, time off, executive bonus, participation, gender composition, training<br>• Independent constructs | Difference from parent (internal consistency)<br><br>Difference from local (local isomorphism) | • Degree of difference in a subsidiary HRM practice from parent's<br>• Indicator of internal consistency: compare subsidiary practice with parent practice and transform the data into the degree of difference<br>• Degree of difference in a subsidiary HRM practice from local's<br>• Indicator of local isomorphism: compare subsidiary practice with local practice and transform the data into the degree of difference |
| Hannon et al. (1995) | • How the forces of globalization and localization impact IHRM strategy: identify three types of IHRM strategy (autonomous, receptive, active)<br>• Survey<br>• 100 subsidiaries of MNEs in Taiwan | • Subsidiary HRM practices<br>• Independent constructs | Global integration<br><br><br><br>Local responsiveness | • Subsidiary's current state of global integration<br>• Degree of importing HR strategies from headquarters: aggregate measures of 6 HRM practices<br>• Subsidiary's current state of local responsiveness<br>• Degree of customizing HR strategies to respond to the needs of the local environment: aggregate measures of 6 HRM practices |
| Turner et al. (1997) | • Examines the extent of country of origin effect on HRM practices in a subsidiary<br>• Survey<br>• 101 subsidiaries of MNEs and local firms in Ireland (Cranet database) | • Subsidiary HRM practices<br>• NA | NA | • Compare HRM practices between indigenous and foreign companies in Ireland (the use of performance-related pay; human resource flow practices; employee involvement at the task level) |
| Ding et al. (1997) | • Examine the extent of HQ control over HR policies in subsidiaries of MNEs in China<br>• Survey<br>• 158 MNEs in China (Shenzen region) | • Subsidiary HRM practices<br>• NA | NA | • Descriptive analysis on each HRM practices of subsidiaries of MNEs (recruitment; training; compensation; performance appraisal etc.) |
| Ngo et al. (1998) | • Examine country of origin effect on HR practices of subsidiaries<br>• Survey<br>• 253 local firms, US, UK, Japanese MNEs in Hong Kong | • Subsidiary HRM practices (25 practices classified into 4 factors)<br>• NA | NA | • 25 human resource management practices items (Peck, 1994)<br>• Factor analysis to identify dimensions: 4 factors identified (Structured training; retention-oriented compensation; seniority-based compensation; diversity)<br>• Compare the degree of each practice factor amongst four groups (US, UK, Japanese MNEs and local firms) |

| Authors (year) | Issue of concern; Methods; Sample | Dimension/Level of analysis; Relationship between GI & LR | Construct name | Definition/Operationalization |
|---|---|---|---|---|
| Tayeb (1998) | • Examine HRM policies and subsidiary HRM practices of an MNE<br>• Case study<br>• Scottish subsidiary of a US MNE | • Subsidiary HRM practices<br>• NA | NA | • Examine the extent of transfer of parent policies to subsidiary HRM policies and practices (recruitment; development; compensation & benefit; industrial relation; teamwork; flexible working; quality control) |
| Bae et al. (1998) | • Examine the determinants of HRM strategy in MNE<br>• Survey<br>• 190 subsidiaries of MNEs and indigenous firms operating in Korea and Taiwan | • Subsidiary HRM practices (12 practices)<br>• NA | NA | • Measure tendencies of each HRM practices and test the impact of host countries and home countries on each of 12 HRM practices |
| Liberman & Torbiorn (2000) | • Examine management practice across subsidiaries in an MNE<br>• Case study (96 interviewees)<br>• Subsidiaries in eight European countries of an MNE | • Subsidiary management practices<br>• NA | NA | • Examine variances and commonalities within/between subsidiaries in HRM practices (communication & influence; control; reinforcement; decisions; crisis & conflict management; instruction & progression). |
| Tregaskis et al.(2001) | • Examine whether subsidiary HRD practices of MNEs are similar to local practices or to those of other MNEs<br>• Survey<br>• 424 MNEs and 259 indigenous organization in UK and Ireland (Cranet database) | • Subsidiary HRM practices (specific HRD practices: e.g. career development, skill development etc.)<br>• NA | NA | • Test the degree of similarity in the HRD practices (5 practices) among different groups (MNE vs. indigenous, UK vs. Ireland) |
| Gamble (2003) | • Examine the transfer of HRM practices from the UK to subsidiaries in China<br>• Case study (88 interviewees)<br>• UK headquarter and two stores in China of a UK retail MNE | • Subsidiary HRM practices<br>• NA | NA | • Examine similarities between subsidiary and HQ practices vs. similarities between subsidiary and local practices (state-owned enterprises) across 8 HRM areas (communication; hierarchy; reward system; benefit; work pattern; age composition; training; employee representation). |
| Schmitt & Sadowski (2003) | • Examine the existence of host-country and country-of-origin effects<br>• Survey<br>• 297 US/UK subsidiaries operating in Germany & native German firms | • Subsidiary HRM practices (HRM/IR practices)<br>• NA | NA | • Test the degree of similarity(differences) in the HRM/IR practices among different groups (UK/US MNEs vs. German local firms) |

| Authors (year) | Issue of concern; Methods; Sample | Dimension/Level of analysis; Relationship between GI & LR | Construct name | Definition/Operationalization |
|---|---|---|---|---|
| Kim & Gray (2005) | • Examine determinants of HRM practices in subsidiaries of MNEs<br>• Survey<br>• 84 subsidiaries of Australian MNEs | • Subsidiary HRM practices<br>• NA | Degree of similarity of practices (to parent's) | • The extent to which the HRM system of subsidiary is similar to that of parent<br>• Degree of similarity to parent practice: aggregate measures of 11 sub-component of HRM practices |
| Björkman et al. (2007) | • Examine determinants of HRM practices in subsidiaries of MNEs<br>• Survey<br>• 158 subsidiaries of MNEs operating in the US, Russia and Finland | • Subsidiary HRM practices<br>• NA | NA | • Measure the degree of using HRM practices (employee training; performance-based compensation; competence/performance appraisal; merit-based promotion; internal communication) and test the impact of host country and subsidiary characteristics on the use of each HRM practice |
| Brewster et al. (2008) | • Assess variations in HRM practices in terms of host country effect, home country effect, global convergence, and duality<br>• Survey<br>• 6939 subsidiaries/domestic firms in 20 countries (Cranet database) | • Subsidiary HRM practice (Employer-employee interdependence, delegation to employee)<br>• NA | NA (Degree of similarity of practices) | • Test the degree of similarity in the HRM practices (2 defining features and 6 sub-dimension in HRM practices) amongst different groups |

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# Participant Information Sheet

Dear Sir or Madam,

My name is Chul Chung, a doctoral researcher in the Lancaster University Management School. I am conducting a research project as part of the requirement of my degree in PhD in Management, and I would like to invite you to participate in an interview. Your participation is voluntary based upon the information that I provide for you. I will be happy to answer any question you have about the study. You may contact me at **+44(0)786 397 6026(U.K.), 010 9065 6036 (Korea)** or **cchung212@hanmail.net** if you have research related questions or problems.

## Research title

Managing the global integration and local responsiveness of HRM in MNCs

## Aim of the research

This research tries to examine the role of HR actor's interpretation in responding to multiple institutional pressures, mainly from parent company and from host country, and the enactment of international HRM strategy at the multiple levels in HR function of multinational corporations.

Key research question is: how MNEs enact the notions of global integration and local responsiveness in HRM through their IHRM strategy and subsidiary HRM practices.

## What would be expected in the interview

If you decide to participate, you will be asked to meet with me for an interview about HRM in your company. In particular, you will be asked questions about:

(1) the concepts of global integration and local responsiveness in your HR function

(2) the specific global HR related initiatives/activities that your organization is pursuing

(3) the implementation of global HR related initiatives/activities at the subsidiary of your company

The meeting will take place at a mutually agreed upon time and place, and should last about 60 minutes. The interview will be audio taped, if you permit, so that I can accurately reflect on what is discussed. The recorded information will only be reviewed, transcribed and analysed by me and will then be destroyed. You do not have to answer any questions that you do not wish to.

### Participation is voluntary and anonymous

Your participation is voluntary and you may withdraw at any time with no adverse consequences. Study information will be kept in a secure location. The results of the study will be used for the doctoral thesis and may be published in academic journals or presented at academic meetings, but the name of the company and your identity will not be revealed. The research report summary will be delivered to you for your reference.

Thank you for your consideration.

With kind regards,

Chul Chung

## Appendix 4. Participant consent form

## **Participant Consent Form**

No:

Initial of Participant:

Title of research: Managing the global integration and local responsiveness of HRM in MNCs

I agree to participate in this research with my own free will. I understand that I have the opportunity to ask any question I wish and may withdraw from the study at any time, without giving a reason and with no adverse consequences.

I also confirm that the information about the study, the contact information for the researcher, and the anonymity of the information were provided fully through the Participant Information Sheet by the researcher.

Name of participant:

Address of participant:

Sign:

## Appendix 5. Interview protocol - HQ

<u>**HQ/ Interview with HQ HR Exec. & Managers**</u>

### 0. Introduction of Research and Interview

- Participant information sheet

- Participant consent form

### I. IHRM Strategy/ GHR Strategy, GHR Initiatives & Integration Activities

1. If you consider the situation in which you are presenting your GHR strategy to a subsidiary, how would you describe your GHR strategy in terms of what, why, how?

2. Could you explain specific GHR initiatives/ 'global HR standard' that your organization is pursuing?

 - What kind of activities is your organization doing to implement the global HR standard at the subsidiary level?

3. Why does (what drives) your organization pursue the IHRM strategy and initiatives you described?

 - Is there any influence from home country, global trend, or host country?

### II. IHRM Strategy/ HQ Concepts of Global HR (GI & LR)

4. Please, give three examples of subsidiary that you assessed as high in the degree of global integration of HR function and three examples of subsidiary assessed as low in that. Please, rating each selected subsidiary from 1-very low to 5-very high based on the degree of global integration.

 - On what/which aspect were you basing your judgement? Could you suggest any evidence?

 - Why is it important to your organization?

 - How it can be done?

5-1. Could you describe any episode/event which you were involved in to discuss global HR initiatives with subsidiary HR actors? (collaborative case)

 - What were the key debates? What was your views? What was subsidiary's view?

 - What was your organization's concept of **global integration** and **local responsiveness** at those episodes?

5-2. Could you describe any episode/event in which you felt conflict between the needs of global integration and local responsiveness? (challenging case)

- What was the key issue? What were the views of each other? How was it resolved?

- What was your organization's concept of **global integration** and **local responsiveness** at those episodes?

6-1. Widely used terms such as global integration and local responsiveness might have different meaning according to a particular organization.
    - What is the meaning of global integration in your HR function?
    - Why so? What are the objectives of GI?


6-2. How could your organization achieve GI?


6-3. What is the meaning of local responsiveness in your HR function?
    - Why so? What are the objectives of LR?


6-4. How could your organization achieve LR?


7. What would be the right balance between GI & LR? Could you express the expected degree of GI as 1-5, and the expected degree of LR as 1-5.

 - Why?

 - How can it be achieved?

8. What would you expect from subsidiary HR function? (role of subsidiary HR function)


**III. Subsidiary HR Outcomes/ Response (implementation) to GHR Initiatives/Integration Activities/ Global HR Standard/System**

9. Could you describe subsidiary's response patterns to each global HR initiatives/integration activities with concrete examples of subsidiary?

    - Could you describe subsidiary's response patterns to the 'Global HR Standard' with concrete examples of subsidiary?

    - What led to such response?


**Closing**

- Debrief promise

**Appendix 6. Global HR practices Standardization Assessment Form: HQ**

**Global HR Practices Standardization Assessment Form: Headquarter**

I. Please, define each element of HR practices as **(1) globally common, (2) Hybrid(modification based on global standard), and (3) pure localization.**

| Area | Element | Globally common | Hybrid | Pure local | Rationale / Others |
|------|---------|-----------------|--------|------------|--------------------|
| Policy | Management philosophy | | | | |
| | Core values | | | | |
| | HR Principles | | | | |
| | Employee regulation | | | | |
| Job | Job Classification: job family | | | | |
| | Job Classification : job list | | | | |
| | Job description: category | | | | |
| | Job description: content | | | | |

| Area | Element | Globally common | Hybrid | Pure local | Rationale / Others |
|---|---|---|---|---|---|
| Grade | Grade: number | | | | |
| | Grade: criteria/definition | | | | |
| | Grade: title | | | | |
| Recruitment/ selection/ promotion/ succession planning | Recruiting methods | | | | |
| | Recruiting message | | | | |
| | Selection: criteria | | | | |
| | Selection: assessor | | | | |
| | Selection: process | | | | |
| | Selection: tools | | | | |
| | Promotion: requirement/ criteria | | | | |
| | Promotion: process | | | | |

| Area | Element | Globally common | Hybrid | Pure local | Rationale / Others |
|---|---|---|---|---|---|
| | Succession planning: executive pool selection/ management | | | | |
| | Succession planning: high potential talent selection/ management | | | | |
| Performance management | Performance management : evaluation factor/ type of performance management | | | | |
| | Performance management: cycle/ frequency | | | | |
| | Performance management: weighting of evaluation factors | | | | |
| | Performance management: overall rating scale | | | | |
| | Performance management: forced distribution | | | | |
| | Performance management: form | | | | |
| | Performance management: linkages to other HR applications | | | | |
| | Result-based performance management: performance category | | | | |
| | Result-based performance | | | | |

| Area | Element | Globally common | Hybrid | Pure local | Rationale / Others |
|---|---|---|---|---|---|
| | management: evaluation item | | | | |
| | Result-based performance management: process | | | | |
| | Result-based performance management: assessor | | | | |
| | Result-based performance management: rating scale | | | | |
| | Competency assessment: common competency / leadership competency | | | | |
| | Competency assessment: job skill/ competency | | | | |
| | Competency assessment: process | | | | |
| | Competency assessment: assessor | | | | |
| | Competency assessment: rating scale | | | | |
| Compensation and benefit | Employee pay structure | | | | |
| | Employee base pay range | | | | |
| | Employee base pay increase | | | | |

| Area | Element | Globally common | Hybrid | Pure local | Rationale / Others |
|---|---|---|---|---|---|
| | Employee Incentive | | | | |
| | Executive pay structure | | | | |
| | Executive base pay range | | | | |
| | Executive base pay increase | | | | |
| | Executive Incentive | | | | |
| | Benefit: employee | | | | |
| | Benefit: executive | | | | |
| Development | Learning program: leader | | | | |
| | Learning program: core value/ common competency | | | | |
| | Learning program: profession/ job related | | | | |
| | Learning delivery/operation | | | | |

# Appendix 7. Interview protocol – subsidiary HR manager

<u>Subsidiary/ Interview with Subsidiary HR Manager, Staff, Expatriate</u>

## 0. Introduction of Research and Interview

- Participant information sheet

- Participant consent form

- Could you tell me briefly about your career history?

## I. Subsidiary context

1. What are the key challenges in managing people in your organization (in terms of hiring, developing, retaining, and motivating local talent)? Why?

   - In managing people in your organization, what are the key aspects of local context your HR team needs to consider?

   - To what degree do you think unique local contexts determine HRM practices in your organization? Why? In which area of HRM practices?

   - Are there any widely used practices of people management in your country? What are the key characteristics of them? Why do you think they are used widely in your country?

   - As a Korean multinational company, are there any unique challenges in HRM of your organization?

2. Could you describe what your HR team does in responding to the local demands in HRM with concrete examples? What led to such response?

## II. Interpretation of, and responses to, GHR activities

3. Could you describe briefly what Global HR Standard is? (If you consider the situation in which you are presenting your GHR strategy to employees, how would you describe the GHRS in terms of what, why, and how?)

   - Could you share your experience and thoughts on it? To what degree is it useful to your organization? Why?

4. [GHRS implementation assessment sheet] Could you fill out this form to summarize current HRM practices in your organization?

   - Please, describe each HRM practices in your organization. Could you tell me why particular GHRS practices were not implemented in your organization, if any?

   - In implementing GHRS, what has been going well and why? What were the difficulties in implementing it and why?

5. Could you share your experience and thoughts regarding integration activities initiated by corporate headquarter, such as 1) global HR newsletter, 2) global HR conference, 3) best practice manual sharing activities, 4) HR staff assignment to HQ etc.?

**III. Meaning of GI & LR**

6. Please, give ratings from 1 (very low) to 5 (very high) to assess your HR function in terms of global integration and local responsiveness.

   - On what/which aspect were you basing your judgement?

7. Could you describe any episode/event which you were involved in to discuss global HR initiatives with people in corporate HR or your organization?

   - What were the key debates? What was your view?

   - Could you describe any episode/event in which you felt any tension or dilemma between the needs of global integration and local responsiveness?

   - What was your thought/concept of **global integration** and **local responsiveness** at those episodes?

8-1. Widely used terms such as global integration and local responsiveness might have different meaning according to a particular organization.
   - What is the meaning of global integration in your HR function?
   - Why so? What are the objectives of GI?

8-2. How could your organization achieve GI?

8-3. What is the meaning of local responsiveness in your HR function?
   - Why so? What are the objectives of LR?

8-4. How could your organization achieve LR?

9. What would be the right balance between GI & LR? Could you express the expected degree of GI as 1-5, and the expected degree of LR as 1-5.

   - Why?

   - How can it be achieved?

10. What do you think the role of subsidiary HR function is?

**Closing**

- Debrief promise

## Appendix 8. Interview protocol – subsidiary line manager

### Subsidiary/ Interview with Subsidiary GM, line manager

**0. Introduction of Research and Interview**

- Participant information sheet

- Participant consent form

- Could you tell me briefly about your career history?

### I. Subsidiary context

1. What are the key challenges in managing people in your organization (in terms of hiring, developing, retaining, and motivating local talent)? Why?

   - In managing people in your organization, what are the key aspects of local context your HR team needs to consider?

   - To what degree do you think unique local contexts determine HRM practices in your organization? In which area of HRM practices?

   - As a Korean multinational company, are there any unique challenges in HRM of your organization?

2. Could you describe what your HR team does in responding to the local demands in HRM with concrete examples? What is your thought on them?

### II. Interpretation of, and responses to, GHR activities

3. Could you describe briefly what Global HR Standard is?

   - Could you share your experience and thoughts on it? To what degree is it useful to your organization? Why?

4. In implementing GHRS, what has been going well and why? What were the difficulties in implementing it and why?

### III. Meaning of GI & LR

5. Please, give ratings from 1 (very low) to 5 (very high) to assess your HR function in terms of global integration and local responsiveness.

   - On what/which aspect were you basing your judgement?

6. Could you describe any episode/event which you were involved in to discuss global HR initiatives with people in HR team or your organization?

- What were the key debates? What was your view?

- Could you describe any episode/event in which you felt any tension or dilemma between the needs of global integration and local responsiveness?

- What was your thought/concept of **global integration** and **local responsiveness** at those episodes?

7-1. Widely used terms such as global integration and local responsiveness might have different meaning according to a particular organization.
   - What is the meaning of global integration in your HR function?
   - Why so? What are the objectives of GI?

7-2. How could your organization achieve GI?

7-3. What is the meaning of local responsiveness in your HR function?
   - Why so? What are the objectives of LR?

7-4. How could your organization achieve LR?

8. What would be the right balance between GI & LR? Could you express the expected degree of GI as 1-5, and the expected degree of LR as 1-5.

- Why?

- How can it be achieved?

9. What do you think the role of subsidiary HR function is?


**Closing**

- Debrief promise

**Appendix 9. Global HR Practices Standardization Assessment Form: Subsidiary**

<u>Global HR Practices Standardization Assessment Form: Subsidiary</u>

**(for key coordinator or HR manager)**

Please, check current status of HRM practices in the subsidiary: **(1) fully follow GHRS, (2) modification based on GHRS, and (3) pure localization**.

| Area | Element | CHQ Guideline (Mandatory/ Recommend-atory) | Subsidiary Current Status | | | Description/Reasons |
|---|---|---|---|---|---|---|
| | | | Follow GHRS | Modify GHRS | Pure local | |
| Policy | Management philosophy | | | | | |
| | Core values | | | | | |
| | HR Principles | | | | | |
| | Employee regulation | | | | | |
| Job | Job Classification: job family | | | | | |
| | Job Classification : job list | | | | | |

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| Area | Element | CHQ Guideline (Mandatory/ Recommend- atory) | Subsidiary Current Status | | | Description/Reasons |
|---|---|---|---|---|---|---|
| | | | Follow GHRS | Modify GHRS | Pure local | |
| | Job description: category | | | | | |
| | Job description: content | | | | | |
| Grade | Grade: number | | | | | |
| | Grade: criteria/definition | | | | | |
| | Grade: title | | | | | |
| | Grade: sub-grade and title | | | | | |
| Recruitment/ selection/ promotion/ succession planning | Recruiting methods | | | | | |
| | Recruiting message | | | | | |
| | Selection: criteria | | | | | |

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| Area | Element | CHQ Guideline (Mandatory/ Recommend-atory) | Subsidiary Current Status | | | Description/Reasons |
|---|---|---|---|---|---|---|
| | | | Follow GHRS | Modify GHRS | Pure local | |
| | Selection: Interview with HR | | | | | |
| | Selection: assessor | | | | | |
| | Selection: process | | | | | |
| | Selection: tools | | | | | |
| | Promotion: requirement/ criteria | | | | | |
| | Promotion: process | | | | | |
| | Succession planning: executive pool selection/ management | | | | | |
| | Succession planning: high potential talent selection/ management | | | | | |
| Performance management | Performance management : evaluation factor/ type of performance management | | | | | |

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| Area | Element | CHQ Guideline (Mandatory/ Recommend-atory) | Subsidiary Current Status | | | Description/Reasons |
|---|---|---|---|---|---|---|
| | | | Follow GHRS | Modify GHRS | Pure local | |
| | Performance management: cycle/ frequency | | | | | |
| | Performance management: Bi-annual Performance Appraisal | | | | | |
| | Performance management: weighting of evaluation factors | | | | | |
| | Performance management: overall rating scale | | | | | |
| | Performance management: forced distribution | | | | | |
| | Performance management: form | | | | | |
| | Performance management: linkages to other HR applications | | | | | |
| | Result-based performance management: performance category | | | | | |
| | Result-based performance management: evaluation item | | | | | |
| | Result-based performance management: process | | | | | |

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| Area | Element | CHQ Guideline (Mandatory/ Recommend- atory) | Subsidiary Current Status | | | Description/Reasons |
|---|---|---|---|---|---|---|
| | | | Follow GHRS | Modify GHRS | Pure local | |
| | Result-based performance management: assessor | | | | | |
| | Result-based performance management: rating scale | | | | | |
| | Competency assessment: common competency / leadership competency | | | | | |
| | Competency assessment: job skill/ competency | | | | | |
| | Competency assessment: process | | | | | |
| | Competency assessment: assessor | | | | | |
| | Competency assessment: rating scale | | | | | |
| Compensation and benefit | Pay philosophy | | | | | |
| | Employee pay structure | | | | | |
| | Employee base pay range | | | | | |

| Area | Element | CHQ Guideline (Mandatory/ Recommend- atory) | Subsidiary Current Status | | | Description/Reasons |
|------|---------|------|------|------|------|------|
| | | | Follow GHRS | Modify GHRS | Pure local | |
| | Employee base pay increase | | | | | |
| | Employee Incentive | | | | | |
| | Executive pay structure | | | | | |
| | Executive base pay range | | | | | |
| | Executive base pay increase | | | | | |
| | Executive Incentive | | | | | |
| | Benefit: employee | | | | | |
| | Benefit: executive | | | | | |
| Development | Learning program: leader | | | | | |
| | Learning program: core value/ common competency | | | | | |

| Area | Element | CHQ Guideline (Mandatory/ Recommend- atory) | Subsidiary Current Status | | | Description/Reasons |
|------|---------|------|------|------|------|------|
| | | | Follow GHRS | Modify GHRS | Pure local | |
| | Learning program: profession/ job related | | | | | |
| | Learning delivery/operation | | | | | |

## Appendix 10. Sample extracts from interview transcripts

Interviewer: So could you tell me briefly about your career history up to now?

Respondent: My role here at AutoCo?

Interviewer: The people before this company maybe you start...?

Respondent: Yes well I went to school here in the United States and have a bachelor's and master's degree in industrial psychology. And I worked for Boeing Aircraft for a year and then I worked for Ford Motor Company worldwide for about 18 years. And then after that I worked for another global company here outside of the auto industry for five years. And then I have now been here at AutoCo Motors America in Irvine, California for just a little over four and half years... four and half years to date. And my background has all been in human resources management. I consider myself a generalist meaning I've done benefits training, union negotiations, salaried personnel, payroll...

Interviewer: Everything.

Respondent: A little bit of everything, not a specialist in anything more but more of a generalist. And I've had some very large, large roles and some small roles meaning I've had as many as 15 direct HR professionals reporting to me and a staff of 90 to a small as here where it's... where including our facilities area maybe 11 or 12 people that report in here including our contractors and that. But my role here is human resources director for the United States and that includes all the primary functions of human resource management, but also facilities and administration which in United States would mean our corporate facilities here, all of our facilities across the US, all of our administration functions like travel, security, cafeteria, special events, things like that. So a little bit broader role maybe than some of the people you might be speaking to. But I probably have to add all that up and that's maybe 27 years or so experience right out of college all in human resource management.

Interviewer: Wow 27 years, whoa.

Respondent: 27 years, so yeah been a while and I enjoy what I do. I love human resources, love it, it's a very exciting job because nothing's ever the same every day, there's always new issues and challenges especially as you would know dealing with people, so always something new.

Interviewer: Fantastic. So yeah it is a very broad role in your company. My topic is about, especially about the Korean Company case. Because in academics in HR international management area traditionally the focus was on the merchandise of corporation from developed countries, US and Japan and some Western Europe. So now is... the focus is moving to more different countries, from the different countries like Korea, China, India. So there is

some interest about what is distinctive aspect of these new coming multinational corporations and what they do when they go to the other country? What is the difference between the company from developed country and developing country? What is key challenges? So that research topic is emerging now so that is my main focus of my research. So what are the key challenges in managing people in AutoCo US in terms of hiring, developing and containing all aspects you can say and why?

Respondent:     Key challenges here in the United States?

Interviewer:    Yes, as a AutoCo motor company?

Respondent:     Yes, well I'll give you maybe a little bit more information than you need, but when I first got here the key challenge was difficulty in attracting candidates to come to AutoCo. AutoCo was still five years ago struggling a little bit with quality a little bit, it was definitely struggling with the brand and its image from what it used to be considered to what it is today. And as a result we found it very difficult to get candidates from companies that we feel are leaders in the automotive industry which have changed over the years. So nowadays companies like Volkswagen, Nissan, Honda, Toyota years ago would have been Ford, GM and Chrysler, but we were rarely were able to attract people from any of these particular companies and that. So as the brand now has changed and Korea has had unbelievable growth led by our design led transformation of our cars how they look today and then the drastic improvements in quality, we are now getting a good number of people who are coming from other very well respected tier one automotive companies to come work here in our sales marketing and service activity. So that was our first challenge but that challenge is kind of behind us now, we are able to attract the good talent.

The other challenge I think I had when I came here was we've only been in the United States 16, 17 years or so, so it's really grown up from a very small independent subsidiary to a much larger company now with well over 400 employees here in marketing sales and service. And developing people's career in that has been a challenge here because we weren't large enough to really develop people's career here. And so as a result many people have been in their jobs a good number of years, so a challenge for us is trying to determine how we can laterally develop our people and how we can provide for more upward vertical promotional opportunities for them when we're still a relative small company. Some of my prior companies I mentioned earlier that I've come from lots of opportunities and so they were always opportunities to develop your top talent. So the development of our people has been another challenge here. So recruiting originally and then the development of our people probably the two biggest challenges.

I don't know if this is actually a challenge but, and maybe we'll talk about this later on and I don't know what your next questions are, but when I came here we needed to put in some systems and that in place. We had a performance appraisal process and some other policies and that, but we really weren't integrated together and I believe every country around the world with AutoCo was doing different things. And to... AutoCo Motor Corporation KMC's credit what they did is kind of develop a blueprint for the entire world what they call GHRD, the Global Human Resource Development system. And it basically it touches on pay and compensation, variable pay, talent management, development of our people, salary ranges and it's a very nice overview of how every country around the world should have these things in place. And so the challenge for us is taking this from global corporate AutoCo and localising it so that it will work here for us. Because although they've done a terrific job with it, it doesn't always translate exactly to what we need to do here or the laws in the various states in the United States. And so things like a Performance Appraisal System they have some very clear ideas how they want to do it. It's very focused on the quantitative of what you do but here in the United States we mix quantitative and qualitative together when we look at people's performance. So things like that where Korea may have a great view of what needs to be done but maybe we need to localise it a little bit but still adhere to the overall guidelines and principles of what KMC, AutoCo Motor Corporation is attempting to do. So that's always a challenge taking the information that comes and making it fit here for our culture. Just like it would be the same if we were here and sending stuff to Korea it would have to fit with the Korean culture and how things are done and all that.

So those are three areas maybe recruiting first then development of our people second and now the challenge has been taking this new global system and making it work here in the United States for us here.

Interviewer: Hmmm. What are the activities to handling those challenges in your company?

Respondent: Activities meaning what steps like are we taking to...?

Interviewer: So to increase the recruiting performance? What kind of activities...? What initiatives you say?

Respondent: That was probably the hardest one of all the recruiting because the brand has to speak for itself and it has to get better quality which it has now done. And so what we were doing the first couple of years here is we had expanded our recruiting. So we originally just went one place to recruit on the internet to a particular job site, Monster.com. Now we go to trade associations, employee referrals, executive search firms which have helped us go out and find somebody and pull them from some of these companies and multiple job sites, Automotive News, Monster, Career Development and

a number of others that we go to. So we basically diversified our search on the internet and off the internet and that has helped us broaden our ability to be able to attract some candidates that we normally wouldn't. But like I said that has now changed, now we really are getting good candidates from companies like Ford, Nissan, Volkswagen, some of the companies that we still consider to be very good out there with great talent and great management and leadership systems and that. Because one nice thing about those kind of companies is they do a pretty good job of development of people and training. So if you're able to pull somebody from one of those companies it's very likely they've had very good training for a number of years and it's going really, really help us when they bring that knowledge and that talent into our environment here. So from recruiting that's one of the mechanisms or things that we did.

For the development of our people, lots of things we did there. We launched the first ever training for our employees last year 2010. We'd never done training of our employees, they'd never been through any kind of management training. So we launched training online, we launched training with a consultant who came in and took all of our managers and above, 60 somewhat people through three different days of training on various subjects, such as the essentials of leadership, how to motivate employees, a number of topics around these kind of leaderships concepts. And we got rave reviews for that training, numerous managers and directors came to us and were very appreciative of the training because it was very practically orientated and we developed the training around AutoCo's value system that they have. Specific values, we ensured that the training was aligned with those values. So we actually did two things, we trained our people in good management leadership techniques but we also made sure it aligned with the new values that Honda and AutoCo are coming up with and sharing recently with all of our employers and that. So from a training standpoint a lot of things were done first time ever and we're going to do much, much more this coming year. We have new ideas for 2012 that we're going to be doing around competency development.

Interviewer: I think that is a very interesting... because what is the key reason why you should focus on those two areas, the value and leadership?

Respondent: Why on those?

Interviewer: Yeah.

Respondent: Well I think the values and I know it's difficult to read but these are the new values announced January 1, things like being global, people, collaboration, customer and challenge and then there are definitions for them here. So basically the company has looked and looked where we've come from and where we're going and established a set of five core values and it's important that we have all of our employees, but especially our leaders, our managers

to really understand these values and the behaviours associated with it so that they can lead their teams probably a little bit more effectively. We can work better together which is our mission for this company, together for a better future is really what our vision is, it's been articulated. And so training around these values helps our management team have really good behavioural examples and practice how to be an effective leader in that. So for example we work with our suppliers and at times there are difficult discussions and that go on because maybe we don't believe the supplier or vendor is working well. Well one of our values is collaboration. And so one of the half days of training was all about how to work with difficult employees, customers who are irate, working with people who disagree with the direction you're given and this kind of training, very practical training helps our managers hopefully be a little bit better at collaborating together in this case with difficult people or difficult vendors and that. So we have identified these values, we knew they were coming and we knew some of the key issues we were having in our performance appraisals where we could see what the manager's struggles some of them were having with developing their people and that. And so we just basically looked at all that data and then put it together and came up with these classes that focus on this and then brought in a consultant so that it wasn't just HR training, it was somebody who's very respected and does this for a living across a number of multinational companies to give it a little bit more credence or a little bit more authority and that they knew what they were talking about, than me or somebody on my staff who works with these people every day trying to do the coaching. Because sometimes I truly believe you need somebody else to come in and knock a load of sense into you or help you understand a little better what's happening out there in the world than just staying very insular within your own group here. So anyway the values and the leadership training that came together because we identified some of the issues that were happening in our workforce and these two things seem to go very well together.

Interviewer:    Hmmm, very impressive.

Respondent:    And I've got a larger list of those we can get for you if you need those...

Interviewer:    Yeah that would be...

Respondent:    ...or there's a whole brochure on it in much, much detail with like 50 pages that we can just give you a copy when we're done or...?

Interviewer:    Thank you very much, that would be very helpful.

Respondent:    Yeah, no problem.

Interviewer: Usually this kind of value system in some country there is some different understanding about particular value, so... because I have read several articles about these initiatives. Sometimes corporate head of quality try to send a signal about these meaning but it is very difficult to send [unintelligible 0:17:30] same meaning to the subsidiary level...

Respondent: Yes.

Interviewer: So sometimes there is a... there might be some different understanding but I don't know in the US case what was...?

Respondent: Well that was an issue but to AutoCo Motor Corporations credit we had a global human resources conference last October in Seoul and they shared with us what the values were. And there were some concerns by people around the world because it didn't quite translate well enough and it meant different things. For example if the word 'frugality' used which means being... some people in the United States would think that means being cheap or low class or low end or inexpensive. So we had these conversations around the definition of words in it. So to their credit they came out here and spent a day with us and we brought in a cross functional group of directors and we... they showed us a presentation and we provided a lot of feedback and they did that in all the major countries like Europe, Canada, all that. And they went back and again to their credit, to AutoCo Motors credit, they adjusted the values and the thinking around that and now it has come out much, much better. There's still maybe some areas that we would suggest be a little bit different but overall they did a very good job of listening to the customer, massaging or adjusting the behaviours around the values and I think coming out with something now that everybody around the world can agree to. There's nothing in these values that causes us any concern anymore. So that's a challenge when you work in a multinational company trying to develop something that can work around the world. But I think we've done it and to everybody's credit who worked on it over the last year or so. So it's good, it's very good.

Interviewer: There is some unique context in the US in terms of HR prospective I think. So what are the AutoCo's aspect of local, the US context for your HR team to consider?

Respondent: Yeah, well I'll share a little bit of this with you. In the America culture it's one where Americans don't always like to be told what to do, they like to... the whole spirit of the United States was a pioneering spirit that's how it got started coming from Europe over to the US and founding the United States and then moving from the East Coast gradually over the years all the way to the West Coast. So it's a very pioneering type of a spirit here. So one thing when you work with a multinational corporation is probably if you ask many Hyundai AutoCo affiliates here in the US they would like to run a little bit more independent. But because our mother ship, our corporation is then

Seoul, South Korea there are many guidelines and that that we have to follow. So there's always a ying and a yang tension back and forth. The United States currently is the largest export market for Korea, so we do the most vehicles... I'm sorry North America, Canada and the US together, so we're the largest market so a lot of us do believe we should have a lot more say in how things are run. But there is always this need to communicate very well with Korea because we know the objectives that they have maybe a little bit different than ours. So the trick, the challenge here is to make sure we're complying with all the things Korea needs but also not being afraid to say what we think needs to be changed at AutoCo Motor Corporation or giving them some helpful hints in a very respective manner as to areas that need to change and that. So as an example in the United States variable pay or bonus plans are very important and usually bonus plans are something that you communicate upfront with employers at the beginning of the year and then depending on the achievement, those objectives there's some percentage of their pay, 5, 10, 15, 20, 30% of their pay is given to them as a bonus at the end of the year. But many times it's a little bit more discretionary with AutoCo Motor Corporation and they may not view a formal bonus plan the same way we do or the need to have that. And so at times those are some of the challenges we have to work on. But saying that I would say we have one of the lowest turnover rates in our industry here at AutoCo Motors America.

Interviewer:     Oh really?

Respondent:     We track it very specifically month by month, year over year and we were just looking at it the other day, to date we're still considerably lower than some of our past history here. And I think that's a lot because our employers understand that AutoCo is really here to stay and it's growing and we're doing well and it has a very, very bright future, and so less people are looking to leave and as I indicated earlier we're getting more quality people coming from some of the other better companies which has resulted in our retention rate here being pretty good actually compared to our industry and that. And that's something that I know Korea's concerned about because in Korea you start with a company like Hyundai, AutoCo, Samsung, LG and they usually stay for life if you're a good employee right? But in the United States that's not true and even if it's a good company people generally don't stay. It's very typical to see people work four to six years go onto the next company, even in a different industry work four to six years go to a different company in a different industry. And I know sometimes that's a challenge when we try to explain that to our parent company about that because it's just different culturally, it's just different here. And we sat here in Southern California and California has I believe over 34 million people so it's a huge state as big as most countries around the world. And there are many, many opportunities here because of biotechnical, biopharmaceutical, medical, sales, all in this area and it's very easy for people to just go from one company to the next.

But fortunately for us for some of the things we're doing around our training and attraction and retention we've been able to keep our retention rate fairly low. So I think your question was, what are some of the differences and the challenges here? Well people don't always stay here for life that's different than Korea, we're very much a pioneering spirit, we want have a strong say in what we do and that sometimes is an adjustment with Korea because of the Korean culture a little bit more. There's more I think alignment and you wait for the direction to come and you move forward when you've received that authorisation. Here people are a little bit more autonomous and we empower them to get things done and work a little bit more independently maybe on tasks than maybe in Korea from my understanding.

Respondent: Yes and we've done surveys or AutoCo Motors Corporation has done surveys and the same kind of results come out that there's a lot of discipline and a super strong work ethic in Korea. It's very, very strong here too but it's just done a little bit different with more autonomy and a little bit more work/life balance than you might have in Korea. And so I know that's an adjustment for our ex-patriots here who view our culture and our employees and their work ethic and all that and it's just different. It's not bad or wrong it's just...

Interviewer: Different.

Respondent: ...a different way. So we might allow people to come in at different hours, work from home if they need to, to accommodate personal situations as long as the job gets done. But if you're done and you need to leave and it's five o'clock you should leave at five o'clock not have to wait till seven or seven thirty because your manager's still there and you're waiting for them to leave but you're really not doing anything. So we do have those cultural challenges between the two cultures and they're real and they're evidenced here every day in our work. It's very clear when we do our surveys and that. Although I will say in our recent survey that we just go this year, our results we scored in the United States I believe the highest of anywhere close to it in terms of the passion and commitment to get the job done here. So our employers clearly understand the monumental desire by Korea to achieve and conquer as much as we can here in this terrific growth mode that we're on right now, and gain market share and higher sales and more dealers, and all the things that we're doing right. And so that's very good news that our employers clearly understand the goal of Korea AutoCo Motor Corporation what they need to do and they're willing to put in the hours to get that done with very low turnover like I said. So I think we're more aligned than we used to be with Korea in terms of the work ethic and things like that, but you're very right, those are... if you do surveys you'll see that information where the difference is and you being Korean you would probably understand the Korean very well, right, the work ethic and...?

Respondent: Yeah and that's happening and that was part of the values here too, to respect each other or people and that to understand there are definitely going to be differences in how we operate. It doesn't mean we in the US aren't... we don't care or we're not passionate because we do about this brand and where the company is going. But it just gets played out or lived out a little differently here than it does in Korea. There's more individuality here, like I said more autonomy, more diversity here. And I think these are tough issues that any country has to deal with. I know Korea's pretty homogenous meaning it's probably 96/7/8% Korean and as you know just being in the US here we're about... well in California we're 50% Hispanic and we're 20% African American or a little less than that, actually less than that I think it's 13% and then Asia and everything else. So it's a very... it's a mixing pot and the very diversity of work styles and how we do it. And sometimes that's very tough if you come from a country like Sweden or Korea or China that's very homogenous, because things kind of get done the same way. Doesn't make it wrong because Korea has a phenomenal history over the last 50... phenomenal history for hundreds of years, but certainly since the Korean War unbelievable what South Korea has done in technology and business and sports. So a lot of credit goes to the discipline that's put in place there.

Interviewer: This is some template to check about global HR...

Respondent: So you know a little bit about this then?

Interviewer: Yeah, because I already conducting interview at headquarter and I get some... I have got some information about this part. So there is area element and this is a mandatory and this is recommendatory and there is some locally responsible element. So you can...

Respondent: You want me to check wherever...?

Interviewer: Yeah, so in terms of the US AutoCo Motors which is the right description about these parts.

Respondent: Aha, yes I can do that for you. You'd like me to do that now for you?

Interviewer: Maybe you need me some explanation when you fill out this form so we can do it now.

Respondent: Okay. [Filling in form] So I'm just going to put an 'x' if we follow it.

Interviewer: Yeah.

Respondent: And then... and I can come back if you want and explain maybe some for you.

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Respondent:   Yeah, basically they sent us a guide that said they wanted zero to 5% of our employees to be rated... you're probably not familiar with our rating system here but it's basically 1 through 5. 5 is an outstanding employee and 1 is basically should be terminated basically. So terminated. And then so 0-5 and I think they wanted here 10-25% here and 25% in this box and so on and so on. And I understand that but a lot of US companies actually went to court on this ten years ago or so because General Electric used to have something called the 10-80-10 System and Ford Motor Company used it too. And what it said is every year the people who are in the bottom 10% should leave the company. And sometimes when you force that upon a corporation that means every year 10% you're going to be pushing out and at some point there's like diminishing returns meaning it's not always going to be 10% there's going to be less and less because you've got very good people. So if you're forced to do this... so I believe what KMC just came back and said it's recommended and you may vary the percentages and we do. Most of our employees are what's called a 3 here and so we do follow this general curve. But it might not be zero to five, it could be zero to three down here. So we modify it a little bit. But the general concept is sound and we understand that. But I think that's what you might hear that different companies don't like to be forced into everybody's... into every... a distribution like this because here's a real example, let's say you went to Harvard University or Stanford University and you hired five MBA students and you put one of them in each department here and they could all be very, very, very good but if you follow... or say did ten of them, but if you followed some kind of a scale here then that means some of them have to be needs improvement and that's just not true. And so companies pushed back on that a little bit and they don't want to be forced to have to arbitrarily designate people into these boxes. But we in HR spend a lot of time, we review every single performance review that comes in from a management. We read every word on there or close to every word and we give the managers coaching in that and if we think the rating's too high from what they've said we will go back and say you know your words in the behavioural examples you gave weren't outstanding so you rated the person a five but your words didn't support that so would you consider a four. And so we worked with them a lot to make sure the words are aligned. And I think by doing that we get a pretty good feel how people are falling in this whole distribution. So maybe that's what you heard about a little bit.

.....(continue)