COUNTRY-OF-ORIGIN, LOCALIZATION, OR DOMINANCE EFFECT? AN EMPIRICAL INVESTIGATION OF HRM PRACTICES IN FOREIGN SUBSIDIARIES

MARKUS PUDELKO AND ANNE-WIL HARZING

This article contributes to two recurring and very central debates in the international management literature: the convergence vs. divergence debate and the standardization vs. localization debate. Using a large-scale sample of multinationals headquartered in the United States, Japan, and Germany, as well as subsidiaries of multinationals from these three countries in the two other respective countries, we test the extent to which HRM practices in subsidiaries are characterized by country-of-origin, localization, and dominance effects. Our results show that overall the dominance effect is most important (i.e., subsidiary practices appear to converge to the dominant U.S. practices). Hence, our results lead to the rather surprising conclusion for what might be considered to be the most localized of functions—HRM—that convergence to a worldwide best practices model is clearly present. The lack of country-of-origin effects for Japanese and German multinationals leads us to a conclusion that is of significant theoretical as well as practical relevance. Multinationals might limit the export of country-of-origin practices to their core competences and converge to best practices in other areas.

For at least four decades, the international management literature has been characterized by two recurring and very central debates: on the macro (country) level, the so-called convergence vs. divergence debate, which remains a key point of controversy in cross-cultural management, and, on the meso (company) level, the standardization vs. localization debate, one of the central questions in the literature on multinational corporations (MNCs). While on a theoretical level this latter debate mainly has been conducted with regard to management practices in general, human resource management has occupied a particularly important position in empirical studies in this field.

In this article, we adopt a broad definition of HRM as the activities that a company

Correspondence to: Markus Pudelko, University of Edinburgh Management School, 50 George Square, Edinburgh EH8 9JY, UK, Phone: + 44 131 651 1491, Fax: + 44 131 668 3053, E-mail: markus.pudelko@ed.ac.uk.

Human Resource Management, Winter 2007, Vol. 46, No. 4, Pp. 535–559

Published online in Wiley InterScience (www.interscience.wiley.com).
DOI: 10.1002/hrm.20181

conducts to use its human resources effectively. Since HRM deals with the management of people, it often is seen as one of the functions least likely to converge across countries and where MNCs are more likely to localize practices than to export country-of-origin practices. While our literature review below shows the considerable support for this assumption, the question remains whether the increasing importance of globalization and the ever-growing presence of MNCs will diminish the localization of practices. In this context, the dominance effect assumes particular importance. It occurs when management practices of subsidiaries are shaped according to neither the host country (localization) nor to the home country (country-of-origin effect), but according to that country that sets the standards for what are perceived global "best practices."*

In this context, the dominance effect assumes particular importance. It occurs when management practices of subsidiaries are shaped according to neither the host country (localization) nor to the home country (country-of-origin effect), but according to that country that sets the standards for what are perceived global "best practices."

Much of the research in this area has focused on in-depth studies of a limited number of countries and has prevented us from systematically investigating the existence of country-of-origin, localization, and dominance effects. This study, in contrast, employs a very carefully matched design in which we investigate the same three countries (the United States, Japan, and Germany) as home and host countries. We not only study HRM practices at headquarters (HQ) in each of these three countries, but also the practices of the subsidiaries of MNCs from each of the three countries in the two other respective countries. As a result, we are able to compare the HRM practices of nine different groups of companies: headquarters in the United States, Japan, and Germany, subsidiaries of Japanese and German MNCs in the United States, subsidiaries of U.S. and German MNCs in Japan, and subsidiaries of Japanese and U.S. MNCs in Germany. This design will enable us to disentangle the country-of-origin, localization, and dominance effects to a far greater extent than has been possible in other studies.

In the remainder of this article, we first provide an overview of the convergence vs. divergence and the standardization vs. localization debate, paying special attention to the dominance effect. We then integrate the various perspectives and discuss our rationale for focusing on HRM practices in the United States, Japan, and Germany as the subject of our empirical study. Subsequently, we review our methodology and present the results of our study. We come to the surprising conclusion that a function generally considered to be the most local of business functions shows very strong signs of converging to a dominant model, regardless of the home or host countries involved. Both German and Japanese subsidiaries appear to embrace the U.S. HRM model, a finding consistent with other recent studies. In our discussion, we suggest that German and Japanese MNCs might limit export of management practices to what they consider their core competences and converge to what they regard as best practices in other areas. Future research might assess whether this result holds true for MNCs from other countries as well.

Theoretical Framework

The Convergence vs. Divergence Debate[1]

Authors following the convergence approach assume that in management, *best practices* can be defined that are universally valid and applicable, irrespective of national culture or institutional context. Efficiency imperatives and an increasingly similar global competitive environment are perceived to force companies to adopt such best practices in order to increase their competitiveness. From this follows a cross-national convergence of management practices (see, e.g., Fenton-O'Creevy & Gooderham, 2003; Kerr, Dunlop,

*In the following we frequently use the term best practices. In this article we do not wish to imply that companies apply (objective) best practices, but what they (subjectively) perceive to be best practices.

Harbison, & Myers, 1960; Levitt, 1983; Toynbee, 2001). Due to the dominance of American business schools in the development and dissemination of new management knowledge, the dominance of American consultancies in further spreading this knowledge and, most importantly, the strength of the American economy and American MNCs, best practices in management are often, explicitly or implicitly, equated with management practices employed by successful American MNCs (C. Smith & Meiksins, 1995).

By contrast, scholars subsumed under the divergence or nonconvergence school emphasize the embeddedness of national management methods in their cultural and institutional context and, therefore, are more skeptical about the possibility of cross-national learning from best practices. The literature in this area is divisible into two schools of thought: the culturalist and the institutionalist orientation. The culturalist tradition leans heavily on the work of Geert Hofstede, and in particular the indices of national cultural dimensions he developed (Hofstede, 1980). Authors who developed similar cultural dimensions are Trompenaars and Hampden-Turner (1998) and House, Hanges, Javidan, Dorfman, and Gupta (2004).

The institutionalist school sees the institutional environment as the key determinant of organizational characteristics (DiMaggio & Powell, 1991; Scott, 1995). In the field of international comparative management, the institutionalist approach is exemplified by the "business systems" approach (Whitley, 1992, 1996, 2000), the societal effect approach (Maurice, 1979; Maurice, Sorge, & Warner, 1980; Sorge & Warner, 1986), and, more recently, the analysis of "varieties of capitalism" (Hall & Soskice, 2001; Hollingsworth & Boyer, 1997; Kitschelt, Lange, Marks, & Stephens, 1999; Streeck, 2001a). Both the cultural and the various incarnations of the institutional approaches see little scope for cross-national convergence of management practices.

A country frequently referred to in this context is Japan. Its management model, and in particular its HRM model, has at least until recently been depicted as very different from Western-style management, yet competitive (Dore, 2000; Kono & Clegg, 2001; Ouchi, 1981; Vogel, 1979). Deep-rooted and unique cultural and institutional characteristics usually are cited as the key reasons for these differences (Ballon, 2005; Inohara, 1990; Pudelko, 2006b). However, important and persisting differences in management methods have been identified even among Western countries, mainly between the United States and Europe (Brewster, 1995; Brewster & Bournois, 1993; Guest, 1990). According to Warner and Campbell, it is German management that has, within the Western world, the symbolic status "as antithesis to the Anglo-American approach" (1993, p. 92; see also Lawrence, 1993). German HRM is met by American scholars with some, though limited, interest (e.g., Pfeffer, 1998; S. Smith, 1991; Wever, 1995).

On the company level, the question of whether global management practices converge or remain different due to persisting differences in cultural and institutional contexts is closely related to one of the oldest debates in the literature on MNCs: the standardization vs. localization/adaptation or integration vs. responsiveness debate.

More recent writings abandon the strict dichotomy between convergence and nonconvergence in order to depict a more differentiated picture. Frenkel and Peetz (1998) describe a globalization-induced trend toward increasing convergence, which finds a counterbalance in national culture, the role of the nation-state, and national industrialization strategies. Similarly, Katz and Darbishire (2000) observe a growing convergence of several patterns of HRM practices among industrialized countries that coexist with an overall increasing divergence of employment practices within each country, a phenomenon they call *converging divergences*. Frenkel and Kuruvilla (2002) perceive employment relations patterns determined by the interplay of what they label three distinct "logics of action": the logic of competition, resulting in the pursuit of best practices and ultimately convergence; the logic of industrial peace, achieved in unique national solutions and encouraging nonconvergence; and the logic of employment-income protection, which stands in between convergence and nonconvergence.

The Standardization vs. Localization Debate

On the company level, the question of whether global management practices converge or remain different due to persisting differences in cultural and institutional contexts is closely related to one of the oldest debates in the literature on MNCs: the standardization vs. localization/adaptation or integration vs. responsiveness debate. The terms *integration vs. responsiveness* mostly are used to characterize general MNC strategies (e.g., Bartlett & Ghoshal, 1989; Prahalad & Doz, 1987), while *standardization vs. localization/adaptation* are more commonly employed to refer to functional areas such as marketing and HRM. The link between the convergence vs. nonconvergence controversy and the standardization vs. localization debate is chiefly established by MNCs that are the main object of analysis of the latter debate, and as already established, one of the main reasons for assumed convergence in the context of the former debate.

…all too often neglected in the MNC standardization vs. localization debate is that standardization can also take place around another pole: the national management model, which is considered to be particularly competitive and, therefore, assumes the function of a role model.

One of the central questions in the literature on MNCs is the extent to which their practices resemble those of the parent company (standardization) versus the extent to which their subsidiaries act and behave as local firms (localization). In the light of globalization, HRM has evolved from a support function to a function of strategic importance. HRM increasingly is viewed as a crucial component of the firm's overall strategy (Schuler & Rogovsky, 1998). Some have even identified it as the glue that holds global organizations together (Teagarden & Von Glinow, 1997), and hence many MNCs attempt to transfer their HRM practices to their overseas subsidiaries. As a result, HRM practices at the subsidiary level will resemble practices in the home country more so than practices of local firms (country-of-origin effect). Country-of-origin effects have been shown to be persistent in many areas of management (see Harzing & Noorderhaven, in press; Harzing & Sorge, 2003). However, previous research also has shown that national cultural and institutional characteristics limit the transfer of HRM practices (Beechler & Yang, 1994; Ferner, 1997; Khilji, 2003; Myloni, Harzing, & Mirza, 2004; Schuler & Rogovsky, 1998). As a result, many MNCs adapt their practices to the host environment, hence showing localization.

The Dominance Effect

In the standardization vs. localization debate, the concept of standardization mostly is understood as standardization of MNCs' management practices around those management practices employed by headquarters and therefore frequently reflect the specific patterns of the headquarters' home country (country-of-origin effect). However, all too often neglected in the MNC standardization vs. localization debate is that standardization can also take place around another pole: the national management model, which is considered to be particularly competitive and, therefore, assumes the function of a role model. In this case, management practices of subsidiaries are shaped in accordance to neither the host country (localization) nor the home country (country-of-origin effect), but according to the country that sets the standards for what are perceived as global best practices. Following C. Smith and Meiksins (1995), we label this form of standardization of management practices the *dominance effect*. Consequently, the standardization argument of the standardization vs. localization debate comprises two distinct effects: the country-of-origin effect and the dominance effect. C. Smith and Meiksins state:

> It is clear from history that there has always been a hierarchy between economies, and those in dominant positions have frequently evolved methods of organizing production or the division of labour which have invited emulation and interest. These "dominant" societies are deemed to represent "modernity" or the future, and act, either in total or through aspects of their system, as a measure of "progress" and "development." (pp. 255–256)

One reason a country is accorded dominant status is superior economic performance. More specifically, if the strengths of a successful economy are concentrated in industries characterized by intense international competition—for example, sophisticated mass production sectors like automobiles and electronics—the attention and the readiness to learn from it will be particularly strong. Such industries are often the focal point for defining best practices and the place where global standards of management practice are set. Taylorism, or "scientific management," has been the prime example for a management concept claiming universal validity. Other examples are lean production, kaizen, reengineering, and management by objectives.

According to C. Smith and Meiksins (1995, p. 243), the United States, Japan, and Germany are most frequently referred to as role models, "as they provide 'best practice' ideals from which other societies can borrow and learn." As economic performance and growth paths vary over time, however, the role of a "dominant" economy also rotates among countries. In the 1950s, 1960s, and most of the 1970s, the American management style clearly was dominant and a common expectation was that it would spread around the world, gaining application in many foreign countries. From the late 1970s to the early 1990s, this argument increasingly was applied to Japan (Mueller, 1994) and, to a lesser extent and limited to the European context, Germany (Albert, 1991; Thurow, 1992).

Since the implosion of the Japanese economy, the stagnation of the German economy, and with the advent of globalization, the conventional wisdom over the last one-and-a-half decades has been that the American management model is particularly well suited to provide the necessary flexibility to cope with rapidly evolving economic and technological conditions. Consequently, the United States again became the dominant role model (Edwards, Almond, Clark, Colling, & Ferner, 2005). However, it must be acknowledged that, more recently, economic growth in both Japan and Germany is on the rise again. On a micro level, this growth might possibly be accredited in part to learning from the dominant management model.

Consequently, in this study, the dominance effect is defined as standardization around American management practices commonly perceived as representing best practices.

One major agent in diffusing best practices globally is MNCs, as they are considered to be particularly effective in transferring knowledge across national borders (Bartlett & Ghoshal, 1989). With the intensification of international competition and the increased global integration of economic activities, the importance of the concept of learning from best practices defined by dominant economies has increased. Consequently, globalization can be interpreted as promoting standardization around dominant economies.

As best practices frequently develop under the specific cultural and institutional context of the country of origin, adoption of those practices will be particularly difficult for countries that operate under very different sociocultural contingencies. The actual outcome of the transfer process also depends on the relative openness or receptiveness to dominant best practices of the receiving country. How global standards from a dominant model will be implemented in practice can therefore only be determined ex post, and not a priori (C. Smith & Meiksins, 1995). Institutional theory (DiMaggio & Powell, 1991; Meyer & Rowan, 1977) can help explain how dominance effects develop. Subsidiaries of MNCs are part of the same population facing the same set of environmental conditions. Uncertainty in the environment might lead to mimetic isomorphism, where organizations adopt seemingly successful best practices. Companies conform to increase their legitimacy as a successfully run organization, to impress shareholders, and thus to increase their survival prospects. HR directors, in turn, feel a need to espouse the dominant model of HRM practices (for example, to attract top talent globally and to impress superiors and peers).

As described above, the strength of national economies and of MNCs, business school research and teaching, and consultancies all are important factors determining what is considered best practice standards. The current dominance of the United States in all four areas seems to indicate that convergence often is equated to convergence toward management practices of the most dominant economy, the United States. According to Müller (1999, p. 126), the American concept of HRM in particular "has emerged as one of the most important prescriptions for a world-wide convergence of managerial practices" (see also Mueller, 1994; C. Smith & Meiksins, 1995). In addition, globalization appears to work in favor of traditional American competitive advantages (Edwards et al., 2005; Pudelko, 2005). Consequently, in this study, the dominance effect is defined as standardization around American management practices commonly perceived as representing best practices.

Our study provides a perfectly balanced and controlled sample that includes not only headquarters in each of the three countries, but also all subsidiary combinations.

Integration of the Two Debates, Research Gap, and Hypotheses

We have established that management practices in MNCs consist of the interplay between three effects: the localization effect, the country-of-origin effect, and the dominance effect. If one adheres to the nonconvergence concept, management methods are successful only when adapted to the respective cultural and institutional context in which they operate. Therefore, MNCs must adapt the activities of their subsidiaries to the contingencies of the respective host country (localization effect). In contrast, if more credence is attached to the convergence concept, MNCs should strive to standardize their practices throughout the organization. As we have seen, however, standardization occurs around home-country practices (country-of-origin effect) or toward the management model, which represents perceived best practices (dominance effect). Hence, the concept of convergence should be differentiated to cover both standardization effects. If MNCs follow best practices of the dominant management model, we should observe a worldwide convergence of management practices. If, however, MNCs apply their country-of-origin management practices in their subsidiaries, convergence of management practices would only take place within MNCs. Figure 1 summarizes these relations.

Our study examines the relative importance of these three effects on the management practices of MNCs. We have chosen to focus on HRM practices in subsidiaries of U.S., Japanese, and German MNCs. We believe that the area of HRM is particularly well suited for the investigation of these three effects, since HRM practices are considered to be particularly difficult to transfer from one country to another. Consequently, if cross-national learning from best practice can be achieved here, then it also should be possible for other management functions. Finding evidence of cross-national learning in HRM would therefore be a strong indicator for the (at least partial) validity of the standardization, or convergence concept.

Our choice of U.S., Japanese, and German MNCs was guided by five arguments. First, these three countries are the largest economies in the world (Organisation for Economic Co-operation and Development [OECD], 2006).[2] Second, they constitute the leading economies of the triad of North America, East Asia, and Europe, which dominates world markets (Ohmae, 1985;

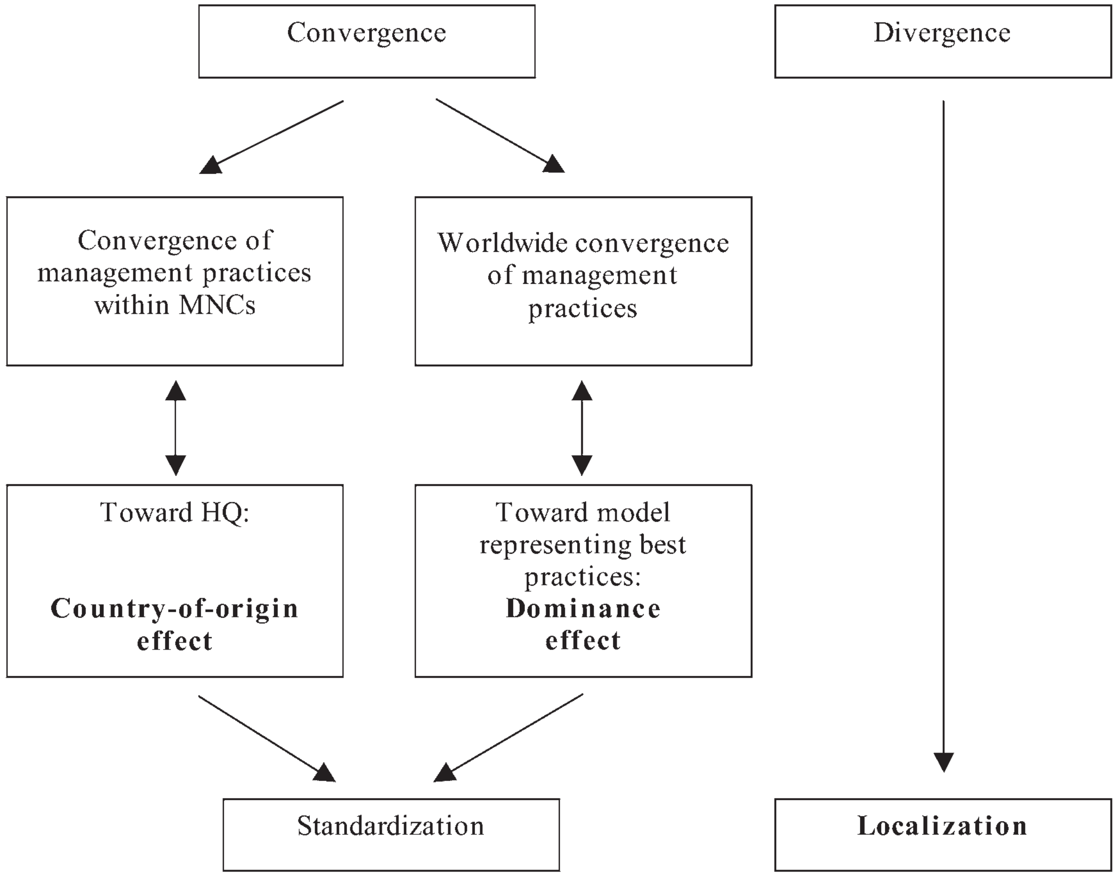

FIGURE 1. Clarification of Terms

Thurow, 1992). Third, they represent three fundamentally different models of market economies: free-market economy, government-guided market economy, and social market economy, rendering transfer of management practices between them more difficult (Garten, 1993; Thurow, 1992). Fourth, according to C. Smith and Meiksins (1995, p. 243), the United States, Germany, and Japan are most frequently referred to as role models, "as they provide 'best practice' ideals from which other societies can borrow and learn." Fifth, the transfer of management practices between these three countries has been investigated rather comprehensively, resulting in findings that alternatively support the existence of all three effects (e.g., Gooderham, Nordhaug, & Ringdal, 1998; Lane, 1989; Lincoln & Kalleberg, 1990; Sullivan & Nonaka, 1986). However, even though the transfer of management practices between these countries has been the subject of much research, the mixed and contradicting results point to the need for a more comprehensive and systematic study of these effects.

Our study provides a perfectly balanced and controlled sample that includes not only headquarters in each of the three countries, but also all subsidiary combinations. As a result, we are able to compare the HRM practices of nine different groups of companies: headquarters in the United States, Japan, and Germany, subsidiaries of Japanese and German MNCs in the United States, subsidiaries of U.S. and German MNCs in Japan, and subsidiaries of U.S. and Japanese MNCs in Germany. This comparison will enable us to disentangle the country-of-origin, localization, and dominance effects to a far greater extent than has been possible in other studies. Since previous studies have found support for the existence of all three effects, we propose the following rather generic research question:

RQ1: To what extent are country-of-origin, localization, and dominance effects present in U.S., Japanese, and German subsidiaries in three different host-country contexts?

As we have discussed in some detail above, globalization of the world economy increasingly forces MNCs to adopt best practices to remain competitive. We therefore presume that:

H1: The dominance effect occurs more frequently than the other effects.
H2: The dominance effect increases in importance over time.

Respondents were presented with a set of 12 six-point bipolar scales concerning HRM practices. They were asked to indicate, for each of these pairs, the practices they believed best characterized the human resource practices (found throughout all hierarchical levels) in their subsidiary (for the six subsidiary groupings) or companies in their country (for the three HQ countries).

Methods

Data Collection and Sample

Data were collected through an extensive mail survey focused on HRM practices of U.S., Japanese, and German MNCs. The first part of this study (1999–2000) focused on the headquarters. More specifically, questionnaires were mailed to the heads of the HR department of the top 500 companies from each of the three countries. It was assumed that heads of HR departments (usually at a vice president level) had the best expertise and knowledge to provide the information required, given their senior position within the corporate hierarchy. In the second phase of this study, we obtained information from the subsidiaries. We investigated U.S. and Japanese subsidiaries in Germany in 2001, U.S. and German subsidiaries in Japan in 2002, and Japanese and German subsidiaries in the United States in 2003. Again, questionnaires were sent to the heads of the HR departments.[3]

The questionnaire was developed after an extensive review of the relevant literature. To enhance content validity and to minimize the possibility of misunderstanding, the questionnaire was pilot-tested in a focus group consisting of three German HR managers.[4] These managers had between 5 and 25 years of work experience in multinational corporations. Pilot-testing focused on both content and questionnaire design and resulted in some changes to enhance comprehensibility. In order to allow for direct comparisons, the subsidiary questionnaire contained several of the same questions as the HQ questionnaire, while other questions specifically focused on subsidiary issues. The headquarters questionnaire contained 36 items, while the subsidiary questionnaire included 67 items. Only data relevant to localization, country-of-origin effect, and dominance effect are presented in this article.

Most questionnaires were sent by mail, except for U.S. subsidiaries in Japan where the executive director of the American Chamber of Commerce in Japan sent them via e-mail.[5] In total, 15 questionnaire versions in English, Japanese, or German were used. Three questionnaires in the local language were used for the three HQ surveys. For each of the six groups of subsidiaries, we provided two questionnaires, one in the home-country language and one in the host-country language.[6] In order to secure consistency among the English, Japanese, and German versions, we used the translation and back-translation procedure (Brislin, 1970).

A total of 849 HR managers participated in the various surveys. Detailed information on the number of respondents and the response rates are presented in Table I. The lower response rates for the HQs compared to the subsidiaries reflect the fact that the top 500 companies of the three major economies in the world are very frequently targeted by surveys like ours (Harzing, 1997). In addition, we approached respondents at a very senior level (usually at the vice president level). However, it should be observed that the response rate for Germany is still above comparable postal questionnaire research, such as the well-known Cranet-E-survey for Germany (Hanel, 1996; see also Schmitt & Sadowski (2003)). The response rate for Japan also is above sim-

TABLE I Responses and Response Rates

Companies	Country of Origin	Questionnaires Mailed	Returned Undeliverable	Returned Responses	Response Rate
Headquarters	USA	500	18	57	12%
	JPN	500	8	68	14%
	GER	500	2	107	21%
	Subtotal	*1,500*	*28*	*232*	*16%*
Subsidiaries in Germany	USA	250	27	54	24%
	JPN	250	19	82	35%
	Subtotal	*500*	46	*136*	*30%*
Subsidiaries in Japan	USA	74*	0	36	49%
	GER	250	23	85	37%
	Subtotal	*324*	23	*121*	*40%*
Subsidiaries in the USA	GER	500	62	151	34%
	JPN	600	57	209	38%
	Subtotal	*1,100*	119	*360*	*37%*
Total		*3,424*	216	*849*	*26%*

*For American subsidiaries in Japan, only those companies that agreed to be approached by the researchers were contacted. This explains both the small number of questionnaires sent out and the relatively high response rate.

ilar prior surveys in Japan as reported by Kato and Morishima (2003). In order to test nonresponse bias, we compared responding and nonresponding firms on size (number of employees) and industry. No significant differences were found on these variables. We therefore are reasonably confident that nonresponse bias is not a problem in our study.

Our sample included a large variety of industries, both in manufacturing and in services. The overall median subsidiary size was 86 employees. Most of the subsidiaries (83%) were greenfields. We compared results by sector (manufacturing versus services), both for the overall sample and by country. Neither of these comparisons produced significant differences in terms of HRM practices. A correlation analysis between size and HRM practices produced a very weakly significant result (Pearson's $r = 0.068$, $p = 0.096$). Differentiating by home country showed that for both Japanese and U.S. MNCs, larger subsidiaries are more likely to follow home-country practices ($p = 0.056$ and 0.048, respectively). This result may reflect the strategic importance of larger subsidiaries. Finally, we compared HRM practices between greenfields and acquisitions, both for the overall sample and for each of the six subsidiary samples. In none of these samples did differences in HRM practices between greenfields and acquisitions attain statistical significance.

Measures and Analysis

Respondents were presented with a set of 12 six-point bipolar scales concerning HRM practices. They were asked to indicate, for each of these pairs, the practices they believed best characterized the human resource practices (found throughout all hierarchical levels) in their subsidiary (for the six subsidiary groupings) or companies in their country (for the three HQ countries). While we acknowledge that due to our data collection procedures, our data are subjective (opinions) and may not reflect actual HRM practices completely, we feel that the comparative focus of our study counterbalances this common concern with surveys. We also have no reason to expect systematic bias in our results.[7] The 12 bipolar scales covered four categories that capture the major elements of human resource management: recruitment and release of personnel, training and development, employee assessment and promotion criteria, and employee incentives. Appendix A provides an overview of all 12 pairs of opposing statements.

If a subsidiary's mean score was not significantly different from the home-country mean score but was significantly different from the host-country mean score, we assumed the presence of a country-of-origin effect.

In addition, our use of content-oriented scale anchors and an even-numbered scale avoids the acquiescence response effect often found in scales expressing agreement and the medium response effect common to scales with a distinct midpoint. These factors are particularly important for our study, since Japanese respondents have been found to show response effects that differ from those of U.S. respondents (Chen, Lee, & Stevenson, 1995; Harzing, 2006). The scale anchors were based on an extensive literature review and were designed to cover a comprehensive spectrum of possibilities in between which each of the three HRM models could be situated. Space constraints prevent us from providing supporting citations for each of the 12 opposing statements. However, the following texts are representative of the publications used to construct the questionnaire items: for the United States: Kalleberg, Knoke, Marsden, and Spaeth (1996), Kochan (1996), Ichniowski, Levine, Olson, and Strauss (2000), and Strauss (2001); for Japan: Dalton and Benson (2002), Matanle (2003), Ornatowski (1998), and Yoshimura and Anderson (1997); and for Germany: Müller (1999), Streeck (2001b), Wächter & Muller-Camen (2002), and Wever (1995).

The Cronbach reliability coefficient for this 12-item scale was $\alpha = 0.77$. Based on the HQ data, it was established that typical U.S. practices were situated close to the anchors on the left-hand side (as depicted in Appendix A) and typical Japanese practices close to the anchors on the right-hand side, while typical German practices were found in between. For each of the six groups of subsidiaries, an analysis of variance (ANOVA) subsequently compared the mean scores of the subsidiary HRM practices with the HRM practices of the home and host country (as measured at HQ). If a subsidiary's mean score was not significantly different from the home-country mean score but was significantly different from the host-country mean score, we assumed the presence of a country-of-origin effect. If a subsidiary's mean score was not significantly different from the host-country mean score but significantly different from the home-country mean score, a localization effect would be present. If a subsidiary's mean score was significantly different from the home-country mean score but not significantly different from the mean score of U.S. practices, a dominance effect was assumed.

The increase of the dominance effect over time was measured by asking respondents to indicate on a five-point scale whether their subsidiary's HRM practices were more similar to home-country practices or to host-country practices. This question was repeated for the present, the past, and the future. If the dominance effect increased over time, we would expect Japanese and German subsidiaries in the United States to show a stronger resemblance to local practices, while U.S. subsidiaries in both Germany and Japan would show a decreasing resemblance to local practices. Whereas this study design cannot be considered to be longitudinal in the strict sense, it does provide us with some indications of changes over time.

Supplementary information to test both hypotheses came from the questionnaires completed at the HQ level in the three countries. Respondents at this level were asked about the extent to which they believed companies of their own country had oriented themselves (in the past) or will orient themselves (in the future) toward HRM practices from the two other countries. While, again, our study is not longitudinal in the strict sense, we argue that these two, combined sources provide a good indication of changes over time.

Results

As Table II and Figure 2 show, there are substantial differences between the three countries included in our study. A clear dominance effect is present in two cases: Japanese subsidiaries in Germany and German subsidiaries in Japan. In both cases, subsidiaries resemble neither home nor host country, but instead follow U.S. practices. For Japanese subsidiaries in the United States, we can only conclude that they follow U.S. practices, but we cannot establish whether this pattern is caused by a dominance or localization effect. The same is true for German subsidiaries in the United States, although differences here are smaller than for Japanese subsidiaries. U.S. MNCs show a combination of localization and country-of-origin/dominance effects.[8] In Japan, the HRM practices of U.S. subsidiaries are in between parent and host-country practices and significantly different from both, but are closer to home-country practices. In Germany, HRM practices of U.S. subsidiaries also lie between parent and host-country practices but are closer to (and not significantly different from) host-country practices. Overall, and in response to RQ 1, we therefore find that while all effects are present in our sample, the dominance effect appears stronger than the localization and country-of-origin effect.

Importance of the Dominance Effect

Hypothesis 1 posited that the dominance effect would occur more frequently than the other effects. Our results find substantial confirmation of this hypothesis. In the only two cases where a dominance effect could be tested unambiguously (Japanese subsidiaries in Germany and German subsidiaries in Japan), this effect was indeed present. In two other cases (German and Japanese subsidiaries in the United States), a movement toward dominant U.S. practices was apparent, but as the host country location was the United States, we could not establish whether this was a localization or a dominance effect. The only two cases in which a dominance effect was not present were U.S. subsidiaries in Germany and Japan that at least partially localize their practices rather than fully transfer their dominant home-country practices. However, as we will see, even these subsidiaries are expected to reduce their localization in the future.

Increase of the Dominance Effect Over Time

Hypothesis 2 posited that the dominance effect would increase over time. An increasing dominance effect would imply that foreign (Japanese and German) subsidiaries in the United States would progressively increase their resemblance to local practices over time and that subsidiaries of U.S. MNCs (in Japan and Germany) would decrease it. As Table III and Figure 3 show, this is exactly what happens. While resemblance to local practices was fairly similar ($F = .933$) for all four groups in the past, it has diverged in the present ($F = 21.998$ [$p < .001$]) and is expected to diverge even more in the future ($F = 63.415$ [$p < .001$]). This divergence follows the predicted direction—that is, more resemblance to local practices for subsidiaries of German and Japanese MNCs in the United States and less resemblance to local practices for U.S. subsidiaries in Japan and Germany. The difference between future and past is highly significant for three of the four groups.

Overall, and in response to RQ 1, we therefore find that while all effects are present in our sample, the dominance effect appears stronger than the localization and country-of-origin effect.

Sensitivity Analysis: A Comparison of Local and Expatriate Respondents and Manufacturing and Service Subsidiaries

An alternative explanation for our subsidiary-level results could be that respondents from

TABLE II Country-of-Origin, Dominance, and Localization Effects

Subsidiary Location	Home Country Mean	Subsidiary Mean	Host Country Mean	U.S. Mean	F-value	Significant Differences at p < 0.05	Country-of-Origin Effect?	Dominance Effect?	Localization Effect?
U.S. subsidiaries in Japan	2.87	3.22	4.09	---	55.801***	Home country < Subsidiary < Host country	Partial?	Partial?	Partial
U.S. subsidiaries in Germany	2.87	3.08	3.25	---	8.211***	Home country < Host country & subsidiary	No	No	Yes
Japanese subsidiaries in the U.S.	4.09	2.74	2.87	---	94.300***	Subsidiary & host country < Home country	No	Yes	Yes?
Japanese subsidiaries in Germany	4.09	2.89	3.25	2.87	52.871***	US & subsidiary < Host country < Home country	No	Yes	No
German subsidiaries in the U.S.	3.25	2.96	2.87	---	11.205***	Host country & subsidiary < Home country	No	Yes	Yes?
German subsidiaries in Japan	3.25	2.73	4.09	2.87	70.381***	US & subsidiary < Home country < Host country	No	Yes	No

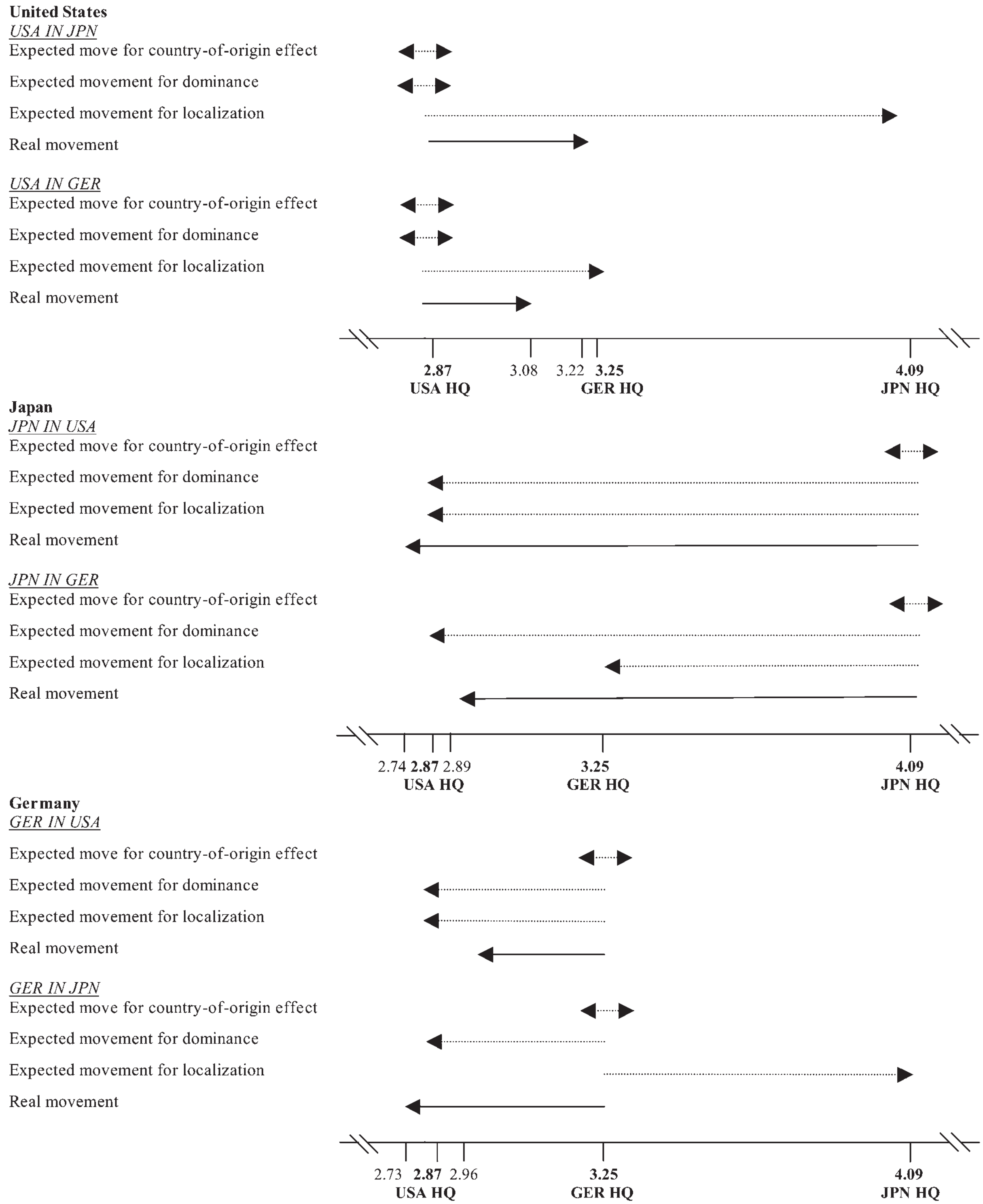

FIGURE 2. Country-of-Origin, Dominance, and Localization Effects by Home Country

different nationalities might assess the company's HRM practices in different ways, depending on their familiarity with either host- or home-country practices. Local managers—who are more familiar with local HRM practices—might be more inclined to perceive their company's HRM practices as different from local practices, while expatriate HRM

TABLE III Extent of Adaptation to Local Practices

Subsidiary Type	Past	Present	Future	Difference Present vs. Past	Difference Future vs. Present	Difference Future vs. Past	Sign. of Difference Future vs. Past (t-values)
U.S. subsidiaries in Japan	3.32	3.06	2.49	–.26	–.57	–.83	–6.648***
U.S. subsidiaries in Germany	3.45	3.15	3.35	–.30	.20	–.10	.485
German subsidiaries in the U.S.	3.22	4.33	4.45	1.11	.12	1.23	18.553***
Japanese subsidiaries in the U.S.	3.07	3.78	4.23	.71	.45	1.16	19.078***

managers—who are more familiar with home-country HRM practices—would be more attuned to the differences with home-country practices. We therefore repeated our analyses for Hypotheses 1 and 2 by splitting the sample in each country into local and expatriate respondents. In most cases, we do indeed find local managers to be slightly more inclined to report HRM practices closer to home-country practices, while expatriates are slightly more likely to report HRM practices closer to host-country practices. However, the overall results with regard to both hypotheses do not change. According to Hypothesis 1, a dominance effect clearly is present for German subsidiaries in Japan and Japanese subsidiaries in Germany, while both German and Japanese subsidiaries in the United States show a move toward U.S. practices. U.S. subsidiaries show a partial localization effect for both local and expatriate respondents. Confirming Hypothesis 2, both local and expatriate respondents indicate an increasing level of adaptation to local practices in the United States and a decreasing level of adaptation to local practices in Japan.

As a reflection of the fact that, on average, Germany and Japan have a stronger competitive advantage in production and engineering, subsidiaries of German and Japanese MNCs in our sample had a higher proportion of subsidiaries in the manufacturing sector (more than two-thirds of the subsidiaries were in manufacturing) than subsidiaries of U.S. MNCs (just over half of the subsidiaries were in manufacturing). We therefore conducted a supplementary analysis to establish whether this differential distribution might have influenced our results. A country-by-country comparison looking at the difference in HRM practices for service and manufacturing subsidiaries found no significant differences by country. The differences between the two industries were largest in the two cases where the dominance effect was strongest: German subsidiaries in Japan and Japanese subsidiaries in Germany. However, in these cases, HRM practices in subsidiaries in the service industry actually were more similar to U.S. practices than HRM practices in subsidiaries in the manufacturing industry. Hence, the overrepresentation of the manufacturing industry for our German and Japanese samples only attenuated the dominance effect; it did not reinforce it. As a result, we are confident in the robustness of our results.

The Dominance Effect at HQ Level

Another way to test Hypotheses 1 and 2 is to assess and compare the extent to which MNCs from the three different countries indicated that they had oriented themselves toward, or adopted, particular human resource practices of corporations of the other two countries

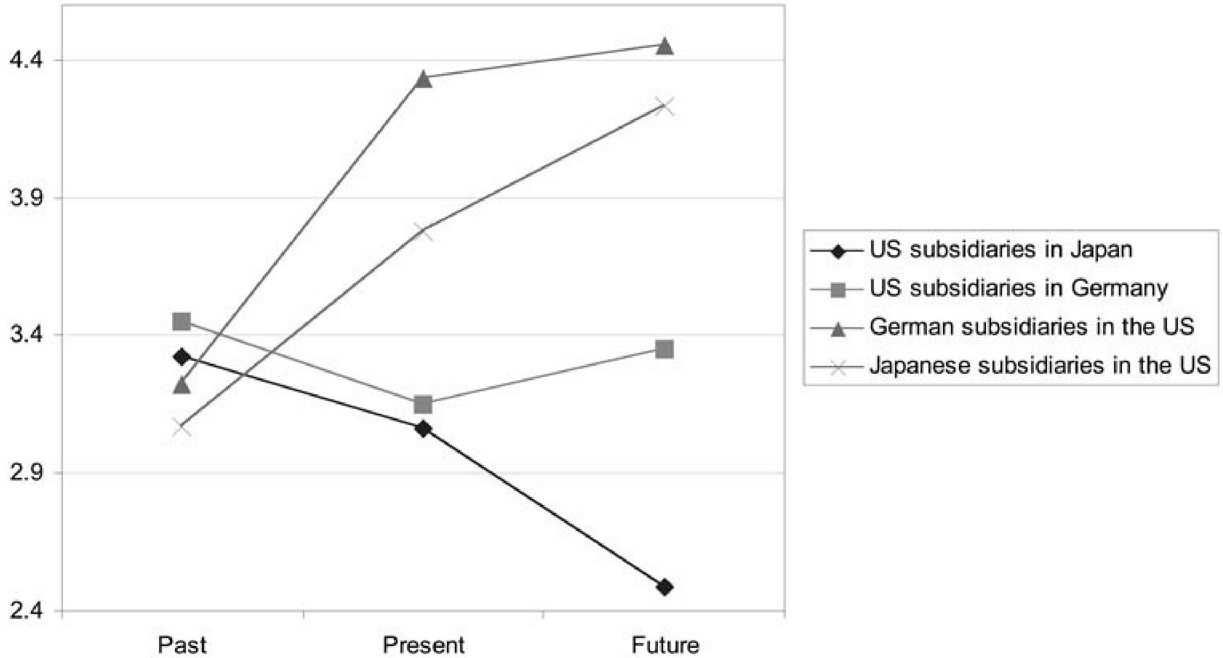

FIGURE 3. Extent of Adaptation to Local Practices

since the 1980s or are likely to do so in the future. Data collected at HQs confirm that for Japanese and German respondents there has been an orientation, albeit cautiously, toward American HRM since the 1980s. When the same question was asked with regard to the future, the results were very similar. Once again, American HRM is rated as the strongest source of inspiration, although more so by the Japanese than the Germans. In comparison, orientation by American and German companies toward Japanese HRM and by American and Japanese companies toward German HRM was rated significantly lower, with regard to both the recent past and the future. Hence, data gathered through a different source (HQ managers) and a different type of question provide confirmation of our results above. In both cases, it is apparent that U.S. HRM practices are dominant, particularly for Japanese MNCs.

Discussion and Conclusion

Comparison of U.S., Japanese, and German Subsidiaries

Subsidiaries from the three home countries act very differently. Even though the U.S. model is defined as the dominant model, U.S. subsidiaries are localizing their HRM practices to some extent in Japan and even more so in Germany. However, our data show a clear indication that U.S. MNCs intend to adapt less to local practices in the future and, hence, might stick more closely to their own dominant model. Moreover, while U.S. subsidiaries are the only ones that show some level of localization, they are also the only ones that engage in some level of transfer of their home-country HRM system, especially in Japan, where local HRM practices are substantially different from home-country practices.

Subsidiaries of Japanese MNCs have a very strong tendency to abandon their home-country practices and move toward U.S. practices. In Germany, this tendency provides a clear indication of dominance, while in the United States it may be interpreted as either dominance or localization. However, given the strong desire of Japanese MNCs, expressed at the HQ level, to orient themselves to U.S. practices, it is likely that the adoption of American practices in the United States is motivated by a dominance effect. We suggest that this finding is of practical relevance not only for the management of Japanese MNCs, but also for foreign companies operating on the Japanese market. If Japanese companies themselves increasingly abandon traditional Japanese HRM practices, foreign companies need not attempt to be "more Japanese than the Japanese" and localize HRM practices. Our data for U.S. and, in particular, German subsidiaries in Japan show that this conclusion increasingly is embraced by foreign companies. However, as Evans, Pucik, and Barsoux (2002, p. 222) observe, many foreign joint ventures in Japan represent "museums of Japanese management" as they employ obsolete HRM practices that local Japanese companies abandoned a long time ago, but which are still presented to the foreign HQ as the "Japanese" way of managing human resources.

German subsidiaries also have a clear tendency to adopt U.S. practices. This change is, however, not as dramatic as for Japanese subsidiaries because German practices already were closer to U.S. practices. The behavior of German subsidiaries in Japan shows a clear dominance effect, as German subsidiaries appear unwilling to either adapt to the Japanese host practices or transfer German home practices; they instead embrace U.S. practices. In the United States, German subsidiaries show a partial move to U.S. practices, which—as for Japanese subsidiaries—could be interpreted as either dominance or localization. Although to a lesser extent than Japanese MNCs, German MNCs express a desire to orient themselves toward U.S. practices and, hence, it is likely that the adoption of U.S. practices is motivated by the dominance effect.

Furthermore, it is interesting that a function generally considered to be the most local of business functions shows such strong signs of converging to a dominant model. On a practical level, this trend could be interpreted as encouragement for MNCs to globally seek inspirations, even for HRM, from best practices.

Strong Support for the Dominance Effect

Overall, we find support for the presence of the dominance effect from three sources: a comparison of HRM practices of six groups of MNC subsidiaries; a comparison of the past, present, and future of adopting home-/host-country practices in four groups of MNC subsidiaries; and an analysis of the sources of inspiration for U.S., Japanese, and German HQs. This finding is of major significance as we already have established that in the MNC literature the standardization of management practices mostly is associated with the country-of-origin effect and much less so by the dominance effect. Furthermore, it is interesting that a function generally considered to be the most local of business functions shows such strong signs of converging to a dominant model. On a practical level, this trend could be interpreted as encouragement for MNCs to globally seek inspirations, even for HRM, from best practices.

However, it also is possible that our findings reflect, to some extent, the countries involved. German and Japanese companies typically build on their competitive advantage in production, while U.S. companies might have a competitive advantage in marketing or HRM. German and Japanese companies might simply mimic what they see as best practices in HRM and, hence, have fewer problems abandoning their traditional HRM practices than other management practices. A recent study based on 13 case studies of German MNCs in Hungary (Dörrenbächer, 2004) came to a similar conclusion. In this study, most German MNCs did insist on a transfer of their production model but only selectively transferred their labor relations model. Similarly, in a study focusing on Greece, Myloni (2002) found U.S. MNCs to transfer a significantly higher level of HRM practices to their Greek subsidiaries than German MNCs.

Our results are also consistent with a smaller-scale, unpublished study conducted in Australia among 23 Japanese and 44 American subsidiaries (Raffa, 2002). Across a very wide range of HRM practices, virtually no significant differences were found between American and Japanese subsidiaries. However, Raffa found that while Japanese subsidiaries had significantly ($p = 0.02$) lower autonomy than American subsidiaries with regard to decision on product development, the situation was completely reversed with regard to HRM. A compound of the ability to modify practices with regard to recruitment/selection, compensation, training and development, and appraisal (Cronbach's alpha = 0.90) was significantly (p = 0.02) lower for American subsidiaries than for Japanese subsidiaries. Respondents at U.S. subsidiaries also agreed to a significantly larger extent with statements such as "HQ should transfer HR practices to subsidiaries" (p = 0.000) and "it is important to have uniform HR practices" (p = 0.001). Finally, American subsidiaries indicated a significantly (p = 0.035) larger extent of monitoring of HRM practices by HQs than Japanese subsidiaries. As a result, the difference in the bundle of HRM practices between HQ and subsidiaries was significantly (p = 0.000) larger for Japanese subsidiaries than for U.S. subsidiaries. HRM was clearly perceived as a more strategic function in U.S. subsidiaries than in Japanese subsidiaries, since the HR manager was part of top management in 81% of the U.S. subsidiaries but only in 50% of the Japanese subsidiaries (and in 65% of the Australian-owned control group).

Given the strong convergence to the dominant U.S. model of HRM in overseas subsidiaries of Japanese and German MNCs, we might wonder about the implications for HRM "back home" at Japanese and German HQs. Our data at HQs indicate that changes might be imminent there as well, and that reverse transfer of HRM practices might become more important. Since our data at HQs were collected a few years before the data at the subsidiary level, these imminent changes might already have occurred. Some support for this trend was found by Edwards et al. (2005), who reviewed several recent studies that show evidence of "reverse diffusion of employment practices" in both German and Japanese MNCs.

In this context, it is important to note that we should not expect every subsidiary to be brought into the best practices scheme in the same way. The subsidiary's strategic role may be of some significance here (see Taylor, Beechler, & Napier, 1996). Recently Harzing and Noorderhaven (2006) confirmed the continued relevance of Gupta and Govindarajan's (1991) typology of subsidiary roles based on knowledge inflows and outflows. In this terminology, implementers—who are characterized by high knowledge inflow and low knowledge outflow—could be expected to adopt best practices. On the other hand, global innovators—who are characterized by low knowledge inflow and high knowledge outflow—are likely candidates for reverse transfer, also in terms of HRM practices. Hence, they help HQ to define best practices that could subsequently be transferred to other subsidiaries within the MNC network.

Given the strong convergence to the dominant U.S. model of HRM in overseas subsidiaries of Japanese and German MNCs, we might wonder about the implications for HRM "back home" at Japanese and German HQs. Our data at HQs indicate that changes might be imminent there as well, and that reverse transfer of HRM practices might become more important.

Limitations

Our study is not without limitations. First, although our sample was unique in that it included, in addition to the three sets of HQ data, all six possible subsidiary combinations of the three major industrialized countries in the world, the sample sizes for the individual home-/host-country combinations differed substantially. In particular, our samples for U.S. subsidiaries in Japan and Germany were relatively small, comprising 36 and 54 observations, respectively. However, given that our most significant conclusions related to Japanese and German subsidiaries, we do not consider sample-size variation to be a major problem. Second, common method/source variance might have inflated similarity in the response to HRM practices on the one hand and localization questions on the other hand, making the latter less suitable as an independent test of the dominance effect. On the other hand, the two sets of questions were structured very differently and had different scale anchors;

hence, we have no reason to assume that common method/source variance is a significant problem here. Moreover, the increase in the dominance effect was validated by data from another source (HQ HR managers). Third, although our design was perfectly balanced in terms of host and home countries, we only had two cases in which we could unambiguously test a dominance effect. Future studies might want to explore whether a dominance effect is present in German and Japanese subsidiaries located in other countries as well. Fourth, our data sets were collected over the course of several years. Subsidiary samples were collected a few years after the HQ samples. This difference in timing may be one reason why the subsidiaries show signs of convergence to the U.S. model, while practices at HQs are still clearly distinct (even though our HQ data indicate that German and, in particular, Japanese HR managers are willing to adopt U.S. practices to some degree). However, this result does not in any way negate our core argument that the dominance effect is most important. Fifth, our study has not incorporated a performance dimension. While we do make a strong case that Japanese and German subsidiaries follow the dominant U.S. HRM practices in order to improve their performance, we cannot actually establish that this improvement takes place.

A final limitation, our reliance on a single informant at both HQ and subsidiaries, requires a more extensive discussion. We selected our respondents—high-level HR managers—because we considered them to be the key informants most knowledgeable about the phenomena under investigation. However, Bowman and Ambrosini (1997) caution against using single respondents in strategy research and claim that while the CEO might be the best person to provide information about the company's intended strategy, the CEO may be a less objective respondent when it comes to realized strategy. In the latter case, his/her observations might be biased by his/her emotional commitment to the intended strategy. The same might be true in our study. HR managers might espouse the dominant U.S. HRM model in their external communications (including responses to surveys) while their actual HRM practices are much more localized and adapted to local circumstances. Further, possible respondent bias and divergence between respondents has been shown to exist. Wright, McMahan, Snell, and Gerhart (2001) found that HR executives differed from line managers in their assessment of HR effectiveness. However, while this might affect overall responses, it would not necessarily invalidate our comparisons *between* countries. Finally, our respondents might be suffering from an upper-echelon bias (Hambrick & Mason, 1984). They might have completed an MBA, read *Harvard Business Review,* and/or interacted with management consultants. As a result, they may have adopted, at least at a superficial level, the notion that business should be conducted in a certain way. Organizations might thus be separating talk and actions to reconcile competing and contradicting demands in their environment (see Brunsson, 2000, 2002, for a more extensive discussion of this phenomenon).[9] The extent to which this is true is difficult to assess without more in-depth qualitative case study research in individual organizations. As a result, we acknowledge the possibility that we measured an element of aspirations in addition to actual practices. However, we argue that this error source applies to any survey. Moreover, even if our data contained an element of aspiration, our main conclusion of the existence of a dominance effect would still be confirmed. After all, we surveyed the most senior managers responsible for HRM at the subsidiary level, and if they aspire to implement certain changes, we believe one can also assume that this will at

Companies will continue to confront the key challenge to find a fine balance between localizing and standardizing management practices. However, our data for Germany and Japan, in particular, suggest that MNCs no longer can afford to define standardization simply as worldwide adoption of home-country practices (country-of-origin effect). Instead, companies should seek standardization around best practices, wherever they originate from.

least indicate the overall direction of real change.

Despite its limitations, we feel that our study has made a significant contribution to the convergence/divergence and standardization/localization debate. Our carefully balanced sample allowed us to investigate a range of effects that had only been researched in a rather piecemeal fashion in previous studies. Our results led to the rather surprising conclusion that for what might be considered to be the most localized of functions—human resource management—convergence to a model perceived to represent worldwide best practices (also called *dominance effect*) is clearly present for Japanese and German MNCs.

Managerial Implications

Our study has significant practical implications. MNCs should be wary not to localize management practices that local companies themselves increasingly perceive as obsolete. Only in those instances in which subsidiaries see themselves obliged to adapt to the specific local cultural and institutional context should they be allowed to localize their management practices. Our findings indicate less need for companies to localize than frequently believed. After all, subsidiaries in our survey saw little need to localize, even in the area of HRM that often is associated with localization. Companies will continue to confront the key challenge to find a fine balance between localizing and standardizing management practices. However, our data for Germany and Japan, in particular, suggest that MNCs no longer can afford to define standardization simply as worldwide adoption of home-country practices (country-of-origin effect). Instead, companies should seek standardization around best practices, wherever they originate from. If home-country practices are highly successful, this competitive advantage should be carefully exploited throughout the entire organization, and standardization toward home-country practices should prevail. If, however, foreign practices appear superior, these should be the source of inspiration. Consequently, whenever there is no necessity to localize management practices and whenever home-country practices are not defining best practices, MNCs should strive for standardization toward global best practices. However, the weight of organizational heritage as well as the implicit or explicit equation in the management literature of standardization with standardization toward HQ is standing in the way of this difficult change process.

MNCs are likely to operate in countries where best practices exist. In these instances, local subsidiaries know best how to apply those practices. We predict, therefore, that reverse knowledge transfer will gain in importance. While the United States currently is clearly representing the dominant model, increasingly there are indications that this dominance might gradually give way to a more multipolar world. The European and Japanese economies are reviving, and countries such as China, India, Russia, and Brazil will further reduce the American economic dominance. A relative decline in the dominance of the American economy, American MNCs and the American management model might also lead to a growing difficulty in defining what best practices actually are. Increasingly, more than one source for best practices may exist, rendering reverse knowledge transfer processes even more complex.

Our conclusion is a clear warning that ethnocentric approaches no longer are sustainable in today's globalized corporate environment. Instead, our data support geocentric (Perlmutter, 1969) or transnational (Bartlett & Ghoshal, 1989) corporate models. Future research might assess whether these conclusions based on HRM data from the three major economies in the world hold true for other management areas and for MNCs from other countries.

Acknowledgments

The first author would like to thank the British Academy and the Carnegie Trust for granting him multiple research grants, which made possible the collection of the subsidiary data in the United States and Japan.

MARKUS PUDELKO is a reader in international business at the University of Edinburgh Management School. He earned a master's in business studies from the University of Cologne, a master's in economics from the Sorbonne University, a master's in international management from the European university network Community of European Management Schools (CEMS), and a PhD from the University of Cologne. His current research is on headquarter-subsidiary relationships, international and comparative HRM, Japanese management, and cross-cultural management. His latest coedited book publication is *Japanese Management: The Search for a New Balance Between Continuity and Change* (2005, Palgrave).

ANNE-WIL HARZING is a professor at the University of Melbourne, Australia. Before joining Melbourne, she worked at the Open University, Tilburg University, and Maastricht University (all in the Netherlands, her country of origin), as well as the University of Bradford (United Kingdom). Her research interests include international HRM, expatriate management, HQ-subsidiary relationships, cross-cultural management, and the role of language in international business. She has published about these topics in journals such as the *Journal of International Business Studies,* the *Journal of Organizational Behaviour, Strategic Management Journal, Human Resource Management,* and *Organization Studies.* Since 1999, she has maintained an extensive Web site (www.harzing.com) with resources for international and cross-cultural management.

NOTES

1. We believe that in the context of this debate the term divergence is a rather inappropriate and misleading antonym of *convergence.* To diverge literally means "to move apart," yet most authors of the so-called "divergence" approach argue that national management models are different and will remain different due to persisting differences in cultural and other societal factors by which they are largely determined—without, however, going as far as to state that those management models actually move apart—that is, become over time even more different from one another (Pudelko, 2006a). It might be more appropriate to talk about "nonconvergence" or "persisting differences" as antonym to "convergence." Similar, but not identical, terms are "culture free" vs. "culture bound" (Lammers & Hickson, 1979), "universalism" vs. "institutionalism" (C. Smith & Meiksins, 1995), "universalism" vs. "contingency" (Delery & Doty, 1996), or "universalism" vs. "particularism" (Pudelko, 2006a).
2. Despite the increasing importance of, for instance, China (which recently surpassed the United Kingdom in terms of GDP), the top three countries (United States, Germany, and Japan) have not changed.
3. We do acknowledge that the HR manager could have delegated the task of responding to the questionnaire to another staff member. However, the content of our questionnaire was such that it would have been very difficult for anyone but the HR manager to reply to it. So if the HR manager did not feel inclined to reply to the questionnaire, we consider it more likely that this would result in a nonresponse than in a response by someone not qualified to respond to the survey.
4. While we would have preferred to enlist the help of a more diverse focus group, this was not practically feasible at the time. However, we do not think it has influenced our results. Neither nonresponse nor missing data differ systematically between countries, and we received positive feedback from Japanese and U.S. HR managers that participated in the survey.
5. In this case, most respondents printed the questionnaire out, filled it in manually, and faxed it to the researcher. Consequently, the procedure was very similar to the questionnaires sent by mail.
6. Names and addresses were taken from the following sources: for U.S. HQ: *Fortune Guide to the 500 Largest U.S. Corporations* (1999); for Japanese HQ: Shukan Toyo Keizai (1999) (for the names) and http://profile.yahoo.co.jp/ (for the addresses); for German HQ: *Die Großen 500* (Schmacke & Jaeckel, 1999); for U.S. subsidiaries in Germany: *Subsidiaries of American Firms in Germany* (American Chamber of Commerce in Germany, 2001); for Japanese subsidiaries in Germany: *Directory of*

Japanese Affiliated Companies in Germany: 2001 (JETRO, 2001); for U.S. subsidiaries in Japan: kindly distributed directly by e-mail by Donald Westmore, executive director of the American Chamber of Commerce in Japan to managers whose companies agreed in principle to participate in academic surveys; for German subsidiaries in Japan: "Mitgliederverzeichnis 2002" (Deutsche Industrie- und Handelskammer in Japan, 2002) and "German Business in Japan" (Deutsche Industrie- und Handelskammer in Japan, 1999); for Japanese subsidiaries in the U.S.: "Directory of Japanese Affiliated Companies in the USA and Canada: 2002" (JETRO, 2002); and for German subsidiaries in the United States: "Subsidiaries of German Firms in the US: 2002/2003" (German American Chamber of Commerce, 2002). Where personal names were not available, the letters were addressed "To the Head of Human Resources," "Jinjibucho Dono," or "An den Personalleiter."

7. For a more detailed discussion of the limitations of single-respondent subjective data, see our Limitations section.
8. In the case of U.S. MNCs, the dominance and country-of-origin effect work in the same direction, so we cannot distinguish between the two.
9. We would like to thank an anonymous reviewer for the AIB Annual Meeting 2006 for alerting us to this line of thought.

REFERENCES

Albert, M. (1991). Capitalisme contre capitalisme. Paris: Seuil.

American Chamber of Commerce in Germany. (2001). Subsidiaries of American firms in Germany. Cologne: Author.

Ballon, R. J. (2005). Organizational survival. In R. Haak & M. Pudelko (Eds.), Japanese management in the search for a new balance between continuity and change (pp. 55–77). New York: Palgrave.

Bartlett, C. A., & Ghoshal, S. (1989). Managing across borders: The transnational solution. Boston: Harvard Business School Press.

Beechler, S., & Yang, J. Z. (1994). The transfer of Japanese-style management to American subsidiaries: Contingencies, constraints and competencies. Journal of International Business Studies, 25, 467–491.

Bowman, C., & Ambrosini, V. (1997). Using single respondents in strategy research. British Journal of Management, 8, 119–131.

Brewster, C. (1995). Towards a "European" model of human resource management. Journal of International Business Studies, 1, 1–21.

Brewster, C., & Bournois, F. (1993). A European perspective on human resource management. In A. Hegewisch & C. Brewster (Eds.), European developments in human resource management (pp. 33–54). London: Kogan Page.

Brislin, R. W. (1970). Back-translation for cross-cultural research. Journal of Cross-Cultural Psychology, 1, 185–216.

Brunsson, N. (2000). The irrational organization: Irrationality as a basis for organizational action and change. Bergen: Fagbokforlaget.

Brunsson, N. (2002). The organization of hypocrisy: Talk, decisions, and actions in organizations. Herndon, VA: Copenhagen Business School Press.

Chen, C., Lee, S.-Y., & Stevenson, H. W. (1995). Response style and cross-cultural comparisons of rating scales among East Asian and North American students. Psychological Science, 6, 170–175.

Dalton, N., & Benson, J. (2002). Innovation and change in Japanese human resource management. Asia Pacific Journal of Human Resources, 3, 345–362.

Delery, J. E., & Doty, D. H. (1996). Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions, Academy of Management Journal, 39, 802–835.

Deutsche Industrie- und Handelskammer in Japan. (1999). Business in Japan. Tokyo: Author.

Deutsche Industrie- und Handelskammer in Japan. (2002). Mitgliederverzeichnis 2002. Tokyo: Author.

DiMaggio, P. J., & Powell, W. W. (1991). Introduction. In W.W. Powell & P. J. DiMaggio (Eds.), The New Institutionalism in Organizational Analysis (pp. 1–38). Chicago: University of Chicago Press.

Dore, R. (2000). Stock market capitalism: Welfare capitalism. Japan and Germany versus the Anglo-Saxons. Oxford, UK: Oxford University Press.

Dörrenbächer, C. (2004). Fleeing or exporting the German model? The internationalization of German multinationals in the 1990s. Competition & Change, 8, 443–456.

Edwards, T., Almond, P., Clark, I., Colling, T., & Ferner, A. (2005). Reverse diffusion in US multinationals: Barriers from the American business system. Journal of Management Studies, 42, 1261–1286.

Evans, P., Pucik, V., & Barsoux, J.-L. (2002). The global challenge: Frameworks for international human resource management. Boston: McGraw Hill.

Fenton-O'Creevy, M., & Gooderham, P. N. (2003). International management of human resources. Scandinavian Journal of Business Research, 17, 2–5.

Ferner, A. (1997). Country of origin effects and HRM in multinational companies. Human Resource Management Journal, 7, 19–37.

Fortune. (1999). Guide to the 500 largest U.S. corporations. Austin, TX: The Reference Press.

Frenkel, S., & Kuruvilla, S. (2002). Logics of action, globalization, and changing employment relations in China, India, Malaysia, and the Philippines. Industrial and Labor Relations Review, 3, 387–412.

Frenkel, S., & Peetz, D. (1998). Globalization and industrial relations in East Asia: A three-country comparison. Industrial Relations, 3, 282–310.

Garten, J. E. (1993). A cold peace: America, Japan, Germany, and the struggle for supremacy. New York: Times Books.

German American Chamber of Commerce. (2002). Subsidiaries of German firms in the US—Tochtergesellschaften Deutscher Unternehmen in den USA 2002/2003. New York: Author.

Gooderham, P., Nordhaug, O., & Ringdal, K. (1998). When in Rome do they do as the Romans? HRM practices of US subsidiaries in Europe. Management International Review, 38 (Special Issue 2), 47–64.

Guest, D. E. (1990). Human resource management and the American dream. Journal of Management Studies, 27, 377–397.

Gupta, A. K., & Govindarajan, V. (1991). Knowledge flows and the structure of control within multinational corporations. Academy of Management Review, 13, 768–792.

Hall, P. A., & Soskice, D. (2001). An introduction to varieties of capitalism. In P. A. Hall & D. Soskice (Eds.), Varieties of capitalism: The institutional foundations of comparative advantage (pp. 1–68). Oxford, UK: Oxford University Press.

Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. Academy of Management Review, 9, 193–206.

Hanel, U. (1996). The Cranfield network on European human resource management: Ergebnisbericht 1995. University report, Dreseden.

Harzing, A. W. K. (1997). Response rates in international mail surveys: Results of a 22 country study. International Business Review, 6, 641–665.

Harzing, A. W. K. (2006). Response styles in cross-national mail survey research: A 26-country study. International Journal of Cross-Cultural Management, 6, 243–266.

Harzing, A. W. K., & Noorderhaven, N. G. (2006). Knowledge flows in MNCs: An empirical test and extension of Gupta & Govindarajan's typology of subsidiary roles. International Business Review, 15, 195–214.

Harzing, A. W. K., & Noorderhaven, N. G. (in press). Images of the HQ-subsidiary relationship: Has the country-of-origin effect disappeared? In G. Morgan & S. Collinson (Eds.), Images of the multinational firm. Oxford, UK: Blackwell.

Harzing, A. W. K., & Sorge, A. M. (2003). The relative impact of country-of-origin and universal contingencies on internationalization strategies and corporate control in multinational enterprises: Worldwide and European perspectives. Organization Studies, 24, 187–214.

Hofstede, G. (1980). Culture's consequences: International differences in work-related values. London: Sage.

Hollingsworth, J. R., & Boyer, R. (1997). Coordination of economic actors and social systems of production. In J. R. Hollingsworth & R. Boyer (Eds.), Contemporary capitalism: The embeddedness of institutions (pp. 1–47). Cambridge, UK: Cambridge University Press.

House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. (2004). Culture, leadership, and organizations: The globe study of 62 societies. Thousand Oaks, CA: Sage.

Ichniowski, C., Levine, D. I., Olson, C., & Strauss, G. (2000). The American workplace: Skills, compensation, and employee involvement. Cambridge, UK: Cambridge University Press.

Inohara, H. (1990) Human resource development in Japanese companies. Tokyo: Asian Productivity Organization.

JETRO. (2001). Directory of Japanese affiliated companies in Germany: 2001. Tokyo: Author.

JETRO. (2002). Directory of Japanese affiliated companies in the USA and Canada 2002. Tokyo: Author.

Kalleberg, A. L., Knoke, D., Marsden, P. V., & Spaeth, J. L. (1996). Organizations in America: Analyzing their structures and human resource practices. London: Sage.

Kato, T., & Morishima, M. (2003). The nature, scope and effects of profit sharing in Japan: Evidence from new survey data. International Journal of Human Resource Management, 14, 942–955.

Katz, H., & Darbishire, O. (2000). Converging divergencies: Worldwide changes in employment systems. Ithaca, NY: ILR/Cornell University Press.

Kerr, C., Dunlop, J. T., Harbison, F. H., & Myers, C. A. (1960). Industrialism and industrial man. Cambridge, MA: Harvard University Press.

Khilji, S. E. (2003). "To adapt or not to adapt": Exploring the role of national culture in HRM—A study of Pakistan. International Journal of Cross Cultural Management, 3, 109–132.

Kitschelt, H., Lange, P., Marks, G., & Stephens, J. D. (1999). Convergence and divergence in advanced capitalist democracies. In H. Kitschelt, P. Lange, G. Marks & J. D. Stephens (Eds.), Continuity and change in contemporary capitalism (pp. 427–460). Cambridge, UK: Cambridge University Press.

Kochan, T. A. (1996). American corporation as an employer: Past, present, and future possibilities. In C. Kaysen (Ed.), The American corporation today: Examining the questions of power and efficiency at the century's end (pp. 242–268). New York and Oxford, UK: Oxford University Press.

Kono, T., & Clegg, S. (2001). Trends in Japanese management: Continuing strengths, current problems and changing priorities. New York: Palgrave.

Lammers, C. J., & Hickson, D. J. (1979). Are organizations culture-bound? In C. J. Lammers & D. J. Hickson (Eds.), Organizations alike and unlike: International and interinstitutional studies in the sociology of organizations (pp. 402–419). London: Routledge.

Lane, C. (1989). Management and labor in Europe. Aldershot, UK: Edward Elgar.

Lawrence, P. (1993). Human resource management in Germany. In S. Tyson, P. Lawrence, L. Manzolini, P. Poirson, & C. Soler i Vicente (Eds.), Human resource management in Europe (pp. 25–44). London: Kogan Page.

Levitt, T. (1983). The globalization of the markets. Harvard Business Review, 3, 92–102.

Lincoln, J. R., & Kalleberg, A. L. (1990). Culture, control, and commitment: A study of work organization and work attitudes in the United States and Japan. Cambridge, UK: Cambridge University Press.

Matanle, P. (2003). Japanese capitalism and modernity in a global era: Re-fabricating lifetime employment relations. New York: Routledge Curzon.

Maurice, M. (1979). For a study of "the societal effect": Universality and specificity in organization research. In C. J. Lammers & D. J. Hickson (Eds.), Organizations alike and unlike (pp. 42–60). London: Routledge.

Maurice, M., Sorge, A., & Warner, M. (1980). Societal differences in organizing manufacturing units: A comparison of France, Great Britain and West Germany. Organization Studies, 1, 59–86.

Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. American Journal of Sociology, 83, 340–363.

Mueller, F. (1994). Societal effect, organizational effect and globalization. Organization Studies, 15, 407–428.

Müller, M. (1999). Unitarism, pluralism, and human resource management in Germany. Management International Review, Special Issue 3, 125–144.

Myloni, B. (2002). The transfer of human resource management practices within multinational companies in Greece—A comparative analysis of human resource management practices in subsidiaries of European and US multinationals and Greek companies. Unpublished doctoral thesis, University of Bradford School of Management, Bradford, West Yorkshire, UK.

Myloni, B., Harzing, A. K., & Mirza, H. (2004). Human resource management in Greece: Have the colors of culture faded away? International Journal of Cross Cultural Management, 4, 59–76.

Ohmae, K. (1985). Triad power. New York: The Free Press.

Organisation for Economic Co-operation and Development (OECD). (2006). OECD Factbook 2006. Brussels: OECD Publishing.

Ornatowski, G. K. (1998). The end of Japanese-style human resource management. Sloan Management Review, 39, 73–84.

Ouchi, W. G. (1981). Theory Z: How American business can meet the Japanese challenge. New York: Avon Books.

Perlmutter, H. V. (1969). The tortuous evolution of the multinational corporation. Columbia Journal of World Business, 4, 9–18.

Pfeffer, J. (1998). The human equation: Building profits by putting people first. Boston: Harvard Business School Press.

Prahalad, C. K., & Doz, Y. L. (1987). The multinational mission. New York: The Free Press.

Pudelko, M. (2005). Continuity vs. change: The key dilemma for Japanese management. In R. Haak & M. Pudelko (Eds.), Japanese management: The search for a new balance between continuity and change (pp. 241–252). New York: Palgrave.

Pudelko, M. (2006a). Universalism, particularism and singularism in cross-national management. International Studies of Management & Organization, 36(3), 9–38.

Pudelko, M. (2006b). A comparison of HRM systems in the USA, Japan and Germany in their socio-economic context. Human Resource Management Journal, 16, 123–153.

Raffa, L. (2002). The human resource practices of domestic and foreign-owned subsidiaries: An exploration of their differences in the Australian context. Unpublished honors thesis, University of Melbourne, Victoria, Australia.

Schmacke, E., & Jaeckel, R. (1999). Die großen 500 auf einen Blick. Deutschlands Top-Unternehmen mit Anschriften, Umsätzen und Management. Neuwied: Luchterhand (2 discs).

Schmitt, M., & Sadowski, D. (2003). A cost-minimization approach to the international transfer of HRM/IR practices: Anglo-Saxon multinationals in the Federal Republic of Germany. International Journal of Human Resource Management, 14, 409–430.

Schuler, R. S., & Rogovsky, N. (1998). Understanding compensation practice variations across firms: The impact of national culture. Journal of International Business Studies, 29, 159–177.

Scott, R. (1995). Institutions and organizations. Thousand Oaks, CA: Sage.

Smith, C., & Meiksins, P. (1995). System, society and dominance effects in cross-national organisational analysis. Work, Employment and Society, 9, 241–267.

Smith, S. (1991). On the economic rationale for codetermining law. Journal of Economic Behavior and Organization, 16, 273–281.

Sorge, A., & Warner, M. (1986). Comparative factory organisation. An Anglo German comparison of management and manpower in manufacturing. Aldershot, UK: Gower.

Strauss, G. (2001). HRM in the USA: Correcting some British impressions. International Journal of Human Resource Management, 12, 873–897.

Streeck, W. (2001a). Introduction: Explorations into the origins of nonliberal capitalism in Germany and Japan. In W. Streeck & K. Yamamura (Eds.), The origins of nonliberal capitalism: Germany and Japan in comparison (pp. 1–38). Ithaca, NY: Cornell University Press.

Streeck, W. (2001b). High equality, low activity: The contribution of the social welfare system to the stability of the German collective bargaining regime. Industrial and Labor Relations Review, 54, 698–706.

Sullivan, J. J., & Nonaka, I. (1986). The application of organizational learning theory to Japanese and American management. Journal of International Business Studies, 17, 127–147.

Taylor, S., Beechler, S., & Napier, N. (1996). Toward an integrative model of strategic international human resource management. Academy of Management Review, 21, 959–985.

Teagarden, M. B., & Von Glinow, M. A. (1997). Human resource management in cross-cultural contexts: Emic practices versus etic philosophies. Management International Review, 37, 7–20.

Thurow, L. (1992). Head to head. The coming economic battle among Japan, Europe, and America. New York: Time Warner.

Toynbee, P. (2001). Who's afraid of global culture. In W. Hutton & A. Giddens (Eds.), On the edge: Living with global capitalism (pp. 191–212). London: Jonathan Cape.

Trompenaars, A., & Hampden-Turner, C. (1998). Riding the waves of culture: Understanding cultural diversity in global business. New York: McGraw-Hill.

Vogel, E. F. (1979). Japan as number one: Lessons for America. Cambridge, MA: Harvard University Press.

Wächter, H., & Muller-Camen, M. (2002). Co-determination and strategic integration in German firms. Human Resource Management Journal, 12, 76–87.

Warner, M., & Campbell, A. (1993). German management. In D. J. Hickson (Ed.), Management in Western Europe: Society, culture and organization in twelve nations (pp. 89–108). Berlin: de Gruyter.

Wever, K. S. (1995). Negotiating competitiveness: Employment relations and industrial adjustment in the USA and Germany. Boston: Harvard University Press.

Whitley, R. (1992). Societies, firms and markets: The social structuring of business systems. In R. Whitley (Ed.), European business systems: Firms and markets in their national contexts (pp. 5–45). London: Sage.

Whitley, R. (1996). The social construction of economic actors: Institutions and types of firm in Europe and other market economies. In R. Whitley & P. H. Kristensen (Eds.), The changing European firm: Limits to convergence (pp. 39–66). London: Routledge.

Whitley, R. (2000). Divergent capitalisms: The social structuring and change of business systems. Oxford, UK: Oxford University Press.

Wright, P. M., McMahan, G. C., Snell, S. A., & Gerhart, B. (2001). Comparing line and HR executives' perceptions of HR effectiveness: Services, roles, and contributions. Human Resource Management, 40, 111–123.

Yoshimura, N., & Anderson, P. (1997). Inside the kaisha: Demystifying Japanese business behavior. Boston: Harvard Business School Press.

APPENDIX Overview of Opposing Statements

Recruitment and Release of Personnel

	vs.
• finding the best qualified candidate (from within the company or externally) for a predefined position (job-oriented)	• recruitment of new graduates to a permanent employer-employee relationship; more senior positions are filled exclusively using internal personnel (people-oriented)
• selection based on performance and expertise in a given area	• selection based on interpersonal skills
• high labor turnover (low degree of loyalty between employer and employee)	• low labor turnover (high degree of loyalty between employer and employee)

Training and Development Provided by the Company

• training focused on specific knowledge for narrowly defined tasks (goal: to create a specialist)	• widespread training for broadly defined tasks (goal: to create a generalist)
• tendency to be limited and focused on the individual	• tendency to be extensive and focused on the workgroup
• little effort to mold the employee in accordance with the company's culture	• much effort to mold the employee in accordance with the company's culture

Employee Assessment and Promotion Criteria

• heavy weight on individual achievements	• heavy weight on seniority and contribution to collective achievements
• primarily formal, quantifiable promotion criteria (results-oriented)	• primarily informal, nonquantifiable promotion criteria (behavior-oriented)
• career path usually confined to one department or area	• career path encompassing several departments and areas

Employee Incentives

• primarily material incentives	• a mix of material and immaterial incentives
• pay depends on individual performance	• pay depends on seniority
• very large difference in pay between top managers and average workers (more than 100-fold)	• little difference in pay between top managers and average workers (less than 20-fold)