Exploring standardisation and knowledge networking processes in transnational human resource management

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Abstract

Purpose – It is argued that a key step in becoming a "transnational" company is to implement transnational HRM (THRM). However, what is meant by THRM and how can it be assessed? The purpose of this paper is to develop the characteristics of THRM along two dimensions: standardisation and knowledge networking, in contrast to many existing studies which focus on IHRM strategies and structures. Standardisation and knowledge networking are to be examined at both the meta and operational levels.

Design/methodology/approach – The paper is based on two case studies of major German MNCs, both with significant operations in Spain and the UK. Data were collected by means of semi-structured interviews with senior managers, HR managers and labour representatives.

Findings – The findings show that THRM can be operationalised using knowledge networking and standardisation on a meta level, in terms of principles, and at an operational level in terms of practices. The two firms show differences in the process and intensity of HR knowledge networking which have implications for the level of standardisation, local autonomy and innovation capabilities. The findings also suggests that THRM is more about processes than outcomes.

Research limitations/implications – A limitation of this study is that the cases were only drawn from Western Europe. The patterns of THRM structures and processes may differ significantly in MNCs from other regions.

Originality/value – This paper extends existing research by exploring international HR beyond strategies and structures and focuses on communication and coordination processes. It advocates a refined view of the transnational firm.

Keywords International organizations, Human resource management, Knowledge sharing, Standardization, Western Europe

Paper type Research paper

Introduction

The transnational firm identified by Bartlett and Ghoshal (1989), has become one of the most prescribed configurations for MNCs (Harzing, 2000; Gooderham and Nordhaug, 2003). Going beyond a matrix organisation, the transnational is now perceived as the final stage in the development of a MNC, being simultaneously nationally responsive,

globally effective and innovative. It also provides a framework for incorporating both the control aspects (integration and responsiveness) identified in the earlier literature on MNCs and the process emphasis of more recent studies (Birkinshaw, 2000; Edwards and Ferner, 2004). Nevertheless, there are some problems with the transnational concept, since the boundaries between different configurations of MNCs (global, multidomestic, international) overlap. However, the network aspects of transnational corporations encourage flexibility, responsiveness and innovation (Bartlett and Ghoshal, 2002, 2003). It is the origin of ideas and the quality of the communication process that leads to what is being integrated across borders and that distinguishes the two types. Therefore, without looking at processes we cannot clearly identify transnationals, or distinguish them from other configurations.

Bartlett and Ghoshal (1989, p. 71) advocate mechanisms to build transnational human resource management (THRM), "[A] fundamental prerequisite for the normative integration a transnational seeks is a sophisticated HRM system. The transnational uses systems of recruitment, training and development and career path management to help individuals to cope with its diversity and complexity". Accordingly, they argue that the role of THRM policies and practices becomes a key to competitive advantage. The shift of analysis to processes has important implications for THRM. As Bartlett and Ghoshal (1989, p. 209) argue "the transnational is less a structural classification than a broad organisational concept of philosophy, manifested in organisational capability". Harzing's (2000) review of research into typologies of MNCs found that predominantly corporations' strategies and structures were analysed. Those studies that cover HRM (see for example Perlmutter, 1969; Adler and Ghadar, 1990) have tended to be conceptual in nature and lacking empirical support. There are also a number of studies about HRM in MNCs from particular home countries and/or operating in specific host environments (see for example Ferner *et al.*, 2001; Dickmann, 2003; Schmitt and Sadowski, 2003; Whitley *et al.*, 2003; Almond *et al.*, 2005; Temple *et al.*, 2006). However, these focus mainly on the influence of the broad characteristics of national business systems. There is a need to focus on the actual HRM policies and practices that multinational corporations employ, in areas such as recruitment and selection, training and development and career management – the areas identified by Bartlett and Ghoshal (1989, p. 212). To do this, we have developed a typology based on two dimensions, standardisation and knowledge networking.

This conceptualisation of THRM assumes that there is a continuum of differentiation/responsiveness/localization advantages to integration/coordination/globalization advantages (Harzing, 2000, p. 103). To evaluate the uniformity of international HRM strategies, structures and policies in MNCs, one overarching dimension that captures variations in HRM in home and host countries is sufficient (Dickmann and Müller-Camen, 2006). In this paper we will refer to it as standardisation. Standardisation can include varing degrees of integration around headquarters standards, as well as different degrees of cross-national co-ordination of strategy and structure within HRM. High HRM standardisation refers to "global" HRM, characterised by highly integrated HR strategies, principles and instruments. Low standardisation describes "multidomestic" HRM, shaped by locally developed and implemented strategies and policies (Bartlett and Ghoshal, 1989).

Knowledge flows between head office and subsidiaries in MNCs have been the subject of much research (Harzing, 1999; Gupta and Govindarajan, 2000). While

Simonin (1999) focused on knowledge types and flows, Wolf (1997) explored coordination mechanisms and their intensity. However, Holtbrügge and Berg (2004) point out that there are few empirical studies of the determinants of intra-MNC knowledge flows. A notable exception is the work of Gupta and Govindarajan (2000), who explore the conditions for successful knowledge transfer by building on models from communications theory. They found that the highest knowledge flows are from the country of origin to the subsidiaries. In later work they advocate the value of using the geographically spread network of organisational units (Gupta and Govindarajan, 2001). Knowledge creation, diffusion and exploitation has become a key factors for creating competitive advantage in MNCs (Nobel and Birkinshaw, 1998; Bartlett and Ghoshal, 2003). More specifically, Brewster *et al.* (2005) identify knowledge management as one of the key delivery mechanisms for IHRM. Tregaskis *et al.* (2005) conducted a detailed review of international HR networks in MNCs including form, functions, structure and style and concluded that they offer opportunities for HR innovation and global learning.

Transnational firms are supposed to be simultaneously integrated and differentiated. Well-developed communication and coordination processes are therefore necessary to identify where international HRM (IHRM) standardisation is possible and where local responsiveness is necessary. *Knowledge networking* (Dickmann and Müller-Camen, 2006) reflects the increasing relative size and influence of local affiliates in many companies and signifies the contribution foreign subsidiaries can make to IHRM for the whole organisation. Intensive knowledge networking would be illustrated by frequent information flow, covering objectives, results, strategies and ideas. Bartlett and Ghoshal (1989, p. 70) advocate creating an integrative organisational culture, which counteracts centrifugal tendencies by creating a shared vision. This implies that HR principles and objectives will have to be developed, reviewed and refined via international co-operation.

Bartlett and Ghoshal (1989) imply that a transnational needs to integrate HR principles, objectives, policies and instruments widely to avoid duplication of efforts, create cohesion and increase economies of scale. As such THRM would be characterised by dispersed and interdependent professionals who work from differentiated and specialised centres of excellence, while using relatively integrated "good practices" and would therefore be characterised by high standardisation and high knowledge networking. However, conceivably, organisations that claim to have adopted THRM may only practise it at the level of philosophy, principles and objectives, rather than at the level of policies and practices. A number of observers have noted the tendency for HR research to be focused either at the macro or micro level and have called for multi-level research to be conducted (Bowen and Ostroff, 2004; Wright and Boswell, 2002). This paper distinguishes between two levels of analysis, the meta (principles, strategies and guidelines) and the operational level of HRM (practices, instruments and specific criteria). The relationship between policy or principles and practice in HRM is not well understood (Wright and Snell, 1998), however, in a MNC context there may be further reasons for divergence between worldwide principles and local practices. Local adaptation may be caused by exogenous factors such as the characteristics of national business systems, or those which inhibit integration of global, regional or parent practices (Ferner and Quintanilla, 1998; Geppert *et al.*, 2003). For example, legal regulation may make it

difficult to integrate worldwide principles with local policies and practices (Kostova and Roth, 2002). The relationship between head office and the foreign affiliate(s) is likely to impact on the degree to which practices are adopted at operational level (Kostova and Roth, 2002). Higher levels of trust between subsidiaries and the parent are likely to support practice transfer (Szulanski, 1996). Power dynamics may have an impact on local adoption (Birkinshaw and Fry, 1998), practices may be adjusted to fit better into people's daily routines (Cutcher-Gershenfeld *et al.*, 1998) and internalisation of new practices may be incomplete (Ferner *et al.*, 2005). Thus, a lack of knowledge in head office may mean that local actors can alter intended global practices in their local environment (Ferner and Edwards, 1995; Birkinshaw, 2000). Institutional uncertainty may also allow local actors to interpret and adapt the head office principles and guidelines to shape operational practices in their own interests (Almond *et al.*, 2005). Beyond principles, strategies and structures, it is important to assess processes in order to evaluate whether a company practices THRM.

To summarise, a key step to become a transnational corporation is to adopt THRM. This paper develops the characteristics of THRM along the dimensions of standardisation and knowledge networking, going beyond the predominant focus in the existing literature on IHRM strategies and structures. The focus here is on processes. It attempts to assess whether companies that have transnational goals, also practice THRM on the operational level. We now operationalise standardisation and knowledge networking.

Transnational HRM strategies, structures and processes
Standardisation
Table I, based on the work of Dickmann and Müller-Camen (Dickmann, 1999; Dickmann and Müller-Camen (2006), outlines key elements of standardisation at meta and operational levels, with respect to general HRM principles, guidelines and objectives and five key HRM flow areas – recruitment and selection, training and development, career management, performance management and remuneration. Starting with general HRM principles, guidelines and objectives on the meta level (column 2), a transnational would co-ordinate HRM philosophy and principles throughout the organisation. For example, a preference for cooperative or antagonistic employment relations may be a policy recommendation (Almond *et al.*, 2005). Other principles may relate to health and safety, flexibility, or approaches to diversity (Ferner *et al.*, 2005). Beyond these broad approaches there are principles and objectives that relate to specific areas of HRM. For instance, a company may have international selection guidelines, or global cultural principles that underlie the design and delivery of management development initiatives.

Turning to the operational elements of standardisation, general HRM principles, guidelines and objectives contain those internationally coordinated approaches that have significant operational implications for more than one of the key HRM areas. For instance, an assessment centre can be applied in selection, training or promotion decisions, while a global competency or capability framework may be used for all five HRM flow areas (Selmer and Chiu, 2003). The individual HRM flow areas may show specific HRM systems and instruments that are based on the principles and guidelines for that HRM field. If a high quality selection principle exists, examples could be the use of specific psychometric tests, or extensive interviewer training throughout the

IHRM area	Key elements meta level standardisation	Key elements operational standardisation
General HRM principles, guidelines and objectives	Many broad international principles, guidelines and objectives exist in areas such as leadership, employment relations, flexibility, health and safety, diversity and equal opportunities	Many overarching systems and instruments built on strategic level principles and guidelines. Including competency/capability frameworks, assessment centres, talent management
Recruitment and selection	International recruitment and selection guidelines (e.g. top performers with track record, management entry through junior management, evidence of innovativeness)	Worldwide integrated recruitment approaches (e.g. needs analysis, use of MBA fairs); integrated selection (e.g. use of tests, interviewer training, multiple stages)
Training and development	Global corporate culture, leadership guidelines	International integration of seminars / instruments (e.g. corporate principles, capability framework or culture)
Career management	Worldwide principles (e.g. promoting "talent' regardless of origins)	Global career system; coherent hierarchical structure
Performance management	International performance management principles and guidelines (e.g. management by objectives; stretching goals)	Cross-border integration of appraisal criteria. Similar processes and forms
Remuneration	Global remuneration principles, objectives and guidelines (e.g. security, markets, motivation, hierarchy)	Global management reward system (e.g. link to job evaluations), standardised instruments

Table I.
Transnational HRM standardisation

organisation. Assessing meta level principles and the actual operational standardisation allows potential gaps between the rhetoric and the reality of THRM to be identified.

Knowledge networking
Knowledge networking includes international control, coordination and communication on both the meta and operational levels. According to Harzing (1999), control is seen as a means to direct the behaviour of individuals towards organisational goals and has two important elements: orientation and a power dimension. Coordination serves the pursuit of a common organisational goal, although the power element is less explicit and organisational aims would be served by "integration, harmonisation or linking of different parts" (Harzing, 1999, p. 9). To understand this, formal cross-national control mechanisms need to be analysed to assess the depth of international planning and reporting. However, since such bureaucratic control is insufficient to run a complex MNC, Ferner (2000) argues that social and personal coordination mechanisms are also needed to create corporate cohesion.

The communication aspect of knowledge networking links into the creation and diffusion of IHRM, a process that has been categorised into forward, reverse and multi-directional flow diffusion (Edwards, 1998). The latter describes the transfer of practices throughout a MNC and is most akin to transnational knowledge networking. Assessing knowledge networking is an attempt to understand the process of how IHRM philosophies, principles, objectives and instruments are developed and the on-going process of monitoring and refinement. Table II (based on Dickmann, 1999; Dickmann and Müller-Camen, 2006) depicts transnational knowledge networking at the meta level and at the operational level. While principles to achieve competitive advantage may be determined on the meta level, competency frameworks and talent management approaches are largely designed and reviewed on the operational level.

Overall, analysing these coordination processes allows for the identification of communication direction, content and intensity. THRM would signify multi-directional communication about HRM ideas, strategies, processes and results. The HRM processes would be geared towards HRM innovations from anywhere in the company network and would serve as an early warning system if there was insufficient fit to the cultural and regulatory local context. The identification of areas where a high degree of standardisation is possible would be efficient, since there would be less duplication of design effort and learning.

IHRM area	Key elements meta level knowledge networking	Key elements operational knowledge networking
General HRM principles, guidelines and objectives	Cross-national cooperation and ideas exchange to design and report on IHR strategy, principles, general HRM budgets, costs, global and local results	International coordination in design and analysis of worldwide and local effects of systems and instruments, e.g. competency frameworks, talent management
Recruitment and selection	Global recruitment and selection committees (project groups, or other forms of coordination) define and oversee standards, discussion of future international resource needs	Communication and coordination of "good practice' recruitment and selection approaches, worldwide information exchange (e.g. about universities, selection tests)
Training and development	Cross-national T&D group coordinates and reviews long-range aims; information exchange on local cultural norms and values	International communication about external training providers, global ideas exchange about internal training and development
Career management	International committees determine and review career principles	Cross-border exchange of data on successor plans and high potentials, many international assignments (often third-country nationals)
Performance management	Cross-border performance management groups set and review principles and guidelines	Internationally coordinated reporting of performance; review of approaches (e.g. forced rankings) and instruments
Remuneration	Global remuneration committee develops and reviews principles and guidelines	Exchange of information and assessment of suitability of standardised instruments

Table II.
Transnational HRM
knowledge networking

Based on the IHRM literature, this study defines THRM and then refines this definition by exploring two cases. We analyse whether these two companies are carrying out THRM based on the description outlined above. We also aim to illuminate and critically assess differences in processes and outcomes of HRM standardisation and knowledge networking. This will be done at the operational and the meta level.

Methodology

The research on which this paper draws involved two case studies of German MNCs with significant operations in Great Britain and Spain. The study used a qualitative method because it allows issues to be investigated in context and deals with a variety of forms of evidence (Miles and Huberman, 1994). A case study approach was adopted to allow causes, processes and consequences of behaviour to be investigated (Yin, 2003).

German MNCs operating in Spain and the UK were chosen for this study for the following reasons. First, the German business system has a number of distinct features, such as initial vocational training and co-determination, which shape the HRM practices of indigenous companies, but are not present in most host countries (Müller, 1999; Dickmann, 2003). This makes it likely that they will be confronted with issues of diverging HRM policies and practices in their foreign subsidiaries, which is likely to influence the companies' choices about standardisation and knowledge networking. Second, German MNCs are amongst the biggest and most international companies in the world and size impacts positively on knowledge transfer (Bresman et al., 1999). Third, the choice of countries was also influenced by practical considerations such as access and language skills of the principal researcher. Finally, the emergence of EU wide regulations may provide an incentive for MNCs operating in the EU to knowledge network and integrate their HRM approaches across Europe.

For this paper we call the organisations Elektro-Co and FMCG-Co. The electronic engineering company Elektro-Co was founded in the nineteenth century, operates in more than 100 countries, and employs more than 300,000 people; almost half located outside of Germany. In the late 1990s, the firm operated a M-form structure with a regional and functional matrix and was split into 13 product divisions. The firm had a long history of operating in both the UK and Spain (100 + years in each) and had 10,000 employees in the UK and over 2,000 in Spain. The applied chemicals firm FMCG-Co was also founded in the nineteenth century and operated in over 60 countries. FMCG-Co had six worldwide business divisions and also employed a regional and functional matrix structure. In the late 1990s, FMCG-Co had close to 50,000 employees and slightly more than half of the total was employed outside Germany. FMCG-Co started operating in the UK in 1970. At the time of the research the UK subsidiary employed 600 people. FMCG-Co's involvement in Spain started in the 1950s and by the late 1990s the firm had more than 2,000 employees in Spain. FMCG-Co had largely experienced growth by acquisition in the UK and Spain.

The two manufacturing organisations were selected because of their similar organisational structures, a long history of international operations and their distribution of foreign and domestic employment. Moreover, they had a stated desire to pursue transnational goals cited in both internal policy documents and the media. Harzing (2000) distinguishes three categories that can be used to identify transnational organisations. The first criteria are related to organisational design and subsidiary

role. The two case organisations worked in a highly networked structure, with significant inter-subsidiary flows and dispersed centres of excellence. The second set of criteria are related to local responsiveness. Both companies had local production, local R&D and modified its products and marketing to take account of local preferences. Harzing (2000) points out that the transnational corporation is similar to the multidomestic firm in terms of local responsiveness. Thus, it is important to assess her third category – interdependence – which is low for multidomestic firms and high for transnational corporations. The data presented below indicate that the levels of interdependence was high in the two organisations. Therefore, the case organisations appeared to be good examples of firms practising a transnational approach.

The case studies were based on semi-structured interviews, company data and published sources. A total of 26 interviews (14 in Elektro-Co and 12e in FMCG-Co) were carried out in Germany, Britain and Spain. Interviews lasted between one and four hours and were conducted with senior managers (including board members), middle HR managers and labour representatives (see Table III). Interviewees were asked about the underlying strategy, how the processes evolved and to describe "typical" approaches and key incidents. In Germany, senior HR managers were asked about the IHRM philosophy; cross-national communication and reporting; the actions taken and the experiences gathered in IHRM co-ordination. In Britain and Spain HR managers were asked about how much autonomy they had to adapt policies and practices to local needs; what the perceived advantages and problems were and what outcomes were experienced. The data also captured the impact of personal relationships, the role of the head office and subsidiary HR experts and reflected the autonomy and local

Organisation professionals	No. of interviews (and interviewees) in each country		
	Germany	United Kingdom	Spain
FMCG-Co	Five (HR Board Member, Director IHRM, Director Training and Development, Works Council Member, Director Sales (former expatriate))	Three (Head of HRM, Manager Resourcing, Training and Development, Works Council Member)	Four (Head of HRM, Manager Performance Management, Manager Training and Development, Works Council Member)
Elektro-Co	Seven (Workers' Director on Supervisory Board, Director IHRM, Director Performance Management, Director Training and Development, Director Compensation and Benefits, Returned Expatriate (Purchasing), Works Council Member	Four (Head of HRM, Manager Talent Management, Manager Training and Development, Works Council Member)	Three (Head of HRM, Manager Performance Management and Remuneration, Works Council Member)
Experts	Three (one employer association official, two trade onion officials)	Two (one employer association official, one trade union official)	One (one HR professor)

Table III.
Overview of interviews

embeddedness of the HRM of subsidiaries (Martinez and Jarillo, 1991; Birkinshaw *et al.*, 2002). Depending upon position and nature of role, some interviews concentrated on strategic issues, while others were concerned with a broad strategic overview and then concentrated on HRM sub-fields. The interviews were tape-recorded where consent was given and notes were also taken. The interview data were analysed using thematic content analysis (Miles and Huberman, 1994)

There were a number of measures taken to improve data accuracy and interpretation. The use of triangulation, through a further six interviews with professionals from employer's associations, trade unions and academia (see Table III) who had worked within the companies' sectors and often directly with (but not employed by) the firms, improved the quality of the data interpretation. Moreover, the country write-ups were sent to the respective managers in Germany, Britain and Spain for verification. In areas where "hard" data to support claims could not be obtained, attempts were made to get independent confirmation from another source. For example, if the personnel director stated that the IHRM reporting system provided data on global management training investment, an attempt would be made to verify this with the person responsible for monitoring international management development and managers at the "receiving end" in the UK and Spain.

Roads towards transnational HRM

This section examines the IHRM approaches of Elektro-Co and FMCG-Co in terms of standardisation and knowledge networking and how they responded to the pressures for local responsiveness, global efficiency and cross-national innovativeness. Both firms had identified these three factors as the main goals of their IHRM and FMCG-Co had explicitly referred to being transnational as a key strategic aim.

International standardisation of HRM on the meta level

In Elektro-Co a number of international HRM principles and guidelines were used to provide a high degree of standardisation in the areas of leadership, resourcing, development, remuneration, job security and employment relations. FMCG-Co also had a range of HRM principles and objectives that were integrated across borders (see Table IV). Both MNCs had integrated procurement of key talent, expatriation policies and upper management rewards. However, the overarching principles in FMCG-Co went beyond Elektro-Co's focus on fairness, security, efficiency and local responsiveness, to include practices designed for innovation. On the meta level this could effectively mean "standing up" to the national business context. For example, FMCG-Co Spain used 93 per cent standard, full-time contracts in an industry and national environment where a higher percentage of workers on non-standard contracts would be typical. The Spanish subsidiary HR director explained that "giving security ultimately allows people to think more freely".

International standardisation of HRM on the operational level

There was a desire for a high degree of standardisation for performance management and upper management remuneration. Both firms used job evaluation based on Hay principles, had management dialogues that reviewed objectives and strived to have comparable pay approaches, at least for their upper middle and top management. However, in practice there was some divergence. For example, in relation to rewards,

	Elektro-Co	FMCG-Co
Meta level		
General HRM principles, guidelines and objectives	*Leadership*: International principles and guidelines *Security*: Healthy work environment, Job security through standard work contracts *Other – employment relations*: cooperation with employee representatives and trade unions worldwide	*Leadership*: International principles and guidelines *Security*: Healthy work environment, job security through standard work contracts *Other – innovation*: Principle of international cooperation to elicit best ideas and learning
Recruitment and selection	Search for global best talent	Search for global best talent
Training and development	Commitment to development of staff	Commitment to development of staff
Career management	International assignment policy	International equality of career prospects, International assignment policy
Performance management	International principles and guidelines (e.g. management by objectives and yearly appraisals)	International principles and guidelines (e.g. management by objectives and yearly appraisals)
Remuneration	Comparable remuneration for middle and upper management, worldwide contribution level (percentage) to pension plans	Comparability of task and performance related compensation
Operational level		
General HRM	Competency framework, worldwide talent management	Competency framework
Recruitment and selection	Worldwide R&S criteria exist for top management and high potentials	R&S essentially local, using diverse criteria
Training and development	Technical, managerial and cross-cultural training integrated (some compulsory); dual vocational training implemented, international management "development profile"	Some cross-cultural seminars and top management development integrated, dual vocational training *not* implemented
Career management	Integrated career paths for functional specialists and some technical positions; use of international database; global successor system for 4,000 top positions	Integrated approach for upper/middle management (highest four levels); normally high potential database (UK opted out)
Performance management	Worldwide Hay-inspired process for four top levels, review with staff dialogue integrated, use of common forms and IT	Standard processes and forms for top four management levels (management review and target dialogue) developed in Germany
Remuneration	Top four level managers have an international "comparable" system, exception was Spain with more merit and profit-related pay (higher than 1 per cent profit related pay in Germany)	Integration around Hay for upper five levels, lower management local; profit related pay covers management in Germany, broader staff coverage in UK; less base salary in Spain

Table IV.
THRM standardisation in
two German MNCs

Elektro-Co local HR management in Spain had persuaded German headquarters to allow them to use more profit-related pay than the parent company. Divergence between local practice and head office ideas was even more widespread in FMCG-Co. Whilst performance related pay covered only management in Germany, it applied to all staff in the UK and in Spain it was of a higher magnitude. Despite the strategic intention to have comparable remuneration, in practice there was little standardisation in rewards.

There were differences with respect to recruitment and selection. In Elektro-Co recruitment and selection for higher leadership levels and for high potentials was carried out centrally; common criteria were used and ultimately all candidates where selected by headquarters in Germany. In contrast, FMCG-Co used an entirely local resourcing approach; recruitment methods and selection instruments were developed and implemented by each country.

Elektro-Co wanted to diffuse its global corporate principles using management training and consequently had a range of courses that were taught in a similar form around the world. FMCG-Co had only a few management development initiatives that were cross-nationally integrated. This approach was more typical of German MNCs operating abroad (Temple, 2001). Those initiatives that were standardised at FMCG-Co had a strong transnational philosophy, designed to strengthen the power and autonomy of subsidiary management. For instance, one executive seminar was built around cases that underlined the contribution of non-parent country operating units.

Both firms saw career and performance management as closely interfaced. Their career management used integrated competency frameworks, maintained international databases and linked these for promotion moves. FMCG-Co had faced some internal opposition and a few local operations, including the UK, had refused to take part in international career management. A senior head office HR manager (Head of Training and Development) stated: "We have reserved powers in abstract areas such as leadership principles. In operational areas we don't have a say".

These cases show that while the level of HR standardisation can be substantial, it is not fully-fledged or consistent across the range of HR practice areas. In the context of the convergence – divergence debate, Brewster *et al.* (2005) point out that some parts of an HR system might be converging in some regions, while others might continue to diverge.

Both companies embraced transnational ideas on a meta level, but the operationalisation differed. This finding is in line with other writers who outline the ability of subsidiaries to resist one-to-one transfer and point to a negotiated process (Almond *et al.*, 2005; Fink and Holden, 2005; Birkinshaw, 2000). This non-standardisation increases complexity and costs in favour of local responsiveness. Although the resulting standardisation is unlikely to be ideal in an absolute sense, it may abide to the principle of requisite complexity in that company complexity has to mirror environmental complexity (Ghoshal and Noria, 1993). Given the high complexity and variability of network structures that are advocated by Bartlett and Ghoshal (2002, 2003) and others (Evans *et al.*, 2002; Malone, 2004), it may be less the structural outcome, than the actual processes that distinguish the transnational.

Local HR in FMCG-Co had considerable freedom to opt out, which led to lower levels of standardisation. Hence FMCG-Co was more highly standardised on the meta level than on the operational level. The reasons for this will become clearer when HRM processes in knowledge networking are discussed.

International knowledge networking within HRM on the meta level
An overview of IHRM knowledge networking in the two companies is given in Table V. Looking first at IHRM principles, guidelines and policies, foreign HR managers in Elektro-Co suggested that international cooperation was often "unbalanced". A Spanish executive responsible for performance management and remuneration commented: "It [would be] inconceivable that strategic developments and international aspects are not under German leadership". With a new succession planning system, it was piloted in Spain and reviewed by a Spanish-German project team, before the German HRM leadership decided to implement it internationally. Thus, there was a sequence of communication that included elements of multi-directional and forward diffusion (Edwards, 1998), but the expertise in the development of IHRM remained in German headquarters. HRM communication was not globally networked; rather, after an ideas gathering phase it was normally bi-national. This pattern was also supported by the national business system in that German managers stated that they often received help and relevant information from colleagues in other organisations via the network of the German personnel association.

In FMCG-Co all top European HR executives met six times a year to exchange ideas and to develop HRM principles and guidelines. The direction of knowledge exchange was multilateral and ideas originated in many parts of the network (for example, a new compensation system came from Spain and a job evaluation system from the USA). The communication was less results oriented than in Elektro-Co and encompassed a wider range of ideas. FMCG-Co practiced concurrent multinational development of HRM approaches with feedback and reviews from implementers in regional or global forums.

There were differences in the bureaucratic, social and personal coordination processes associated with knowledge networking in the two firms. Elektro-Co used a matrix structure based on geographic and functional reporting. Local HR directors reported both to the local managing director and the global HR head. German HR executives had a high degree of involvement in local HRM initiatives. Considerable IHRM information was gathered by headquarters, for example, general HRM costs, training and development, labour turnover figures and recruitment costs. However, although bureaucratic coordination was strong, HRM budgets were determined locally. In terms of personal coordination, there was an annual meeting of all HR top managers, local units had frequent visits from headquarters specialists and local managers often travelled to head office.

FMCG-Co had one global HRM meeting each year and there was an intensive exchange of HRM ideas through frequent visits of local HR experts to head office and vice versa. While FMCG-Co had a similar matrix structure to Elektro-Co, head office HR executives did not formally get involved in local initiatives. The board member for HRM summarised the general intent of meta level coordination as: "We want to harmonize the philosophy, but the method is determined locally". With respect to bureaucratic control, head office did not set budgets for foreign subsidiaries and only basic quantitative data, such as headcount was reported.

As Table V shows, within three of the five HRM flow areas at Elektro-Co's there was extensive communication on the meta level. Overall, we found extensive knowledge networking mechanisms in Elektro-Co, concentrated on bureaucratic control at the meta level. FMCG-Co concentrated their knowledge networking on

	Elektro-Co	FMCG-Co
Meta level		
General HRM principles, guidelines and objectives	*Development and review:* Central development and local review of HR principles, development of HR strategy at head office, feedback on implementation from local units	*Development and review:* International development of HR principles, multinational development of HR strategy, feedback on implementation from local units
	Control and coordination: little international coordination of HR budgets, no local HR budgets set, extensive reporting of local HR results to headquarters, 1 international HR meeting of top managers, frequent visits	*Control and coordination:* little international coordination of HR budgets, no local HR budgets set, basic reporting of local results (e.g. headcounts), 1 global meeting, bi-national monthly regional meetings, frequent visits
Recruitment and selection	International committee for top talent sets and reviews standards for global leadership (4,000 top managers)	International discussion of long-term international resourcing needs, no global committee (except for board members)
Training and development	Cross-nationally coordinated long-range aims for future leaders developed, cultural cornerstones defined	Cross-nationally coordinated long-range aims for future leaders developed, cultural cornerstones defined
Career management	Top career deciders drawn from headquarters, sporadic, informal career principles discussion	Top career deciders drawn from headquarters, career principles sometimes formally discussed in European HR Group
Performance management	International performance management principles discussed cross-border	International performance management principles discussed cross-border
Remuneration	Headquarters sets guidelines; principles of retirement security exist	Headquarters sets guidelines
Operational level		
General HRM	Extensive local audits (from headquarters) with compulsory recommendations by internal consultants. Global competency framework – central design and local feedback. Moderate frequency of international HR meetings and visits	Feedback in European HR director committee on overarching systems and instruments every two months. Global competency framework designed in international (European) cooperation. High frequency of international HR meetings and visits
Recruitment and selection	International discussion of selection criteria in interviews / assessment centres / psychometric and aptitude tests	International discussion of diverse selection instruments

(*continued*)

Table V.
THRM knowledge networking in two German MNCs

	Elektro-Co	FMCG-Co
Training and development	Head office design and review most international management seminars; explicit link to cultural aims	Head office design and international review of some international management seminars; some have explicit cultural aims
Career management	Intensive cross-border exchange of data on integrated succession plans; coordinated through 0.8 per cent of staff abroad on international assignments	Some cross-border exchange of data on high potentials; coordinated through more than 1 per cent of staff abroad on international assignments
Performance management	Integrated reporting on performance of 4,000 top managers and high potentials, headquarters review	No international review of performance carried out
Remuneration	Central remuneration committee reviews rewards, informal cross-border discussion of experiences	Central remuneration committee reviews rewards, formal cross-border discussion of experiences

similar areas. The differences were predominantly concerned with recruitment, selection and remuneration. In these areas Elektro-Co used more principles and slightly more intensive knowledge networking. While both companies had a number of IHRM project groups, FMCG-Co had bi-monthly meetings in Europe to discuss and co-ordinate key HRM themes. Overall, Elektro-Co used more formal and bureaucratic HRM reporting, whilst FMCG-Co preferred more personal and social coordination, through meetings and exchange of experiences.

International knowledge networking within HRM on the operational level
Knowledge networking at the operational level looks at cross-border communication and coordination approaches in relation to HRM policies and instruments (see Table V). In terms of bureaucratic coordination, every four years foreign operating units at Elektro-Co were subjected to an audit. Auditors could recommend the introduction of minimum specifications that could include HRM practices. Social coordination through management development activities attempted to create a shared culture and common core competencies. Career management illustrates that personal coordination was also intensive. Although less than one percent of staff outside Germany were parent-country expatriates, German assignees were seen as instilling "German-ness" into Elektro-Co's operations. A works council interviewee in the UK suggested that they monitor the local operations because "[German expatriates] control us... with their better contacts to [the German headquarter]".

Although in FMCG-Co there were few bureaucratic controls at operational level, there was intensive operational knowledge networking. FCMG-Co used some of its international management development initiatives to transmit common cultural guidelines. The aim was for the participants to understand and value national and personal differences and the contribution of foreign affiliates. In terms of personal coordination, more than 1 per cent of all staff outside Germany were parent-country

expatriates and third country nationals abroad were also common. In contrast to Elektro-Co, international assignees were rarely in leadership positions and most of them seemed to have a "learning" rather than a "strategic control" function (Interview Board Member HRM). While both companies used intensive knowledge networking, Table V illustrates the approaches used which were influenced by different mindsets and the sequence of communication and co-ordination.

In summary, Elektro-Co dispersed knowledge around its component parts. The firm had intensive, in-depth HRM communication and bureaucratic, social and personal coordination activities. Maintaining power in head office meant a high degree of centralisation, an imbalance in information access and exchange and that international know-how was kept at the corporate centre. While this did not go against the grain of a learning orientation of German MNCs (Ferner and Varul, 2000), it added a head office HRM knowledge control dimension. The outcomes of Elektro-Co's approach to the development and diffusion of HR knowledge showed high international knowledge networking and resulted in a high degree of standardisation. However, this process did, at times, not fit easily to Bartlett and Ghoshal's description that knowledge is developed jointly and shared worldwide in transnational firms (1989). While attempting to tap into the ideas and creativity of its foreign subsidiaries, the HR networking structure that Elektro-Co had developed, head office remained the development resource centre, network coordinator and power broker of information.

FMCG-Co's approach was network-centred and allowed the continuous contribution of foreign subsidiaries to create learning (Temple, 2001). This led to head office merely having a position of *primus inter pares* and local subsidiaries were able to opt out of the suggested approaches and develop their own (thereby becoming centres of excellence). The director responsible for international HRM in FMCG-Co office commented that headquarters wanted to provide help and tools, but did not want to force foreign units to "obey" German demands. The executive referring to the decentralised HRM power structure commented: "We are not the Vatican!". The outcomes were, therefore, more moderately transnational, while the processes were more strongly transnational. Arguably, it is the networking processes that distinguish the transnational corporation, rather than its degree of global standardisation or other outcomes (Bartlett and Ghoshal, 2002). If processes are subject to the (potentially adverse) development of corporate outcomes, power constellations (Birkinshaw, 2000), changing individual actors with their individual preferences and negotiation abilities (Perlmutter, 1969; Cutcher-Gershenfeld *et al.*, 1998), the network of company units may be in permanent flux. This may also explain in part why it seems so difficult to identify lasting examples of transnational firms with ABB having been seen as one in the 1990s (Gooderham and Nordhaug, 2003).

Discussion
The findings showed that for both organisations standardisation and knowledge networking on the meta level were moderately high. However, at the operational level standardisation there was some divergence. We now turn to examine the reasons for the variations found.

Existing literature suggests that reasons for differences include industry sector, strategic choice and administrative heritage. Colling and Clark (2002) describe how industry influences can be more influential than home country factors in HRM.

Ghoshal and Nohria (1993) also outline how the forces for local responsiveness and centralized control vary in different industries. Many of FMCG-Co's products, such as personal care items, needed high local responsiveness in the ingredients and marketing. The majority of Elektro-Co's electrical and electronic products, however, were more suitable for high standardisation. It may be that these patterns were also reflected in IHRM.

In Elektro-Co there was a strong heritage of setting up operations in foreign countries and growing them organically. This would imply a more pronounced influence of German expatriates during the start-up stages, more dependence and trust between head office and foreign affiliate and more intensive knowledge flows (Gupta and Govindarajan, 2000; Evans *et al.*, 2002). Moreover, it may indicate a weaker power position of local management, which would be likely to result in higher degrees of integration (Kostova and Roth, 2002). FMCG-Co had experienced growth predominantly by acquisition, which would suggest lower degrees of integration.

Further, our findings suggest an important role for processes in determining standardisation and knowledge networking outcomes. FMCG-Co utilised intensive, multidirectional and informal communication patterns to increase local, home-country and global innovation. The IHRM director explained:

> If we only push our ideas and tell [other managers abroad] what to do, we will never understand whether we found a good solution. We need to listen . . . .

Therefore, communication structures such as the European HR directors committee provided a quasi-democratic discussion and decision forum. It was less of an international centre of HRM excellence and more the persuasion that all countries could contribute to HRM innovations. The wish to learn from HRM practices developed in elsewhere has been attributed to German companies, especially with regard to an "Anglo-Saxon way" (Ferner and Quintanilla, 1998; Ferner *et al.*, 2001). This was also argued by the trade union and employer association representatives interviewed in Germany. The European HR directors' committee was part of the infrastructure which allowed forward, reverse and multi-directional diffusion, that increased the chance of overcoming the "stickiness" of established HRM approaches caused by different interest groups and the costs of change (Edwards and Ferner, 2004). In giving its foreign units the ability to reject head office ideas, FMCG-Co effectively prioritised responsiveness and innovation over efficiency.

Ultimately, FMCG-Co's approach made full-scale global standardisation of instruments more difficult than at Elektro-Co. Ferner *et al.* (2005) outline a range of strategies and processes how actors can resist the full implementation of US-style diversity policies in the UK. Our findings show that especially in the case of FCMG-Co, which empowered actors in foreign subsidiaries, the companies may not be able to standardise their HRM approaches to the intended degree. Instead, it is the merit of the specific ideas under discussion that determine the degree of standardisation (Czarniawska and Joerges, 1996). High standardisation was likely to be difficult given a context where the UK HR Manager Resourcing, Training and Development described its culture as "robust, determined stubbornness", which would lead to only accepting ideas "if they make total sense for our environment". Overall, whilst both organisations were working towards THRM, the roads taken differed. FMCG-Co's foreign subsidiaries' higher autonomy and stronger power position accounted for some

of the divergences between meta level principles and operational practices. It seemed that not only the extent of communication, but also the quality of coordination processes and their embeddedness in the organisation determined the shape of operational HRM and the difference between centrally espoused and locally implemented practices.

Conclusions

A number of conclusions can be drawn from the analysis of these case studies of organisations striving for THRM. First, the concept of transnational management can be developed and operationalised using the dimensions of knowledge networking and standardisation. This perspective goes beyond a focus on global strategies and structures and enables us to assess diverse communication and coordination processes. Focusing on processes can create a more in-depth understanding and allows a more nuanced picture of international management practice to be developed. Even though on the face of it some of the HRM practices in the companies were similar, the way they had been developed was different, with implications for the autonomy of the subsidiaries, HRM efficiency and the origin of innovation. Amongst the many constraints on the freedom of organisations are the diverse sectoral, institutional and cultural contexts, that determine the feasibility of standardisation (Dickmann, 2003; Ferner and Varul, 2000) and therefore the outcomes of transnational HRM. Not only the existence of intra-organisational HR communication, but the perceived quality and applicability of ideas is important. Moreover, the sequence of interactions and work on these ideas, the formal and informal power of actors, and the persuasion of top management who confer legitimacy on diversity within organisations, will influence diffusion and standardisation processes. The evidence suggests that processes and not just outcomes are important in the delivery of THRM.

Second, by conducting a multi-level analysis, our finding show that there can be marked differences between the standardisation on the meta and operational levels. On the one hand, the differences in the quality of knowledge networking and the intended distribution of power to aid innovation meant that in FMCG-Co the actual degree of international integration was lower than intended by the head office. On the other hand, Elektro-Co showed that organisations can embrace THRM on the meta level and also practice it on an operational level, demonstrating that consistent THRM is possible.

The case studies have shown different ways of becoming a transnational firm. They emphasise the considerable challenges that organisations face if they want to practise transnational HRM on both the meta and operational levels. The cases also reiterate that universalist approaches oversimplify the picture since organisations have to deal with complex environments and actors who have their own interests and power bases.

Importantly, organisations who pursue goals of local responsiveness, global efficiency and worldwide innovation are likely to have to prioritise their objectives. They may face pitfalls and will have to find compromise solutions, as in FMCG-Co where they were not able to gain as integrated an approach as desired. Due to the importance of process quality and the increasing value of the creation, diffusion and exploitation of knowledge, this may mean a constantly shifting position of subsidiaries in the network. Ultimately, the dynamic competitive environment and the reactions of firms within it may be part of the explanation why it has been so difficult to identify

transnational organisations that remained successful and did not experience large structural or power shifts. Key stakeholders in organisations should be aware of these tensions and difficulties in their search for a good IHRM configuration.

This research attempted to fill gaps in our knowledge about THRM processes in large MNCs. The limitations of case study research are well known (Yin, 2003) and need to be taken into account. Given the number of interviews – 32 across three countries – and the complexity of the two German multinational organisations, the reader is urged to interpret the findings carefully. Furthermore, our cases were drawn from Western Europe – the patterns of THRM structures and processes may differ significantly in MNCs from other regions. On the one hand, studies that concentrate on larger MNC samples derived from a broader range of countries can create a fuller picture of THRM, along with some of the associated benefits and stumbling blocks. On the other hand, future in-depth case studies may use the identified dilemma of diverse pathways to transnationalism – and the danger that innovation strategies face in the (partial) loss of control over subsidiary management and HRM approaches. Some of the above insights of different roads to THRM and the diverse processes associated with it seem likely to apply also to a wider, non-German population of MNCs. After all, if two German manufacturing companies that have similar organisational and HRM structures and which are subject to similar local and regional institutional influences have developed different HRM configurations, it seems likely that other firms that do not share these common characteristics and influences will equally develop distinct IHRM strategies, structures and processes.

This study has gone beyond Bartlett and Ghoshal (1989) and has outlined a range of influences on IHRM that go beyond the universalist perspective. Thereby, it contributes to a more complex picture of IHRM and to understanding the range of internal and external factors shaping the various configurations firms adopt. For more precise recommendations, we need to develop a more insightful assessment of knowledge networking and its implication for the distribution of power between head offices and subsidiaries. What is clear is that successful IHRM establishes a subtle balance of home, host and global forces as well as internal politics. It is this multiplicity of external pressures and internal powers that is likely to vary substantially from one company to another and which represents an exciting avenue for further research.

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