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Steingruber, William G., Strategic international human resource management: an analysis of the relationship between international strategic positioning and the degree of integrated strategic human resource management. Doctor of Philosophy (Organization Theory and Policy), August, 1996, 163 pp., 26 tables, 9 figures, references, 148 titles.

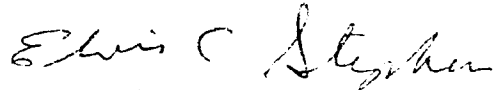
In Strategic International Human Resource Management (SIHRM), the human resource function is actively involved in the strategic activities of the firm. While the idea holds promise as a useful response to global competition, previous research has provided limited supporting empirical evidence. Specifically, few studies have sought to equate certain outcomes with the degree of SIHRM practiced across various types of international firms. By separating firms into categories such as multidomestic, global, and hybrid, and by classifying SIHRM according to the degree of integration with strategic planning, a clearer picture could emerge as to the relationship between firm and SIHRM type. To that end, top strategic executives, such as CEOs, and top HRM executives from eighty four U.S. based firms were surveyed regarding their firm type, the degree of SIHRM practiced, and certain outcomes such as amount of expatriate training and expatriate failure. Additionally, financial results were obtained to determine performance of various firms. Results indicated that while many companies

choose a highly integrated form of SIHRM, there is no significant relationship between firm type and SIHRM type. Additionally, there was no association detected between SIHRM type and expatriate training and expatriate failure. Finally, there was no significant difference in financial performance between firms with the most integrated type of SIHRM and firms with less integrated versions. Interestingly, the HRM professionals were more likely to equate their firms with the most integrated types of SIHRM than were other managers. This may mean that the relationship between HRM and strategic planning is often one of perception. A model of the relationships between SIHRM, firm type, HRM activities, and outcomes is proposed, along with suggestions for future research and limitations of the study.

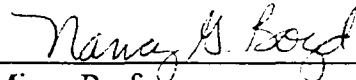
STRATEGIC INTERNATIONAL HUMAN RESOURCE MANAGEMENT: AN  
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STRATEGIC POSITIONING AND THE DEGREE OF  
INTEGRATED STRATEGIC HUMAN  
RESOURCE MANAGEMENT

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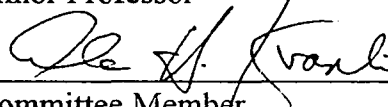
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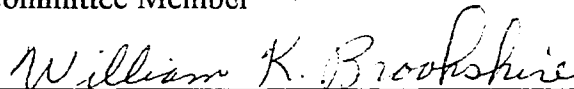
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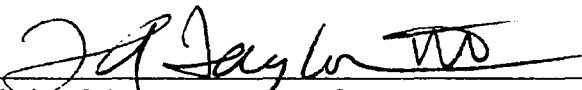
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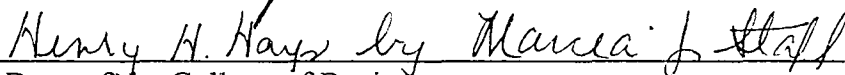
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ANALYSIS OF THE RELATIONSHIP BETWEEN INTERNATIONAL  
STRATEGIC POSITIONING AND THE DEGREE OF  
INTEGRATED STRATEGIC HUMAN  
RESOURCE MANAGEMENT

DISSERTATION

Presented to the Graduate Council of the  
University of North Texas in Partial  
Fulfillment of the Requirements

For the Degree of

DOCTOR OF PHILOSOPHY

By

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Denton, Texas

August, 1996

**UMI Number: 9638503**

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## CHAPTER 1

### INTRODUCTION

Of all the macro trends that have affected U.S. business over the past few decades, none can match the prevalence or virulence of global competition. As recently as 1960, only 20% of U.S. made products faced global competition; by 1980, that figure had almost reached 70% (Dyer & Holder, 1988). The reality of globalization is now well known; but how to respond to it is still being formulated. Whatever the response, as Mitroff (1987) has stated:

For all practical purposes, all business today is global. Those individual businesses...that clearly understand the new rules of doing business in a world economy will prosper; those that do not will perish (p.ix).

After a suspect start, American firms have in fact begun to respond to this phenomenon. The large number of restructurings, corporate downsizings, and strategic alliances are testament to the determination of business to become more globally viable in the face of this more intense competition.

Yet, as trade balance data indicate, there is still a pressing need to compete more effectively. Because global operations may entail more complexity and require more precise coordination than domestic ones, simplistic or unidimensional approaches may be inadequate. Indeed, it seems more imperative

than ever that firms maximize their existing resources. To do this may require more fully developed integration both among the firm's own resources, and with those in the environment. One approach that has only recently gained prominence involves the more strategic use of human resource management (Tichy, Fombrun & Devanna, 1982).

Although definitions vary, Strategic Human Resource Management (SHRM) involves a more effective utilization of human resources to complement the strategic objectives of the organization (Schuler, 1992). Generally, theorists conceptualize SHRM as involving various degrees of integration where the level of human resource involvement with the strategic activities of the firm varies across (and sometimes within) firms (Danner, 1991; Dyer & Holder, 1988; Golden & Ramanujam, 1985). Regardless of the degree of integration, in most cases, this proactive role differs from the passive, reactive function that traditionally characterized HRM (Mahoney & Deckop, 1986). Theoretically, companies with well developed SHRM should improve their strategic performance (Lengnick-Hall & Lengnick-Hall, 1988). The reasons for this are many, but the main idea is that proper internal functioning, as enhanced by SHRM, will lead to better performance (Butler, Ferris, & Napier, 1991; Schuler, Dowling, & DeCieri, 1993). Again, the impetus for adoption of SHRM techniques has largely been the need to compete more effectively.

While the advent of SHRM seems to hold promise, does this approach fit when the domain shifts to the entire world? To answer, this paper discusses how organizations often respond to globalization and the corresponding effects upon the human resource function.

The changing competitive landscape with its emphasis on competing worldwide has led to the emergence of several distinct approaches to global positioning. Depending upon which typology is chosen, some of these types include: multidomestic (Hout, Porter, & Rudden, 1982), multinational (Adler & Ghadar, 1990), global (Hout, et al., 1982), and transnational (Adler & Bartholomew, 1992; Bartlett & Ghoshal, 1987). In addition, it is certain that hybrids, consisting of elements of multiple types, exist as well. Each of these may be considered either a structure or a strategy; however, in the purest sense, they represent a confluence of the two. Porter (1986) argues that the chief determinant of patterns of competition is the industry itself, e.g., there are **multidomestic** industries. In turn, these "patterns," or strategies lead to distinct organization forms. As a result, companies are delineated by both strategy and structure. Another view is that firms go through phases and each phase is the impetus for company response (Adler & Ghadar, 1990). For the purposes of this paper, the key issue concerns the hallmarks and existence of each form, not the question of whether structure follows strategy or vice versa.





customization of products (Adler & Bartholomew, 1992). In this approach, the need for both coordination and control becomes crucial.

To fill the gap between the extremes of the continuum, there are hybrid firms which contain some of the elements of the previous two (the hybrid firm is called various things in the literature; it closely resembles Adler and Ghadar's (1990) "multinational" firm). In this form, products become standardized, but there is a degree of integration between domestic and foreign operations (Adler & Bartholomew, 1992). Headquarters attempts to tightly control the far flung operations of the business, yet more decisions are shared between people of different cultures (Adler & Bartholomew, 1992). Thus, the hybrid firm is theoretically more integrated in its operations than is the multidomestic company but is less so than the global company.

This description is certainly not exhaustive. There are other possible forms, such as pure exporters and other combinations, that essentially are varying mixtures of the types mentioned. In addition, within each type, firms can be categorized according to more specific strategic "personality," such as the defender, prospector, analyzer and reactor companies, as presented by Miles and Snow (1978). Also, strategic intent may be shaped by thrusts such as Porter's (1980) differentiation, low cost, and focus strategies. Even so, the individual strategy type can be subsumed by the over arching multidomestic-hybrid-global

typology. Therefore, the focus here is not why a particular strategic form has evolved but rather that each form differs fundamentally from the others regardless of specific strategy.

### **Types of Human Resource Management**

#### **International Human Resource Management**

Whatever the organizational form, the demands on human resource management are different when an international component is added (Schuler, 1993). There is greater complexity, broader perspective, more risk exposure, and more functions to oversee than with a purely domestic firm (Dowling, 1988). Because of these and other challenges, theorists have begun to treat International Human Resource Management (IHRM) as a distinct field complete with its own set of problems to address (Butler, Ferris, & Napier, 1991; Dowling, 1988; Morgan, 1986; Pucik, 1984). This relatively new research area provides one avenue for investigating some key issues regarding response to global competition.

#### **Strategic Human Resource Management**

If IHRM is indeed a viable approach to international business issues, where does the previously mentioned Strategic Human Resource Management fit? An international perspective is not the only response of companies to global competition; a greater emphasis on internal functioning has emerged as well

(Schuler, Dowling, & DeCieri, 1993). Besides the obvious attempts to achieve greater efficiency and effectiveness and improve quality and productivity, some firms have begun to view human resources as a key to superior internal performance (Angle, Manz, & Van de Ven, 1985; Galosy, 1983; Kydd & Oppenheim, 1990). This has largely been the impetus for the rising prominence of SHRM (Baird & Meshoulam, 1988; Dyer, 1984; Lengnick-Hall & Lengnick-Hall, 1988; Snell, 1992; Tichy, Fombrun, & Devanna, 1982; Wright & Snell, 1991). Nevertheless, as noted earlier, domestic HRM does not simply extrapolate into the international arena; thus, a different, still more integrative approach is required to fully examine the confluence of the HR function with that of firm strategic positioning. This has led to the emergence of Strategic International Human Resource Management which will now be discussed more fully.

### **Strategic International Human Resource Management**

Because the diverse demands of global competition require a new approach from an academic and practitioner point of view, several theorists have expanded the scope of inquiry by merging the essential concepts of SHRM with IHRM. The result is a new field known as Strategic International Human Resource Management (SIHRM) (Milliman, Von Glinow, & Nathan, 1991; Schuler, Dowling, & DeCieri, 1993; Schuler, Fulkerson, & Dowling, 1991). SIHRM attempts to provide ways to maximize firm effectiveness by improving the

efficiency and/or "fit" between the internal functioning of the firm with its external (international) context (Milliman, Von Glinow, & Nathan, 1991; Schuler, Dowling, & DeCieri, 1993). This emerging area, while containing considerable promise both descriptively and normatively, will require much additional research to validate its efficacy. Thus, while SIHRM may eventually be a prominent cache for theories concerning international business activities, several key questions have yet to be answered. Chief among these are: (1) To what degree do companies employ SIHRM?; (2) Does the type of firm affect its likelihood of adopting SIHRM methods?; (3) Are there compelling theoretical reasons why SIHRM should make a difference in a firm's level of performance?; and (4) Does the presence of SIHRM in a firm actually positively affect performance?

### **Theoretical Background**

If SIHRM is viable, there should be a theoretical base which supports the idea. How would SIHRM fare under the scrutiny of established management thought? Would new approaches be necessary, or do existing explanations mesh well with SIHRM? Although this issue will be discussed in detail in the succeeding chapter, the following observations provide initial rationale and lay the groundwork for the research questions and issues to follow.

Just as SIHRM reflects a confluence of SHRM and IHRM, it also can be seen as involving a merger of numerous theoretical viewpoints. Traditional management approaches such as congruence theory, contingency viewpoints,

systems theory, and the resource-based view of strategic management all may be applied to the study of SIHRM. Each of these will be mentioned briefly.

### **Congruence Theory**

Congruence theory, or the concept of "fit," concerns the idea that organizational components should fit the demands of each other as well as those of the environment (Baird & Meshoulam, 1988; Lawrence & Lorsch, 1967; Nadler & Tushman, 1980; Schendel & Hofer, 1979). Presumably, the better the fit, the better the functioning, and ultimately, the better the performance (Milliman, Von Glinow, & Nathan, 1991).

Congruence theory could play an important role in an examination of SIHRM. As mentioned, at the heart of SIHRM is the idea that internal functions will match external functions (Schuler, Dowling, & DeCieri, 1993). In order to maximize effectiveness, the three organizational forms mentioned earlier (multidomestic, hybrid and global) should each require special processes that provide the right degree of fit. It is now well recognized that the human resource function can be an important element in this matching process (Craft, 1988; Gupta, 1986). Thus, according to congruence theory, the human resource function, managed strategically, should enhance the fit between elements of a firm with itself and the external environment, leading to greater organization performance. Nevertheless, this idea awaits empirical analysis.

## **Contingency Theory**

Related to the idea of fit is that of contingency, or the "it depends" point of view. According to this theory, an organization's strategic response should be based on the situation (Hofer, 1975). This view is slightly less deterministic than that of congruence theory and probably places less emphasis on fit than it does response.

The idea of contingency could also play a role in an analysis of SIHRM. Regardless of which organization form is chosen to compete internationally, the environment will be turbulent. This puts greater emphasis on the role of environmental scanning and formulating the appropriate response to numerous situational pressures. Theoretically, SIHRM should allow firms to better equip themselves to both gauge the environment and determine the efficacy of various responses. Thus, for purposes here, there are two main points regarding contingency theory and SIHRM. First, different organizational forms may require different levels of SIHRM because their situations are different. Second, simply adopting a type of organizational form is probably not sufficient to fully adapt to environmental pressures; the prudent use of the human resource function should benefit in ways that go beyond mere organization structure (Butler, Ferris, & Napier, 1991). As with other issues, however, this remains to be supported more fully empirically.

## **Systems Theory**

On a broader theoretical front, the idea of systems theory (Bertalanffy, 1951; Boulding, 1956) has transformed management thought. According to this view, the world is a system where everything affects everything else; interrelatedness is the rule, not the exception. On a more micro level, organizations are now seen as open systems that interact with their environments by obtaining resources and producing output (Katz & Kahn, 1978; Thompson, 1967). The systems view also incorporates the idea of subsystems within systems and asserts that harmony within the system is a good thing.

As with the two previous theories, the systems point of view could play a role in an analysis of SIHRM. It has long been argued that human resources can improve a firm's effectiveness (Argyris, 1964; Beckhard, 1969; Bennis, 1966). More important for purposes here, systems theory incorporates the idea of synergy, where the coordinated actions of subsystems can achieve more than those elements acting independently (Kast & Rosenzweig, 1972). If the premise is valid, SIHRM should lead to greater performance due to the positive influence of the human resource function on the rest of the company. It (SIHRM) should also be a coordinating mechanism that helps create synergy and thus, improve firm performance (Schuler, Dowling, & DeCieri, 1993). While systems theory has secured its place in management thought, the usefulness of SIHRM in such a context has yet to be shown (Wright & Snell, 1991).



## **Resource-Based Theory**

A final theory with implications for global competition is the resource based view of strategic management (Barney, 1991; Wernerfelt, 1984). According to this viewpoint, resources are assets (tangible or intangible) that are contained within individual firms (Wernerfelt, 1984). These strengths can provide the firm with distinctive competencies that lead to competitive advantage (Lado, Boyd, & Wright, 1992; Reed & DeFillippi, 1990). A main idea behind the resource-based view is that these individual firm attributes are difficult to copy (Barney, 1991; Conner, 1991; Grant, 1991; Reed & DeFillippi, 1990). Therefore, the resource-based theory holds promise as a means for explaining superior performance in individual firms.

Because of these attributes, resource theory can also play a role in an investigation of SIHRM. One of the main points of the theory is that the ultimate source of distinctive competence is **internal** to the firm (Reed & DeFillippi, 1990). Further, competencies can be human assets (Lado, Boyd, & Wright, 1992; Mahoney & Pandian, 1992). Also, organizational culture and learning can become valuable resources if developed properly (Barney, 1986; Grant, 1991; Lado, Boyd, & Wright, 1992; Lado & Wilson, 1994). In addition, firms are not identical; the idea of heterogeneity means that the resources are not mobile across firms (Barney, 1991; Dierickx & Cool, 1989). The result is a competitive advantage that

is sustainable (Mahoney & Pandian, 1992). All of these characteristics may be contained in the SIHRM paradigm. Specifically, SIHRM involves an internal function; it focuses on the optimal utilization of human assets; firms' stock of human assets are very likely heterogeneous; and, the marshaling of these assets through SIHRM could lead to a sustainable competitive advantage.

Of the theories mentioned above, the resource-based view may hold the greatest explanatory power with regard to the proposed effectiveness of SIHRM. Nevertheless, as in most of the other cases, there has been a decided lack of empirical study to confirm or refute this (Wright & McMahan, 1992).

The previous sections on the evolution of SIHRM and possible theoretical linkages seem to have at least two recurring themes: (1) While SIHRM is a relatively straightforward concept, the proposed theory base is broad and may require intricate links; and (2) The notion of SIHRM is so new and undeveloped that almost all variables and relationships remain untested empirically. A summary of the previous comments leads to these statements concerning SIHRM.

First, since an element of SIHRM concerns a greater integration of operations (by including the often segregated HRM function), firms with highly interdependent subsystems should have a particular need to incorporate an advanced form of SIHRM. As mentioned, of the three types of international business, the global form places the greatest emphasis on the integration of

individual business functions. Thus, the need to fit internal operations together may place a greater strain on global firms, requiring them to have a highly integrated form of SIHRM. In turn, if SIHRM does indeed encourage better coordination, control, environmental scanning, and overall planning, then those global firms which do enact a highly integrated form should have a competitive advantage over those global firms which do not.

Second, while other, less complex forms of international companies, such as the multidomestic and the hybrid, may benefit from SIHRM, they may not require the same degree of integration of HR as do the global ones. In fact, their selection of strategic positioning type may actually hamper efforts to fully integrate SIHRM. Specifically, firms with a "non-integrative" strategic profile may lack the capacity, generally, to integrate the HR function into other elements of the firm, a point that will be discussed in detail in the next chapter.

Finally, benefits from SIHRM may be either micro or macro in nature. In the case of the former, SIHRM may lead to specific internal practices that are measurable and which ultimately affect firm performance. On the other hand, utilizing SIHRM may enable companies to improve strategic vision and intent in a way that maximizes firm performance in a more general sense.

### **Statement of the Problem**

These statements, when examined empirically, should help answer a central question regarding the recently emerged field of SIHRM, specifically:

**What is the link between type of SIHRM and choice of strategic positioning?**

**In addition, this may be part of a broader, yet very basic question:**

**Is Strategic International Human Resource Management a viable approach in response to global competition?**

#### **Rationale for the Problem Statement**

The immediately preceding question is linked logically to the previous statements as follows. For SIHRM to be viable, it must be doable. The proper response to the increased level of business competition is crucial. If global companies which should theoretically adopt tenets of SIHRM have not done so, then it may be that SIHRM is too cumbersome or complex to be implemented. There is evidence that adoption to SIHRM can be a tedious, difficult undertaking (Galosy, 1983; Koster & Schweiger, 1991). Older studies have indicated that SIHRM is indeed rarely practiced (Nkomo, 1986). If this remains the case, then there may be a gulf between theorists and practitioners that needs to be spanned before researchers can declare the efficacy of SIHRM.

In addition, it is not sufficient for SIHRM to be merely present; there also must be indications that it aids firm performance. Lengnick-Hall and Lengnick-Hall (1988) have noted that even domestic SHRM has not been shown to improve performance. Again, intense competition hardly allows for useless management

fads. If practitioners find that SIHRM is an expensive, time consuming undertaking, then they will expect benefits to offset such costs. Therefore, an empirical study is needed that addresses the usefulness of SIHRM.

### **Importance of the Study**

There are several possible benefits from an examination of SIHRM. First, global competition is a phenomenon that will not go away. It is important for practitioners to know what may be effective and in which contexts. If SIHRM appears to improve firm performance, companies may either wish to adopt its tenets or seek to refine and/or speed up their own conversion processes regarding SIHRM. Since academics are looked upon to provide answers to pressing globalization problems, improved knowledge about SIHRM may provide new solutions to stubborn problems.

Another benefit from the proposed study regards the different organizational forms involved. Previous research on international firms has often focused on such issues as whether to hire home country or host country nationals or how to recruit or train expatriates (e.g., Baker & Ivancevich, 1971; Edstrom & Lorange, 1984; Perlmutter, 1969; Tung, 1984). On the other hand, research regarding the relationship between structure, strategy and human resources across several types of firms has been sparse (Adler & Bartholomew, 1992). As globalization increases, it will be more important to understand the implications of the similarities and differences between the major international business forms.

It is also important to examine what happens when the human resource function becomes more strategically involved. If SIHRM appears to work, it will provide needed credibility to the idea that human resources should be an integral part of guiding a business, rather than simply following and reacting. This is important, because as numerous authors have pointed out, the human resource function has long been neglected as a key element in formulating and/or implementing strategy (Adler & Bartholomew, 1992; Bounds & Pace, 1991; Craft, 1988; Koster, 1988; Lengnick-Hall & Lengnick-Hall, 1988; Miles & Snow, 1984). It is intuitive that the human resources function should be a partner with, not a slave to, the traditionally strategic assets of a business. After all, a firm's human resources is an important factor that ultimately separates it from competitors.

In addition to the previous benefits, the proposed study may give further credence to certain theoretical ideas, chief among them the resource-based view. As Conner (1991) notes, the resource based approach seems to have an opportunity to be a unifying paradigm for strategy research. This would be appealing since the traditional industrial-organizational approach is more deterministic; industry structure is more important than individual firm functioning (e.g., Porter, 1980, 1985). As Mintzberg (1990) has noted, this traditional approach means that strategy is not devised by firms, rather, it is selected. The proposed study may provide a credible link between resource-based theory and global firm performance.

Finally, the issue of human resources in both a strategic and international context is woefully under researched (Adler & Bartholomew, 1992; Adler & Ghadar, 1990; Dowling, 1988; Milliman, Von Glinow, & Nathan, 1991). While there has been important theoretical progress made (e.g., Schuler, Dowling, & DeCieri, 1993; Sundaram & Black, 1992; Wright & McMahan, 1992) more empirical work is needed to clarify the present position and future potential of SIHRM. The information provided by this study should provide answers and provoke new questions regarding a new area that seems to hold much promise in untangling the secrets of competing successfully in a global economy. An expanded literature review and specific hypotheses are presented in the next chapter.

## CHAPTER TWO

### LITERATURE REVIEW

In this chapter, the evolution of Strategic International Human Resource Management is discussed. First, the historical progression of Human Resource Management is presented, followed by an analysis of the advent of Strategic Human Resource Management. Next, an overview of International Human Resource Management is offered, followed by a discussion of the development of Strategic International Human Resource Management. This leads into the presentation of a conceptual model. Finally, specific hypotheses are developed, followed by their theoretical justification.

#### **The Evolution of Human Resource Management**

While a case can be made that the roots of modern HRM stretch back to the 1600's, (Lawrence, 1985) much of the examination of the field focuses on the early 1900's as the starting point (Butler, Ferris, & Napier, 1991). Mahoney and Deckop (1986) note that the inclusion of a "personnel" element into management practice was a byproduct of scientific management. In fact, Frederick Taylor's pig-iron experiments included elements of selection, job design, compensation, and other issues now associated with HRM (Mahoney & Deckop, 1986). Miles



(1975) has described this as the "traditional" model where the subordinate requires close monitoring from the supervisor. Thus, in the early part of the century, the forerunner to HRM was concerned most with technical efficiency.

While the needs of the workers were not totally ignored under the traditional model, their feelings regarding acceptance and recognition were given low priority. This changed with the advent of the "human relations" model (Miles, 1965). The most famous illustration of this viewpoint was the Hawthorne studies which centered on group processes and how work organization affected individual responses, morale, and ultimately, productivity (Mayo, 1933; Roethlisberger & Dickson, 1939). The human relations model thus expanded on the traditional view of workers, but the personnel function was yet to be fully conceptualized.

With the introduction of the term, "human resource" by Miles in 1965, the field began to seek a balance between the traditional and human relations models. Now, workers were to be regarded as a valuable resource, as with other firm assets. Some theorists, such as Likert (1967) attempted to quantify human resources, while others (e.g., Becker, 1964), stressed the need to value human capital as an asset both in practice and on company balance sheets. Obviously, the human resource model has been a major advance for those touting the significance of individual workers.

Even so, the human resource function traditionally remained reactive or separate from the other mainstream areas of the firm (Bounds & Pace, 1991). In

addition, overall organizational effectiveness, as related to the human resource function, was virtually ignored (Mahoney & Deckop, 1986). Thus, while human resources may have achieved a modicum of acceptance with regard to the other functions, it still was not considered a full partner. This began to change with the development of Strategic Human Resource Management.

### **Strategic Human Resource Management**

Human resources' position as an organizational given began to change when Galbraith & Nathanson (1978) argued that human resources needed to be aligned with the strategy and structure of firms. They also used the traditional subfunctions of selection, appraisal, rewards, and development to delineate human resource strategies. Building on this work, Tichy, Fombrun and Devanna (1982) showed more clearly how strategy, structure and human resources must work in direct alignment. In their conceptualization (see Figure 2), HRM is treated as interrelated with strategy and structure and integral to the work process. It is this idea that forms the basis for the terminology used in this paper. Specifically, "strategic" and "strategically" as applied to HRM represent a human resource function that is included in the strategic aims of the firm. These strategic goals are embodied in the firm's mission (Tichy et. al, 1982). In other words, HR becomes strategic when it moves beyond the traditionally insulated roles of paper processing and employment activities. Similarly, strategically managed as applied

to employees means activities that help support or determine a firm's strategic direction. Tichy et al. argued that the subfunctions needed to be operated more strategically in order to ensure optimal strategy formulation and implementation. They termed their ideas "Strategic Human Resource Management" (SHRM).

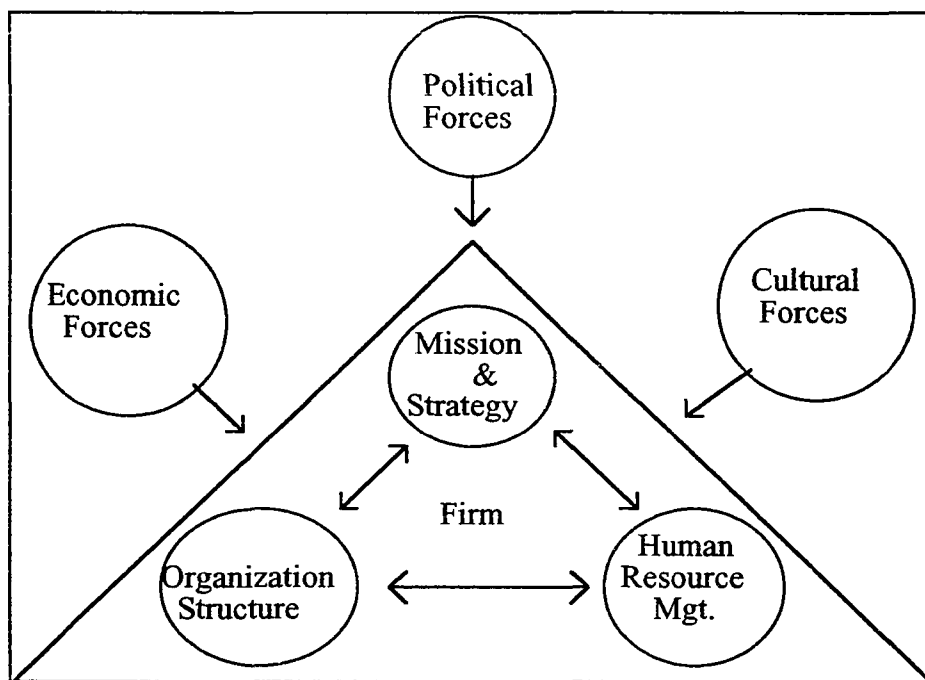


Figure 2 Interrelationships of Core Elements

From: Tichy, N., Fombrun, C., & Devanna, M. A. (1982). Strategic human resource management. *Sloan Management Review*, 23, (p. 48).

In this early conceptualization, Tichy et al. (1982) focused on such issues as linking the firm's selection and promotion system to its overall strategy. They also stressed the importance of matching top executives to the company's strategy. In fact, each subfunction is discussed in terms of how to mesh people with strategy. An important element of this work was the focus on performance, both at the individual and firm level, as the ultimate dependent variable. Tichy et al. posited that the different human resource elements could be managed strategically to influence performance.

While this was a major step towards promoting HRM as an important strategic component, the idea of full integration with strategy was not developed. As Staehle (1990) has pointed out, Tichy et al.'s (1982) approach is more about HRM as a contributor to strategy implementation rather than strategy formulation. In fact, Tichy et al. take the Chandler (1962) approach of structure, and in this case, HRM, following strategy. While that theoretical notion may have some merit, such a view virtually precludes the possibility of a real integrative partnership between strategy and HRM.

Despite its drawbacks, the Tichy et al. (1982) work was the beginning of numerous efforts to further conceptualize the idea of SHRM. In Baird, Meshoulam, and DeGive's (1983) view, the human resource function could not be separate from organizational strategy "...because there is no organization strategy

without the inclusion of human resources" (p.19). By "inclusion," these authors meant a corporate-wide interactive process where each function developed plans to support the strategy of each business unit. These theorists also termed the end goal, "integrated human resources strategy," but again, HRM is not specifically conceptualized as a full partner in the strategy formulation process. Baird et al. did, however, note the importance of corporate culture in developing the strategic mission. More significantly, they asserted that an imperative of SHRM is to match human resource needs with the product life cycle. This view recognizes that human resources must change as the strategic focus of the firm changes.

The concept of SHRM crystallized further with Dyer's (1983) work. He differentiated between four ways human resources are linked to strategic planning: parallel, inclusion, participation, and review. Parallel is the more traditional view where strategy and human resources develop separately. Inclusion means that the human resource component is built into the planning process by requiring that all strategic plans are feasible from an HRM point of view, and review means that such feasibility is examined at every level of the process by those with human resource expertise. Like review, participation represents a very proactive method. Here, managers with knowledge and understanding of human resources are included in the discussion of strategic plans, and are actually part of the decision making process. Dyer argued that the ideal includes a top management cadre that

is especially sensitized to human resource issues so that such are always considered in tandem with strategic issues. He added, however, that unless the human resource function is prepared for a more inclusive role by acquiring a strategic orientation, the more traditional reactive role for human resources is probably best.

One of Dyer's (1983) cogent observations is that strategic planning is often done on an *ad hoc*, or relatively informal basis. The implication is that purely formalized links between HR and strategic planning may not provide the former with full knowledge of and input to the process. The implied remedy is a firm perspective that recognizes the value of informal links between HR and strategic planning. Such a view encourages a truer partnership between the parties involved.

While the above views indicate that theorists initially considered HRM as part of an interactive process regarding strategic planning, others were focusing on specific human resource activities. Lorange and Murphy (1983) stressed the need to manage incentives more effectively to promote the firm's strategic plan. They also noted that the participation by human resource professionals varies across the different levels of the firm, and suggested that it may be the corporate area where such influence is lowest.

Similarly, Schuler and Jackson (1987) focused on specific practices, but they included actual employee role behaviors as the key to linking human resources to strategy. These authors suggested using human resource practice "menus." Each menu includes several choices under such functions as planning, staffing, appraising, compensating, and training and development. For example, compensating strategies may be on a continuum from "few perks" to "many perks." Schuler and Jackson demonstrated how such an approach could enhance adaptation to a specific strategy type. Using Porter's (1980) framework, the authors examined how implementation of Porter's competitive strategy types, such as cost-reduction, was linked to human resource roles.

There are at least two noteworthy contributions here. First, Schuler and Jackson (1987) showed that the theoretical link between strategy and human resource activity could be demonstrated in actual practice. Second, by relying on Porter's framework, the authors brought strategic management theory together with human resource theory. This latter step helped to solidify the idea that these two disparate areas could be joined together in a synergistic fashion.

While Schuler and Jackson (1987) took a micro approach to the conceptualization of SHRM, Golden and Ramanujam (1985) explored the general idea that different firms have different types of linkages between HRM and strategic planning. Using data from human resource executives of ten companies,

Golden and Ramanujam developed a typology that delineated four distinct phases of the HRM-Strategic planning interface. They termed these phases, "administrative linkage;" "one-way linkage;" "two-way linkage;" and "integrative linkage."

The first phase, administrative linkage, depicts the more traditional, reactive role of the human resource function. The HR executive in this phase is bogged down with day-to-day administrative issues and is unable to acquire a strategic focus. As such, the human resource function is considered more of a necessary evil by the firm and employees are considered as either insignificant to the success of the business, or worse, simply a cost. Golden and Ramanujam (1985) noted that the administrative phase was until recently the most prevalent.

A more prominent role for HRM exists in the one-way linkage phase. Here (in its most common form) HR is given the opportunity to develop systems to influence the direction of the firm's strategy. This is a step up from the prior phase because top management acknowledges the importance of HR with regard to tactical considerations. Thus, HR really is considered a resource, but it is still more in a reactive mode and does not assist in strategy formulation.

Golden and Ramanujam (1985) next depict the two-way linkage phase as a "reciprocal" and "interdependent" relationship between HRM and strategic planning. Here, both areas are said to have an impact on each other. The HR



function is no longer considered dispensable; rather, it is recognized as a key ingredient for success. As such, HR executives become strategic partners who provide input into the strategy making process that goes beyond mere personnel issues.

The ultimate in HR empowerment, according to Golden and Ramanujam (1985) is integrative linkage. In this phase, the linkage is more interactive than reciprocal. It is also multifaceted and dynamic. Finally, the HR executive is recognized as a bona fide team member who offers input on a variety of issues well beyond the traditional domain of personnel. A critical distinction between this type and two-way linkage is the inclusion of a strong informal relationship between HR executives and other top managers. This observation seems to validate Dyer's (1983) belief that true partnership cannot occur without the element of informality.

The work of Golden and Ramanujam (1985) was significant to the development of SHRM. First, even with the small sample, they did provide much needed empirical evidence; previously, the area was dominated by conceptualization. In addition, they noted that several firms had already adopted two-way linkage, demonstrating that the traditional, administrative view was being supplanted. On the other hand, they found only one company in the integrative phase, indicating that full partnership for HR had yet to be realized in most cases.

Finally, their typology is a useful and more realistic way to distinguish the HR-Strategic planning relationship. By delineating four very distinct phases, researchers have been provided a tool that goes beyond mere "yes-no" categorizations.

At least two studies have in fact been based on the Golden and Ramanujam (1985) formulation. Buller (1988) interviewed HR executives and strategic planners at eight firms. Testament to the fact that the status of HR has been elevated in many companies, none of his sample employed administrative linkage; instead, three firms used one-way linkage, three used two-way linkage, and two used integrative linkage. While small in scope, Buller's work did provide an empirical analysis of differing strategy-HRM interface types. More germane to this paper, he also concluded that the higher levels of integration may not be necessary for every company type, a point that will be discussed in more detail later.

A more direct test of the Golden and Ramanujam (1985) typology attempted to link the degree of strategy-HRM integration to firm performance. Buller and Napier (1993) divided a sample of forty one firms into two categories: (1) fast growth, and (2) others. The researchers did not find a relationship between degree of integrated SHRM and firm performance. Interestingly, they noted that the fast growth firms had less formal, more loosely connected HRM-

strategy structures and concentrated largely on staffing issues. In fact, the type of SHRM seemed to be influenced largely by the size and age of the firm. This finding indicates that structural factors and other firm characteristics may ultimately be important determinants of the relationship between HRM and strategic planning.

Another helpful classification scheme was devised by Butler, Ferris, and Cook (1988). They delineated three types of linkages in the strategic human resources planning system: accommodation, interactive, and fully integrated (see Figure 3). The accommodation approach places HRM in the role of facilitating strategy that has been formulated by the planning group. In other words, HRM simply responds without providing input to the formulation process. In such a mode, any contribution from HRM would be limited (Butler, Ferris, & Napier, 1991).

While the accommodation approach could be described as a one-way communication process, the interactive method features a two-way relationship between HRM and the planning groups (Butler, Ferris, & Napier, 1991). Here, HRM becomes more proactive and has more influence on the strategy formulation process. This is obviously a step up from the accommodation approach, but again, the relationship, as with Golden and Ramanujam's (1985) two-way linkage, is formal and mechanical.

The final step, fully integrated, also draws from the ideas of Golden and Ramanujam (1985). Here, the interface between HRM and planning goes beyond the formal requirements to include informal communication as well. In this approach, HRM managers are likely to become full partners with other executives to formulate the firm's strategy. Butler, Ferris, and Napier (1991) argue that once a company makes the commitment to adopt SHRM, it should ultimately aim for the fully integrated approach.

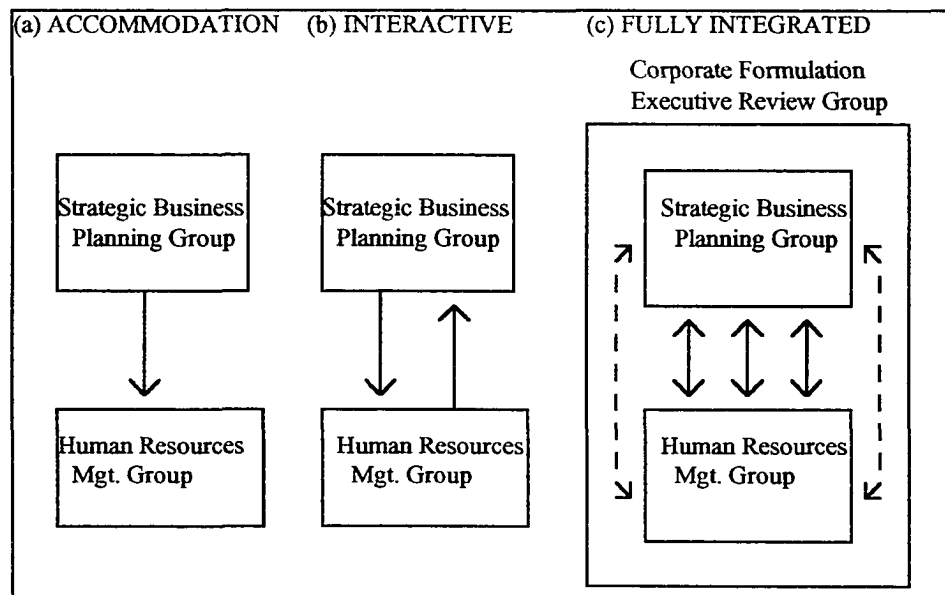


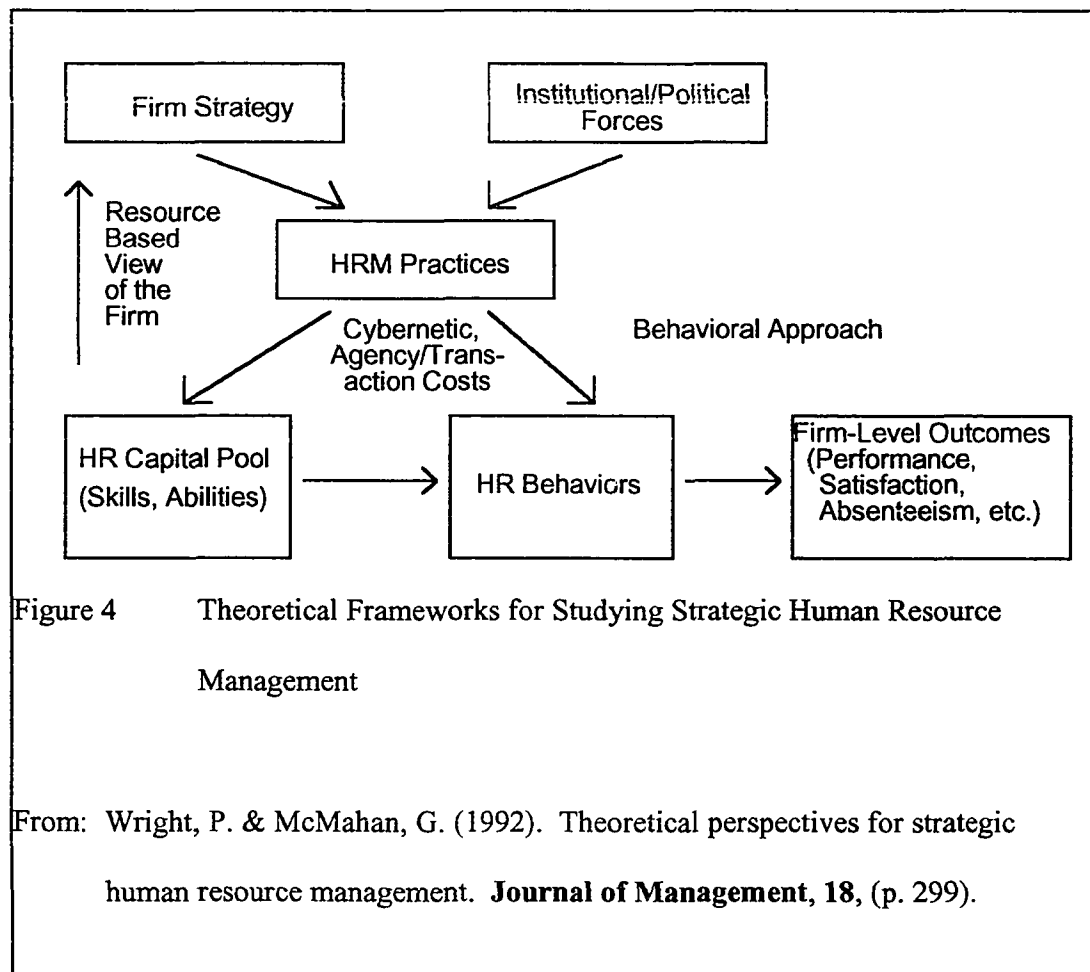
Figure 3 Approaches to the Strategy - HRM Interface

From: Butler, J., Ferris, G., and Napier, N., (1991). **Strategy and Human Resources Management** (p. 18). Cincinnati: South-Western.

Just as these and other authors have recommended the fully integrated approach, Dyer and Holder (1988) have endorsed the idea of strategic partnership between HR executives and firm planners. This arrangement is very similar to the fully integrated method but the role of HR is described more explicitly. Dyer and Holder argue that there are four aspects of the HR role in a strategic partnership. First, top HR executives communicate and cooperate with line managers in formulating HR strategies. Second, the top HR executives are considered equals to chief financial officers, subsidiary heads, and general counsels and fully participate in business strategy meetings. Lower level HR professionals hold similar sessions with divisional managers. Third, several levels of HR professionals, from executives to specialists, work very closely with line managers to ensure proper implementation of firm strategy. Finally, the HR function is also operated strategically (as suggested by numerous earlier theorists) in its own right. It actively manages resource allocation and provides guidance to subfunctional specialists. As with Golden and Ramanujam (1985), Dyer and Holder believe that few firms have implemented the strategic partnership approach.

While progress has clearly been made in conceptualizing SHRM, Wright and McMahan (1992) have correctly noted that the field has lacked a "coherent" theoretical framework. To alleviate this, these authors have identified six theories which may aid in defining and explaining the phenomenon (see Figure 4). In this

conceptualization, the theoretical models are positioned according to which relationships are focused upon. While each model has merit, the resource based view and the cybernetic systems approach seem particularly useful.



According to the resource based view of the firm, competitive advantage derives from the relationship between strategy and the company's resources (Barney, 1986; Grant, 1991). This represents a major challenge to the external focus that has dominated strategic management thought (e.g., Porter, 1980; 1985). Even though Porter (1985) has recognized the value of HRM in affecting distinctive competence, the emphasis remains on industry structure as the key determinant of strategy. On the other hand, the resource-based view recognizes that distinctive competence can specifically arise from particular internal functioning, not the least of which is HRM (Barney, 1991; Lado & Wilson, 1994; Reed & DeFillippi, 1990). Therefore, as Wright and McMahan (1992) note, the resource-based approach is well suited as a theoretical basis for exploring SHRM.

The systems view also holds merit for examining SHRM ("cybernetic" may be subsumed by a general systems view which is the approach taken here). A systems approach recognizes the interrelatedness of organizational components both with each other and the surrounding environment (Katz & Kahn, 1978). It also considers that there are "subsystems" within the larger system, and they too affect the functioning of an organization (Kast & Rosenzweig, 1973). Wright and Snell (1991) have noted the value of the systems approach regarding SHRM with their view that HRM could be aligned in such a way to reach a desired strategic outcome. The idea of alignment can be linked to that of integration, and the

reaching for goals corresponds with the aim of strategy. Similarly, Snell (1992) has adopted a quasi-systems approach to show the need for coordination among HRM practices. Therefore, since SHRM is centered on integration, coordination, and strategic outcomes, the systems based approach provides another logical framework within which to examine the field.

Thus in the short history of SHRM, the focus has shifted from more micro issues such as strategic selection or strategically managing human resources (e.g., Gupta, 1986; Leontiades, 1982; Miles & Snow, 1984; Schuler & Jackson, 1987; Tichy, Fombrun, & Devanna, 1982), to a more macro view concerned with the integrative relationship between HRM and strategy formulation and implementation (e.g., Butler, Ferris, & Napier, 1991; Dyer & Holder, 1988; Golden & Ramanujam, 1985; Lengnick-Hall & Lengnick-Hall, 1988; Wright & McMahan, 1992). In fact, Wright and McMahan (1992) argue that the macro approach represents true SHRM. They also posit that the real distinction between traditional HRM and SHRM involves two types of linkage. First, the vertical link between HRM practices with the strategic planning aspects of the firm, and second, the horizontal links that attempt to create congruence across various HR routines. This description captures the potential of SHRM by recognizing the multiple integrative aspects of the field.



## **International Human Resource Management**

While SHRM has been the focus of numerous theorists and is on its way to being a legitimate paradigm, Strategic International Human Resource Management (SIHRM) is still in its infancy. This may be due to the fact that it is difficult to simply extrapolate domestic HRM to International HRM (Morgan, 1986). More specifically, the international domain contains additional aspects affecting HRM that must be considered before strategic implications are fully dealt with. Some of these issues are discussed next.

The major variable differentiating domestic versus international HRM (IHRM) is complexity (Pucik, 1985; Schuler, 1993). Dowling (1988) noted several factors that IHRM professionals have to deal with that go beyond domestic requirements. These include: (1) more functions and activities; (2) a broader perspective; (3) more risk exposure; (4) more external influences; and (5) more involvement in employees' lives. Similarly, Pucik (1985) asserted that the traditional HR functions of staffing, appraisal, compensation, and development are all constrained by a new set of complex variables when an international context is added. In staffing alone, there seems to be a perpetual effort to forge the right mix of expatriates and locals (Dowling, 1988).

These factors represent numerous issues that face IHRM professionals. For example, expatriates usually incur both domestic and host country tax liabilities.

They also require help in arranging training, travel, housing, medical care, schooling, and many other things necessitated by overseas assignments (Schuler, 1993). There is also a need to take a global view as more than one national group of employees is involved (Schuler, 1993). Additionally, the interaction with numerous governments often presents more challenges and administrative difficulties. Further, implementing universal compensation packages becomes a major challenge (Pucik, 1985). Schuler (1993) sums up the issue by noting that while domestic and international HRM departments perform similar functions, the added complexity created by the above factors means IHRM is different in important ways.

Besides these differences, Sundaram and Black (1992) argue that companies with international operations are fundamentally different from purely domestic ones. They note that cultural variation is heightened when many countries are involved, citing Hofstede's (1980) work that indicates there are larger between-countries differences than within-country differences. Sundaram and Black (1992) further posit that the intersection of differences in multiple countries creates challenges (and opportunities) because of the absence of common enforcing mechanisms. Thus, whether the differences are inherent in international companies or arise from various other factors, it is apparent that domestic HRM and IHRM are indeed distinct.

As with SHRM, the first response to the problems presented by IHRM has been largely micro-focused. In fact, Butler, Ferris, and Napier (1991) note that the bulk of research in IHRM has concentrated on one area: staffing. Because poor staffing choices are expensive and can lead to failures in international situations, many authors have focused on the issue (e.g., Baker & Ivancevich, 1971; Edstrom & Galbraith, 1977; Tung, 1984). The major staffing question to be resolved is often whether to hire and/or use (1) parent-country nationals (PCNs), (2) host-country nationals (HCNs), or (3) third-country nationals (TCNs), when establishing overseas facilities. This issue has important theoretical implications that will be discussed more fully.

Perlmutter (1969) distinguished between three corporate perspectives: ethnocentric, polycentric, and geocentric. The ethnocentric firm believes that home country professionals know best about everything. Therefore, important overseas assignments should be manned by PCNs. Conversely, the polycentric view holds that only natives can truly know the nuances of particular markets. Therefore, each subsidiary or operation should be managed by locals (HCNs). Finally, the geocentric approach is concerned with filling positions based on ability and/or qualifications; cultural biases are replaced by objective criteria. In such firms, positions may go to PCNs, HCNs, or TCNs. In sum, whether a company is ethnocentric, geocentric, or polycentric greatly affects staffing choices, and ultimately the power relationships and control mechanisms of the firm.

The idea of staffing perspective is also strongly linked to different strategy and structure types (see Table 1). Hout, Porter, and Rudden (1982) describe industries as either multidomestic or global. Companies in multidomestic industries view each market separately and thus invoke strategies independently from country to country. These companies feature highly autonomous overseas facilities that are often managed by locals. Therefore, the multidomestic company is probably polycentric in orientation. On the other side of the continuum is the global industry. Here, a company's subsidiaries are interdependent because the firm pits its worldwide resources against competitors no matter the individual market. In the global company, strategy is centralized, yet the firm still seeks to respond to local market needs.

This brief typology has been enhanced by others. Adler and Ghadar (1990) assert that international firms go through "phases" in which the company's strategy interacts with the environment. The first phase is purely domestic. The other phases, "international," "multinational," and "global," describe an increasing movement to worldwide integration. International, which corresponds to Hout, Porter and Rudden's (1982) multidomestic firm, has a highly decentralized structure and a polycentric approach. It also is market focused with regard to strategy. While Adler and Ghadar are describing phases and not industry structure per se, the "international" firm does opt for a "multidomestic" strategy.

Table 1.--Previously Used Definitions of "International" Companies

Source	Terminology	Determining Factors	Description
Hout, Porter & Rudden (1982)	Multidomestic	Industry	Local strategies for each country
	Global	Industry	Interdependent throughout company
Adler & Ghadar (1990)	International	Phase	Decentralized / Market focussed strategy
	Multinational	Phase	Low cost / Standardized products Organization culture driven
	Global	Phase / Cultural integration	Strategic alliances / Mass customization
Adler & Bartholomew (1992)	International	Phase / Cultural interaction	Culture of home country dominates
	Multinational	Phase / Cultural interaction	Organization culture supercedes all others
	Transnational	Phase / Cultural interaction	Great degree of cultural diversity
Bartlett & Ghoshal (1989)	Multinational	Strategic Capabilities / Focus / Structure	Responsive to national differences
	Global		Cost Advantages / Centralized operations
	International		Parent company knowledge diffuses worldwide
	Transnational		Competitiveness, flexibility and learning simultaneously

The next phase in Adler and Ghadar's (1990) approach is the "multinational" phase. Firms in this part of the cycle employ a "multinational" strategy. They compete based on managing costs and often feature standardized products. These firms also believe that organizational culture overrides national culture; they attempt to forcibly integrate the disparate perspectives from various cultures. Adler and Ghadar argue that firm wide integration is not easily accomplished.

Adler and Ghadar's (1990) most ambitious type of firm, the "global," embraces a global strategy. In other words, companies in this category often compete in several phases at once; they use sophisticated global strategies based on mass customization. These companies are also often involved in strategic alliances with other firms. A key difference between these firms and the multinational type is they recognize cultural diversity within the organization. They also attempt to discern when cultural differences present problems and when they present opportunities. Interestingly, Adler and Ghadar considered the global firm to be largely futuristic.

A slightly different typology has been developed by Adler and Bartholomew (1992). They describe four phases: domestic, international, multinational, and transnational. As with the Adler and Ghadar (1990) typology, cultural interaction is a key differentiator among types. During the international

(which corresponds to the multidomestic) phase, power is concentrated at the home country's headquarters which reflects the culture of that home nation and cross-cultural interaction only exists within a clearly defined hierarchy. In the multinational phase, more cultures are represented in the decision-making process, but the organizational culture, which again reflects the home nation's culture, supersedes all others. The transnational company represents the greatest degree of cultural diversity in decision-making. In fact, "cultural synergy" becomes the goal as different perspectives mesh to form a new transnational culture (Adler & Bartholomew, 1992).

There are numerous other typologies as well. Bartlett and Ghoshal (1989) and Ghoshal and Bartlett (1990) prefer "global," "multinational," and "transnational." Here, the distinction is based on organizational structure. Global companies feature tight, centralized control; multinational firms are very decentralized; and transnational combines flexibility with integration. Among other classification methods, Kindleberger (1984) used attitudinal characteristics as a defining variable; Hedlund's (1986) "heterarchy" corresponds to others' transnational; and Porter (1986) has used the term "complex global" to describe the "transnational."

While the inconsistency in terminology has probably hindered full comprehension of the issues, most theorists have coped by simply defining the

terms of their particular study. That will be the case here. This conceptualization concerns three types: multidomestic, hybrid, and global. The major defining characteristic of the companies concerns worldwide perspective. The multidomestic company separates the world into individual markets. In Porter's (1980) terminology, its international strategy collapses into a series of local strategies. Subsidiaries are largely independent of each other, and the hallmark of the company is fitting into local markets. In contrast, the hybrid company treats the world more as one market. Products are generally standardized and there is more interaction between subsidiaries than in the multidomestic form, mainly for the reason of control. The hallmark of the hybrid for definition purposes here, though, is the use of cost advantages through globally scaled operations. Finally, the global firm uses its worldwide resources interchangeably. Subsidiaries are highly interdependent and the company competes through the mass customizing of products. Thus, the hallmark here is a loose-tight perspective; the company simultaneously requires fit and flexibility in order to adjust to local conditions even as it integrates operations into a whole.

Whatever the typology, a review of the literature confirms that research on IHRM has been dominated by staffing issues and overly concerned with categorizing various organizational forms. Similar to domestic HRM, it can be argued that IHRM has largely maintained a micro perspective by focusing on such



issues as the minutiae of training expatriates and fitting the right mix of PCNs, HCNs, and TCNs to organizational structure and/or strategy and/or cultural profiles. And, despite the emphasis on integration and human resource response to different needs, the HR department has largely been treated as reactive. More important, the type of integration described in most of the literature often excludes HRM initiatives, and certainly does not consider HR as a strategic partner. Thus, for IHRM to reflect the progress made with domestic HRM through the use of SHRM, a new perspective was needed. The emerging paradigm is known as Strategic International Human Resource Management (SIHRM).

### **Strategic International Human Resource Management**

It is reasonable to expect that SIHRM has developed more slowly than domestic SHRM, but there have been efforts to conceptualize the ideas of SHRM in an international context. Edstrom and Lorange (1984) observed that "strategy is implemented by people" (p.125). To investigate how this may happen in international firms, the authors examined the match between strategy and HR in four Swedish firms. Their findings indicated that while HR may have been involved in strategy implementation, in general, strategy formulation was reserved for other planners. In addition, the HR methods for implementing strategy were largely confined to selecting the right people. Edstrom and Lorange did posit that as firms attempt to implement more complex competitive strategies, it becomes imperative that the HR function be of higher quality.

Another limited study by Miller, Beechler, Bhatt, and Nath (1986) found that in five U.S. based international firms, HRM participation in strategic planning was much greater at the strategic business unit (SBU) level than at the corporate level. They also noted that support from the chief executive officer (CEO) was critical to the success of HRM involvement. A potentially important finding was that in those cases where the HRM executives were highly involved in the planning process, they were viewed very favorably by senior management. This would indicate that HRM professionals may be limited more by lack of opportunity than by lack of expertise.

While these authors and others (e.g., Lorange, 1986; Gomez-Mejia, 1988) examined the relationship between HRM and international strategy, the term SIHRM was still undeveloped and largely undefined. Milliman, Von Glinow, and Nathan (1991) used the term to describe appropriate HR responses to firms' movement through the organizational life cycle (OLC). Their conception of SIHRM involved seeking the right degree of fit and/or flexibility depending on which part of the OLC the firm happened to be in. Further, the authors argued that fit and flexibility do not necessarily represent opposites; indeed, they may be complementary in certain situations. This point has implications for applying SIHRM concepts to organizational forms that may require fit and flexibility simultaneously. For example, some firms may need to tightly fit their internal

operations together to ensure efficiency and control, even as they remain flexible enough to change according to external forces.

The idea of SIHRM became much more precise in more recent works. Schuler, Fulkerson, and Dowling (1991) defined it as: "all those activities affecting the behaviors of individuals in their efforts to formulate and implement the strategic needs of the international business operation." (p.366). This description is important because it continues the thought started by some of the SHRM theorists, namely, SIHRM was strongly connected to the idea of strategy formulation. This corresponds to the SHRM phrase, "strategic partners" discussed earlier. Schuler, Fulkerson, and Dowling also further clarified the issue by claiming that the distinction between strategic and non-strategic HR action depends on whether or not the action is explicitly done to support the strategic aims of the business. In addition, the authors identified the three major components of SIHRM as: interunit linkages, internal operations, and competitive requirements. In turn, these areas must be evaluated with criteria or standards that give an accurate picture of the true contribution of HR departments. Schuler, Fulkerson, and Dowling conclude by arguing that the perception of timely, business-oriented performance measurement is a key factor in the success of SIHRM. On a more macro level, this last point relates to the ultimate goal of assessing SIHRM: does it work?

The most wide-ranging treatment of SIHRM has been from Schuler, Dowling, and DeCieri (1993). These authors have integrated various theories to create a framework with which to empirically examine the construct of SIHRM.

First, their definition differs slightly from the previous one:

Human resource management issues, functions, and policies and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises. (p.422).

This definition creates a broader field within which to study SIHRM and both allows for and demands treatment of many more factors than are present in single country businesses.

Next, Schuler, Dowling, and DeCieri (1993) present a comprehensive framework (see Figure 5). According to the model, the two major strategic components of international businesses that create and affect SIHRM are interunit linkages and internal operations. Since international firms have far flung operations, it is important that they understand the best ways to achieve integration, coordination and control (Ghoshal, 1987). Indeed, some theorists (e.g., Lawrence & Lorsch, 1967) have long held that the degree and type of differentiation and integration has an effect on firm performance. Similarly, internal operations can certainly affect firm effectiveness.

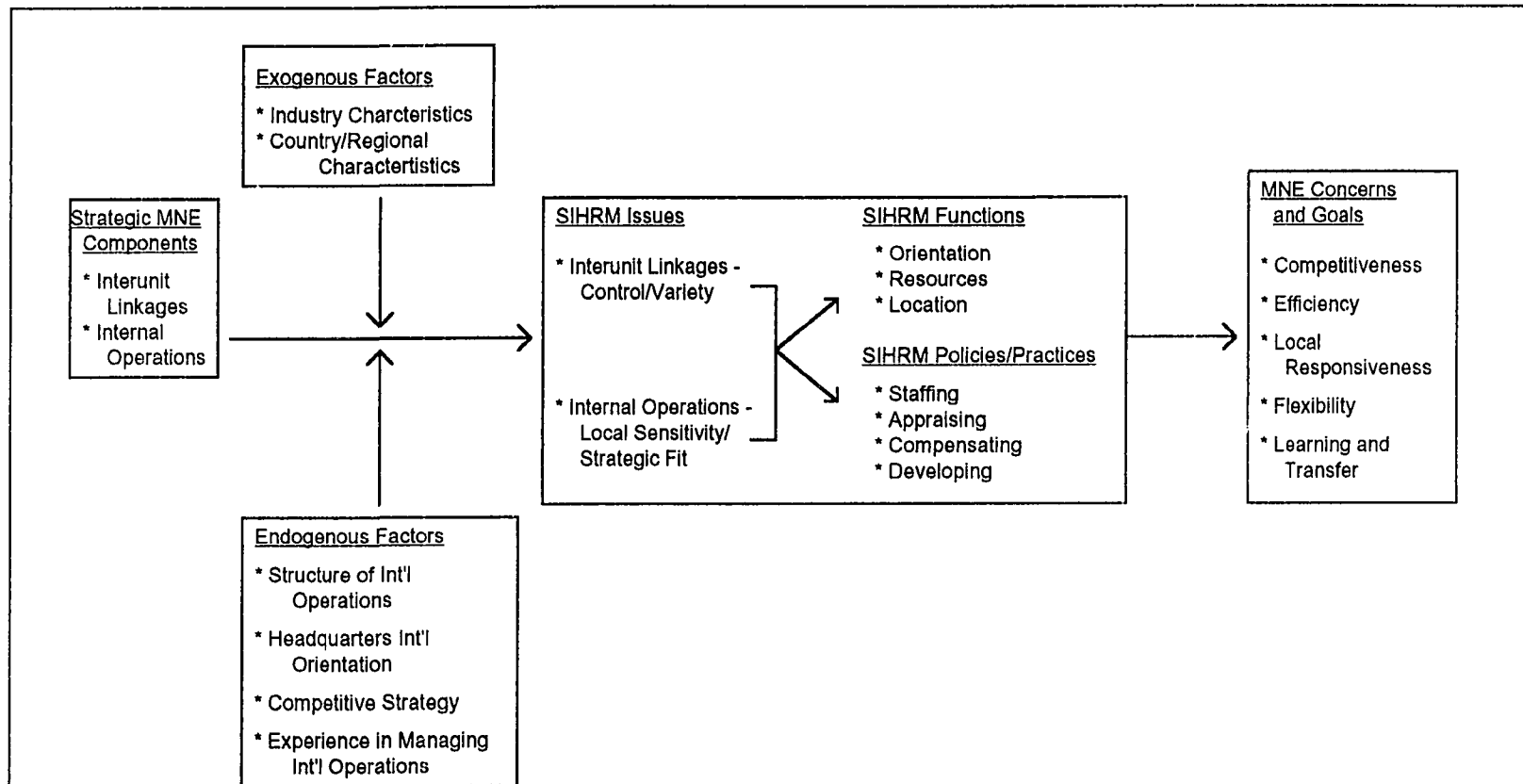


Figure 5 Integrative Framework of Strategic International Human Resource Management

From: Schuler, R., Dowling, P., & De Cieri, H. (1993). An integrative framework of strategic international human resource management. *Journal of Management*, 19, (p. 423).

While these components ultimately have an effect on firm outcomes, they are influenced by both endogenous and exogenous factors. Endogenous (within the company) factors include company experience, structure, strategy, and the international orientation of headquarters (Schuler, Dowling, & DeCieri, 1993). Exogenous (outside the company) factors include industry and country characteristics. Even though these elements are general, Schuler et al. posit that they affect SIHRM in very specific ways. For example, they propose that companies with divisional structures will be most concerned with the SIHRM issue of selecting the top manager.

The next phase of the model includes issues, functions, and policies and practices. Issues may be things such as the degree of coordination and control of individual units. Functions involves how the company chooses to manage its human resources. Policies and practices include both general guidelines and specific practices such as performance compensation. This last area corresponds to the traditional SHRM elements of staffing, appraisal, compensation, and training and development (Schuler et al., 1993).

The final portion of Schuler et al.'s (1993) framework consists of concerns and goals. These include: global competitiveness; efficiency; local responsiveness; flexibility; and organizational learning. Obviously, these place complex demands on international firms; remaining globally competitive while

locally responsive can be difficult to achieve. However, many theorists have pointed out the need for such paradoxical balancing acts (e.g., Baird & Meshoulam, 1988; Bartlett & Ghoshal, 1991; Lengnick-Hall & Lengnick Hall, 1988; Sundaram & Black, 1992). Interestingly, Schuler et al. chose efficiency but not effectiveness, although it could be argued that the latter is subsumed under global competitiveness.

The Schuler et al. (1993) framework represents a credible effort to encourage the examination of SIHRM. It is flexible enough that both micro and macro issues can be studied. In addition, it recognizes the multitude of factors that are involved in international business. Further, it includes both strategic management concepts, such as competitive strategy, as well as organization theory issues, such as structure, and combines them with more pure HRM issues, such as selection. Finally, the model provides a way to test specific aspects of SIHRM. Taken together with the theoretical work of Wright and McMahan (1992), there are now numerous avenues to take to investigate SIHRM.

In sum, SIHRM has developed a little more slowly than SHRM, but has reached the point where enough theoretical work has been accomplished that empirical studies are now possible. Further, because there is such a dearth of empirical work (Adler & Bartholomew, 1992), the field has reached the stage where theoretical models are actually redundant without practical testing. Thus,

the process of validation for the idea of SIHRM should now move to an application and/or testing of the models or ideas which have been developed.

### **Conceptual Model**

The preceding literature review forms the basis for the following model. To more fully explain the process, the complete model is first presented. Then, specific hypotheses are developed which examine some of the key tenets of the model. Drawing on the ideas of Lengnick-Hall and Lengnick-Hall (1988); Milliman et al. (1991); Schuler et al. (1993); and Wright and McMahan (1992) among others, this model seeks to show how certain relationships occur in the SIHRM process. In addition, the model links the idea of SIHRM with firm performance.

Drawing on IHRM ideas, the model (see Figure 6) begins with the competitive strategy focus of international firms: specifically, whether the company utilizes a multidomestic, hybrid, or global approach to conducting business. As mentioned, the multidomestic company tries to segment markets; the hybrid seeks to standardize products; and the global attempts to mass customize products.



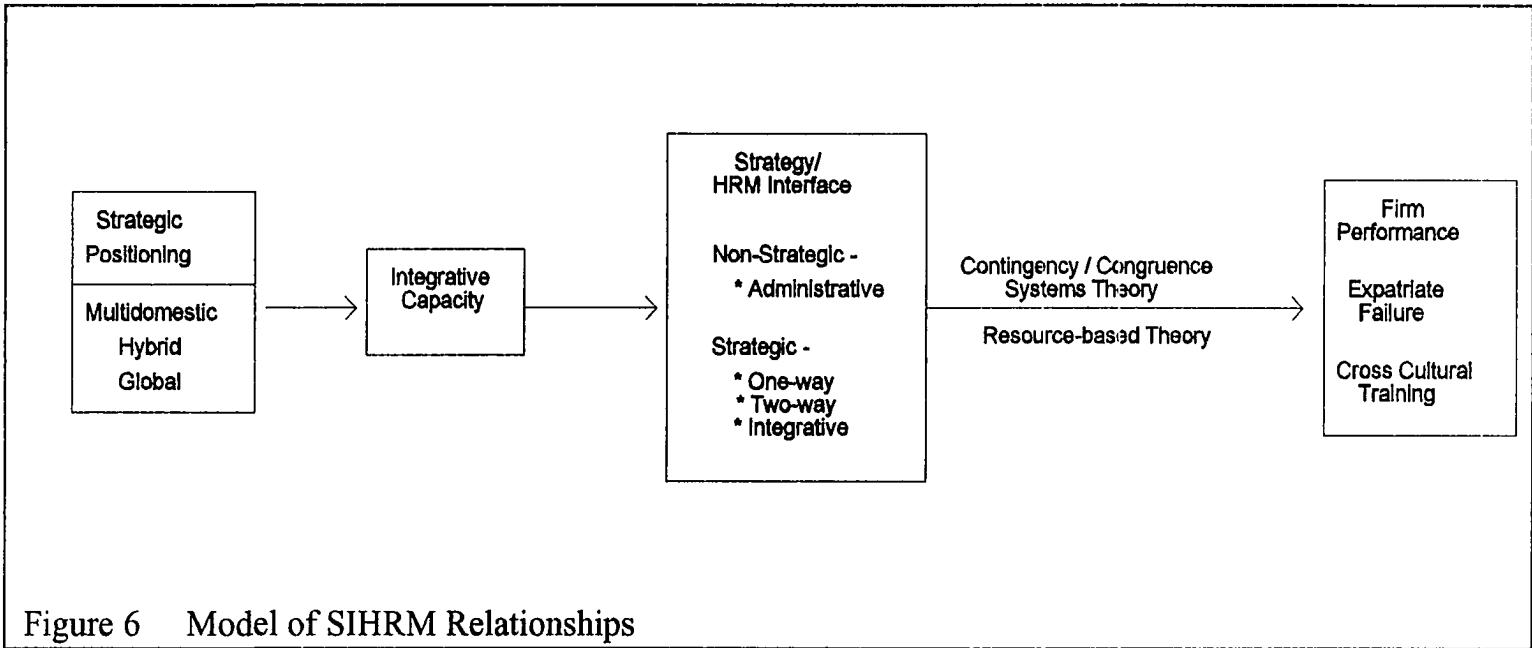


Figure 6 Model of SIHRM Relationships

The next stage of the model reflects the effect of the competitive strategy on the over arching structural characteristics of the firm. The researcher calls this component, "integrative capacity." Integrative capacity (IC) refers to the potential of the firm to draw its disparate resources together. This element is closely related to Schuler, et al.'s (1993) "experience in managing international operations," an endogenous factor. The key word is "potential." At this point, a crucial issue must be clarified. While the term "integrated" is often used to describe and delineate global firms from multinational and multidomestic ones, the word refers to coordination of strategy, production, marketing and other functions, but **rarely if ever includes human resources**. In fact, Adler and Bartholomew's (1992) study of fifty firms revealed that human resource systems were the least global functional area and have not developed as extensively as the other strategic aspects of the business. And, in those cases where HRM is included more prominently, it is not normally in the strategic partnership sense that is the hallmark of highly integrated SIHRM. Therefore, it is not a redundancy to say that a global firm employs a very integrated form of SIHRM; on the contrary, most companies of this type probably do not (Adler & Bartholomew, 1992).

If the above is valid, then from where does the idea of IC derive? Here, the systems point of view is useful. A company is one large system filled with numerous subsystems (Kast & Rosenzweig, 1973). The way the subsystems

operate and interact determine the functioning of the overall system. A multidomestic company is a collection of independent subsystems; the foreign offices have much autonomy and the strategy in one country is independent of that practiced in other countries (Hout, Porter, & Rudden, 1982). More than anything else, a company employing a multidomestic strategy is a loose confederation. Therefore, it may be said that the company does not have an integrative profile and thus, has a low IC. In such a company, it is certainly possible that HR would be a strategic partner. However, it is more likely that HR's role would focus on the more micro issues mentioned in the earlier SHRM literature (e.g., Tichy et al., 1982). Specifically, while a multidomestic may indeed employ SIHRM, the type chosen is likely to be characterized by a relatively low level of integration. This is because the company's perspective places much emphasis on the independent subsystems and not the system as a whole.

If the multidomestic is said to possess a low IC, where does this put the other firm types? The hybrid firm has a greater need to integrate than does the multidomestic (Adler & Ghadar, 1990). This is because the markets are not segmented and there is a great need for coordination among suppliers, production, and distribution on a worldwide basis. In fact, the need for integration is the impetus for relatively tight control emanating from the home country (Adler & Ghadar, 1990). Using the systems framework again, the subsystems here are

barely distinguishable; the company operates in almost uniform fashion worldwide. So while these subsystems may not be interrelated in a micro sense, they are definitely linked in a macro sense. Thus, the hybrid firm should have a higher IC than does the multidomestic.

Finally, the global firm has a crucial need for specialized integration. This is because these companies must respond to localized market demands even as they coordinate a strategy that is truly worldwide in scope (Hout, Porter, & Rudden, 1982). At all times, firm resources are in a state of flux; they are completely interactive with regard to other company assets in order to compete on a global scale. This characteristic describes companies that must simultaneously achieve both fit and flexibility in their operations (Adler & Ghadar, 1990; Lengnick-Hall & Lengnick-Hall, 1988; Milliman, Von Glinow, & Nathan, 1991). Therefore, in a systems view, the subsystems are tightly interrelated and participate in a symbiotic relationship. This last fact, plus the idea that more cultures are interrelated (Adler & Ghadar, 1990; Adler & Bartholomew, 1992), means that the global firm should have a higher IC than does the hybrid.

The next step in the model is the interface between strategy and HRM. The degree of an interactive relationship will be affected by the IC of the firm. At this point, a clear distinction must be made between strategic IHRM and non-strategic IHRM within the context of the Golden and Ramanujam (1985) framework. It is

argued here that administrative linkage, where the degree of interaction between HR and business strategy is at its lowest, is not strategic at all. In describing this type of linkage, Golden and Ramanujam assert that the HR executive "has apparently no time or opportunity to acquire a longer term, **strategic focus**" [emphasis mine] (p.434). Additionally, Schuler, Fulkerson, and Dowling (1991) explain the strategic-non-strategic difference as whether or not HR conducts practices to explicitly support the strategic needs of the business. And, Dyer and Holder (1988) state that the critical distinction rests in the fact that non-strategic HRM treats personnel programs in isolation. Further, Cascio (1989) says "fitting HRM" into the chosen business strategy is an important characteristic of SHRM. Since under "administrative" linkage HRM is removed from strategic considerations, clearly it is a non-strategic form of HRM.

Continuing Golden and Ramanujam's (1985) typology, the next phase, one-way linkage, describes the role of HR as that of helping to implement the business objectives of the firm. By definition, this qualifies the type as "strategic." Nevertheless, in this case, HR is not given the opportunity to actually formulate strategy. So, HR is only superficially integrated into the overall strategic process. For this reason, one-way linkage is considered a "low-degree" of integrative SIHRM. Despite this, such a relationship may be a natural course for a low IC firm.

The next type, two-way linkage, is clearly strategic. In fact, in some ways, HR is considered a full strategic partner (Golden & Ramanujam, 1985). However, according to Golden and Ramanujam, Dyer (1983), and Butler, Ferris, and Napier (1991), the degree of integration is incomplete. This stage is termed a "moderate degree" of integrative SIHRM, and it corresponds to firms with moderate ICs.

Finally, there is "integrative linkage" (Golden & Ramanujam, 1985). This is the most highly developed form of SHRM. Under this scheme, HR is a full strategic partner, both on a formal and an informal basis. This represents a "high degree" of integration. Such an approach is consistent with high IC firms.

In keeping with a macro perspective, the next phase in the model concerns the link between SIHRM and firm performance. If SIHRM does indeed prove to enhance firm performance, it is important to justify such a result on theoretical grounds. Such support can be drawn from several theoretical streams. These will be discussed in depth.

First, according to congruence theory, fit among internal components of organizations, as well as with the surrounding environment, results in greater effectiveness (Galbraith, 1977; Lawrence & Lorsch, 1967; Nadler & Tushman, 1988). This can specifically be applied to HRM as well as SIHRM. For example, Adler and Ghadar (1990) argue that the specific HRM practices are not so important to international firms as is the idea of matching those practices to the

overall strategy of the company. Similarly, Milliman, Von Glinow, and Nathan (1991) note that there are times in the organizational life cycle when fit is especially useful. Cascio (1989) argues that the fit between business and HR is the essence of SHRM, while Harvey (1983) posits that firm potential is limited unless HR is aligned with the strategic process. Similarly, Dyer and Holder (1988) note that the choice of strategy depends on the attributes of the company and its business; proper fit allows the company to become a "synergistic whole." Finally, Schuler, Fulkerson, and Dowling (1991) add the micro argument that particular international jobs require a good fit with the individuals selected to fill them. It could be argued that this too reflects an effort to match firm (or individual) capability with the requirements of the environment.

Added together, these observations make the point that active attempts at coordination among internal units and with external influences can positively affect firm performance. Highly integrated SIHRM fully involves the HRM area with the important thrusts of the firm, and even the less integrative varieties facilitate more coherent operations. This benefits the company because internal functioning is smoother, there is more efficient coordination between HRM and the strategic areas which may be synergistic, and the environment can be responded to more accurately when HRM is involved in the process. For example, Gomez-Mejia (1988) has shown empirically that export success is strongly linked

to internal activities. Thus, there should be a positive link between SIHRM and firm performance.

Congruence theory is closely associated with contingency theory (in fact, some authors consider them the same). However, contingency theory also focuses on the flexibility to respond to environmental disturbances. Milliman, Von Glinow, and Nathan (1991) note that there are times, such as when new markets are being entered, when the flexibility of a company is actually more important than fit. Similarly, Lengnick-Hall and Lengnick-Hall (1988) argue that flexibility can be crucial when aligning HRM with strategic objectives. Finally, Baird and Meshoulam (1988) posit that there are organizational stages where flexibility to respond to the environment is especially acute.

More directly related to contingency theory is the idea that HR can be used to monitor or "scan" the environment and respond to any disturbances therein. Ulrich (1990) has noted that proactive HRM involves anticipating change based on environmental trends. Once these are identified, the firm can enhance its competency by integrating HR changes into the overall business plan (Ulrich, 1990). This point is continued by Butler, Ferris, and Napier (1991) who include environmental scanning as part of their SHRM model. They argue that different functions view the environment differently and adopt different perspectives. By



including HR in the scanning process, the firm gets a more complete view of the environment and presumably will be better able to respond to its changes.

It is clear that the literature regarding fit and/or flexibility shows the merits of SIHRM. If the focus is internal fit, SIHRM is seen as a positive force for linking the individual organizational components together to maximize consistency. If the focus is the match between the firm and the external environment or the need for flexibility to respond to changes, SIHRM can aid in coordinating integration even as it helps scan for external trends. Thus, from a congruence or contingency point of view, SIHRM should lead to enhanced firm performance.

Another theoretical perspective which lends support to the efficacy of SIHRM is the systems point of view. Alpander (1982) argues that strategic plans and HR must be integrated in a systematic fashion or the degree of success will be limited. DeSanto (1983) takes a micro approach and states that a systems approach enhances the HR function's ability to coordinate the work force. Bounds and Pace (1991) note that "functional myopia" is a problem that distorts assessment of individual component performance. They posit that HR must incorporate system performance in its evaluative processes because ultimately, the system is a reflection of collective efforts. Wright and Snell (1991) propose a different view, that the input and throughput processes in an open system

determine the outcomes of the HR system. The importance of this perspective is that HR manages the link between firm competencies and firm strategy (Wright & Snell, 1991). Logically, the more HR is involved in this process, the better the system operates. In addition to these examples, numerous authors (e.g., Baird, Mcshoulam, & DeGivc, 1983; Butler, Ferris, & Napier, 1991; Edstrom & Lorange, 1984; Gomez-Mejia, 1988; Lorange & Murphy, 1983; Schuler, Fulkerson, & Dowling, 1991; Snell, 1992; Ulrich, 1991) have at least implicitly used a systems approach in arguing the benefits of SHRM or SIHRM. Therefore, whether the benefits derive from a horizontal integration that improves subsystem coordination, or vertical integration that leads to system consistency, or external-internal competency that allows an organization to thrive in a larger system, SIHRM should lead to improved firm performance.

The final theoretical perspective with direct links to the efficacy of SIHRM is the resource-based view. As mentioned, this approach focuses on individual firm resources (Wernerfelt, 1984). Further, these resources may translate into distinctive competencies which provide a competitive advantage for the firm (Lado, Boyd, & Wright, 1992). More specific to SIHRM, the HR function may be a key part of developing competitive advantage. Ulrich (1990) argues that "organizational capability," which includes a firm's ability to adapt to change, is the glue that holds other firm competencies together. In Ulrich's view, HR can be

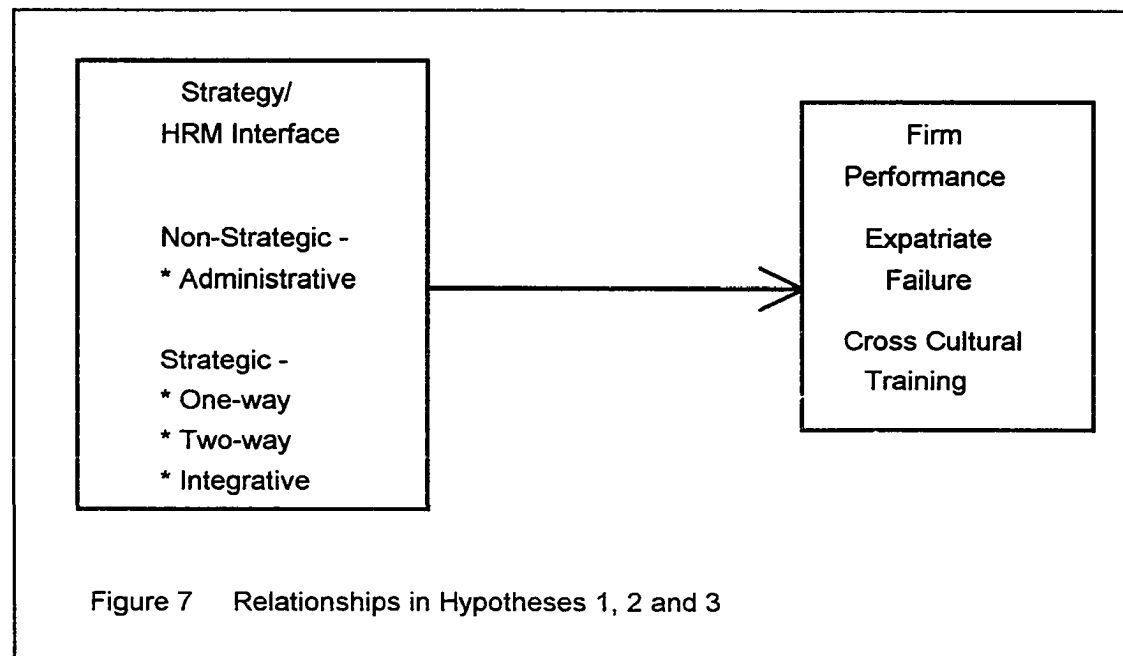
the source of this capability. However, he stresses that to realize this potential, HR professionals must be elevated to the status of full strategic partners, a characteristic of fully integrated SIHRM.

Another aspect of the resource based view is that these competencies are not only distinct, they are difficult for competitors to copy (Barney, 1991; Conner, 1991; Dierickx & Cool, 1989; Lado, Boyd, & Wright, 1992; Lado & Wilson, 1994; Mahoney & Pandian, 1992; Peteraf, 1993; Reed & DeFillippi, 1990). Ulrich (1991) points out that other resources, such as technological capability and financial resources are not usually unique or sustainable. On the other hand, the management of human resources is essentially unique to firms, creating the kind of competitive advantage that is idiosyncratic and thus, very difficult to copy (Lado, Boyd, & Wright, 1992; Ulrich, 1991). For purposes here, then, the resource-based view adds support to the argument that SIHRM should be associated with superior firm performance.

So in a theoretical sense, it has been established that SIHRM should be beneficial. Nevertheless, questions remain regarding the different forms of organizations and the issues of both prevalence and performance. In other words, will the most integrated form of SIHRM have a favorable impact on the most integrated corporate form? And, will each organizational form associate itself with a type of SIHRM that is internally consistent with the profile of the

company? These questions will be considered and specific hypotheses proposed in the following section.

Since global firms are considered an important emerging force in international business (Leong & Tan, 1993), the first three hypotheses examine the relationship between HR integration and performance. This is shown by isolating three components of the previously discussed model (see Figure 7). Since basic connections remain largely unexplored, it is prudent at this point to establish certain linkages. Therefore, no attempt is made to test causality, but rather to determine if fundamental relationships indeed exist.



First, for global firms, theoretically the highest degree of integration of SIHRM should be the most beneficial. Evans (1986) notes that complex firms,

which certainly applies to global ones, need integration, differentiation, and control simultaneously. A similar argument is advanced by Dowling (1988). He asserts that there is a simultaneous need in global firms for both consistency and differentiation. This requirement demands that HR take an active role in coordination, something that greater integration should facilitate. In the same vein, Adler and Ghadar (1990) cite the need for differentiation and coordination as an impetus for integration. Also, Pucik (1984) points out that as businesses globalize, the underlying organizational structure demands an HRM system that adjusts continually to change. Again, greater integration should allow these necessary responses. Additionally, Schuler, Fulkerson and Dowling (1991) assert that integration becomes crucial when firms have the simultaneous need to "think globally" and "act locally." This applies to global firms which respond to individual market demands even as they maintain a coordinated global focus.

Another argument is posited by Schuler, Dowling and DeCieri (1993). They note that a firm's activities are affected to an extent by its competitors. In this case, according to these authors, if a global firm faces competition from other global companies, it will need to expend more effort on SIHRM issues. As Hout, Porter and Rudden (1982) explain, strategic positioning is industry driven; i.e., companies in the same industry often have the same forms. While that may not be an absolute, there are surely numerous areas where global firms are pitted against

each other. So, global firms, in competition with similar types, will focus more energy on HR issues, another reason why a highly integrated form of SIHRM is optimal.

A final argument for greater integration involves the very nature of global firms; all other components are meshed together to create a unified whole that competes worldwide in seamless fashion. If the HR piece is missing, global firms will lack internal consistency and may not receive the full benefit of complete integration. In fact, Porter (1986) contends that global firms **must** integrate their activities in order to achieve competitive advantage. Thus, without a high degree of integration, the proper amount of fit and flexibility may be unattainable, the system may not operate as efficiently, and sustainable competitive advantage from the HR function may not develop.

These statements indicate that for global firms, more integration is better. And, because global firms have a high IC, it is consistent with their profile to achieve a highly integrated form of SIHRM. In turn, the greater the degree of integration of SIHRM, the more ability the firm should have to coordinate operations and thus function effectively. This is formally stated as follows:

**H1: Global firms with integrative linkage  
outperform global firms with less integrated forms  
of SIHRM.**

Performance may be viewed in both a micro and macro sense. From the traditional shareholder point of view, financial or market indices indicate the success of the firm. The hypothesis above reflects this macro view. However, there are obviously many other factors that affect firm performance beyond degree of SIHRM. So, in order to isolate specific SIHRM contributions to corporate health, this researcher also hypothesizes more direct links between SIHRM and other outcomes.

First, in Schuler et al.'s (1993) model, "efficiency" is a desired outcome of SIHRM. One way to gauge this is by determining the rate of expatriate failure on foreign assignments. As Tung (1988) has shown, it is costly to a firm when expatriates leave an assignment prematurely. The costs may be in the form of losing good personnel as well as losing business. To minimize the cost, expatriate failure needs to be mitigated. By involving HR in both the strategic planning and implementation process, the match between personnel and situation should be more exact. Thus, SIHRM should reduce expatriate failure rates, thus reducing costs and increasing overall firm performance. This is reflected as follows:

**H2: Global firms with integrative linkage will experience less expatriate failure than global firms with less integrated forms of SIHRM.**

Another direct link between HR and corporate outcomes involves the technical competence of expatriates. Tung (1984) has argued that corporate training programs can reduce expatriate failure and increase technical competence. Numerous other studies (e.g., Earley, 1987; McDaniel, McDaniel, & McDaniel, 1988; Worchel & Mitchell, 1972) have found support for the idea that cross cultural training programs are associated positively with performance. In fact, in a review of cross cultural training research, Black and Mendenhall (1990) concluded that training in general is effective. Thus, conducted properly, training may be considered a key ingredient to achieving efficiency.

**H3: Global firms with integrative linkage will have more comprehensive cross cultural training than global firms with less integrated forms of SIHRM.**

To this point, the chief concern has been with the effects of different degrees of SIHRM and corporate performance. Next, the emphasis is on the second part of the research question which focuses on the prevalence of SIHRM across different organizational types. This is an important (and largely neglected) issue. While there has been an abundance of theorizing, little empirical work has followed. Therefore, it is essential to determine whether SIHRM is being adopted by international firms and if so, is there a theoretically predicted match between firm type and degree of SIHRM? The next three hypotheses are thus concerned



with another set of relationships (see Figure 8). Once again, the intent is not to infer causality, but rather to seek an expected association.

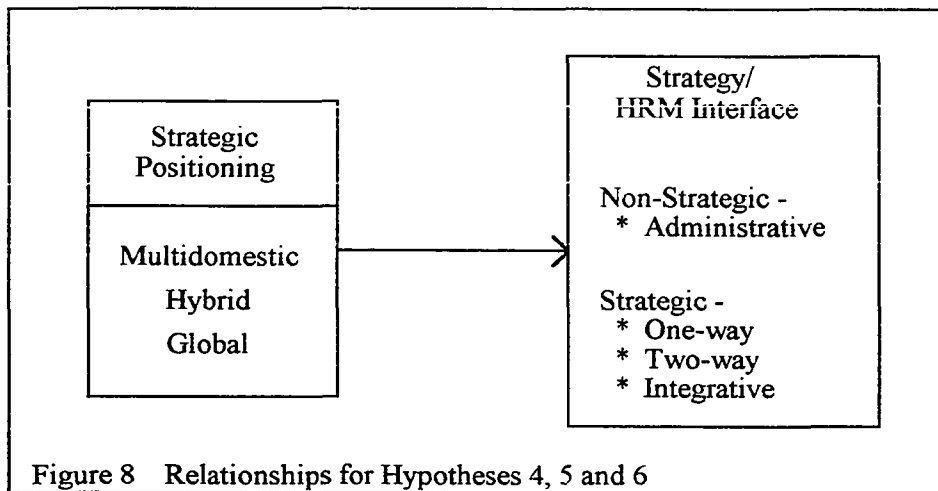


Figure 8 Relationships for Hypotheses 4, 5 and 6

For the global firm, the previous hypotheses indicate that the most integrated form of SIHRM is also the most beneficial. But there is no guarantee that such a form will be adopted. Professionals in HR have long been considered outside the strategic decision-making loop (Koster, 1988), yet such status is a key element of integrated SIHRM. In addition, there are the previously mentioned costs involved in implementing such an ambitious system. Even so, global firms encourage participation across a variety of cultures and are dependent upon inclusion to ensure the coordination required in these complex corporations (Adler & Bartholomew, 1992). Also, global firms are integrated throughout the production and distribution process (Hout, Porter, & Rudden, 1982). Therefore,

for the firm to remain internally consistent and congruent, integrated linkage should be the configuration of choice. While this is prescriptive and the question at hand is descriptive, it is consistent with Porter's (1986) assertion that full integration is a necessity more than a choice. This is reflected in the following hypothesis.

**H4: Global firms are more likely to be associated with integrative linkage than with two-way linkage, one-way linkage, or non strategic linkage.**

If global firms benefit from the highest degree of integrative SIHRM, what of those at the other end of the continuum--the multidomestic firms? Unlike globals, multidomestics do not place a premium on coordination. Therefore, there may not be a compelling need for tight integration. Dowling (1988), in differentiating between globals and multidomestics, notes that the role of HRM in the latter is different. In the case of multidomestics, HRM is likely to be more domestically oriented. In fact, many international services may be contracted out to consulting firms (Dowling, 1988). This seems to indicate a lower level of integration. On a broader front, Lengnick-Hall and Lengnick-Hall (1988) argue that integration for the sake of integration may have unintended consequences, a point that seems especially appropriate to multidomestics. Craft (1988) goes further, stating that while integration sounds appealing, its very newness means no

one is sure if it even works well. Similarly, Danner (1991) asserts that fully integrated linkage may not suit all types of companies. And in comparing multidomestics to globals, Schuler, Dowling, and DeCieri (1993) posit that the latter require greater coordination among interunit linkages. Further, they assert that globals benefit more than multidomestics do from tighter integration.

These arguments are again related to the idea of congruence. According to congruence theory, a multidomestic firm, with its low integrative profile, is not likely to have an HR department that is highly integrated with the rest of the company. Put another way, it would be incongruent for a multidomestic firm to contain a mix of both highly integrative and low integrated operations. These statements lead to the following:

**H5: Multidomestic firms are more likely to employ one-way linkage than integrative linkage, two-way linkage, or non strategic linkage.**

Staying consistent with the idea of integrative profile, the hybrid firm should also require less integration than the global. Unlike the multidomestic, however, the hybrid does have a need to knit operations together in order to ensure better control from the home country (Adler & Bartholomew, 1992). Thus, these firms should employ a moderate degree of SIHRM, stated as follows:

**H6: Hybrid firms are more likely to employ two-way linkage than either integrative linkage, one-way linkage, or non strategic linkage.**

### **Summary of Terms**

A summary of the terms used in this study are as follows. SIHRM describes the interface between the human resource function and the strategic activities of the firm. There are varying degrees of SIHRM. One-way integration exists when the HR area reacts to strategic directions and requests from top management. Two-way integration occurs when the HR area provides input into and reacts to strategic directions set by top management, but only on personnel related issues. Integrative linkage describes an interface where the HR area is actively involved in all types of strategic decisions, personnel and otherwise. In addition to these terms, administrative linkage portrays situations where the HR area provides operational support and develops some internal programs for specific needs, but is generally considered a processor of paperwork and employment activities. Administrative linkage is considered non-strategic.

As for terms involved with organizational outcomes, firm performance is gauged by two measures: return on investment (ROI) and total return to stockholders. Expatriate failure is the percentage of overseas personnel who have to be recalled to their home country or dismissed because of inability to function effectively in a foreign assignment. Cross cultural training consists of formal

training programs that companies have for candidates who take up overseas managerial positions.

Finally, strategic positioning refers to three company types: multidomestic, hybrid, and global. Multidomestic firms attempt to create strong local presence through responsiveness to national differences among countries. Hybrid companies build cost advantages through global-scaled operations. Global organizations build interdependent resources with specialized subsidiary roles. They do this while maintaining flexible and joint operations among countries.

The next chapter discusses the methodology of the study including research design, proposed sample, instruments used, and statistical techniques employed.

## CHAPTER 3

### METHODOLOGY

Johnston and Pennypacker (1993) assert that the research question should guide research procedures. As discussed previously, this study is concerned with associations between several variables. The nature of these relationships requires the collection of both primary and secondary data derived from internal organizational operations as well as information concerning external (e.g., financial markets) sources. Therefore, to test the hypotheses that different types of firms employ varying degrees of integrated SIHRM with unequal results, a research design composed of both survey and archival data was used. Such an approach is appropriate because of the aforementioned reasons.

Additionally, most of the studies regarding either SHRM or SIHRM have used very small samples (e.g., Golden & Ramanujam, 1985), or have taken a case study approach (e.g., Galosy, 1983). In fact, the emphasis has been on small (with sample sizes less than 20), in-depth, mostly qualitative studies. While these have certainly advanced researchers' understanding of SIHRM, larger samples with more rigorous quantitative methodology are now needed to more thoroughly test specific hypotheses. In that vein, this chapter presents the methodology of the

study. Emphasis is placed on sampling and instrumentation issues. A summary of methodological procedures is shown in Table 2.

Table 2.--Summary of Research Procedures

Procedure	Description
Sampling	Random selection of companies with at least 15% of sales attributable to foreign operations. 630 companies were generated by use of Compustat PC Database.
Instrumentation	Human Resource Integration Scale refined by Buller and Napier (1993) based on Golden and Ramanujam's (1985) descriptions. Organizational Typology scale developed by Leong and Tan (1993) based on Bartlett and Ghoshal's (1989) descriptions. Survey developed by Tung (1988) for determining rate of expatriate failure and degree of cross cultural training.
Dependent Variable Categorization	Firm performance based on Return on Investment (ROI) and Total Return. Expatriate failure based on percentage of those recalled or unable to function. Cross cultural training based on 6 types of programs.
Data Analysis	t-tests, Mann-Whitney U tests and tests of proportion.

### Sampling

In devising the sampling procedures, consideration focused on two specific areas and one general one. First, a decision was made to limit the study to publicly traded, U.S. based firms. At this stage of the research, since the amount of empirical study of the issue of SIHRM is still small, it was felt that much could be gleaned even if the sample were limited to U.S. organizations. At the same

time, this focus on "local" firms avoids numerous problems inherent in cross cultural research (cf. Nasif, Al-Daeaj, Ebrahimi, & Thibodeaux, 1991; Sekaran, 1983). Concern for this latter issue ultimately carried more weight in the decision to restrict the sample to American firms.

Second, the companies were not required to be of a certain age, size, or particular geographic configuration. The presence of overseas operations was more central to the research question than other biographical data. Additionally, because even smaller firms have extensive overseas connections in this day of open markets, it was important that they be included in the sample.

To identify subjects, companies were randomly selected from Standard & Poor's Compustat PC Plus database. To ensure firms chosen were engaged in international business, a screening rule was used that only accepted those which reported sales from foreign operations of at least 15% of total sales. This figure was selected arbitrarily to delete firms with either very small or nonexistent overseas elements.

After the initial screening, companies were cross checked with the Compact Disclosure database to certify that the firms selected were not American Depository Receipt (ADRs) firms of foreign corporations. Additionally, full information regarding officers of the firms was necessary to ensure proper routing of the surveys. Also, it was important to personalize the survey both to enhance



response rate as well as have at least some control over individual respondents (Dillman, 1978).

Once the individual firms were chosen, the publication, "**Who's Who in HR**," was consulted to determine human resource executives in various firms. Next, Compact Disclosure was utilized to locate top managers of the firms not mentioned in the previously named HR publication.

Eventually, there were 630 firms in the sample. Each firm was sent one survey. Approximately 55% of the surveys were personally addressed to CEOs, Presidents, or other high ranking managers, while 45% were sent to HR executives whose names were listed in "**Who's Who in HR**." Following several suggestions of Dillman (1978), surveys were mailed, followed by one follow-up post card and one follow-up survey. Eventually 86 questionnaires were returned of which 84 were usable, a response rate of 13%. Even though this number is consistent with current response rates as reported by Alreck and Settle (1995), it is disappointing and discussed further.

A cursory review of the literature (e.g., Alreck & Settle, 1995; Kerlinger, 1986) seems to indicate that response rates in survey research are declining. With the increasing emphasis on research from a larger pool of graduate students and other professionals, it may be that respondents are reluctant to answer an ever increasing supply of questionnaires. Whatever the reason, a low response rate,

such as found in the current study, jeopardizes the efficacy of this work. Neale and Liebert (1980) point out that small samples may not be representative of the population if variability within those samples is large. As the results section will show, financial returns were marked by wide divergences. Therefore, the sample of firms in this study may not be a representative one.

On a positive note, 40 responses, or 48% of the total, were from HR executives, revealing a stable reply rate across corporate positions. Tests comparing responses between HR executives and other corporate personnel indicated no significant differences regarding five of the six hypothesized relationships. In one case, Hypothesis 4, HR executives were more likely to select more integrative forms of SIHRM than were other managers. This is discussed more fully in the "limitations" section of the paper.

### **Survey Instruments**

The study consisted of two independent variables: (1) type of international positioning, and (2) type of relationship between the HR function with strategic planning. The first independent variable, type of international positioning, was measured with a simple forced choice instrument developed by Leong and Tan (1993). This instrument is based on descriptions from the literature with an emphasis on the typology of Bartlett and Ghoshal (1989). Specifically, respondents were asked to indicate how their company achieved competitiveness

in the global market. This was followed by a choice of three answers such as: "by building cost advantages through global-scaled operations." The terminology of the instrument was altered to conform to the typology suggested in this study, but corresponds closely to the categories used here: multidomestic, hybrid, and global. In addition, Leong and Tan (1993) used an extra question and classified the firms four ways to better approximate the Bartlett and Ghoshal (1989) typology. The instrument was originally used in a survey of 131 business executives and only a nominal number were unwilling to categorize their organizations (Leong & Tan, 1993).

The second independent variable, type of relationship between the HR function and strategic planning, was measured with a four item questionnaire used by Buller and Napier (1993). Based on the Golden and Ramanujam (1985) typology, the instrument is designed to reveal the relationship between strategic planning and the HR department. Each respondent had to choose the one description that best matched the role of HR in his or her firm. Again, Buller and Napier substituted certain terms, calling the levels administrative, reactive, reciprocal, and integrative, but the measured variables correspond to non-strategic, one-way integration, two-way integration, and integrative found in the Golden and Ramanujam framework.

The instruments gauging degree of SIHRM and type of international positioning are single-item measures. The usefulness of such devices is questionable for two major reasons. First is the question of reliability. Kerlinger (1986) states that reliability refers to accuracy or precision of an instrument. According to Price and Mueller (1986), the most widely accepted method of estimating a measure's reliability is Cronbach's (1951) Alpha ( $\alpha$ ) which quantifies the internal consistency of the instrument. Since  $\alpha$  is obtained in part by summing the covariances among components of the items, a multi-item measure is necessary to estimate reliability (Nunnally & Bernstein, 1994). Put another way, single-item measures cannot be tested for internal consistency.

The second major drawback to single-item instruments is their inability, in many cases, to adequately sample the content domain of complex constructs. In one test, Schriesheim, Hinkin, and Podsakoff (1991) found that single-item devices had serious shortcomings and could produce distorted results. Since there are varying degrees of complexity for different constructs, the degree of deficiency is not always the same. Nevertheless, a measure lacking efficacy threatens the validity of any study.

These drawbacks of single-item measures are serious, yet there are other considerations that justify the use of these instruments. Separate discussions of the Buller and Napier (1993) HR Integration Scale and Leong and Tan's (1993)

typology scale illustrate concerns which led to the adoption of the instruments used in the present study.

As mentioned, most of the research regarding SIHRM has been qualitative in nature, often in the form of in depth interviews (e.g., Adler & Bartholomew, 1992). Unfortunately, these studies have rarely led to the development of effective instruments. Buller and Napier's (1993) study of SIHRM utilized two measures in their survey of forty one companies. Besides the single-item measure used in the present work, Buller and Napier (1993) developed a multi-item instrument to determine types of strategic HR tactics. According to standards recommended by Nunnally (1976), the latter measure had acceptable levels of internal consistency ( $\alpha > .70$ ). Yet, the measure was not aimed specifically at determining degrees of SIHRM. More important, and germane to the present study, the correlation between the two measures was only .43. Appropriately, Buller and Napier (1993) treated the instruments as independent of each other. Because of the weak association between measures, the decision was made to use only the single-item measure.

The measure of organization typology developed by Leong and Tan (1993) is also single item. These researchers created the instrument in an effort to better delineate the attributes of the various types of organizations. As with SIHRM studies, many of the characteristics of the differing international firms were

developed from interviews. While Leong and Tan (1993) specifically tested a particular typology (that of Bartlett & Ghoshal, 1989), their work could be seen more broadly as an attempt to streamline the descriptions of disparate firms. In other words, successful findings by Leong and Tan (1993) would support a typology and thus lead to the development of multiple item measures.

Despite some success in matching characteristics to individual firm types, in several instances, Leong and Tan's (1993) research failed to validate expected descriptions. This was especially true of the global firm (their "transnational"). In fact, results did not support any of the hypothesized relationships regarding such companies. Thus, Leong and Tan's (1993) study did not produce a promising way to gauge organization type on a multi-item basis. Further, it could be argued that since the purpose here is to classify firms, a single-item measure may be justified.

The preceding discussion indicates the main issues that were considered when the decision was made to use single-item measures. Because of the aforementioned factors, there was real concern that the addition of suspect items could actually prove detrimental to measurement. As Gorden (1977) points out, simply increasing the number of response items does not ensure greater validity. Further, Carmines and Zeller (1979) have noted that adding items to an instrument can reduce the measure's reliability if the additional items substantially lower average interitem correlation.

Next, the focus shifts to the three dependent variables in the study: (1) firm performance, (2) expatriate failure, and (3) degree of cross-cultural training. As for the first, according to Chakravarthy (1986), accounting-based measures, by themselves, are insufficient for measuring strategic performance. Those measures reflect a historical perspective and are affected by numerous issues involving timing, depreciation, accounting methods, and so on. Even so, as Hirschey and Wichern (1984) argue, they do provide useful information. On the other hand, market-based measures, those that measure cash flows to investors, reflect a forward looking view as financial markets gauge and anticipate a firm's potential.

In light of these arguments, both an accounting measure, return on investment (ROI), and a market oriented gauge, total return were used. Return on investment is a firm's income before extraordinary items divided by total invested capital. Total invested capital is the sum of the total long term debt, preferred stock, minority interest, and total common equity. Total return is simply the increase (or decrease) in the price of a company's common stock plus any dividends or special cash disbursements to shareholders. In both cases, the two most recent years (1993 and 1994) were used and the data were averaged. As Mosakowski (1993) notes, this lessens the chance that accounting based data will be manipulated successfully. In addition, it smooths out some of the extreme price

moves that can occur in the stock market. Finally, it provides an extra year of data to obtain a more accurate picture of a firm's situation.

To measure expatriate failure, Tung's (1988) one item instrument was used with a very slight modification to obtain more precise data. This consisted of simply asking the question, "What percentage of overseas personnel have to be recalled to their home country or dismissed because of inability to function effectively in a foreign assignment?" In the original instrument, Tung had listed a set of narrow ranges, whereas the study here asked for a specific number. Tung pre-tested this measure with personnel executives and then used it as part of a worldwide survey of companies. In addition, the degree of cross-cultural training was also measured with an instrument developed by Tung (1988). This is a two-part, multifaceted instrument that was pilot tested and also used in Tung's (1988) wide-ranging study. Respondents were shown a matrix with six types of training programs listed in rows: language training, cultural orientation, environmental briefing, cultural assimilator, sensitivity training, and field experience. The columns of the matrix listed four types of expatriate positions: chief executive officer, functional head, trouble shooter, and operative. This instrument too was modified slightly to provide a more precise measure of amount of cross-cultural training; respondents were required to actually list the amount of time spent in each program rather than simply "checking" all that applied.



The preceding discussion emphasized the sampling and instrumentation methods and their justification. The next chapter includes the statistical measures used and results of the survey, including tables. A more detailed discussion is found in the concluding chapter.

## CHAPTER 4

### STATISTICAL MEASURES AND RESULTS

This chapter explains the statistical measures used followed by the results of the study. The findings are reported hypothesis by hypothesis in both narrative and tabular form. A discussion of the results is presented in the subsequent chapter.

#### Statistical Measures

To measure the effect of the integrated form of SIHRM on global firms' performance, both parametric and nonparametric tests were conducted. First, an independent samples t-test was run comparing the means of firms with integrative linkage with those of lesser types of integrated SIHRM. The dependent variables were ROI and total return. Since several firms are newer and thus did not have returns for both years, they were not included in this analysis. This led to a smaller than expected sample size. In addition, because several firms had highly unusual returns (some were very strongly negative), it is likely that the data are non normal. Also, a test for equal variances revealed that in the case of ROI, the variances may not be homogeneous. Because of these factors, a nonparametric test (the Mann-Whitney U test) was conducted on the same variables. This test

pools two samples into one large sample and then determines the rank of each observation (Conover, 1980). Huck and Cormier (1996) argue that when assumptions of normality and homogeneity of variance are violated, nonparametric tests may have greater relative power than parametric ones. In other words, under such circumstances t-tests may not be as robust as other methods.

Hypotheses 2 and 3 focus on global firms and outcomes based again on degree of integrated SIHRM. The two outcomes tested were expatriate failure, expressed as a percentage, and cross cultural training, expressed as a scale according to which categories each firm participates in.

Again, the traditional parametric test to conduct is a two-sample t test. However, as mentioned, that test assumes that the data are normally distributed (Kvanli, Guynes, & Pavur, 1996). With regard to hypothesis 2, numerous companies reported no expatriate failure. It is possible that some do not even use the expatriate system, but whatever the reason, the data do not appear to be normal. In cases such as these, as with the previous hypotheses, it is safer to use the Mann-Whitney test (Conover, 1980).

Hypothesis 3 concerns the amount of cross cultural training employed by global firms. As in the case of H2, H3 contains data that are not normally distributed. This occurred because numerous firms reported no formal training programs at all. Since those values are zero, again, a t-test would not be in order. As with the previous hypotheses, the Mann-Whitney test was used.

Hypotheses 4 through 6 concern the link between strategy type (global, hybrid, or multidomestic) and degree of HR integration (integrative, two-way linkage, one-way linkage, and non strategic linkage). The data used here are nominal, or classification in nature. Essentially, interest here is in the proportion of the sample having certain attributes. As such, this is a binomial situation; either the variables are associated with the attributes, or they are not. Thus, a test of proportion is appropriate for this analysis. In addition, the group means were calculated to further show the relationship between strategy type and HR approach.

In addition to the above, a power analysis based on the concepts of Cohen (1977) was conducted on the t-tests. Since the sample was small and the results from some hypotheses led to more questions, other non-hypothesized tests were conducted as well. These involved performance and other outcomes of all firms, not just the global ones. For these, both t-tests and Mann-Whitney tests were conducted. In all cases, the specified alpha risk was .05. Also used was the p-value which is the largest value of alpha for which the hypothesis will not be rejected (Kvanli, Guynes, & Pavur, 1996). Results, including tables, are presented in the following sections.

## **Results**

Table 3 reports means and standard deviations and the correlations between the major variables in the study. As expected, expatriate failure is negatively

correlated with cross cultural training. Although not tested here, it is interesting that the total return measure is also negatively correlated with expatriate failure. As can be seen, most of the relationships are not significant.

Table 3.--Means, Standard Deviations, and Pearson Correlation Coefficients of Major Variables

Variables	Means	s.d.	1	2	3	4	5
Strategy Type	2.1071	.8784					
HR Type	2.9286	1.1062	.0328				
Expatriate Failure	2.3350	4.7026	-.1440	.0242			
Cross Cultural Training	1.7619	2.2042	.0507	.2104*	.1848*		
ROI	8.8754	17.6079	.0043	.0776	.1891	.1104	
Total Return	6.5615	23.4417	.1731	.0520	-.2620**	-.0722	.0818
* $p < .10$							
** $p < .05$							

A more focused look at the data is presented in table 4. Here, strategy type and HR type are cross tabulated. Of the 84 firms, 37 are global, 44% of the total. Also, the largest single category of HR type is integrative, but two-way linkage is also well represented.

Table 4.--Relationship of HR Type to Strategy Type

HR Type	Strategy Type			Row Total
	Multi Domestic	Hybrid	Global	
Non Strategic	5	6	5	16 19.0%
One-Way Linkage	1	3	2	6 7.1%
Two-Way Linkage	12	4	14	30 35.7%
Integrative Linkage	10	6	16	32 38.1%
Column Total	28 33.3%	19 22.6%	37 44.0%	84 100.0%

The first test is of Hypothesis 1: Global firms with integrative linkage outperform global firms with less integrated forms of SIHRM. Table 5 indicates the results of the test of ROI for global firms with either integrative SIHRM or lesser degrees of integration (two-way linkage, one-way linkage, and non strategic linkage).

Table 5.--Test of ROI

Variable	Number of Cases	Mean	SD	SE of Mean
ROI				
Global Integrative	13	12.6885	33.243	9.220
Global Non Integrative	15	6.0567	8.806	2.274
Mean Difference = 6.6318				
Levene's Test for Equality of Variances: $F = 3.872$ $p = .060$				

As expected, the mean of the integrative companies is larger than that of the non-integrative. Notably, though, the Levene test for Equality of Variances indicates that the variances may be unequal. The Levene test transforms the original data into absolute deviations from the mean and then tests for a significant difference between the mean deviations in the two samples (Manly, 1991). Since the  $p$ -value is very close to .05, tests were run assuming both equal and unequal variances.

Table 6 shows the results assuming both equal and unequal variances.

Table 6.-- $t$ -test for Equality of Means / ROI

Variances	$t$ -value	df	$p$ -value	SE of Diff	95% CI for Diff
Equal	.75	26	.2300	8.901	(-11.665, 24.929)
Unequal	.70	13	.2481	9.496	(-13.812, 27.076)

The  $t$ -test indicates that there is no significant difference between the means of the different types of firms. In other words, the ROI of integrative firms does not differ significantly from that of non integrative companies. Additionally, the  $p$ -value of the test assuming equal variances indicates non support for H1, as does the test assuming unequal variances. A power test indicated that the observed difference must be about 15.72 in order to be significant. The power here is .17, thus, there is a 17% chance that the difference in the sample will be 15.72 or higher (Cohen, 1977).

The other dependent variable of H1 is total return. Table 7 indicates the means, standard deviations and standard errors.

Table 7.--Test of Total Return

Variable	Number of Cases	Mean	SD	SE of Mean
Total Return				
Global Integrative	12	10.9375	28.453	8.214
Global Non Integrative	17	13.5665	29.524	7.161
Mean Difference = -2.6290				
Levene's test for Equality of Variances: $F = .037$ $p = .849$				

Unlike the previous tests, the mean of the non-integrative companies is larger, indicating a direction opposite that which was hypothesized. Additionally, the Levene's Test indicates equal variances. Table 8 shows the full results. Here, the  $p$ -value is above .05, indicating non significance. Due to the small effect size, the power of this test is .08. Clearly, the  $t$ -tests do not support H1 which states that global firms with integrative linkage outperform global firms with less integrated forms of SIHRM.

Table 8.-- $t$ -test for Equality of Means / Total Return

Variances	$t$ -value	df	$p$ -value	SE of Diff	95% CI for Diff
Equal	-.24	27	.5939	10.969	(-25.135, 19.877)



Because of concerns about the data (as explained in Chapter 3), a Mann-Whitney test was also conducted on the same variables. Table 9 shows that the mean of the ranks for global integrative firms is smaller than that of the global non integrative firms with regard to ROI. Again, this is opposite the hypothesized direction. Additionally, there is a large  $p$ -value of .5275.

Table 9.--Mann-Whitney U Test for ROI

Mean Rank	Sum of Ranks	Cases	
14.38	187.0	13	Global Integrative
14.60	219.0	<u>15</u>	Global Non Integrative
		28	Total
<i>U</i>	<i>W</i>	<i>p</i> -Value	<i>Z</i>
96.0	187.0	.5275	-.0691

As for total return, table 10 also indicates a direction opposite that which was predicted as the mean of the ranks is larger for the non integrative firms. Again, there is a large  $p$ -value of .5876. These numbers combined with those of the parametric tests clearly indicate that H1 is not supported.

Table 10.--Mann-Whitney U Test for Total Return

Mean Rank	Sum of Ranks	Cases	
14.58	175.0	12	Global Integrative
15.29	260.0	<u>17</u>	Global Non Integrative
		29	Total
<i>U</i>	<i>W</i>	<i>p</i> -Value	<i>Z</i>
97.0	175.0	.5876	-.2214

The next tests are for Hypothesis 2: Global firms with integrative linkage will experience less expatriate failure than global firms with less integrated forms of SIHRM. Table 11 presents the results concerning the amount of expatriate failure. In this case, to be consistent with the hypothesis, global integrative firms should have a lower mean rank than global non integrative firms. The mean of the ranks though is opposite. The extremely high *p*-value shows clearly that H2 is not supported. The power of this test (approximated by using t-test values) is .58.

Table 11.--Mann-Whitney U Test for Expatriate Failure

Mean Rank	Sum of Ranks	Cases	
22.19	355.0	16	Global Integrative
16.57	348.0	<u>21</u>	Global Non Integrative
		37	Total
<i>U</i>	<i>W</i>	<i>p</i> -Value	<i>Z</i>
117.0	348.0	.9565	-1.7109

Hypothesis 3 is: Global firms with integrative linkage will have more comprehensive cross cultural training than global firms with less integrated forms of SIHRM. The results are reported in table 12. Here, the mean of the ranks is higher in the global integrative companies, as hypothesized. Nevertheless, the *p*-value, while relatively small, still indicates the relationship is not significant. Thus, H3 is not supported. The approximate power is .31.

Table 12.--Mann-Whitney U Test for Cross-Cultural Training

Mean Rank	Sum of Ranks	Cases	
20.88	334.0	16	Global Integrative
17.57	369.0	<u>21</u>	Global Non Integrative
		37	Total
<i>U</i>	<i>W</i>	<i>p</i> -Value	<i>Z</i>
138.0	369.0	.1627	.9833

Since the sample of global firms using two-way linkage is nearly the same as those choosing integrative, a Mann Whitney test was run to see if there would be different outcomes regarding both H2 and H3. Table 13 shows that the mean of the ranks is still opposite to that hypothesized with regard to expatriate failure.

Table 13.--Mann-Whitney U Test for Expatriate Failure / Global Integrative and Global Two-Way Linkage

Mean Rank	Sum of Ranks	Cases	
16.81	269.0	16	Global Integrative
14.00	196.0	<u>14</u>	Two-Way Linkage
		30	Total
<i>U</i>	<i>W</i>	<i>p</i> -Value	<i>Z</i>
91.0	196.0	.8233	-.9279

Table 14, on the other hand, indicates that in the case of cross cultural training, the mean of the ranks of the integrative firms is higher. Still, the results are not significant.

Table 14.--Mann-Whitney U Test for Cross-Cultural Training / Global Integrative and Global Two-Way Linkage

Mean Rank	Sum of Ranks	Cases	
15.91	254.5	16	Global Integrative
15.04	210.5	<u>14</u>	Two-Way Linkage
		30	Total
<i>U</i>	<i>W</i>	<i>p</i> -Value	<i>Z</i>
105.5	210.5	.3880	.2845

Hypotheses 4 through 6 concern whether a particular organizational form is associated with a particular degree of SIHRM. Specifically, H4 states: Global firms are more likely to be associated with integrative linkage than with two-way

linkage, one-way linkage, or non strategic linkage. H5 reads: Multidomestic firms are more likely to employ one-way linkage than integrative linkage, two-way linkage, or non strategic linkage. Finally, H6 is: Hybrid firms are more likely to employ two-way linkage than either integrative linkage, one-way linkage, or non strategic linkage. Table 15 shows a comparison of the group means. As expected, the largest mean of strategy type (global) corresponds to the most integrated type of HR. However, the means do not increase as the degree of SIHRM increases.

Table 15.--Group Means

HR Type	Strategy Type
Non Strategic	2.00000
One-Way Linkage	2.16667
Two-Way Linkage	2.06667
Integrative	2.18750
Total	2.10714
Strategy 1 = Multidomestic	
Strategy 2 = Hybrid	
Strategy 3 = Global	

First, Table 16 shows the binomial test between global firms and all others. To be significant in a test of proportion, the hypothesized value must (at least) be exceeded. Here, the hypothesized value is 50%. While global firms did represent

43% of the total, this of course is less than .50 and is thus non significant. The power of this test is .21.

Table 16.--Test of Proportion / Global Integrative and Global Non Integrative

	Cases
Global Integrative	16
Global Non Integrative	<u>21</u>
Total	37
H4: Prop. of Global Integrative > .5	<i>p</i> -value = .7939
Obs. Prop. = .4324	<i>Z</i> = -.82

A more complete test of H4 involves comparing global firms to each other according to HR type. Table 17 shows how global firms with integrative linkage compare to those with other types. Results indicate that global firms are not significantly more likely to select integrative as compared to two-way linkage, but are more likely to be associated with integrative than with one-way or non strategic linkage. The power of the test comparing global integrative firms with global non strategic firms is .69. The power of the test comparing global integrative companies with global one-way linkage companies is .94, while the power of the test of proportion of global integrative firms to global two-way linkage firms is .09. So, H4 (global firms are more likely to be associated with

integrative linkage than with two-way linkage, one-way linkage, or non strategic linkage) receives partial support.

Table 17.--Separate Tests of Proportion for Global Integrative

	Cases
Global Integrative	16
Global Non Strategic	<u>5</u>
Total	21
H4: Prop. of Global Integrative > .5	<i>p</i> -value = .0082
Obs. Prop. = .7619	<i>Z</i> = 2.4005
	Cases
Global Integrative	16
Global One-Way Linkage	<u>2</u>
Total	18
H4: Prop. of Global Integrative > .5	<i>p</i> -value = .0005
Obs. Prop = .8889	<i>Z</i> = 3.2986
	Cases
Global Integrative	16
Global Two-Way Linkage	<u>14</u>
Total	30
H4: Prop. of Global Integrative > .5	<i>p</i> -value = .3577
Obs. Prop. = .5333	<i>Z</i> = .3647

As for H5 (multidomestic firms are more likely to employ one-way linkage that integrative linkage, two-way linkage, or non strategic linkage) the relationship between multidomestic firms and one-way linkage is shown in table 18. The results do not support H5, as only one firm in the sample selected the hypothesized HR type. The power of this test is .96.

Table 18.--Test of Proportion / Multidomestic Firms

	Cases
One-Way Linkage	1
Non One-Way Linkage	<u>27</u>
Total	28
H5: Prop. of One-Way Linkage > .5	<i>p</i> -value ≈ 1.000
Obs. Prop. = .0357	<i>Z</i> = -4.91

Finally, H6 (hybrid firms are more likely to employ two-way linkage than either integrative linkage, one-way linkage or non strategic linkage) was tested. Table 19 indicates that only 21% of hybrid firms selected the hypothesized HR type, two-way linkage. The power is .82. The individual comparisons are meaningless because of the small number of firms which chose two-way linkage. Thus, H6 is not supported.



Table 19.--Test of Proportion / Hybrid Firms

	Cases
Two-Way Linkage	4
Non Two-Way Linkage	<u>15</u>
Total	19
H6: Prop. of Two-Way Linkage > .5	<i>p</i> -value = .9941
Obs. Prop. = .2105	<i>Z</i> = -2.52

Since the results indicate that different organization types do not necessarily select the predicted degree of SIHRM, it may be useful to determine if differences can be found when all firms are grouped together in examining such issues as those concerning performance and other outcomes. Additionally, this may boost the power of the parametric tests. Accordingly, Table 20 shows the effect of HR type on ROI when all firms are represented. Here, regardless of global positioning type (global, multidomestic or hybrid), firms were simply grouped into integrative linkage or non-integrative (two-way linkage, one-way linkage, non strategic linkage). Again the Levene's Test indicates unequal variances.

Table 20.--Test of ROI for All Types of Firms

Variable	Number of Cases	Mean	SD	SE of Mean
ROI				
Integrative	27	12.0037	26.380	5.077
Non Integrative	38	6.6526	6.878	1.116
Mean Difference = 5.3511				
Levene's test for Equality of Variances: $F = 6.762$ $p = .012$				

Results for Equality of Means is shown in Table 21. While the  $p$ -value is not large, it is still greater than .05 and is thus not significant. Notably, the power was only increased to .29. This indicates that the large variation within the two samples, rather than sample size, is the main cause of the low power.

Table 21.-- $t$ -test for Equality of Means for ROI / All Firms

Variances	$t$ -value	df	$p$ -value	SE of Diff	95% CI for Diff
Unequal	1.03	29	.1558	5.198	(-5.288, 15.990)

The next tables, 22 and 23 show the effects of HR type on the other dependent variable, total return. The tables show that firms with non integrative linkage have the higher mean. Again, the power is only .10 despite the increase in sample size. In this case, large variation between the two samples is observed, and the effect size appears small as well.

Table 22.--Test of Total Return / All Firms

Variable	Number of Cases	Mean	SD	SE of Mean
Total Return				
Integrative	26	5.3098	25.059	4.915
Non Integrative	42	7.3363	22.660	3.496
Mean Difference = -2.0265				
Levene's test for Equality of Variances: $F = .025$ $p = .876$				

Table 23.--*t*-test for Equality of Means for Total Return / All Firms

Variances	<i>t</i> -value	df	<i>p</i> -value	SE of Diff	95% CI for Diff
Equal	-.34	66	.6325	5.889	(-13.783, 9.730)

Similarly, tests were conducted for all firms regarding expatriate failure and cross cultural training. Table 24 shows what happens when all 84 firms are compared with regard to expatriate failure. Again, the mean rank for firms using integrative linkage is larger than for those using non integrative linkage, indicating a higher incidence of expatriate failure for the integrative firms, again a finding that is opposite of what would be expected.

Table 24.--Mann-Whitney U Test for Expatriate Failure / All Firms

Mean Rank	Sum of Ranks	Cases	
46.75	1496	32	Integrative
39.88	2074	<u>52</u>	Non Integrative
		84	Total
<i>U</i>	<i>W</i>	<i>p</i> -Value	<i>Z</i>
696.0	2074.0	.9196	-1.4027

As with global firms alone, the results shown in Table 25 indicate that while integrative firms have more cross cultural training than non integrative ones, the difference is not significant.

Table 25.--Mann-Whitney U Test for Cross-Cultural Training / All Firms

Mean Rank	Sum of Ranks	Cases	
45.52	1457	32	Integrative
40.64	2114	<u>52</u>	Non Integrative
		84	Total
<i>U</i>	<i>W</i>	<i>p</i> -Value	<i>Z</i>
735.5	2113.5	.1691	.9578

A complete summary of hypothesized findings is depicted in Table 26.

Table 26.--Summary of Results

Hypothesis	Results
H1: Global firms with integrative linkage outperform global firms with less integrated forms of SIHRM	NS; Direction mixed
H2: Global firms with integrative linkage will experience less expatriate failure than global firms with less integrated forms of SIHRM	NS; Direction opposite
H3: Global firms with integrative linkage will have more comprehensive cross cultural training than global firms with less integrated forms of SIHRM	NS; Direction favorable
H4: Global firms are more likely to be associated with integrative linkage than with two-way linkage, one-way linkage, or non strategic linkage	PS; Individual comparisons vary
H5: Multidomestic firms are more likely to employ one-way linkage than integrative linkage, two-way linkage, or non strategic linkage	NS
H6: Hybrid firms are more likely to employ two-way linkage than either integrative linkage, one-way linkage, or non strategic linkage	NS
NS - Non supported      PS - Partial support	

## CHAPTER 5

### DISCUSSION, IMPLICATIONS, LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

The results reported in the preceding chapter have implications both for this study and future research. Thus, this chapter is concerned with numerous issues. After a review of the findings, there is a discussion centering on the inconsistencies that developed between the hypotheses and the results, combined with a more detailed model which expands on the number of variables and their relationships. A section discussing limitations of the study is next, followed by suggestions for future research.

#### **Review of the Findings**

Before a general discussion begins, a review of the findings is presented. First, there was no support for Hypothesis One which stated that global firms with integrative linkage would outperform those global firms with other types of linkage. On one dependent variable, ROI, the direction was consistent with the hypothesis. As for the other dependent variable, total return, the direction was opposite that which was predicted.

Next, Hypothesis Two stated that global firms with integrative linkage would experience less expatriate failure than globals with less integrated forms of SIHRM. Not only was there no support for this, the integrative linkage firms actually had greater degrees of expatriate failure, a result clearly opposite to that hypothesized.

Third, Hypothesis Three stated that global firms with integrative linkage would have more comprehensive cross cultural training than global firms with less integrated forms of SIHRM. While the results here were nonsignificant, integrative firms did have more cross cultural training which was consistent with the hypothesis.

On the other hand, there was some support for Hypothesis Four which stated that global firms are more likely to be associated with integrative linkage than the other forms of linkage (one-way, two-way and non strategic). Specifically, global firms are significantly more likely to have integrative linkage than either one-way linkage or non strategic linkage. And, global firms are more likely to employ integrative linkage than two-way linkage, but not to a significant degree. Finally, global firms are not more likely to select integrative linkage over all other forms combined. So, Hypothesis Four has mixed results.

As for other types of firms, Hypothesis Five predicted that multidomestic firms would be more likely to employ one-way linkage than either integrative

linkage, two-way linkage, or non strategic linkage. This hypothesis was decidedly not supported; only one firm was consistent with the hypothesis.

Finally, Hypothesis Six stated that hybrid firms are more likely to employ two-way linkage than either integrative linkage, one-way linkage, or non strategic linkage. Again, this was not supported; few hybrid firms selected two-way linkage.

### **Hypotheses-Results Inconsistencies and the New Model**

Even though this study did not find support for most predicted relationships, the findings are interesting and may provide direction for subsequent research. With this in mind, some key results are analyzed and a revised model is presented that may illustrate some of the dynamics at work. Even though the full original model (based largely on Schuler et al., 1993) was not tested, the findings indicate that more relationships should be included. Thus, just as Schuler et al. (1993) offered a framework for further study, a more complex model that offers numerous opportunities for further investigation is suggested. Perhaps the best way to approach this is to divide the issue of SIHRM into two parts: adoption of SIHRM and implementation of specific SIHRM tactics.

With regard to the adoption of SIHRM, it was hypothesized that each firm type, i.e., multidomestic, hybrid, and global would be more closely identified with a particular type of SIHRM: either one-way linkage, two-way linkage, or integrative linkage. Of these, only the global companies' association with



integrative linkage showed partial support. Obviously, there are other considerations involved which imply a revised model.

It was argued that firms select an HR type based on the integrative capacity that corresponds with the strategic intent of the firm. Apparently, more factors would be at work in forming such a decision. For one, as with the implementation issues to be discussed next, CEO support is probably a major determinant. Case studies (e.g., Koster & Schweiger, 1991) show that for integrated SIHRM to occur, the top executive must be involved early in the process and then continue on until installation is complete. Additionally, the company's culture may play a role by influencing which direction the company takes as it considers SIHRM (Angle, Manz, & Van de Ven, 1985; Koster & Schweiger, 1991). Some companies seem to have a history of encouraging greater input from the HR department; several respondents commented that integrative SIHRM had been the norm as long as anyone could remember.

Besides these variables, it is possible that the choice of HR could be triggered by an event. This could be a financial calamity, a turnaround effort, or maybe just the hiring of a particularly effective HR executive. This last variable could mean that as with the other issues, interpersonal components may also influence the decision to adopt a particular form of SIHRM.

As for the original idea that strategy type is a key force behind selective adoption, some results indicated that at least for global firms, the link between HR

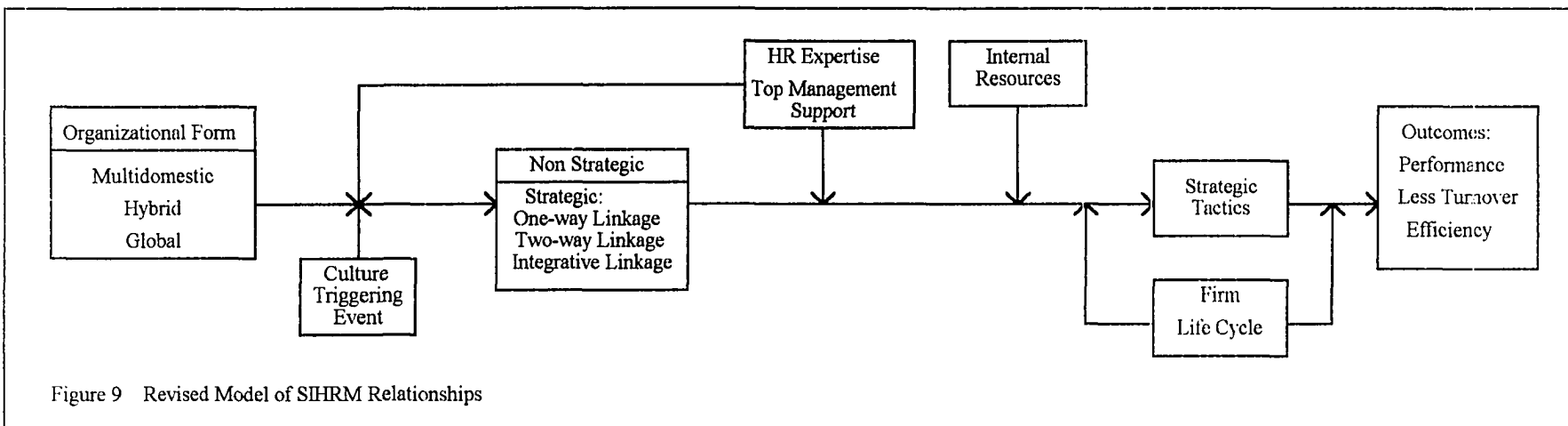
type and strategy is not far from what was expected. If two-way linkage is included along with integrative linkage, 81% of global firms did select the highest forms of integrated SIHRM (an important implication that will be discussed later). This may mean that there is a developing relationship between the adoption of SIHRM and the ongoing globalization of a company, but that different companies arrive at the highest form of integration at different speeds.

On the other hand, the relationship between multidomestic and hybrid firms with specific SIHRM type shows no pattern at all. Two factors may account for this finding. First, the designation of a particular HR linkage in a particular way may not be the central issue. Instead, in the case of multidomestic and hybrid firms, it is possible that the tactics themselves supersede the adoption of any specified type of SIHRM. In other words, idiosyncratic needs may have precedence and ultimately determine the degree of SIHRM. To a point, this is consistent with what was originally hypothesized; companies try to fit the situation. Yet, it seems inaccurate to assume that companies which adopt a particular form of positioning, such as multidomestic, are monolithic in the problems they face simply because they are structured similarly to each other. The age, size, and strategic partnerships of firms, among other things, may alter the approach to addressing international issues and thus the means and/or the effects of adopting SIHRM.

Second, the "integrative capacity" presented in the original model may be better termed "integrative profile." It seems that there is nothing that inherently prevents these other firms from adopting different SIHRM types. As mentioned, the integrative aspect has traditionally applied more to marketing and distribution. It may be that internal firm mechanisms do not always reflect certain external choices. While it is true that multidomestic firms, for example, seem to operate in a less cohesive manner than do global firms, they may actually need integrative SIHRM for that very reason. While world wide integration may not seem imperative to multidomestics, it is likely that individual contributions from HR could enable them to perform optimally.

Thus, as far as adoption goes, a revised model (figure 9 ) shows how other factors (HR expertise, top management support, corporate culture, and a triggering event) may be involved in the development of SIHRM. But it is in the area of implementation where the findings may have important implications not only for a revised model, but for the direction of the research itself.

With regard to implementation issues, there was no support for the idea that global firms which adopt fully integrated SIHRM outperform those that do not. In fact, the mean of the ranks indicates a direction opposite to the one hypothesized. While this may be at odds with some of the theoretical arguments, it is consistent with a similar finding from Buller and Napier (1993). Further, their study may provide a useful clue.



Buller and Napier (1993) almost reversed the timing of the SIHRM relationship; they compared fast-growth firms with a random selection of companies and then checked the level of integrated S(I)HRM. Findings indicated a mixed picture with the fast growth firms performing better at several levels even when the randomly selected companies had more highly developed HR programs. As the authors pointed out, there are certainly many other factors besides SIHRM that would affect firm performance (a major reason why more direct components such as training were added to the financial performance measures). In addition, their findings support the ideas of Schuler and Jackson (1987), who noted that entrepreneurial, fast paced firms have more loosely constructed HR systems that focus more on employee selection than elaborate and/or formal development programs. This also supports the idea that SIHRM (and its consequences) may be more of a product of overall firm development rather than some core company philosophy. In other words, as firms mature the HR department may acquire the necessary influence to implement some of the more ambitious aspects of SIHRM. Similarly, the need for SIHRM may increase as the firm ages and grows more complex. So while SIHRM may be implemented in mature firms, the results may not be comparable to younger, often faster growing companies. Because of this, it would be difficult to find support for the idea that SIHRM positively affects performance as long as firms are in various stages of their life cycles unless the

age of the firm or life cycle stage is taken into consideration as a moderating variable.

On the other hand, it may be more useful to pursue a different set of relationships. The early work on SHRM by Tichy, Fombrun, and Devanna (1982) has recently been refined and tested empirically by Huselid (1995). His study may provide a clearer picture of some of the dynamics of the SIHRM process.

Huselid (1995), borrowing from Devanna, Fombrun, Tichy, and Warren (1982), developed the Strategic Human Resources Management (SHRM) Index. This device consists of seven components, such as "match the characteristics of managers to the strategic plan of the firm" (p.672), and is designed to link with something called High Performance Work Practices (U.S. Department of Labor, 1993). These latter factors involve more tightly integrating employees into the organization through the use of comprehensive assessment, information, analysis, and other means. Huselid found that in some areas, the strategic HRM index was related to both firm financial performance and micro components of both employee skills and organizational structure.

While taking this micro tactics approach, Huselid's (1995) findings can be related to SIHRM research and the present study in particular. A specific question that should be asked is, "How does the status of HR (i.e., degree of integration) translate to specific company tactics?" It was hypothesized in the present study

that greater integration would lead to certain outcomes, such as more comprehensive training and less expatriate failure. Since that was not supported, it may be that the relationship between HR status and specific firm activity is either moderated by other factors or that certain HR practices may either be adopted or discarded regardless of degree of SIHRM, a point that will be discussed more fully later.

Further, it may be useful to better delineate the components of SIHRM. In Huselid's study, SIHRM seems to be defined by tactics; to some authors (e.g., Dyer & Holder, 1988; Golden & Ramanujam, 1985), SIHRM is more general and seems to be more of a state of affairs than a process of specific relationships dictated by degree of integration. The argument may be that without the tactics, it is not SIHRM. If that is indeed the case, there may not be a need for a partnership between HR and strategy as long as the tactics are present. In general, then, the literature has implied that with one comes the other, and that is why the specific instrument was chosen for the present study. But the issue may need more scrutiny.

While the previous point may involve definitions that are very similar, the implications of just what is meant by SIHRM in theory vs. practice are important. If making the HR department a full strategic partner does not translate into "strategic HR activity," then maybe either that condition alone is not sufficient to

ensure certain links, or the definition is incomplete without adding specific behavior. Authors such as Buller and Napier (1983) have linked tactics to degree of integrated SIHRM, but the process by which these are linked remains unclear.

Based on the preceding discussion, the revised model presented in Figure 6 illustrates how this process might work. If SIHRM is accepted as a state where HR is granted varying degrees of entree to a firm's strategic planning, the intervening issues that affect the path from degree of integration to specific tactics should be investigated. According to the Schuler, Dowling and DeCieri (1993) model, the type of HR policies and practices will be influenced by such SIHRM issues as the type of interunit linkage involved and the degree of "strategic fit." This may well be, but there is no assurance that these are sufficient to predict that certain policies will in fact follow. Since global firms with highly integrated SIHRM did not place more emphasis on cross cultural training programs than other global firms, it seems there are other factors involved.

As the model indicates, HR expertise, acceptance or backing by top management, and internal resources may be factors that influence the link between degree of SIHRM and tactics. As numerous authors point out (e.g., Alpander & Botter, 1981; Angle, Manz, & Van de Ven, 1985; Craft, 1988), the perception by top managers and the firm in general of the HR department and its professionals has an important effect on whether the desired status as full strategic partner is



attained. In fact, Ulrich (1990) termed the individual ability of the HR professional an extremely important competency. Additionally, according to Danner (1991), HR capability and credibility become crucial in tightening the integration. Thus, a strategic partnership may be a first step that is solidified by highly competent HR professionals.

Support of top management is also important in ensuring the continuing acceptance of HR throughout the process. Koster and Schweiger, in a (1991) case study, termed commitment of the CEO "the most critical aspect in the success of the partnership process" (p.46). Similarly, Miller, Beechler, Bhatt and Nath (1986) found that the involvement of the CEO was "instrumental" in ensuring HR's role in the planning process. Since HR has not been a traditional "business planning" agent (Craft, 1988), it stands to reason that credibility either has to be earned or bestowed by top management.

Finally, if HR and/or its principal is credible and has expertise, deficiencies in individual programs may be due to issues involving allocation of scarce resources. Specifically, HR must have the required resources if the plans of full integration are to be borne out by precise practices. This may be illustrated by the training issue. Even when some companies consider HR full partners, cross cultural education is not provided, possibly as a result of a lack of resources. In fact, some HR respondents to this survey noted that this was a problem.

Thus, according to the revised model, the outcomes are now depicted as a product of both the status of HR and the adroit use of tactics. The original model proposed that performance would be an outcome. As mentioned, Huselid (1995) has shown that this is possible. Another favorable outcome may be less turnover (Huselid, 1995). Yet the results of the study indicate that expatriate failure did not improve with the presence of SIHRM. Since expatriate failure may itself involve turnover either directly (the employee's failure leads to dismissal) or indirectly (the employee quits), it seems the two (expatriate failure and turnover) must be affected similarly. Perhaps the following discussion clarifies the issue.

Even though failure was expressed as a percentage, the different scale of operations likely skewed the results. It was clear from respondent comments that some companies (besides the ones with no expatriates) only rely on a handful of expatriates, while for some, the practice is large scale. A better method would be to compare companies with full scale expatriate programs to better determine the effects of specific programs such as cross cultural training. So, the findings may not be a true picture of how SIHRM and expatriate failure are related.

Finally, as the Schuler et al. (1993) model posited, the outcome of efficiency is logical. If HR is granted full partnership with the strategic arm of the firm, it (HR) should be able to anticipate demands rather than react to them. If the partnership does exist in practice as well as in theory, HR should also be able to

institute and/or maintain the mechanisms necessary to fit the ongoing needs of the company. Through the use of these programs and the advantages of more precise environmental scanning and forecasting, the HR department, like the strategic planning area, should experience fewer discontinuities and thus enjoy a smoother, more efficient existence.

To sum up, many theorists have defined SIHRM by the tactics themselves and have implied that different degrees of integration determine the tactics. Based on the results of this study, it is argued that other factors also play a role in the link between status and practices. It could be that firms differ in results because "integration" itself is a slippery term; Danner (1991) noted that the level of integration varies in different parts of companies. If this is the case, surely it varies between firms as well. Thus, viewing SIHRM as both an adoption and implementation issue may facilitate more focused research questions and more accurately designed studies.

### **Additional Implications**

One of the most important implications of the study is the fact that global companies do indeed select the most integrated forms of SIHRM. As mentioned, over 80% of globals chose either the integrative or two-way linkage category. This supports the ideas of Adler and Bartholomew (1992) among others, who posit that integration in all areas is a key to achieving international success. As those same authors have pointed out, traditionally integration has applied to every part

of the firm except the HR area. If the results of this study are representative of what is happening with the most highly integrated types of firms, this bodes well both for the status of HR departments and for the abilities of those companies to compete.

On a related issue, one of the more interesting implications of the study is the apparent uneven progress of SIHRM. On the one hand, a number of firms still relegate HR to non strategic status. At the same time, many firms have advanced to the highest integrated form of SIHRM. There are at least two possible explanations why for many firms, it is either full scale integration or none at all.

The first reason relates to the arguments concerning implementation; namely, the difficulty HR professionals sometimes encounter in getting SIHRM fully accepted. As mentioned, full scale integration requires all sorts of involvement from HR executives. In fact, Miller, Beechler, Bhatt and Nath (1986) have argued that HR principals must get involved in the political processes of the organization.

Additionally, there is an explanation that involves the bridge between adoption and implementation. Specifically, there may be a "threshold" effect at work. That is, to many firms, the decision itself whether or not to pursue SIHRM is as important as the degree of SIHRM that will ultimately be selected. Once the firm passes that threshold, full integration does not seem to be such a large step.

In that vein, it was interesting that there were several more firms listing themselves as "non-strategic" than there were companies choosing one-way linkage (the first level of SIHRM). Perhaps this view is best represented by Butler, Ferris, and Napier (1991) who assert that once the move to S(I)HRM has been made, it is appropriate to advance toward full integration.

As mentioned, another intriguing finding is that the improved or elevated status of HR does not necessarily translate into corporate responses that seem consistent with such a lofty position. Earlier, possible reasons were presented for this "failure." However, there may be another explanation as discussed next.

A more promising view, at least from the standpoint of HR, is that greater integration may allow more seamless operation that negates the need for layers of formal programs. That is, HR may no longer have such a need for formal corrective devices if overall planning is improved by greater integration. Particularly in global firms, the aim is to create and maintain a system with interchangeable parts. By integrating an organization's human resources more effectively into the coordinated movements of such a firm, perhaps there will be less need for established, formal programs, in favor of more fluid (but available) ones. This of course assumes that SIHRM makes a real difference in the organization's ability to anticipate changing assignments and personnel to the point that needed adjustments are minor and evolutionary rather than radical responses to unplanned shifts.

On a closely related question, comments from several respondents indicated that expatriates are rarely if ever used. This has implications both for this study and those in the future. For one, if companies do not deploy expatriates, the need for formal training is obviously greatly diminished. This could explain why integrated SIHRM does not necessarily mean more comprehensive cross cultural training. Second, as companies improve their coordinating and control mechanisms, the need for expatriates themselves can be expected to diminish. More specifically, if foreign operations are headed by individuals who are more fully cognizant of the organization's strategic focus and fully steeped in the company's culture and norms, then the units will be more self sustaining and less likely to need hands-on guidance from headquarters. Again, this is consistent with the goals of global firms in that they seek simultaneous fit and flexibility, while endeavoring to best utilize all company resources.

Finally, the apparent decline in the use of expatriates may simply be a reflection of the new communication technology. Worldwide use of facsimile machines and increasingly, satellite-based videoconferencing, allows organizations to correct mistakes and clarify issues without resorting to the often cumbersome process of involving expatriates. As the smaller world trend continues, expatriation may become increasingly specialized and idiosyncratic rather than general and broad based.

Another finding that has implications for international management researchers is the large percentage of firms that classified themselves as global. In their (1992) study, Adler and Bartholomew found that relatively few companies actually behaved globally. More directly, Leong and Tan (1993), using the same definitions as this study, classified only 17.6% of the firms as global ("transnational" in their terminology). Admittedly, their survey included an extra category. Even so, the global category was selected the least number of times by respondents. The results were quite different in the present study where almost 46% of those surveyed selected the global category, easily outdistancing the other two types.

There are two possible reasons why there appears to be a rise in the prevalence of global firms. As mentioned previously, some researchers (e.g., Adler & Ghadar, 1990) believe the combination of fit and flexibility that embodies global companies is best suited for today's world economy. If that is the case, companies may be striving to transform their operations into global types not only to thrive but merely to survive. In fact, human resource executives who were consulted prior to this study indicated their desire to help move their companies toward the global form.

Another reason may be more mundane. As with the case of declining expatriate use, perhaps the improvement in world wide communication facilitates

the move to the global type. In this case, timely strategic responses are now more attainable than ever before, giving the companies a global profile; parts are more interchangeable and the operations are more seamless.

### **Limitations**

This study contains several limitations. These are grouped and discussed in more detail.

First, the sample consisted almost exclusively of U.S. based firms. This is a legitimate concern, seemingly heightened by the fact that it is more difficult in today's globalized economy to discern an "American" company from a foreign one. That fact alone, however, adds credence to the idea that nationalistic distinctions are diminishing; thus, extrapolation of results from one type to another may be more feasible than previously thought. Even so, it is likely that key differences remain (which provide opportunity for further research as discussed later) and researchers should be cautioned that no attempt is made to assert that firms are homogeneous across cultures.

Another concern is the fact that the sample is limited to publicly traded companies. To some, this could diminish external validity as the results here may not be repeated in private companies. While it is true that privately held firms do not face the same level of scrutiny that public ones do, they still must contend with the same competitive issues; a private firm battling with public ones is thus faced



with virtually the same strategic alternatives. On another matter, "publicly traded" no longer automatically equates to large size and old age. Indeed, many public companies have very small numbers of employees even as they conduct business world wide. Also, several companies in this sample have only begun trading publicly recently. So, there is no stereotypical public company anymore as any cursory reading of the stock market pages will reveal.

Beyond the chosen sample itself, there are limitations associated with the use of mail surveys. Kerlinger (1986) has noted a variety of drawbacks with this method, principally, the lack of response and the inability to acquire in-depth information. Similarly, Emory (1985) notes that many of those surveyed are habitual nonrespondents, and agrees that the type and amount of information secured by mail is necessarily limited. Further, Rea and Parker (1992) note the loss of control when an interviewer is not present. Finally, Alreck and Settle (1995) assert that the relatively low response rate is the single biggest drawback to mail surveys.

While these criticisms of mail surveys are valid, there are important advantages as well. First, researcher bias is reduced (Emory, 1985; Rea & Parker, 1992). As Alreck and Settle (1995) note, questionnaires are identical; this eliminates the chance of bias inherent in interviewing. Second, the use of mail surveys frees the respondent from certain time constraints and allows him or her to

take more time to check facts or consult with others to ensure accuracy of responses (Emory, 1985). Finally, the most important advantage is the opportunity to obtain a large sample size. As mentioned, this is particularly germane to the issue of SIHRM. With the exception of Huselid (1995), virtually all studies of any type of strategic planning-HR interaction have been small and there has been a bias toward in-depth interviews at the expense of more heterogeneous sampling. Alreck and Settle (1995) note that when a limited number of data is needed from a large number of respondents, and those respondents are geographically dispersed, the mail survey is appropriate. So while this survey method may leave much to be desired, it is still the most feasible choice for the present study.

Potentially the most serious problem with this study is the likelihood of nonresponse bias. Viswesvaran, Barrick, and Ones (1993) note that nonresponse bias "threatens the external validity of the conclusions drawn" (p.551). This is because results are eventually gathered from a "subsample" of the intended sample and thus may not be generalizable to the population (Viswesvaran, Barrick, & Ones, 1993). Since the response rate in this study was only 13%, nonresponse is an issue that must be addressed.

First, nonresponse will have varying effects on different studies (Kalton, 1983). For example, there may be different degrees of interaction with the survey according to the direct interest of respondents to the topic (Alreck & Settle, 1995).

In cases of direct interaction, that which is to be measured actually affects the decision whether to respond or not. In indirect interaction, response could be determined by demographic or psychographic conditions (Alreck & Settle, 1995). Obviously, type of study and incidence of interaction affect the nonresponse issue.

As for this study, there are certain points that should be made regarding nonresponse bias. First, the survey is relatively neutral; the answers are supposedly based on fact. And, while HR status is a variable that could attract emotional attention, type of business strategy does not present a "superior" choice. In any case, care was taken to send the surveys to a roughly equal mix of both HR professionals and other top management, such as CEOs. Since the response rate was virtually the same for both groups of respondents, the interaction level, both direct and indirect, may be small.

Second, for the most part, the study did not result in significant findings so the issue of nonresponse has to be analyzed from that angle. If potential respondents chose not to participate because their organization does not use expatriates or engage in cross cultural training (a very possible scenario), then those companies without those components are underrepresented in the sample. If that is the case, there should be more "zeros" for both categories. Conversely, findings indicated that too many zeros may have detracted from achieving significance. Thus, if that group is lightly represented, hopes for significance are

certainly not improved. On the other hand, in the unlikely case that the other group (those with expatriate failure and cross cultural training) are underrepresented, a significant difference could occur. To address this issue, a separate statistical analysis was conducted with all "non" expatriate, cross cultural training firms excluded. There was very little difference whether the firms were included or not. So, results involving those variables may be unaffected by nonresponse bias. In fact, it may be that most nonrespondents were simply too busy to take the time to answer.

Third, the "performance" variables should not have contributed to interaction effects because they were not included on the survey. Additionally, a check of performance data indicate a wide cross section of results with many firms experiencing poor showings in recent years. There were also a few instances of missing data. In those cases, imputation (where values are assigned to replace missing ones to complete the data set (Kalton, 1983)) may actually increase the amount of bias depending on the assumptions made about the missing data (Kalton, 1983). Thus, it was considered too risky to assign "total return" numbers because a myriad of other factors, such as secular market trends, must be considered.

In summary, nonresponse bias is a serious issue and must be considered in virtually all types of mail survey research. However, as Alreck and Settle (1995)

note, there is no definitive solution to the problem. One answer, imputation, would perhaps result in the assigning of even more "zeros" to some of the data if the most conservative practices (of imputation) are used (Viswesvaran, Barrick, & Ones, 1993), and demands a degree of accuracy in making assumptions that is very difficult to achieve (Kalton, 1983). It may be that as technology permeates society, researchers will be able to use such tools as facsimile machines and the Internet to increase response rates.

An additional limitation regarding respondents involves the lack of homogeneity of subjects. Specifically, the respondents from HR departments did not always agree with the others surveyed. While in most cases the results were not affected, this was not true with Hypothesis 4. This hypothesis stated that global firms were more likely to select integrative SIHRM than the other types (two-way linkage, one-way linkage, and non strategic linkage). While the hypothesis received only partial support (globals do pick integrative over both one-way linkage and non strategic linkage), even that result would not have occurred without the HR respondents who were more likely to select integrative linkage than others were. This has implications (discussed later) for future research and certainly calls into question the efficacy of the test for Hypothesis 4. Nevertheless, since the survey was a blend of both strategic planning and HR involvement, a case can be made for including both types of respondents.

Another limitation of this study is the low power of the statistical tests. Cohen (1977) defines the power of a test as "the probability that it will yield statistically significant results" (p.1). In other words, power refers to the sensitivity of the test to differences among the groups being compared (Huck, Cormier, & Bounds, Jr., 1974). Since the power in this study was low, Type II error may have occurred. This occurs when an actual difference between groups is not detected (Cook & Campbell, 1979). Obviously then, the low power may have prevented the detection of statistically significant results. Realizing this, every effort was made to either boost power or improve opportunities to detect relationships.

First, a power analysis was conducted before the sample was taken to determine sufficient sample size. Using Keppel's (1982) formula, an estimated 45 subjects were needed. Unfortunately, the field of SIHRM is so new, there are not sufficient similar studies available to provide accurate estimates of effect size. Therefore, predictions concerning adequate sample size had to be made with measures that were proxies to the ones actually used here. For example, Buller and Napier's (1993) study was very similar to the one here, but they used a different measure (price/earnings ratio) for their market based performance variable, so an exact prediction could not be made.

Once the analysis of data began, other measures were taken. For example, all firms were eventually added to the "global" firm sample to try to increase

power regarding performance and other outcomes. Additionally, different tests were run for "expatriate failure" and "cross cultural training" to adjust for companies selecting "zero" as an answer. And, nonparametric tests were conducted when their use was appropriate and may have improved the relative sensitivity of the test. Additionally, a further analysis of the components of power revealed that the small effect size was the most serious culprit. In fact, with effect sizes that were evident in the "performance" tests, it would require a very large sample (over 1,000) to achieve large power levels. Also, the very large p-values indicated that hypothesized relationships were not likely to occur regardless. Thus, while the power of the tests is low, an examination of different relationships, rather than increased sample size, may yield more favorable results.

Another limitation of this study involves the instruments used. To determine both positioning type and degree of SIHRM, forced choice, single-item measures were used. In the case of the former variable, clearly there are numerous other types of positioning. In fact, Leong and Tan (1993), in using the same descriptions, included one other international type. Yet, those same researchers indicated that the typology of international positioning is still evolving; their attempts to match such terms as "global" with expanded definitions actually resulted in more confusing terminology (Leong & Tan, 1993). They concluded

that while more complex instruments may eventually be used to measure different organization types, researchers are still uncertain as to which attributes to include (Leong & Tan, 1993). Even so, it is likely that numerous firms fit more than one category and thus faced a dilemma in selecting only one choice. Closely related is the fact that respondents may have selected the wrong choice anyway for a variety of reasons. Obviously, there is the risk that chosen categories are not based on objective measures but rather on respondents' opinions and are thus not verifiable.

As to the single-item measure for type of SIHRM, the groundwork for degree of integration was originally laid by researchers through in-depth interviews (e.g., Buller, 1988; Golden & Ramanujam, 1985). In addition, Buller and Napier (1993) have demonstrated that a simple delineation can be presented with results that are very similar to those garnered through more complex methodology. Thus, in spite of the drawbacks associated with single-item measures, their use seems appropriate under the circumstances.

Conversely, the instruments to measure expatriate failure and cross cultural training presented other problems. In attempting to gain precise data, respondents were asked the exact percentage of personnel that had to be recalled or dismissed due to failure in a foreign assignment. Obviously, it may be difficult for some participants to answer correctly. Yet companies are often asked the amount of turnover in exact percentages, and it is possible to calculate this data.



Nevertheless, the survey did not differentiate as to aggregate numbers of expatriates; some respondents may have answered with "zeros" simply because they have very few overseas assignments. While the data may provide useful information, the full intent of the study may not have been realized due to this limitation.

In addition, the training responses presented another challenge: how to code answers such as "on the job" or "as needed." It was important to the aim of the study to determine the amount of formal training, yet that delineation may have prevented replies that contained useful information. For example, a firm's training program is not necessarily less comprehensive simply because it is not mandatory. Similarly, if "on the job" training includes additional input from the HR department, this may be a very thorough method of equipping employees for foreign service. Therefore, the "training" instrument may not have gathered all the useful data.

Another set of problems was presented by the instrument to gauge degree of cross cultural training. Using Tung's (1988) questionnaire, respondents were asked to denote which training methods were used by various members of the organization (such as, CEO, troubleshooter, operative, etc.). Again, to ensure more precise data, participants were asked to include the amount of time involved with each aspect. The problem arose when respondents simply "checked" boxes

without including the time. This posed special challenges in coding the data. Decisions had to be made as to how to account for the checked responses vs. those with actual time limits. Eventually, it was decided that each company received one "point" for each of the first five types of cross cultural training, regardless of whether time spent was specified or not. In addition, the final category, field experience, encompasses the components of all the other categories and is more intense, thus companies selecting it received six "points." While the solution may be satisfactory, there is always the risk that the true intent of the data was compromised. In addition, some respondent comments revealed that different firms use different types of expatriates. For example, some use operatives while others use trouble shooters. This too presented a coding challenge because it was difficult to compare firms across varying levels of employees. Eventually, the use of any expatriate (and his or her training) was treated the same as the use of multiple expatriates.

An additional limitation of the study is the use of cross-sectional data. Even though significant findings did not occur, longitudinal studies should be used when possible to replicate findings of cross-sectional ones.

Relatedly, the financial performance data covered a very limited period of time. Besides the issue of causality, such a brief moment in organizational life may be misleading. In addition, the total return measure, while providing market

information to balance the accounting measure, is subject to numerous other influences that may have a much greater effect than any variable measured here. The study would be more valid if a longer period of time was tracked, but because of the relatively short existence of SIHRM and the lack of data from some of the younger companies, compromises had to be made.

The final limitation is more philosophical and it also concerns the idea of performance, an age old issue in business research. Here, financial measures were the means of gauging "performance," but this can be a slippery concept. One of the main issues inevitably involves point of view. Effectiveness may mean different things to various groups, such as employees, employers, those in the community, shareholders, or stakeholders in general. To some researchers (e.g., Argyris, 1964; Beckhard, 1969; Bennis, 1966), effectiveness derives from the degree of harmony between workers and management. To others (e.g., Connolly, Conlon, & Deutsch, 1980; Tusi, 1990; Zammuto, 1984), effectiveness is a multiple constituency issue. Still others (e.g., Quinn & Rohrbaugh, 1983) believe performance should be measured according to individual values of separate firms. Obviously, substantial disagreement exists regarding this issue.

Despite the varying views on performance, it is contended here that it is important in this study to gauge performance according to both a shareholder/financial point of view as well as from a standpoint of internal HRM

efficiency. For one, SIHRM will not be considered useful to many companies unless it provides tangible benefits; it is simply a fact of life in the tremendously competitive international arena that firms are looking for quantifiable results to justify corporate policy. Also, the strategic component is a key part of this research, and as such it is consistent to examine the issue using traditional financial measurement tools.

In addition, it is also important to specifically address the relationship between SIHRM and aspects of HR efficiency. While this does not directly relate to the "harmony" issue of Argyris (1957, 1964) and others (they are more concerned with employee self-actualization issues), it does offer an analysis from another standpoint. Also, an examination of this type is theoretically encouraged by models such as those proposed by Schuler et al. (1993). Further, the issue of expatriate failure is an important one to numerous companies that operate internationally (Tung, 1988). Finally, the measurement of cross cultural training is another way to gauge effectiveness that includes internal stakeholders as well as external ones.

### **Suggestions for Future Research**

The first recommendations for future research arise from one of the more interesting implications of the study, the apparent disagreement between HR respondents and other managers regarding certain issues. Specifically, it may be useful to determine the different perceptions of HR professionals vs. those of other

corporate top management when it comes to the issue of SIHRM. As noted, 48% of survey respondents were categorized as HR types while the others were CEOs, presidents, chief operating officers and executive vice presidents. As far as results regarding performance, expatriate failure and cross-cultural training, the responses across the groups were consistent. Interestingly, though, the operational types (CEOs, etc.) were more likely to denote the HR role as non strategic. Of course, this may have simply been reality, but it could also mean a difference in perception. Specifically, HR professionals may believe their positions are more strategic in nature than the rest of top management does. This opens up all sorts of speculation. Is the problem a lack of communication between strategic planners and HR? Is top management elevating the status of HR professionals in title only? Do HR professionals truly understand the idea of strategic HR? From another angle, could it be that some HR executives are instituting strategic tactics yet top management has yet to see the value of such efforts? Whatever the reason, if there is truly a dichotomy of opinion regarding the status of HR, this has implications for future research that could prove interesting and enlightening.

In another area, there were two categories of firms purposely excluded from this study that may provide opportunity for future research. First, there could be more scrutiny of domestic firms. Obviously, a domestic company would be involved with SHRM instead of its international counterpart, but this may lead to

even more possibilities. As Lengnick-Hall and Lengnick-Hall (1988) have noted, there has been little empirical work to validate SHRM. Therefore, a starting place would be the relationship between strategic HR and performance. Here, though, some of the variables would be different; cross cultural training and expatriate failure, for example, would not be at issue. Things such as turnover and efficiency, on the other hand, would be relevant and desirable outcomes the different companies would have in common.

But because the extra element of overseas operations is missing, there is potentially an entirely different set of forces at work in the adoption and implementation of SHRM. Of course, CEO support and HR credibility would still be important, but without the need to coordinate far flung operations and without the continuing influences of varied cultures and locales, the HR and strategic planning relationship may hinge on more narrowly drawn areas, such as personalities. And, without the input of many foreign trained professionals, SHRM may not command the same degree of urgency as SIHRM. When domestic firms are compared with international ones, the S(I)HRM issue raises numerous questions that have yet to be investigated.

Another population that was excluded here but which needs to be examined is that of foreign based companies. A specific area involves the status of SIHRM in such firms. While it is logical that similar HR tactics may be employed by these

other organizations, it is also reasonable to wonder if there are instances where the HR department is held in higher (or lower) esteem than for the U.S. companies. Taken further, it may be that degree of SIHRM and tactics varies across regions. For example, European based firms may operate quite differently from those based in Asia. In fact, taking the work of Hofstede (1980) into account, it may be that cultural (country specific) considerations have a major impact on a company's progress toward SIHRM implementation. So foreign locales may provide a fertile area for continuing the investigation of the relationship between strategic planning and the HR department.

Another question related to corporate profile is how SIHRM operates across multiple levels or numerous divisions. As Lawrence and Lorsch (1967) showed years ago, different subunits of firms face different environmental pressures. Additionally, the need for integration can vary within the same company. As such, the influence of SIHRM or its tactics may also vary across an individual organization.

In that vein, a few respondents noted that different divisions have varying amounts of contact with overseas operations. Does this mean a firm could operate in both a SIHRM and SHRM fashion? If so, how do the processes operate? Are there different relationships according to how foreign intensive a sub unit is? Additionally, how does SIHRM or SHRM bridge divisions? Finally, is the

permeation of a strategically oriented HR department sequential in nature or can full fledged installation occur throughout the firm simultaneously? The larger and more complex a company is structurally, it seems the greater the opportunity for disparate forms and processes of SIHRM within.

Another area of SIHRM that awaits future study concerns its efficacy over time. Because of its relatively recent emergence, SIHRM has not been subjected to rigorous longitudinal analysis. It may be that the effects of SIHRM do not become obvious or entrenched until a certain passage of time. Relatedly, thorough installation of SIHRM is apparently a time consuming process (Koster & Schweiger, 1991). So, it may be useful to investigate inflection points, or areas where any costs of adapting SIHRM are outpaced by resulting benefits.

Along the same lines, it would be interesting to determine how SIHRM changes over time. Do the tactics themselves change, or just the intensity of the individual programs? Does SIHRM first institute more macro level change and, as time goes on, concentrate more on detail? Does the perception of the HR department change as the effects of SIHRM permeate the company? Similarly, what conflicts arise over time as SIHRM becomes more entrenched? Finally, do the effects of SIHRM alter other relationships in the company with the passage of time? Thus, how time and SIHRM interact is another area for further study.

Earlier, it was posited that the use of expatriates seems to be declining and several reasons were listed as possible causes. Nevertheless, there may be a



counterpoint to that view that also opens up new areas for research. Specifically, it is possible that some companies are instituting new programs that go beyond the traditional preparation for foreign assignment. One possibility is something that Adler and Bartholomew (1992) refer to as "transpatriates." Unlike traditional expatriates, who are used primarily for a task in a foreign country, transpatriates are trained to facilitate organization-wide learning by utilizing their world-wide perspectives. These transpatriates then, can be viewed in a different light from traditional expatriates as agents who go further in solidifying an organization's move to global positioning.

Adler and Bartholomew (1992) note that some firms are already incorporating transpatriates into their global plans. This new approach could provide several opportunities for future research. Germane to the present study, it may be fruitful to compare and contrast the roles, training, and status of expatriates vs. transpatriates. Even more specific to the work here, it would be interesting to determine what differences, if any, exist among the various types of international firms in their approach to expatriates. Are global firms the only type that employ transpatriates? If other types also use transpatriates, do they recruit and train them differently than the global firms do because of different coordination and control issues? Are foreign firms more or less likely to use transpatriates than U.S. firms and are their roles different? What environmental conditions seem to foster the

use of transpatriate personnel? Additionally, where SIHRM is specifically concerned, is the creation of transpatriates a product of SIHRM or a specific tactic of strategic HR? Finally, are there any links between improved corporate efficiency or improved world wide integration when transpatriates are used? Since this is one of the newer issues in international business, new studies would likely uncover many new questions.

Still another area for future research involves the relationship between SIHRM and the strategic aspects of the firm that go beyond HR practices. In other words, does SIHRM have an effect that goes beyond such things as providing worker forecasts for strategic projects? It was argued earlier that ideally, SIHRM should make a difference in other ways. According to the resource based view of strategic management, firm competency should manifest itself in numerous ways. For example, such traditionally strategic activities as environmental scanning and product innovation may be affected by the presence and direction of SIHRM. In fact, a good question would be, "Do firms which incorporate SIHRM have a different strategic profile than those which do not?" Again, the test here would not be specific HR practices, but rather HR influenced mechanisms that are more directly related to strategic planning. Closely related is how the HR department influences the strategic planning process. How passive or proactive is SIHRM in varying company profiles? Are HR professionals with a more strategically

oriented background more likely to succeed than those who are more personnel oriented? These issues are important because it seems that ultimately the efficacy of SIHRM depends on its more direct contributions to the strategic direction of the firm.

Besides the previously mentioned possibilities for future study, a methodological question should also be considered. As discussed earlier, one of the limitations of the study involved difficulty with some aspects of Tung's (1988) instrument which was used to measure expatriate failure and degree of cross cultural training. Specifically, results can be compromised because numerous respondents do not appear to use expatriates. In addition, there is no allowance made for companies that provide cross cultural training programs on a less formal basis. Each of these issues will be discussed to conceptualize improvements in measuring these phenomena.

Apparently, many firms do not employ expatriates; several respondents noted this on the questionnaire. In some cases, this is probably correct, but in others, there may be misunderstanding. For example, certain foreign assignments may theoretically be of an expatriate nature, but the company may not recognize such a designation. In those cases, true expatriate activity may be hidden. As Adler and Bartholomew (1992) assert, the traditional roles of expatriates are changing. Therefore, to gauge the prevalence of expatriation more precisely,

detailed descriptions of the subject should be included before questions are asked. Of course, the first question should then require an answer regarding whether the firm does in fact use expatriates in accordance with the definition supplied.

Next, there should be an acknowledgement of informal training programs. Handwritten replies to the survey indicate that several companies offer training on an "as needed" basis. At first glance, such an arrangement may seem insignificant. But it is probable that in many firms expatriate candidates have widely divergent degrees of foreign experience. By offering programs on an informal or non mandated basis, the company may be exhibiting efficiency in its training program. There are also cases where the firm takes cross cultural preparation very seriously but contracts the programs out to specialists. As can be seen, an instrument for future study needs to allow for the presence of alternatives in a company to very structured, formal training methods. Such a device would better determine the true state of organizational training.

Relatedly, it was noted that single-item instruments, such as those measuring degree of SIHRM integration and type of organization form, are often deficient. To remedy this, researchers should consider developing new tools for investigating these areas as well. In the case of the Human Resource Integration Scale (Buller & Napier, 1993), a starting place for a new multiple item instrument could be Dyer and Holder's (1988) descriptions of SHRM. By combining

recommendations from other researchers, Dyer and Holder (1988) presented four aspects of a highly integrated form of SHRM. Those tenets are representative of much of the prevailing beliefs about SHRM and provide a straightforward way to determine if a firm qualifies as having integrative linkage.

Another possible contribution to a new instrument could be Golden and Ramanujam's (1985) work. Their original classification scheme of one-way, two-way, and integrative linkage was developed from in depth interviews with executives. Thus, there are numerous attributes of each type of SHRM that could be used to construct a multi-item measure.

As for the typology measure, the issue is more problematical. As discussed earlier, there is no consensus regarding either terminology or attributes of international firms. Before effective new instruments can be produced, researchers need to better understand the key distinguishing qualities of the various types of companies. Nevertheless, Leong and Tan (1993) did show that in a few cases, certain types of firms are closely associated with several different traits. While other unifying features have yet to be satisfactorily produced, the Leong and Tan (1993) work can be built upon to create a more reliable tool for measuring international positioning.

In summary, SIHRM (and SHRM) remains a promising, yet largely undiscovered area for research. While the results here may not have been, on the

whole, as expected, they do provide further knowledge of the area. As researchers focus on links between strategic HR behavior and various outcomes, eventually there should be a much clearer picture of the efficacy of the idea known as Strategic International Human Resource Management.

## APPENDIX

July 17, 1995

FIELD(Name)  
 FIELD(Title)  
 FIELD(Company)  
 FIELD(Street Address)  
 FIELD(City, State Zip)

Dear FIELD(Salutation):

What does 20% vs. 70% mean? When it comes to business competition, simply this: In 1960, 20% of U.S. made products faced foreign competition. By 1980, the figure had shot up to 70%. Does anyone doubt that global competition is a fact that cannot be ignored?

I used to be a businessman; now I'm a doctoral student conducting dissertation research. The purpose of this study is to show the effects of global competition on certain company practices. Since you are in a position to know about specific company practices that interest me, I hope you will complete and return the enclosed questionnaire. I told you I used to be in business. Therefore, I understand that your time is valuable, and I have worked hard to make the questionnaire very short and easy to fill out. In fact, it shouldn't take more than **three minutes** to do so. A self-addressed, stamped envelope is provided for your convenience.

Your responses will be given complete confidentiality; the questionnaire is identified by number only. Responses will be reported only as statistical summaries, not as individual responses. In addition, I will be the only one to see the match between company and number. A summary of the results can be obtained by writing "Copy of Results Requested" on the back of the return envelope, and printing your name and address below it. Please do not put this information on the questionnaire itself.

Will you help? The information I'm requesting could provide important insight into today's business operations. I thank you for your cooperation. If you have any questions, please call me at (214) 492-1071 or (817) 565-3140.

Sincerely,

William G. Steingruber  
 Project Director

Enc.

This project has been reviewed by the University of North Texas  
 Committee for the Protection of Human Subjects (817-565-3940).



For informational purposes, please state your position title: \_\_\_\_\_

1. Which best describes the role that the human resource/personnel area (its staff) plays in determining or supporting your firm's strategic direction? (Please check just one).

\_\_\_\_\_ The human resource area provides operational support, develops some internal programs to meet specific needs, but is generally viewed as a processor of paperwork and employment activities.

\_\_\_\_\_ The human resource area reacts to strategic directions and requests from top management.

\_\_\_\_\_ The human resource area provides input into and reacts to strategic directions set by top management, but only on personnel-related matters.

\_\_\_\_\_ The human resource area is actively involved in all types of strategic decisions, whether or not they directly affect personnel matters.

2. As a follow-up to question 1, approximately how long has this practice been in effect?

\_\_\_\_\_

3. How does your company achieve competitiveness in the global market? (Please check just one).

\_\_\_\_\_ By building a strong local presence through sensitivity and responsiveness to national differences among countries.

\_\_\_\_\_ By building cost advantages through global-scaled operations.

\_\_\_\_\_ By building interdependent resources with specialized subsidiary roles while maintaining flexible and joint operations among countries.

4. Please answer the following question. Approximately what percentage of your company's revenues are derived from foreign operations?

\_\_\_\_\_

5. Please answer the following question. What percentage of overseas personnel have to be recalled to their home country or dismissed because of inability to function effectively in a foreign assignment? Please be as exact as possible. Use a number, not a range.

\_\_\_\_\_

Companies may sponsor formal training programs to prepare their candidates for overseas assignments. Please indicate by an ( X ) the type of training program that your organization has for candidates who would be taking up overseas managerial positions in each of the four categories. Next to the ( X ), write the number of hours involved in each program. For example, 30 minutes would be 1/2.

(1) <u>Chief Executive Officer</u> :	whose responsibility is to oversee and direct the entire foreign operation.
(2) <u>Functional Head</u> :	whose job is to establish functional departments in a foreign subsidiary.

Type of Training Program	Chief Executive Officer	Functional Head	Trouble Shooter	Operative
Language Training				
Cultural Orientation--information about the cultural institutions, value systems of host country				
Environmental Briefing--information about the geography, climate, housing, schools, etc.				
Cultural Assimilator--brief episodes describing inter-cultural encounters				
Sensitivity Training--to develop attitudinal flexibility				
Field Experience--wherein trainees are actually sent to the country of assignment or a "micro culture" nearby, where they could undergo some of the emotional stress that they would expect in living and working with people from a different sub-culture / culture.				
Other (specify):				

THANK YOU VERY MUCH FOR YOUR HELPFUL RESPONSE!

September 21, 1995

FIELD(Name)  
FIELD(Title)  
FIELD(Company)  
FIELD(Street Address)  
FIELD(City, State Zip)

Dear FIELD(Salutation):

About nine weeks ago, I wrote to you seeking some information regarding responses to global competition. As of today, I have not received your completed questionnaire.

I have undertaken this study because I believe the more we understand about competing successfully, the more businesses will be able to do so. You would think that an issue this important has been fully researched, but there is a surprisingly large gap in information.

I am writing to you again because of the significance each questionnaire has to the usefulness of the study. Of the many thousands of U.S. firms, only a few hundred have been selected to study. In order for the results of this study to be truly representative, it is essential that each person in the sample return his or her questionnaire.

In the event your questionnaire has been misplaced, a replacement is enclosed. Your cooperation is appreciated.

Cordially,

William G. Steingruber  
Project Director

Enc.

P.S. If you would like a summary of the results, just write "Summary of Results Requested" on the back of the return envelope (not on the questionnaire). Results should be available in a few weeks.

This project has been reviewed by the University of North Texas  
Committee for the Protection of Human Subjects (817-565-3940)

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