

## Discussion Paper

# Implementing 'Global HRM Standards' across Multi-layered Subsidiary Contexts in an MNE

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# Implementing 'Global HRM Standards' across Multi-layered Subsidiary Contexts in an MNE

## **Abstract**

This study examines the extent to which, and how, 'best-practice' global HRM policies are transferred by an emerging multinational enterprise (EMNE) across its subsidiaries. We focus on how socio-political dynamics unfold, identifying the role of national and subsidiary function-specific institutional contexts, and managerial agency. We discuss substantial resistance to the importation of purported 'global best practices' by the subsidiaries and show that an EMNE's ability to disseminate 'global best practices' across advanced as well as emerging economies is influenced by power dynamics between HQ and the subsidiaries, conditioned by the EMNE's industry position, the home institutional context, national and subsidiary function-specific local institutional contexts, and local actors' abilities to construct compelling localization logics that relate the distinct local contexts to significant business risk.

## **Keywords**

emerging multinational enterprise, global best practice, international HRM

## **JEL Classification**

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## Research Highlights

- We explore the transfer of global HRM policies from an EMNE's HQ to function-specific subsidiaries in a developed economy as well as an emerging economy, identifying factors that affect the transfer outcomes.
- The EMNE tried to adopt and disseminate 'global best practices' sourced from a dominant economy, rather than transferring its current HQ practices, to overcome its perceived liability of origin. However, the transfer process of the global HRM policies was subject to considerable power struggles between HQ and subsidiary actors, particularly subsidiaries in a developed economy and subsidiaries of research and development function.
- We find that an EMNE's ability to disseminate 'global best practices' across advanced as well as emerging economies is influenced by power dynamics between HQ and the subsidiaries, conditioned by the EMNE's industry position, the home institutional context, national and subsidiary function-specific local institutional contexts, and local actors' abilities to construct compelling localization logics that relate the distinct local contexts to significant business risk.

## Introduction

The transfer of human resource management (HRM) policies within multinational enterprises (MNEs) has been the focus of extensive research and theorizing, with scholarship increasingly recognizing the significance of the socio-political dynamics among actors across the multiple institutional contexts involved (Ferner et al., 2012; Geppert & Matten, 2006; Morgan & Kristensen, 2006). It is now widely acknowledged that HRM policy diffusion involves negotiated accommodations, with local actors in subsidiaries drawing on specific national institutional arrangements as a power resource to adopt, reject or adapt the practices that corporate actors attempt to impose (Geppert & Matten, 2006). However, most studies of such negotiation have to date focused on MNEs from developed economies, particularly MNEs based in the USA, trying to export parent firms' policies to other developed economies (Almond et al., 2005; Ferner et al., 2005). We contribute to this theorizing through a study of an emerging MNE (EMNE) from a newly industrialised economy by showing the distinct aspects of the practice transfer and negotiation in the case of EMNE in terms of the source of transfer practices, the power dynamics involved in the transfer process and the precise conditions for local agency across various national as well as subsidiary functional contexts.

As EMNEs grow in size, in number and in impact their case demands particular attention, since lessons from developed economy MNEs may not apply directly to those from less institutionally consolidated home countries (Thite et al., 2012). EMNEs suffer from a 'liability of origin' as compared with their counterparts from developed economies, given a lack of firmly established home practices (Chang et al., 2009; Ramachandran & Pant, 2010) and their weaker position in the hierarchy of national economies (Smith & Meiksins, 1995). This implies that the power dynamics between headquarters (HQ) and subsidiaries may be substantially different for these MNEs and that their approaches to, and implementation of, global HRM policies are likely to unfold in different patterns to the ones observed in advanced economy MNEs.

Unlike developed country MNEs that frequently try to spread headquarters practices across the organization, some EMNEs tend to adopt and transfer third-party practices - what are seen as 'global best practice' - sourced from a dominant economy as a template for their global policies (Aguzzoli & Geary, 2014; Demirbag et al., 2016). EMNEs may thereby contribute to global convergence around dominant practices by disseminating practices that are not embedded in their home country or even extensively applied there. Indeed, a recent study illustrates how EMNEs may even transfer such global HRM policies to institutionally well-established economies in North America and Europe (Geary et al., 2016). However, the outcomes of such transfer are highly dependent on particular conditions, including the MNE's global position in the sector and the host countries' reliance on foreign direct investment. Further studies in different research settings and particularly of EMNEs in highly competitive industries extend our understanding of 'the processes and dynamics of the sharing and transfer of "best practice"' by EMNEs (Geary et al., 2016: 2).

Despite the recent studies, there have been few studies of such situations and there remains a dearth of research examining subsidiary responses to, and the implementation of, 'global best practice' in EMNEs. Particularly lacking are detailed accounts of how socio-political dynamics unfold and affect the transfer of HRM practices across different local contexts. We aim to develop our understanding of these processes by addressing the following research questions: (1) to what extent, and how, are 'best-practice' global HRM policies transferred and implemented by an EMNE in subsidiaries in developing and developed economies and (2) across different subsidiary functions? In these subsidiary contexts that involve varying power relations between HQ and subsidiaries, we explore (3) what are the precise conditions under which local actors can exercise agency in the process of global policy transfer in an EMNE.

We examine these issues in a novel institutional setting - in an MNE in the auto industry from a newly industrialized economy, South Korea, across its sales, manufacturing and research and

development (R&D) subsidiaries in the USA and India. Our case organization is an MNE in the highly competitive auto industry. This research setting allows for a comparison of global policy implementation in subsidiaries in two host countries with different positions in the hierarchy of national economies relative to the MNE's country of origin. How such differences might inform the adoption or adaptation of 'best practices' has not been exhaustively studied empirically. Furthermore, studying a sales, manufacturing and R&D function subsidiary in each host country enables us to pursue cross-functional comparisons and identify patterns of local adaptation across the different functions, with variations in the type and level of required skills and the labor market dynamics for each function. This also makes it possible to investigate the role of the different institutional contexts at the sub-national level which relate to each function, as demanded in recent literature (Almond, 2011).

Our research setting allows us to make specific contributions. First, our study shows more mixed results in the extent of the implementation of global HRM policies across the subsidiaries of the Korean MNE than has been found in previous studies of EMNEs. We find that despite the use of 'global best practices', the Korean MNE needed to mobilize substantial power resources in order to manage the tensions arising from the implementation process, including in the subsidiaries in the USA. This was ironic given that the USA was thought to be the source of these 'best practices'. The implementation of the global policies showed considerable cross-national as well as cross-functional variation across the subsidiaries in terms of initial reactions and the particular HRM areas of local adaptation. These findings indicate that the role of EMNEs as an engine of global convergence may be limited due to variations in implementation across subsidiaries. Second, the findings of our study also highlight the importance of function-specific institutional contexts in explaining the implementation of global HRM policies. In particular, we find that the subsidiary's competitive position in the local labor market and its degree of reliance on local talent impacted the uptake of global practices. Finally, our study provides novel evidence on the sources of local agency by showing that crucial to local adaptation of global policies are local actors' abilities to construct compelling logics that link the distinctive local context to significant business risk, and their perception of HQ actors' competence in particular types of HRM practices.

## The Transfer of Global HRM Policies within EMNEs

There is a long-standing debate on 'best practice' in management research, both prescriptive and critical, as well as on the diffusion by MNEs of best practice across borders (Martin and Beaumont, 1998). While the cross-national transfer of 'effective' HRM practices (Ferner, 1997) is potentially a key source of competitive advantage for MNEs, any notion that 'best practices in management

can be applied in different settings irrespective of cultural and institutional differences' (Demirbag et al., 2016: 1003) has been extensively challenged, particularly by institutional theories.

Institutional approaches to the study of the transfer of HRM policies within MNEs have explored the pressures on subsidiaries to adopt home country, host-country, or 'dominant' practices (Björkman, 2006), with each exerting 'isomorphic pulls' towards a particular set of practices (Westney, 1993). First, a 'country of origin' effect exists whereby HRM practices in subsidiaries may be influenced by an MNE's home country national business system (Ferner, 1997). This would influence strategies of HRM policy transfer, and create likely levels of difficulty in implementing the transfer based on 'institutional distance' (Kostova, 1999). Second, the institutional context of a host country has been identified as another source of influence. The findings of the much-cited early study by Rosenzweig and Nohria (1994), that the HRM practices of MNEs are subject to strong pressures from the local context and tend to adhere to local practices, has been supported by more recent research (Brewster et al., 2008) though this may vary between types of market economy. Third, the institutional pressures on subsidiary HRM practices are not merely across a HQ-subsidiary dyad, and transnational influences from a dominant economy may also matter (Pudelko & Harzing, 2007). National economies with greater power and influence in the global political economic hierarchy exert a 'dominance effect' (Smith & Meiksins, 1995), which means global 'best practices' are shaped disproportionately by the institutional legacies of powerful countries; at present, mainly the USA.

Research on MNE practice transfer has developed by incorporating a range of additional considerations to that of the institutional context of home and host countries and dominance effects. Foremost among these is the agency of a range of actors inside the 'contested terrain' of MNEs (Edwards & Belanger, 2009; Morgan & Kristensen, 2006) and the recognition of the ways in which locals can modify or even reject attempted transfers of HRM policies. The role of subsidiary actors may be seen as an antidote to 'contextual determinism' (Dörrenbächer & Geppert, 2011). In fact, contextual influences will in all cases be mediated by the intentions of local actors (Oliver, 1991) and their ability to use these multiple institutional contexts in order to develop their own agency (Kostova et al., 2008). Despite the competing pressures on a subsidiary from both home and host country domains, there remains a degree of indeterminacy and interpretive space for the 'legitimization decisions that managers have to make' (Demirbag et al., 2016: 1004). Local managers in a subsidiary can play a critical role as 'interpreters' of the limitations and possibilities of corporate action based on power resources such as local knowledge and relationships with local stakeholders (Ferner et al., 2005: 308). It is therefore essential to consider not merely the

characteristics of the institutional context, but also the socio-political dynamics among various actors in the MNE.

We draw on both institutionalist and actor-centered insights to examine the implementation of 'best-practice' global HRM policies by a South Korean MNE in automotives, a highly competitive and integrated industry, in its subsidiaries in a developing (India) and a developed (the USA) economy and across different functions (sales, R&D, manufacturing).

## Industry and firm position

A key finding in the studies of EMNEs' HRM is the considerable variation across industries (eg. Cooke, 2014). An EMNE in a highly competitive global industry such as information technology or automotives, where MNEs from developed economies still dominate, is likely to have different experiences in attempt to implement global best practice HRM practices, as compared with an EMNE that enjoys a dominant position in an industry due to, for instance, the natural resources of the home country. For example, a recent study of a Brazilian mining and metals MNE observes the firm's ability to implement its US-sourced HRM practices across subsidiaries, including those in advanced economies (Geary et al, 2016). In this instance, this is possible due to the 'porosity of the host institutional regimes in a context of economic dependence' and the Brazilian MNE's 'immense corporate power' in the sector (ibid: 2). A similar level of dominance across subsidiaries is less likely in our case study firm which has recently established itself in a sector that still has very powerful players from advanced economies, including the USA.

## Home country institutional context: lack of entrenched HRM practices, traditional managerial styles

Recent large-scale research confirms that in MNEs from developed societies home countries continue to have an influence on HRM practices in MNEs (Edwards et al., 2013a). However, in EMNEs, the home institutional context may have less entrenched HRM practices, promoting a tendency to adopt 'global best practices' to be transferred to subsidiaries, rather than exporting their parent practices (Cooke, 2014; Geary et al., 2016). While the best practice HRM model in EMNEs is likely to be an 'amalgam' which is shaped by the rational choices of management (Geary et al, 2016:3), the way of implementing the best practice model may be affected by a particular management style developed historically and embedded in the institutional legacy of a home country. For example, in the aforementioned study by Geary and colleagues, the Brazilian MNE displayed an 'assertive' and 'unyielding' style of management, which was applied in largely similar

ways across subsidiary locations with ‘considerable convergence of practice’ across them (Geary et al, 2016:2).

## Host country institutional contexts: level of economic development

The level of economic development creates significant institutional differences between countries (Thite et al., 2012), with unique, relatively mature, and stable national institutional arrangements in developed economies having more influence on subsidiary HRM practices of MNEs (Almond et al., 2005). Less developed economies undergoing rapid transitions can be expected to have less stable institutional infrastructures in, for example, educational and legal systems. In such circumstances MNEs tend to have greater power and hence more autonomy, but may also face challenges such as skill shortages and strong competition for available talent from other MNEs and local firms (Beamond et al., 2016). They may therefore prefer to adopt HRM practices more suited to the attraction and retention of local talent. We can thus anticipate that an EMNE’s ability to transfer its global policies will be influenced by the level of economic development and the institutional profile of the host countries.

## Functions of an EMNE’s subsidiaries

Recent institutionalist analysis has recognized that the subsidiary’s function may also matter in HRM practice transfer (Almond, 2011). For example, Edwards and his colleagues (2013b) investigated the role of corporate functions in the way foreign subsidiaries are controlled and observed that HQ monitoring varies significantly across high versus lower skill-concentrated subsidiaries, implying potential variation in the implementation of global HRM policies. If MNEs organize subsidiaries specializing in particular business functions such as sales, manufacturing or R&D across different locations in a host country, the specific local context may be substantially different for each unit because of differences in the type of workforce employed in each function and the dynamics of specific local labor markets. Consequently not only the national but the function-specific local contexts may become a power resource for subsidiary actors as they articulate and legitimize their interpretations of global HRM policies. Power relations between HQ and different subsidiary units are therefore likely to vary depending on the MNE’s position in the local labor market and its dependence on local talent for a given function.

## Local actors’ power resources

Unique local institutional arrangements matter in HRM transfer insofar as they can be claimed and mobilized as ‘power resources’ by local actors exercising agency against seemingly more powerful

corporate actors. Those involved may act as a 'transfer coalition, comprising of the group of people in charge of practice transfer at the subsidiary' (Klimkeit & Reihlen, 2016: 852) who may understand but still aim to resist or modify, intended transfers. In this active role, their discursive strategy or 'power of meaning' (Hardy, 1996: 7) becomes an important power resource for local actors. The translation of the local implications of global policies, identified and interpreted by them, into a persuasive logic of, for example, financial or legal risks is key when negotiating with corporate HQ, 'mobilizing appropriate...rhetorical repertoires capable of legitimizing their proposed course of action' (Ferner et al., 2005: 317).

## The South Korean Institutional Context and HRM of South Korea MNEs

Two aspects of the home country institutional context stand out in the case of South Korean MNEs. First, South Korea has seen rapid institutional change during the last decades, including changing employment practices (Debroux et al., 2012). HRM practices in Korean firms were traditionally paternalistic, heavily influenced by Japanese practices and the Confucian tradition, and built on internal labor markets and a seniority-based approach (Bae & Rowley, 2003). The Asian financial crisis in 1997 led to dramatic changes in the HRM field as these traditional approaches were blamed for causing the loss of competitiveness of Korean firms (Debroux et al., 2012). Facing pressure, many firms introduced individual performance-based approaches and more flexible labor markets, which were seen as 'global standards', largely influenced by a US-biased ideal (Kim & Bae, 2004). However, the implementation of those practices varied significantly across firms and changes are still in progress.

Second, the fast growth of the Korean economy since late 60s has been largely attributed to the significant role of dominant business organizations known as 'Chaebols' – large, diversified and family-controlled conglomerates – with strong support from the Korean government (Whitley, 1991). One of the key characteristics of Chaebols is an authoritarian management style based on a highly centralized and hierarchical mode of control with personal authority and domination by their founders' families (Whitley, 1991). Most large Korean MNEs tend to be part of Chaebols and thus the key features of Chaebols are deeply ingrained in the management practices and styles of Korean MNEs, including their foreign subsidiaries (Glover & Wilkinson, 2007; Zou & Lansbury, 2009).

The Korean economy has been rapidly internationalized in recent decades. The outward FDI (foreign direct investment) stock from South Korea expanded from 13.3 to 278.4 billion US dollars

between 1995 and 2015 (UNCTAD, 2016). In responding to this exponential growth in their foreign operations, Korean MNEs began to develop their international HRM approaches. A key aspect of these approaches is the widespread adoption of US-influenced 'global standards' for firms' global HRM policies (Yang, 2015). This is partly due to the lack of strongly established home country practices, the characteristic of EMNEs (Ramachandran & Pant, 2010). However, Korean MNEs have largely maintained the traditional hierarchical and authoritarian management style, including in their foreign operations (Glover & Wilkinson, 2007). Managing the potential tensions between the espoused best practice-centered HRM policies and the traditional hierarchical management style have been reported as a key challenge for foreign subsidiaries of Korean MNEs (Glover & Wilkinson, 2007).

## The US and Indian subsidiary contexts

The USA is often seen as a paradigmatic institutional context, particularly in relation to HRM practices. As a 'liberal market economy' (Hall & Soskice, 2001), the American business system imposes fewer restrictions on employment practices (Ferner et al., 2005), allowing firms the freedom to develop HRM practices intended to enhance workforce flexibility and performance in order, ultimately, to serve the interests of shareholders (Beer et al., 2015). Since the field of 'human resource management' was developed in the USA in the early 1980s, the rhetoric and to some extent the practices of HRM in the USA were introduced widely across the world (Parry et al., 2008), including South Korea and India.

US subsidiaries of a Korean MNE therefore occupy a contradictory context. On the one hand, they are in an inferior position to HQ in the organizational hierarchy. On the other hand, they are located in a national economy that occupies a dominant position in the hierarchy of national economies (Smith & Meiksins, 1995) and remains the source of the 'global HRM practices' that Korean parent companies are eager to adopt. Two different responses from US subsidiaries may therefore plausibly be expected. On the one hand these subsidiaries may be both happy and competent to implement the familiar US-influenced global policies (Kostova, 1999). On the other hand, tensions and conflicts may emerge due to the power-dynamics between what may be seen as an inexperienced Korean HQ and the US subsidiaries which may regard themselves better experienced in the practices they are being asked to implement. Indeed, a similar tension was observed in the case of a cross-national merger between an Israeli firm and a US firm it acquired (Ailon-Souday & Kunda, 2003).

The other host country in our study, India, provides the contrasting context of a major emerging economy. As in the South Korean case, HRM practices in India have historically been subject to

external influences. Personnel functions reflected those of the British colonial power until 1991 after which economic liberalization led to rapid, if patchy, change (Budhwar & Varma, 2012). Since then, India has attracted a growing number of MNEs thanks to its fast-growing economy. These foreign companies have brought some of their home country HRM practices, creating pressure on Indian firms to adopt more structured approaches, emphasizing the development of human resources and the contribution of the HRM function to organizational performance (Björkman et al., 2008; Budhwar & Varma, 2012). However, there are significant variations in the implementation of practices across sectors, as the newly adopted HRM practices tend to be implemented mostly in such sectors as information technology and business process outsourcing, while less systematic traditional approaches are still the norm in others (Budhwar & Varma, 2012).

Given the variability of HRM practices and the lack of widely established local practices in this less consolidated institutional context, and the strong influences of MNEs on the development of HRM practices here, we would expect weaker local resistance to the transfer of HRM policies by MNE headquarters. Furthermore, India's relatively non-dominant position in the hierarchy of national economies is grounds for expecting more positive attitudes by Indian subsidiaries toward 'best-practice' based global HRM policies (Thite, et al., 2012). In this sense we would predict the response in Indian subsidiaries in our study to be similar to those of a Korean MNE in China, which implemented most of the performance appraisal practices, partly due to the relative level of development of the respective economies (Kang & Shen, 2016).

## Methodology

As the nature of our study is exploratory in that it explores the complex interactions between multiple contextual influences and various actors' involvement in the implementation of HRM policies across the subsidiaries, we adopted a multi-site case study of a large Korean MNE in the auto industry at the corporate and subsidiary levels. The auto industry is highly competitive with many players from advanced economies. It is a global industry which is more internationally coordinated and interdependent than most (Schlie & Yip, 2000), and hence a globally-oriented approach to HRM would be expected. The case study approach is appropriate for this study as it permits the detailed examination of complex causal linkages amongst less known factors in a novel context (Ferner et al., 2005) and our study responds to calls for a return to the use of case studies to provide the rich data necessary to understand the complexity of international business (Doz, 2011).

We use the pseudonym 'K-Auto' to refer to our case company in the remainder of the paper. K-Auto is affiliated with one of the largest Chaebols in South Korea, focusing on auto related industries from steel manufacturing to auto financial services. It consists of two auto makers which have their own brands and designs, but share a common platform for each type of car and utilize shared R&D functions. K-Auto shows a high degree of internationalization as a major global player in the industry, with a sales volume of \$55.1 billion and an overseas sales ratio of 75% in 2010<sup>i</sup>. It has achieved significant growth in emerging as well as developed economies. In 2011 the company was the second largest automotive firm in India, while in the USA it was one of the top five auto companies in sales volume. There is a corporate HRM function which controls and guides both car makers. This is responsible for developing international HRM strategy and policies for all subsidiaries of the two car makers. 'Globalizing' HRM activities has been a key corporate-level strategic initiative in K-Auto and the firm has made intensive efforts to implement global HRM policies across all their subsidiaries simultaneously in recent years.

At the corporate level, data was collected at the HQ of K-Auto in South Korea to identify their strategic approach to subsidiary HRM policies, particularly in terms of standardization vs. localization and the rationales behind their approach. To examine the implementation of HRM policies at the subsidiary level we chose India and the USA as the host country sites for two reasons. First, they represent an emerging and a developed economy, respectively. Second, the company has multiple subsidiaries of three functions, sales, manufacturing and R&D, each in a separate location, in both countries. All the subsidiaries were established by K-Auto. Comparisons between the six subsidiaries allowed us to examine the potential variation between economies and between functions within an economy. The main sources of data were in-depth interviews and supplemental documentation. Forty-two interviews were conducted in 2010 and 2011, including five at the corporate HQ in South Korea, seventeen in the three subsidiaries in India, and twenty in the three US subsidiaries. Interviewees were senior managers or executives in the corporate HRM department and those in the subsidiaries who were involved in developing and implementing international HRM policies and practices, the head of each subsidiary and local HR managers, expatriate HRM managers, and local line managers in each subsidiary. Documents such as the corporate annual reports and the global HRM policy guidelines were reviewed to ensure awareness of the firm's strategic directions in business and employment management.

The interviews combined structured and semi-structured components. To enable systematic comparative analyses between corporate HQ's HRM policies and each subsidiary's HRM practices, as well as amongst the practices of the six subsidiaries, a structured template was used to examine detailed components of a range of five HRM practice areas, covering the firm's global HRM

policies. These were (1) job and employee grade systems, (2) recruitment and selection, (3) learning and development, (4) employee performance management, and (5) rewards and benefits. By reviewing corporate HRM policy guidelines, 44 components were identified across the five HRM practice areas (Table 1).

The corporate HQ's global HRM guidelines (Table 1) clearly indicated whether each of the specific components of subsidiary HRM practice should be standardized by categorizing each component into one of the three groups: (1) a 'mandatory standardization' component - subsidiaries must follow the global common standards; (2) a 'recommendatory' component - subsidiaries have discretion as to whether to adopt or adapt the standard; and (3) a 'localized' component, where there are no global guidelines. The global HRM policies document includes detailed design descriptions for each mandatory or recommendatory component. In the interviews at corporate HQ interviewees were asked to explain the global HRM policy guideline document which includes the classification of the components of HRM practices based on these categories, the rationales with regard to the choices of the components for global standardization or localization, and the details of each standard component of their global HRM policies.

In subsidiary interviews, local HRM specialists were asked to assess the degree of implementation of the global HRM policy guideline by choosing one of the three categories for each of the 44 components of global HRM policies in the template: Do they, and why and how do they: (1) adopt the global standard guideline, (2) modify the global standard guideline to accommodate local needs, or (3) utilize HRM practices developed locally to accommodate local needs. The initial assessment by local HRM managers was reviewed by HRM specialist expatriates and in most cases it was confirmed without disagreement. When there was any disagreement, other local managers' views were sought to amend or confirm the initial assessment and further evidence obtained regarding the implementation of the global HRM policies. Each interview lasted 60-90 minutes. Interviews with local managers in India and the USA were conducted in English and those with corporate managers and expatriate managers were conducted in Korean. All the interviews except two were recorded, with the interviewees' permission, and transcribed. The two non-recorded interviews were extensively noted during the interviews and transcribed shortly after the interviews. The interviews in Korean were not translated in order to avoid missing original nuances, and only the quotes used in this paper were translated by one of the authors, who is competent in both languages.

For the structured components of the interviews, data coding was straightforward. After coding the data from the template into predefined categories, patterns of similarities and differences in the degree of implementation of the global HRM policies in six subsidiaries across 44 components

of HRM practices were identified. For the semi-structured components, we followed an analysis procedure. First, accounts with regard to development and implementation of global HRM policies were identified and categorized into broad categories such as HQ intentions and acceptance, adaptation, and rejection in subsidiary responses. Second, each account was coded with an emergent code which describes and summarizes the key themes of each account. Third, the emergent codes were grouped into codes of higher-level concepts through inductive reasoning. Fourth, the codes from the analysis of individual interview data were aggregated at HQ or subsidiary level and reviewed. By comparing the codes from multiple respondents in each organizational unit, the initial codes were validated and refined to reflect common views at HQ or at a subsidiary. Finally, comparisons between the HQ and the subsidiaries, as well as among the subsidiaries of different functions and host countries, were made in order to examine common or distinct patterns in relation to the implementation of global HRM policies. Specific conditions of local adaptation were identified by examining which local institutional factors were involved in the local adaptation process and how those factors could be leveraged by local actors to influence HRM policies.

## Findings

This section first analyzes K-Auto HQ's approach to the development and the transfer of global HRM policies and the home country influences on the content and the way of transferring the global policies. It then presents the subsidiaries' responses to the global HRM policies, identifying the patterns of variation in the way these are locally adapted in each host country across the three function-specific subsidiaries.

### 'Global best practices' and the hierarchical EMNE

K-Auto's internationalization strategy emphasized rapid growth in developing and developed economies simultaneously and the company achieved remarkable growth in both types of market within a decade. The rapid pace of this international expansion exerted pressures on the corporate HR team and they recognized that a more systematic approach to subsidiary HRM practices was needed to manage the dramatically increased overseas workforce and maintain consistency across subsidiaries. Previously, subsidiary HRM functions had been operated independently by local managers without any formal control by the HQ, and subject to frequent changes depending on the personal views of individual expatriates.

The corporate HQ of K-Auto developed a 'Global HRM Standard' (GHRM) with the help of a US international consultancy in 2005, intending to implement these policies in all the subsidiaries

from 2007 onwards. The policies were intended to regulate subsidiary HRM practices through detailed guidelines across the aforementioned five areas of HRM practices. Two aspects of the GHRM should be highlighted. First, it was based on what the consultancy had identified through benchmarking efforts as the 'best practice' of leading US firms, which it characterized as a role-based grade system, competency-based development, differentiated talent management programs including succession planning, systematic performance management based on performance results and competencies, and individual performance based rewards. The interviewees at HQ explained that they thought transferring what had already been legitimized as leading practices in the USA would make it easier to persuade subsidiary employees to accept them, particularly in the developed economies. It should be noted that the parent firm, like other large Korean firms, tried to introduce performance-based HRM practices into Korea after the Asian financial crisis in 1997. However, it is felt that their HQ HRM practices are largely a compromise between the traditional seniority-based and the new performance-based systems, mainly due to resistance from labor unions in South Korea. In fact the corporate HR team saw the globalization initiatives as an opportunity to go beyond this compromise in their subsidiaries, with less hindrance.

Second, the GHRM was oriented towards a hybridization between global standardization and localization of practices, explicitly expressed by interviewees as 'glocalization'. The corporate HR team took care in selecting specific components for global standardization (Table 1), as they believed that wholesale global standardization could not accommodate the range of local circumstances. The corporate HR team deliberated extensively on the choices of the components for mandatory standardization based on two logics: Whether a particular component of an HRM practice contributed to (1) the global utilization of workforces to support the rapid growth of overseas businesses or (2) the global sharing of corporate values to build a 'truly global firm'. Based on these logics, they aimed to standardize particular components of HRM policies (Table 1) such as, for example, the classification of job families, the number of employee grades and the criteria of each grade, since different grade systems across subsidiaries was seen as a potential barrier to employee transfers. Performance criteria and performance rating scales also needed to be standardized globally to allow for the consistent comparison of employees across subsidiaries. The corporate HR team aimed to standardize some components of competency assessment and learning programs reflecting the new corporate values.

While the specific content of the global HRM policies was based on hegemonic (US) 'best practices', the way of transferring the global policies to subsidiaries was characterized as a 'top-down' approach, a distinct management style associated with the Korean Chaebol. It was reported

that there were no extensive consultations with subsidiary managers before the introduction of the global HRM policies. The authoritative and hierarchical management style which seems to be deeply ingrained in the Korean MNE was one of the most recurring themes concerning a traditional Korean management 'culture' in the interviews across all the subsidiaries, but interviewees in the US subsidiaries tended to be much more vocal about it:

'I'm not going to argue with you, I'm just going to do what you tell me to do'...the way they want to accomplish things is very different from what our culture normally uses to accomplish things.

(Line manager 1, US manufacturing subsidiary);

K-Auto has a different culture...very hierarchical and very top down...So there seems to be this gap in communication.

(Local HR manager 1, US R&D subsidiary)

## US vs. Indian subsidiary responses to 'third party' global HRM policies

We found marked differences between the US and Indian subsidiaries in terms of (1) initial attitude toward the HQ's transfer attempts and (2) the specific areas for local adaptation in the global HRM policies. According to HQ respondents, subsidiaries in the developed economies, including the USA, tended to be more opposed to the implementation of the new global policies than subsidiaries in developing economies. Two factors were suggested to account for that: the 'top-down' approach by the Korean HQ, and the existence of established practices in the subsidiaries. HQ interviewees recognized that subsidiary managers had not been offered opportunities to get involved in the design of the policies, and those in the subsidiaries argued that there seemed to be no strong rationale to change extant practices that had been developed over many years to fit their local contexts:

There were three responses - explicit resistance, no interest, and positive responses with requests for HQ support. The first type of reactions appeared in Western Europe, particularly Germany, and America. They found the HQ-driven approach quite absurd because HQ hadn't been involved in subsidiary HRM before, but they were suddenly asked to implement the new policies without prior consultation.

(Corporate HR manager)

HQ HR managers observed by contrast that subsidiaries in developing economies, including India, tended to show more positive initial responses to the HQ-initiated global policies, as the objections raised by subsidiaries in developed economies were less salient:

We found that some local HR managers in the subsidiaries perceived the GHRS as more 'advanced' and 'systematic' than their existing practices. For them it was a great opportunity to develop their practices with HQ support.

(Corporate senior HR manager 1)

A lack of 'strong' or mature local practices in the host countries also contributed to the reactions, as indicated by an Indian manager:

I feel [local practice] is not very good, sometimes, because [larger organizations], we need to follow system and practices, which K-Auto does – this is good. But in many Indian companies, they just play a certain game – they give the employee promotion, they give the high salary level, which is not perhaps good. Indian companies are not very systematic.

(Local HR manager, India sales subsidiary)

The corporate HR team at HQ had been disappointed with the initial mixed reactions, as they had expected more universally positive responses to what they considered 'global best practices'. They had however realized that they had focused exclusively on the content of the new policies utilizing 'global best practices' and paid insufficient attention to the process side of implementation to construct legitimacy, by adopting the 'top-down' approach that reflected the traditional Korean style of management:

We failed in change management and pushed them to adopt it without early communication.

(Corporate senior HR manager 2)

Their initial reflection triggered further activities and, crucially, the mobilization of various power resources. First, corporate HR team made visits to subsidiaries to explain the rationale behind the policies and support the implementation process. Second, key members who had been involved in the design of the global policies were sent to subsidiaries as expatriates to implement the policies together with local managers. For example, the expatriate respondent in the US-subsidary HR team was a former member of the corporate HR team who had been involved in the development of the global policies just before coming to the subsidiary. Third, the corporate HR team created a formal monitoring procedure to measure and provide feedback on the degree of implementation of the global policies in each subsidiary. This internal benchmarking exercise intended to exert peer pressure on subsidiary HR managers to implement the global policies. Fourth, to build a feeling of community and social ties among local and HQ HR managers, the company undertook socialization activities such as holding 'Global HRM Conferences' and

publishing a 'Global HRM Newsletter'. Finally, the company also developed and communicated a global version of the corporate value statement in an attempt to shape employees' identity as members of a 'truly global company'. These continuing efforts by the HQ team all targeted the generation of legitimacy for the global policies:

We were surprised to see that one local HR manager at the (Global HRM) conference took our side, claiming that 'we need this kind of global policies as a global firm', against a complaint about the global policies raised by a Brazilian HR manager, who had joined recently.

(Corporate HR senior manager 2)

However, it took much longer – over three years – to implement global standards across the subsidiaries. It was a costly process, too, as K-Auto had to mobilize considerable resources to get subsidiaries to implement the policies.

Interviewees at the HQ reported that their extensive efforts paid off, with the mandatory standardization components being adopted by subsidiaries during the implementation process. However, interviews at the subsidiaries revealed that certain policies had nevertheless been subject to significant adaptation by local actors. We found clear national differences, particularly in the areas of performance appraisal system and the grade system. The corporate HR team associated a globally consistent performance management system with their goals of corporate value sharing and global utilization of the workforce. The global standards included the forced distribution of personnel evaluations, whereby managers are required to distribute ratings for certain portions of their employees into pre-defined categories. Based on the consultancy's recommendations, the corporate HR team believed that this was usual practice in the USA.

However, in K-Autos' US subsidiaries, local actors rejected the application of the forced distribution practice, arguing that it carried a high degree of risk on the grounds of discrimination, and pointing to a lawsuit against one of their major competitors who had resorted to it:

We don't have forced distribution. It leads to lawsuits... [It] is a very tricky one, especially in the United States. Ford Motor Company lost their class action lawsuit. What K-Auto tried to do is, they'll look at GE...And they try to apply it here. Ford did the same thing. It didn't work.

(Local HR manager, US sales subsidiary)

After recognizing the potential legal risks in the US context, the corporate HR team decided to change the forced distribution policy from a 'mandatory' to a 'recommendatory' component of global policy. Based on the feedback conveyed by the expatriate managers dispatched to the US

subsidiaries, HQ concluded that the forced distribution would work in certain contexts, but not in all:

In some countries like Korea, managers may be reluctant to give a low rating as they are quite paternalistic. But in the USA, our expatriates said, managers are much less likely to be so reluctant.

(Corporate HR manager)

The change of global policies may also indicate the influence of US subsidiaries within the firm. A director in a US subsidiary argued that they deserved a stronger voice due to the strategic importance of the US market to the firm:

The United States currently is one of the largest export markets for Korea, so a lot of us believe we should have a lot more say in how things are run.

(Local HR director, US sales subsidiary)

In the India subsidiaries, the forced distribution policy was accepted as necessary. Indian managers claimed that it would not be desirable to leave performance evaluation decisions solely to local managers' discretion as it might lead to personally biased or less differentiated evaluation outcomes:

Employees here prefer more systematic evaluation practices. They feel the conventional Indian way [relies] too much on the subjective judgement of one or two top people.

(Expatriate in HRM, India sales subsidiary)

For the grade system, the adoption pattern in the two host countries was the other way around. The global policies mandate a five-level grade structure for all subsidiaries to facilitate movement of employees across organizations, a key objective of the global HRM policies. However, the standard grade structure was adapted significantly in the India subsidiaries, where it was seen as insufficient to accommodate the levels of hierarchy necessary to run the organization. It was argued that a highly differentiated hierarchical grade structure is the norm in Indian labor markets:

There are more grades but the grade is for the purpose of giving ego satisfaction, sheer employee appeal, like 'I got a promotion in two years'.

(Local HR manager, India manufacturing subsidiary)

The standard grade system was seen as a core element of the global HRM policies. However, HR managers in India persuaded corporate HQ that they should be allowed to implement their own

local version of the grade system and introduced ten levels of grading, relying on a logic of ‘talent retention’:

It might be inevitable to follow the local norm, otherwise, we may lose people.

(Expatriate in HRM, India sales subsidiary, India);

If you go to any firm in India...more or less, designations baskets will be given to each level, because Indian people are more fascinated by fast promotion.

(Local HR manager, India R&D subsidiary)

Retention of key employees is a critical business issue in India, and local managers argued that adopting the local, widely used practice of multi-grading would help to avoid losing local talent. After a series of debates with subsidiary HR managers including expatriates, the corporate HR team agreed to the locals’ proposed grade system on condition that each alternate grade level was matched with one of the five global grade levels:

In the end, we thought that this is a reasonable resolution as the Indian grade system can be aligned to our global grade system, while it can accommodate the local needs, which we cannot ignore. We understood retention is a critical business issue in India, one of our strategic markets.

(Corporate HR executive)

By contrast, the five-level standard grade structure was adopted as it stood in the US subsidiaries. No serious issue was reported, though there was an amendment in the US R&D center, splitting one level into two to reflect a unique situation in the local labor market. It was claimed that the easy adoption of the standard was largely attributable to the similarity of the structure to general practices in the USA:

So, for example, we have five grading systems in the global human resource system. It is not that different from what we see here in the States.

(Local HR manager, US sales subsidiary)

## Subsidiary functions, local labor markets and local adaptation

In both host countries the subsidiaries undertaking research and development showed relatively low levels of implementation of the GHRS. In the US R&D subsidiary in Michigan, only one out of the 21 mandatory standardization components of the GHRS was implemented without modification (see Table 1). The remaining 20 were locally modified or locally developed by the subsidiary HR team. In contrast, the sales and manufacturing subsidiaries in the USA implemented

16 and 17, respectively, of the 21 standard components of the GHRS without local modification. In the Indian R&D subsidiary in Hyderabad, only 7 components were implemented unmodified, in contrast to 13 items in the sales and manufacturing subsidiaries in India.

In the US R&D subsidiary, the GHRS was perceived to be of poor quality, partly due to what was seen as a lack of HQ expertise in the US-based HRM practices. An experienced HR manager who had joined the firm more than five years earlier from a US-based automotive MNE expressed frustration with the corporate HR team:

They don't have the experience...so what happens is they do research, they will go off and they will look at IBM, GE, Ford, GM, and then they put it altogether, they create something... and say this is K-Auto's. And you look at that and you'll say, this won't work here, or how did you think to put this together? Did you consider your culture when you put this together? They just give it to overseas subsidiaries; the quality is poor; to roll it out would be embarrassing to us.

(Local HR manager 1, US R&D subsidiary)

The HQ's adoption of 'US best practice' as the basis of the Global HR Standard presented an unexpected irony as it provided an opportunity for local actors in the US subsidiary to claim superior expertise and ability to judge the quality of the global policies. Any gap they found between their context and the benchmarked contents made them skeptical of the contents and enabled them to claim it as evidence of HQ's lack of expertise. HQ team's perceived lack of international experience in implementing global policies, combined with the 'top-down' approach, made the situation worse:

They established the first Global HR team a couple of years ago...The issue is, outside of a couple of foreigners that they hired at a low level, few of them have global experience. What happens to them, and it happens repeatedly, is they will create projects, they will create programs, they will create policies and they will try to just implement them overseas. Right? Korea's *balle balle* [quick quick] culture... they don't have the experience, they didn't ask for global input.

(Local HR manager 1, US R&D subsidiary)

Despite less positive initial responses, the US subsidiaries - except R&D - were viewed as successful cases by the corporate HR team, partly due to the US HR teams' familiarity with the practices underlying the global policies. In particular, the manufacturing subsidiary was receptive to the GHRS as it had been recently established and needed new HRM policies anyway:

This was just a right timing for us, otherwise we would have had to develop our own policies with significant effort.

(Expatriate in HRM, US manufacturing subsidiary)

One common factor affecting the less favorable responses to the global policies from the R&D subsidiaries, in India as well as the USA, was the highly competitive local labor markets and the need to beat the competition and attract and retain talented employees. The R&D subsidiaries are located in areas where many MNEs and local firms have their R&D functions. It was often mentioned in the interviews in both subsidiaries that the retention of key employees was a top priority. Subsidiary HR managers felt considerable pressure to adopt practices familiar to that labor market, since they believed this affected their ability to attract and retain talented engineers:

We have a serious retention issue here...many firms in this area use particular practices. ... You don't find them in the Korean culture...but, we adopted the practices, otherwise we might lose our talented people.

(Local HR manager, India R&D subsidiary)

Well, we're a [Korean] company, and we're trying to compete in North America, in the United States, and we're in the automotive industry, so we're competing with the American Big Three, the Japanese Big Three, we fight to be competitive in this area. We need to consider the practices which work in this competitive environment.

(Local HR manager 2, US R&D subsidiary)

As employees tend to move across firms within local labor markets, the good or bad reputation of the HRM practices of particular firms in the area spreads. This argument was used by local actors to give them a voice in HQ interventions based on their local realities and potential risks of losing talents.

## Discussion and Conclusion

Having presented our evidence on the socio-political dynamics at work in the implementation and local adaptation of global HRM policies of K-Auto, we can examine our research questions. For the first research question we found mixed responses across subsidiaries in India and the USA in terms of the initial reactions and the specific areas for local adaptation of the global policies. As one would expect, the variation in subsidiary responses was partly explained by the institutional contexts of the two host countries, such as the dynamics of local labor markets (e.g. the adoption

of hierarchical grade system in the Indian subsidiaries) and the employment-related legal systems (e.g. the local rejection of the forced distribution rating practice in the US subsidiaries).

In addition, our study provides two important observations about the attempts to disseminate 'global best practices' synthesized by a hierarchical EMNE. First, rather than the US-influenced global policies being an immediate fit with its origin country, we observe that the relationship of subsidiary locations to the particular practice can emerge as a local power source for subsidiaries to resist and tweak the centrally mandated policies. When and if the parent firm has not experienced the full implementation and internalization of the dominant system-influenced policies at home, the adoption of the 'global best practices' as the basis of its global HRM policies could be considered at best as 'ceremonial adoption' by the firm (Kostova, 1999). Due to their limited experience with the practices in question, HQ actors may lack sufficient competence to guide subsidiaries. In this context, we observed a novel form of local resistance by US-subsidiary actors, based on claims of superior expertise in the particular type of HRM practices at hand. They bolstered these claims by drawing on a strong professional identity prevalent in the US context, where the HRM profession is more highly organized and formalized than in many other countries (Ferner et al., 2005; Parry et al., 2008), including Korea. The claimed asymmetry of competence between HQ and subsidiary actors enabled and emboldened them to challenge HQ mandated policies as 'poor quality' or 'irrelevant'.

Second, our study demonstrates that purportedly 'context-free' third-party HRM policies combined with hierarchical and authoritative managerial styles do not eliminate the scope for local resistance and adaptation, but generate further tensions between HQ and subsidiaries. Our case suggests an interesting dynamic for at least a certain type of EMNE, those which emanate from corporate traditions with highly concentrated and centralized power. While such structures are likely to have been critical to their development, the implementation of global HRM policies challenges the reliance on hierarchical structures. As a distributor of global best practices, K-Auto expected to be less hindered in applying these outside of Korea, but local implementation efforts revealed that recalibration was inevitable. In fact the medium to long term implementation of practices was broadly aligned with the HQ vision, but this in fact involved a relative loosening of the hierarchical and centralized approach to policy transfer. We argue that understanding this dynamic is particularly important because we would expect that many EMNEs have hierarchical and centralized management styles, as they often originate from contexts with dominant developmental states (Woo-Cumings, 1999) and business systems dominated by highly centralized family-owned conglomerates. We do note that such a dynamic will apply in certain sectors and not all. However, where they do apply it would be worth investigating if the

implementation of 'global best practices' transforms management styles in EMNEs' home countries and in turn their global operations, too.

For the second research question, we found strong evidence of considerable variation in the implementation of the global HRM policies across different subsidiary-specific functions. As evidenced by the R&D subsidiaries in both countries, the existence of competitive labor markets, the firm's relative position in these markets and its reliance on the high-skilled labor in them, offered subsidiary managers an opportunity to leverage a voice in the implementation of the global policies.

With regard to our final research question, though we note that the emergence of local agency is dependent upon the presence of institutional distinctiveness in that context, we found that local adaptation was possible through local actors' abilities to create legitimacy by arguing a compelling business case. Local actors could seek to demonstrate that attempts to implement standardized practices in particular contexts could create significant business risk outweighing the case for standardization. Subsidiary managers leveraged this legitimacy when they successfully developed a compelling business case by, for instance, presenting evidence of competitors' practices or pointing out the risk of losing talent. Thus they were able to align their localization logic to a more universal business logic that could more easily be associated with common interest between headquarters and the subsidiary.

Our research setting of a single country of origin and two host countries in developed and developing economies has clear limitations for the generalizability of the findings to other home countries and other host countries. We were not able to examine the 'internalization' dimension of practice transfer, but only cover the implementation dimension (Kostova, 1999). It is also unclear whether local resistance to particular practices would be observable only in particular industries or more widely across various industries within a host country. Future research might address these issues by extending to other EMNE cases in different host countries in different industries, with in-depth interviews with multiple stakeholders to test the thesis that MNEs from emerging economies have a greater tendency to push 'best practice' policies different from home policies, but also face considerable challenges in implementing them.

Nevertheless, this study makes important contributions to the growing literature on actor-centered institutionalist accounts of HRM practice transfer in the context of EMNEs and the cross-national transfer of managerial practices in MNEs in general (Ferner et al., 2012; Geppert & Matten, 2006; Morgan & Kristensen, 2006). Firstly, the findings of our study indicate that the role of EMNEs in the global convergence toward 'best-practices' may be limited. EMNEs have recently been

identified as potentially important actors adopting and distributing hegemonic practices from a dominant economy to their subsidiaries in different host countries (Glover & Wilkinson, 2007; Aguzzoli & Geary, 2014). But, our case company shows significant evidence of local adaptation in both developed and developing economy subsidiaries, partly due to the Korean MNE's limited experience, capabilities, and distinct managerial style, partly as a result of local actors' agency in the local institutional context. This vulnerability we observe in the ability of an EMNE to implement its global practices in subsidiaries is different from other contexts where such implementation may have been unproblematic due to a dominant position in the industry (Aguzzoli & Geary, 2014), and highlights the need for much more extensive inquiry into EMNEs in different circumstances. The case of K-Auto represents a scenario of an EMNE coming of age and becoming a powerful player in a very competitive sector, particularly in the labor markets in R&D, and contributes to what we know about EMNEs to date. Therefore, various combinations of industry-level dynamics need to be carefully unpacked before we can make broad claims about the scope for the implementation of global HRM policies by the new generation of MNEs.

Secondly, our study of a Korean MNE has wide implications for emerging MNEs in that an actor-centered institutional approach that pays particular attention to socio-political dynamics is useful in accounting for the cross-national implementation of global policies by EMNEs. Based on the evidence, we expect that EMNEs face more challenging political dynamics when they attempt to standardize their subsidiary HRM practices, particularly in the more developed host economies, partly due to the contradiction between HQ's dominant position in the formal hierarchy of the MNE organization and its home country's weaker position in the hierarchy of national economies (Smith & Meiksins, 1995). As EMNEs may not utilize their home practices in their cross-national transfer, the conventional neo-institutional approach which predicts transfer outcomes mainly based on the examination of institutional distances between home and host countries, has a clear limitation (Ferner et al., 2012).

Thirdly, process may be important as well as content. The prevalence of family-controlled large diversified conglomerates and their hierarchical and authoritarian management style in many emerging economies, with typically 'top down' approaches to policy transfer, emerge as an important feature in the study of EMNEs' global HRM activities. The diffusion of 'global standards' may be more likely in situations where potentially powerful subsidiary representatives have been included in the process. The often contradictory socio-political dynamics amongst actors and organizational units shape the distinct patterns of transfer and adaptation of global policies in EMNEs and this needs to be further unpicked through further studies for fuller explanations.

Fourthly, our study underscores that some of the key elements that empower local actors in subsidiary locations for resisting or reinterpreting the global policies are informed by function-specific labor markets. In our study we found that highly competitive local labor markets around R&D activities and the firm's reliance on local talent in relation to the operation of its particular business function led to similarities in the resistance to the wholesale adoption of the global HRM policies from HQ.

Finally, the results of the study offer managerial insights on how and when subsidiary actors can exercise their potential agency to reduce the knowledge asymmetry between corporate HQ and subsidiaries with regard to local applicability of global policies. Our study suggests that local adaptation of global HRM policies is a function of the existence of unique local contexts and local actors' capacity to relate such institutional contexts to business risks, in line with the actor-centered institutionalist view (Ferner et al., 2005; Geppert & Matten, 2006; Klimkeit & Reihlen, 2016), and their perception of HQ actors' expertise in particular types of HRM practices. In this regard, local adaptation could be considered as a balancing act by HQ and local actors to deal with contradictions between the external normative rationality of a local context and the internal economic rationality pursued by corporate HQ. Without local actors' active involvement and voice with regard to potential benefits and risks entailed by the implementation of the global policies at particular locations – the 'entrepreneurial transfer coalition' (Klimkeit & Reihlen, 2016: 866) – the required local adaptation may not occur.

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**Table 1. Summary of the global HRM policies**

HRM practice areas	Component of global HRM policies	CHQ guide for standardization <sup>1</sup>
<b>Job &amp; Grade</b>	Job classification: job family	<b>Mandatory</b> <sup>2</sup>
	Job classification : job list	<b>Mandatory</b>
	Job description: category	Recommendatory <sup>2</sup>
	Job description: content	Recommendatory
	Grade: number	<b>Mandatory</b>
	Grade: criteria/definition	<b>Mandatory</b>
<b>Recruitment &amp; selection</b>	Grade: title	<b>Mandatory</b>
	Promotion: requirement/ criteria	<b>Mandatory</b>
	Promotion: process	Recommendatory
	Recruiting methods	Localized <sup>2</sup>
<b>Learning &amp; development</b>	Recruiting message	Localized
	Selection: criteria	<b>Mandatory</b>
	Selection: HR interview	<b>Mandatory</b>
	Selection: other assessor	Recommendatory
	Selection: process	Recommendatory
	Selection: assessment tools	Recommendatory
<b>Performance management</b>	Succession planning: executive pool	<b>Mandatory</b>
	Succession planning: high potential talent	Recommendatory
	Learning program: leader	<b>Mandatory</b>
	Learning program: Common competency	<b>Mandatory</b>
	Learning program: profession/ job related	Recommendatory
<b>Compensation &amp; benefit</b>	Learning delivery/ operation	Recommendatory
	Performance evaluation factor	<b>Mandatory</b>
	Performance measurement item	Recommendatory
	Weighting of evaluation factors	<b>Mandatory</b>
	Performance rating scale	<b>Mandatory</b>
	Forced distribution ratio*	Recommendatory
	Evaluation cycle/ frequency	<b>Mandatory</b>
	Performance management process	<b>Mandatory</b>
	Performance evaluation assessor	Recommendatory
	Performance management form	Recommendatory
	Linkages to other HR applications	Recommendatory
	Common competency	<b>Mandatory</b>
	Leadership competency	<b>Mandatory</b>
	Job skill/ competency	Recommendatory
	Competency assessment process	<b>Mandatory</b>
Competency assessor	Recommendatory	
Competency assessment rating scale	<b>Mandatory</b>	
<b>Compensation &amp; benefit</b>	Pay philosophy - pay for performance	<b>Mandatory</b>
	Employee pay structure	Recommendatory
	Employee base pay range	Recommendatory
	Employee base pay increase	Recommendatory
	Employee incentive	Recommendatory
	Employee benefit	Localized

1. CHQ guide for standardization: corporate headquarters' guideline regarding the area for standardization of subsidiary HRM practice.

2. Mandatory (grey color): required to follow globally common standards; Recommendatory: the global standard guideline exists for this area, but allowing subsidiary discretion whether to adopt or modify the standard; Localized: local delegation without any guideline.

\* Changed from Mandatory to Recommendatory.

<sup>i</sup> Latest figures available at the time of the case study