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ABSTRACT

This article concerns the transfer of Human Resource Management (HRM) practices by multinational companies (MNCs) to their overseas subsidiaries. It investigates how factors originating from the cultural and institutional framework of the host country impact on this transfer. Using data collected from MNC subsidiaries located in Greece and local Greek firms, we examine the degree to which several HRM practices in MNC subsidiaries resemble local practices. Our empirical findings indicate that subsidiaries have adapted their HRM practices to a considerable extent, although some practices are more localised than others. Specifically, practices that do not fit well with Greek culture or are in contrast to employee regulations show a low level of transfer. On the other hand, our interviews revealed that significant cultural changes are underway and that the institutional environment is gradually getting more relaxed, leaving more room to manoeuvre for MNCs.

KEY WORDS: Human Resource Management, Multinational Companies, transfer, culture, institutions, Greece.

INTRODUCTION

During the last few decades, companies have been confronted with an increasingly competitive environment. Forces facilitating globalisation, such as the liberalisation of international trade, the international integration of production, research and marketing by major MNCs, as well as the emergence of major economic regions like the European Union, have enabled companies to invest overseas in order to gain or maintain competitive advantage. It has been argued that human assets are an emerging source of competitive advantage for MNCs (Bartlett and Ghoshal, 1991; Schuler and Rogovsky, 1998). HRM is evolving from being just a support function to one of strategic importance (Teagarden and Von Glinow, 1997). Bartlett and Ghosal (1991) have argued that HRM policies and practices are becoming crucial because they can act as mechanisms for co-ordination and control of international operations. Values and HR systems help to shape organisational culture and the people who operate within and influence that culture; and MNCs therefore attempt to transfer their HRM practices abroad. On the other hand, it has also been argued that HRM constitutes a major constraint when MNCs try to implement global strategies (Adler and Bartholomew, 1992). This is mainly due to the complexities involved in employing and managing people from disparate national and cultural backgrounds.

HRM can be seen as part of the overall strategy of the firm. In this respect, Perlmutter (1969) indicates that an MNC has three strategic choices: ethnocentric, polycentric and global. However, such a simply typology does not give clear-cut answers when it comes to the transfer of HRM practices abroad. Other factors, usually external ones, such as the host country environment, limit the MNC's freedom to choose among the above strategies. In practice, MNCs are more likely to use a hybrid strategy and, as Tayeb (1998) puts it, opt for the strategy that fits best with each subsidiary's local conditions. In this way, a company that has subsidiaries in many foreign countries may adopt an ethnocentric strategy for some of them and a polycentric or even a global one for others. Furthermore, as many authors have argued, such a typology treats management practices in terms of an overall orientation, which may overlook an MNC's internal differentiation (Rosenzweig and Nohria, 1994). According to this view, a company is an organisation composed of many differentiated practices. Some of them may be more sensitive to pressures of local adaptation, while others may be more prone to internal consistency. Similarly, in the same subsidiary, some management practices might closely follow the parent company ones, while others may more resemble those of the host country. In addition, there could be yet other practices that follow a global standard.

A major issue, and one of the central questions in the MNC literature, is the extent to which subsidiaries act and behave as local firms - local isomorphism – as opposed to the extent to which their practices resemble those of the parent company or some other global standard - internal consistency (Rosenzweig and Nohria, 1994; Jain et al., 1998). More specifically, HRM practices in an MNC "are shaped by the interplay of opposing pressures for internal consistency and for isomorphism with the local institutional environment […]" (Rosenzweig and Nohria, 1994, p.230). Recent research that has focused on MNC subsidiaries and human resources management has already shed light on some of the factors that affect MNCs' choices regarding localisation versus internal consistency of HRM practices (Beechler and Yang, 1994; Rosenzweig and Nohria, 1994; Guest and Hoque, 1996; Newman and Nollen, 1996; Bae et al., 1998; Ngo et al., 1998).

This article will contribute to this debate by examining the way in which factors originating from the cultural and institutional framework of a host country impact on HRM transfer. According to Clark et al. (1999), only 10.5% of the articles they reviewed in comparative and international HRM used both cultural and institutional theories to explain their research findings, while around 41% did not provide any explanation at all. In order to describe and explain cross-national differences adequately, we need to use both approaches in order to capture a wide range of influences on HRM transfer Our second major contribution to the debate is our choice of host country. Greece constitutes an interesting case since little research has focused on investigating management issues in the Greek context, partly because there is a dearth of empirical research in management on recently industrialised countries in general. Such countries often face distinct problems and unique challenges that require specific attention and the development of a specific body of knowledge. Although Greece can no longer be considered a developing country, it retains some characteristics in common with such countries, especially those related to the socio-economic and cultural environment. Factors such as the tension between old and new cultural values and institutional volatility characterise the Greek environment. Such issues are of particular importance for MNCs that operate in these countries. It can be argued that the cultural and institutional environment becomes even more crucial for HRM transfer to host countries that are in a transitional state.

The next section will provide the theoretical underpinnings of this study. Based on previous research that has focused on cultural and institutional perspectives, we develop specific hypotheses to test the effect of host country factors on HRM transfer. This is followed by an outline of the Greek cultural and institutional framework. After a description of the study's methodology and sample characteristics, we present our empirical results and provide a discussion of the main findings. The article concludes by addressing the limitations of our study, as well as implications for management research and practice.

HOST COUNTRY SPECIFIC FACTORS AND HRM TRANSFER

Recent research has revealed that companies in different countries differ with respect to their HRM practices and policies (Ferner 1997). It has also been noted that transferring HR policies and practices to different countries can be quite problematic (Rozenweig and

Nohria, 1994; Hofstede, 1980; Yuen and Kee, 1993; Bae et al., 1998; Kovach, 1994). Some of the major obstacles are closely related to the host country's cultural and institutional environment.

Although the dominance of American management theory has led to the belief in universal management practices that can be applied anywhere, research has shown that managerial attitudes, values and behaviours differ across national cultures. There is no single best way to manage an organisation, since – among other factors – differences in national cultures sometimes require differences in management practices. Several management writers have adopted a cultural perspective on organisations (e.g. Hofstede, 1980; Laurent, 1983; Trompenaars, 1994; Jackson, 2002). Central to this approach is that societies/countries are different from each other and that this distinctiveness is reflected in the way that organisations are managed. Management and organisation cannot be isolated from their particular cultural environment.

As with most management practices, HRM practices are based on cultural beliefs that reflect the basic assumptions and values of the national culture in which organisations are embedded. This leads to the question of what happens when MNCs want to transfer some of their HRM practices overseas, especially in cases when the assumptions that underlie such practices do not fit with the cultures of the recipient host-countries. Failure to adapt HRM practices to a host-country's culture can lead to negative consequences that inhibit a subsidiary's performance. Existing research provides evidence that MNCs adapt to a certain degree to national cultures in which they operate (Schuler and Rogovsky, 1998; Beechler and Yang 1994; Tayeb, 1998). In addition, subsidiaries that are managed consistently with national cultural expectations have been found to perform better compared to subsidiaries that are managed otherwise (Newman and Nollen, 1996).

The above discussion notwithstanding, cultural values are not the only determinants of individual behaviour that subsequently affects management practices. People's behaviour can also be partly explained in terms of social structures that act as a guide or constraints on individuals, through their roles and positions within institutions and the functions of these institutions within the entire social system (Lukes, 1973; Fay, 1996). Research by institutional theorists over the past two decades has focused on the impact of social forces on organisational structure and behaviour. The basic argument is that social institutions influence company practices in a systematic way, resulting in structures and processes that reflect national patterns (Sorge, 1995; Whitley, 1992). Empirical research has examined how institutional systems shape organisations, as a function of their location in the environment, their size, structural position etc. (Scott, 1995). With regard to the transfer of management practices to host countries, the extent to which firms are able to transfer country of origin practices depends on host country national business systems and their institutions, which can either facilitate or inhibit the transfer (Ferner, 1994, 1997). In a permissive institutional framework with few formal institutions, MNCs are less constrained in introducing country of origin practices. In contrast, where institutions are cohesive, integrated and have generated a distinctive business system, it is more likely that MNCs will have to adapt to the local practice (Gooderham et al., 1999). Host country legal regulations represent a strong environmental pressure on MNC subsidiaries (Taylor et al., 1996; Schuler et al., 1993); and the legal environment in which the MNC subsidiary is embedded can constrain the transfer of HRM practices from its parent (Beechler and Yang, 1994). Therefore, we hypothesise that:

Hypothesis 1: Because of strong and distinctive cultural and institutional forces in the host environment HRM practices in MNC subsidiaries located in Greece will resemble local practices.

One of the strongest influences by local institutions comes from labour unions. Rosenzweig and Nohria (1994) argue that if a union represents subsidiary employees, subsidiary HRM practices may be very close to those of local firms. In unionised firms, even if managers believe that parent HRM practices would be beneficial they may be unable to implement them because of potential conflict with union rules or employee attitudes (Beechler and Yang, 1994). We therefore propose that:

Hypothesis 2: The level of transfer of HRM practices will be lower in subsidiaries with local union representation.

At the same time, although Rosenzweig and Nohria (1994) found that MNC subsidiaries tend in general to adjust to local HRM practices, most of them were not forced to do so. They tend to comply with local practices in order to gain legitimacy and acceptance (Gooderham et al., 1999). Therefore, "isomorphism" which is one of the key concepts of new institutionalism, may not always exert coercive pressure on MNC subsidiaries. A subsidiary that relies heavily on host country organisations in terms of technological and managerial expertise, as well as on local suppliers, is likely to be affected by these actors in terms of its HRM practices, especially if the subsidiary wants to acquire or maintain a preferred employer status (Rosenzweig and Nohria, 1994; Hannon et al., 1995). This leads to our third hypothesis:

Hypothesis 3: The level of transfer of HRM practices will be negatively related to the degree of the subsidiary's interaction with host country organisations.

At this point it is important to note that we examine the transfer of individual HRM practices, not the overall degree of HRM transfer. Each of the factors affecting HRM transfer has differing degrees of impact on the transfer of individual practices (Bae et al., 1998). Thus, the degree of cultural impact on HRM practices differs according to the specific practice, subsequently affecting their level of transfer (Rosenzweig and Nohria, 1994; Lu and Bjorkman, 1997). In the same way, practices that are not compatible with local regulations, are highly visible or affect a large number of local employees show a low degree of transfer

(Rosenzweig and Nohria, 1994). Therefore, as Lu and Bjorkman (1997) also acknowledge, there is a need to describe and analyse each HRM practice separately rather than, as in most international HRM research to date, using an aggregate measure of HRM practices. However, a review of research that differentiated among HRM practices shows that there are large contradictions as to which practices are more easily transferred and which are not (Weber et al., 1998; Lu and Bjorkman, 1997; EIRR , 2000). As one of the main aims of this study is to provide additional evidence on this issue, we do not propose a directional hypothesis. Therefore, we expect that:

Hypothesis 4: HRM practices are subject to different degrees of transfer.

The following section discusses how the cultural environment has had an impact on the management of organisations in Greece and presents research findings on Greek human resources management. In addition, it gives an outline of the institutional environment and industrial relations framework and their link with HRM.

MANAGEMENT IN GREECE: LINKS WITH CULTURE AND INSTITUTIONS

Several studies during the 1980s and early 1990s (Bourantas and Papadakis, 1996; Bourantas et al., 1990; Papadakis, 1993) reveal that Greek management is characterised by a concentration of power and control in the hands of top management, which in the majority of companies consists of the owners and their relatives. Strong family bonds, one of the main characteristics of Greek culture, have affected the way that companies are organised and managed (Georgas, 1993). The majority of firms in Greece are small and family owned, where the manager – who is usually the owner – makes most of the decisions and is reluctant to delegate authority to his subordinates for fear of losing his power. Since companies operate in essence as an extended family, there is an unwillingness to let anyone run them except for family members. The prevailing idea is that people cannot be trusted unless they belong to one's extended family, which can include close friends as well as relatives.

According to an analysis by Triandis and Vassiliou (1972, quoted in Georgas, 1993), Greeks showed a high degree of protection, support and devotion to their in-group, while being hostile and competitive with members outside of it. Moreover, there is a strict hierarchy and younger members are expected to show respect to the older ones and accept their authority. This is in line with Hofstede's (1980) findings, according to which Greece scored quite high on the power distance and collectivism scale. These cultural traits explain to an extent the "small, family-owned firm" phenomenon in Greece.

HRM has had a late development in Greece. A 1986 survey revealed that only 9% of Greek companies with more than 100 employees had an HR department and only 11% had a detailed HR planning policy, as opposed to 52% of foreign subsidiaries (Kritsantonis, 1998). During the past 20 years, a few studies (Papalexandris 1991; 1992; Ball, 1992) have revealed that the use of systematic HR practices is lower in Greek firms compared to foreign subsidiaries, comprising the following characteristics: recruitment is less formalised and highly subjective. Selection is centralised and often relies on friends and/or family members, while the use of advertisements or university sources is rather limited. Academic qualifications are important but not always a prerequisite, there is an emphasis on previous experience, whereas references and recommendations play a very significant role. Compensation is largely determined at the national/industry level. Promotion is often from inside the company and is mainly based on family ties, seniority or political connections. Performance appraisal is a delicate issue. Personal likes and dislikes make it difficult for the appraisal system to be based on objective criteria, whereas external environmental uncertainty complicates target setting. Due to close personal relations, supervisors are reluctant to reveal appraisal information to employees for fear of creating tension, while appraisal results are not often taken into consideration for identifying development needs. More recent research has shown that the effects of national culture on HRM in Greece are quite prominent (Myloni et al., 2004). HR practices in Greek firms, such as planning, recruitment and performance appraisal are to a great extent in accordance with the cultural values of Greek society.

For about 40 years, industrial relations in Greece were governed by law and characterised by a centralised collective bargaining system where the state could intervene, imposing income policies and banning strike activity (Kritsantonis, 1998). Due to the highly political roles of the unions and significant governmental intervention, collective bargaining was often characterised by industrial conflicts. This has lead to a rather hostile relationship among employees, employers and the state, and created an anti-capitalist union attitude (Kritsantonis, 1998). However, since 1990 there have been significant changes towards independence of collective bargaining from the state and new legislation, which mainly aims at promoting flexibility in the labour market. At the same time, there has been a significant decline in the number of unions to almost half of the figure registered in the 1980s, currently being around 2,300. Union density was estimated at 25% in 1995, 12% lower than 1985, and unions are reported to have lost one-fourth of their membership – with the exception of some sectors, such as public firms and banks (Kritsantonis, 1998). Nevertheless, Karantinos et al. (2000) argue that the operation of the labour market is still governed by relatively inflexible rules and regulations that limit their effectiveness. One of the main reasons behind the reluctant use of such measures is the fact that the transition to more flexible conditions was not a natural development in the case of Greece. It did not happen because employers pressed for it, nor was it a result of governmental initiative. It happened because Greece had to update and harmonise its institutional framework according to that of other, more developed European countries. Therefore, it may be some time before legislation has a real impact and such practices become a substantial part of Greek employee relations.

METHODOLOGY

Data Collection and Sample

Using a survey method, we collected data from HR managers of Greek firms and MNC subsidiaries. A questionnaire, based on previous work by Schuler and Jackson (1987), as well as the Price Waterhouse/Cranfield project (Brewster and Hegewisch, 1994), was developed to assess the various components of a firm's HRM system. This was translated to Greek, back translated into English and pre-tested in a pilot study. The questions focused on HRM practices with respect to managerial employees only. Since HRM practices often differ between occupational groups (Bae et al., 1998), we chose to focus on a relatively narrow category of jobs to limit the need to repeat the questions for different categories, which would have made the questionnaire too long and complicated. As a consequence, our results may reveal less adaptation at this level, since research indicates that HRM practices in MNC subsidiaries are more localised for lower hierarchical levels (Lu and Bjorkman, 1997).

Questionnaires were either completed during interviews or sent by post and completed in the absence of the researcher. We followed this mixed approach in order to ensure an acceptable number of replies, since mail surveys have a record of low response rates (Harzing, 1997). The respondents also provided qualitative data on the firm's HRM practices during the interviews. All questionnaires were addressed to Human Resource Managers of subsidiaries of MNCs located in Greece, as well as to their equivalents in Greek companies. Since the population of MNCs located in Greece is rather moderate (around 150 subsidiaries of over 50 employees at the time of the survey), MNC subsidiaries were chosen regardless of industry, ownership type or size, in order to be able to have adequate numbers to generate meaningful statistical results. Greek companies were consequently selected in order to match the industry structure of the subsidiaries' sample. Our data collection process took place over a three-month period, between March and May 2000. In total, from the 269 companies we approached, 150 MNCs subsidiaries and 119 Greek companies, 135 participated in our study, representing a 50 % response rate.

We received a total of 82 questionnaires from foreign subsidiaries, while data about HRM in Greek companies were collected from 53 local firms. A large number of parent countries were included in our sample, although 75% of the MNCs involved were headquartered in the US, the UK, Germany, France and the Netherlands. Greenfield sites represent 80% of the sample, while the rest are acquisitions. In both MNC subsidiaries and Greek firms, there is an equal representation of manufacturing and services sectors, with the largest number of responses coming from firms operating in the following sectors: chemical/ pharmaceuticals, electronics, food/beverages, banks and hotels. The majority of both MNC subsidiaries and Greek firms have more than 200 employees, although Greek firms show a larger average size. Differences in size between the two samples are statistically significant. However, this selection was made on purpose as we decided to target companies that were large enough to have an HRM department and developed HR strategy. Therefore, our sample is only representative of the large Greek firms and not the total population. There are no statistically significant differences between responding and non-responding companies in terms of parent country, industry and size.

Measures

Several items were used to measure the dependent variables, which capture aspects of HRM practices, such as selection and recruitment, compensation, and performance appraisal. Respondents were asked to describe how closely these items matched their organizations' current HRM practices, in most of the cases on a 7-point Likert scale. Respondents were also asked to answer a specific question concerning the degree of transfer that took place in each of these different groups of HRM practices. Moreover, following Rosenzweig and Nohria

(1994) and Hannon et al. (1995), the questionnaire included questions on the degree of subsidiary's interaction with host country organisations and union representation, as well as control variables such as industry, age and size. All measures are reproduced in Appendix 1.

RESULTS AND DISCUSSION

In order to test the first hypothesis, we initially examined the respondents' responses concerning the degree of adaptation of different groups of HRM practices to local practices. Means scores, as presented in Table 1, show a considerable degree of adaptation. Interestingly, compensation practices show a higher level of adaptation, whereas the mean for performance appraisal practices indicates a higher level of transfer. Therefore, both Hypotheses 1 and 4 are initially supported.

Table 1

A descriptive analysis of the use of specific selection/recruitment, compensation and performance appraisal practices in MNC subsidiaries and Greek firms allows for a clearer picture of HRM transfer. The analysis points to several differences and similarities. Table 2 presents those differences that were found statistically significant, while Table 3 presents HRM practices that were applied to a similar degree in both MNC subsidiaries and local firms.

Tables 2 and 3

Selection and Recruitment: Our results indicate that Greek firms use less standardised selection methods, prefer internal recruitment and make more use of references and recommendations than MNC subsidiaries. This is in line with the high levels of family/in-group orientation of the Greek culture, that leads Greek firms to show a preference for recruiting people they already know and trust and base their selection on less objective criteria than MNC subsidiaries (Myloni et al., 2004). However, it is worth mentioning that interviews and CVs play a very important role in employee selection in Greek firms, used in 85% of the firms, while references are used in only 55% of the firms. Interviews with HR managers revealed that recommendations and social networking are not so important as they used to be. Moreover, the preference that Greek firms show for internal recruitment and informal qualifications criteria is moderate rather than high (Table 3). Such findings may hint at a slow move towards the use of more objective selection criteria by Greek firms. At the same time, the low percentage of MNC subsidiaries that use standardised methods such as assessment centres, group interviews and psychometric tests as opposed to their considerable use of references and recommendations (even though significantly less than Greek firms), as well as their preference for internal recruitment and informal qualifications criteria, might indicate that MNC subsidiaries have adapted their selection methods to local cultural norms to some extent.

Compensation: Differences were found with regard to the level at which basic pay is determined. Although Greek companies still rely heavily on national and/or industry collective agreements, company level determination is gaining importance. The picture is not the same for MNC subsidiaries. Basic pay is determined mainly at the company and individual level, although we did not find any significant differences with Greek firms. National agreements are seldom used by MNC subsidiaries compared to Greek firms. These results may reflect changes towards a more flexible legislative framework that leaves some room to manoeuvre for MNCs. Achievement of group objectives and individual performance were found to be the two most important dimensions in deciding salary levels for both Greek firms and MNC subsidiaries. Although traditional characteristics, such as employee training level and experience, as well as seniority, are still considered more important in Greek firms than in MNC subsidiaries, their level of importance is clearly diminishing. On the other hand, collective agreements support seniority and this is in contrast with performance-related compensation practice that many MNCs want to introduce. At the same time, seniority is also considered to be important in labour law for deciding the level of certain employee benefits.

The offer of share options is quite limited in both firm categories, since the stock market is not very developed in Greece and most firms depend largely on bank finance. Furthermore, the stock market is quite unstable and, as one of the HR managers characteristically put it, “one cannot depend on such an insecure source for employees’ pay. The majority of employees in Greece prefer immediate payment and do not want to count on shares that can be cashed in the long term”. Some subsidiaries are able to give share options which are traded in foreign stock markets, but this only prevails for a few top executive positions. Culture as well as tax regulations affect the transfer of fringe benefits. A subsidiary HR manager of a French MNC said: “French law does not impose high taxes on some of the bonuses as Greek law does, so there is no point in transferring them to the Greek subsidiary”.

Results also show that the percentage of temporary contracts is quite low in both firm categories. HR managers reported that headquarters found it problematic to introduce flexible contracts, as fixed/part-time contracts are not common in Greece. As one of the interviewees pointed out “everybody wants to have a permanent contract, this is traditional practice in Greece”. However, the majority of our interviewees emphasised the fact that the legal framework in Greece is gradually becoming less complex and more flexible. They also recognised that the relationship between unions and employers is less tense and that both parties have been engaged in a constructive social dialogue in order to promote good will and find solutions that will bring mutual benefit. In addition, managers agree that young employees are not so much interested in collective agreements and permanent employment, but prefer performance-related pay.

Performance Appraisal: As shown in Table 2, written reports are used much more in MNC subsidiaries than Greek firms. Results also show that personal interviews between supervisor and employee are highly used in both Greek firms and MNC subsidiaries and the employee's supervisor is clearly the person responsible for appraisal in both cases. However, employees, their peers or their subordinates are less likely to participate in performance appraisal in Greek firms than in MNC subsidiaries. Performance appraisal appears to be in a state of development in Greek firms and currently based on more subjective criteria, which is in line with the high levels of family/in-group orientation and power distance that characterise Greek culture (Myloni et al., 2004). Our findings indicate that MNCs have effectuated a considerable degree of transfer of their performance appraisal practices to their subsidiaries. On the other hand, it is worth pointing out that it is not so common for peers and subordinates to participate in the performance appraisal process, even in MNC subsidiaries. In addition, almost none of the subsidiaries implemented the 360-degree performance appraisal, although the majority of their headquarters make use of this practice. HR managers reported that the practice faced strong resistance, especially in unionised subsidiaries. They noted that employees were not ready to accept this kind of appraisal and that it would take some time before it could be applied. Furthermore, Table 3 indicates that both firm categories use performance appraisal for promotion purposes rather than career development, and evaluate results rather than processes. This could be due to the low levels of performance and future orientation of Greek culture (Myloni et al., 2004).

The previous discussion shows that in general MNCs adapt to local conditions up to a certain extent, depending on the nature of the particular HRM practice. Specifically, we find certain practices that are very difficult or even impossible to transfer to the present Greek environment. Some of these practices, such as specific selection procedures or the 360-degrees appraisal, are not in line with cultural norms; in a similar vein compensation practices such as fringe benefits, temporary contracts etc., are in contrast to labour regulations. Results are in line with previous research by Weber et al. (1998) for selection practices, and Rosenweig and Nohria (1994), Lu and Bjorkman (1997) and Verburg et al (1999) for performance appraisal and compensation practices. We therefore found support for the argument that, due to cultural and institutional forces, HRM practices in MNC subsidiaries located in Greece will resemble local norms to some extent, and that different HRM practices are subject to different degrees of transfer.

Turning to our second hypothesis, we find a significant negative relationship between employee union membership and HRM transfer for compensation (Spearman's Rho: -.176, p = 0.062, 1-tailed) and performance appraisal (Spearman's Rho: -.244, p = 0.016, 1-tailed), but not for selection. Such findings could imply that some compensation and performance appraisal practices are subject to unionisation forces and institutional pressures to a greater degree than selection practices. Furthermore, our data supported the argument that the level of transfer of HRM practices will be negatively related to the degree of the subsidiary's interaction with host country organisations. Correlations for HRM transfer of selection (Spearman's Rho: -0.196, p = 0.040, 1-tailed), compensation (Spearman's Rho: -0.215, p = 0.028, 1-tailed) and performance appraisal (Spearman's Rho: -0.207, p = 0.033, 1-tailed) practices were significant. These findings suggest that MNC subsidiaries are influenced by the management practices of local organisations with which they interact.

Culture and institutional interactions with control variables

Industry: Bivariate analysis showed that the banking sector had the lowest level of

HRM transfer in the services industry, something that was also confirmed by our interview findings. Banks are very localised because of the competitiveness of the local market and dynamic nature of the sector as increasing numbers of mergers and acquisitions take place. Banks are also characterised by very strong unions. According to another interviewee, bank unionism is a major hurdle for the transfer of some HR practices, something that has led some MNCs to abandon setting up subsidiaries in Greece. However, it is worth mentioning that sectoral influences on HRM transfer are still present once the unionisation factor is accounted for.

Age: Bivariate analysis also showed that older MNC subsidiaries had a lower level of HRM transfer compared to “middle-aged” ones. Indeed, most of the HR managers in older subsidiaries admitted that culture was a problem mainly because of the mentality and way of thinking of the majority of employees who have been working in the same company for many years. In such cases, people are very difficult to change because change represents a move away from a familiar situation, their comfort zone. One HR manager said that the subsidiary provided “an excellent working environment, employees were friends above all and showed high loyalty for the company”. The parent company found it very hard to transfer some of its HRM practices, particularly those related to performance appraisal. Under such circumstances an objective system of appraising employees, using face-to-face interviews and peers’ views was viewed with great distrust. Another possible reason why older MNC subsidiaries showed a lower level of transfer is the fact that at the time they were established the Greek institutional environment was very strict. Complicated labour law and extensive bureaucratic controls restricted their freedom to introduce some practices.

Size: Our quantitative results showed that the transfer of performance appraisal practices was significantly higher in small subsidiaries (chi-square: 9.156, $p = 0.027$, 2-tailed), while selection practices were mostly transferred in both small and medium-sized

(200-500 employees) subsidiaries (chi-square: 7.040, $p = 0.075$, 2-tailed). Furthermore, the transfer of compensation practices was lower in large subsidiaries, though not significantly so. Finally, we found larger subsidiaries to be more likely to use traditional local practices, such as taking into account employee seniority, when deciding salary levels or relying on national/industry agreements in order to determine basic pay. At the same time, small subsidiaries are much less likely to recognise collective bargaining. The implication of such findings is that HRM practices will generally be more difficult to transfer in large subsidiaries. This is in line with previous arguments (Gooderham et al., 1999) that large firms should/do adopt more socially responsible HRM practices, as they have more visibility and are under more pressure to gain legitimacy and acceptance.

CONCLUSIONS AND IMPLICATIONS

The aim of this paper was to investigate how factors originating from the host country's cultural and institutional framework and environment impact on the transfer of HRM practices to MNC subsidiaries located in Greece. Results indicate that certain cultural and institutional forces lead MNCs to adapt practices conforming to local norms up to a point. At the same time, they point to a considerable degree of HRM transfer, something that results in the use of hybrid HRM practices. As we have discussed, examining the level of transfer of HRM practices as one block without distinguishing between individual groups of practices obscures important differences. Our findings support the argument that certain HRM practices are more localised and affected by the host country's cultural and institutional environment, while other practices are more likely to be integrated throughout the MNC and show a higher level of conformity to the headquarters' practices.

In terms of its limitations, the present research suffers from using HR managers as the sole respondent for companies in the sample. Although the "key-informant approach" is widely used (De Cieri and Dowling, 1999), it runs the risk of common method variance (Philips, 1981). The use of multiple respondents (other managers and employees at both headquarters and subsidiary level) would serve to validate the reports of HR managers, but such an approach was not practically feasible. However, the statistical tests - such Harman's one-factor test (Podsakoff and Organ, 1986) - that we undertook to assess the presence of common method variance in our results indicated that this issue is not likely to be a major concern in our study. A further limitation is that we focused on HRM practices used only for white-collar employees; hence blue-collar workers were not included. Our decision in this respect was driven by the fact that it was not possible to collect information about all employees. However, as already mentioned, we would expect that HRM transfer in MNC subsidiaries would be less prominent at lower levels.

This research contributes to the field of International HRM in that it uses both cultural and institutional factors in order to examine HRM transfer. The study shows that using only one framework may not be adequate to identify the multiple influences on the transfer of HRM practices. In addition, the investigation of transfer of HRM practices to the Greek context makes an important addition to the field, since research in this area is limited.

Our study has indicated that there are some signs of change in both cultural values and the institutional framework in Greece. There is a noticeable move towards more objective criteria in both employee selection and compensation. Performance related pay is a much more important determinant of employee basic pay than seniority. Employees give more importance to fairness and have become more individualistic. HR managers in both MNC subsidiaries and Greek firms revealed that the younger generation, as well as these who have studied and worked abroad, are more flexible and willing to change, innovate and initiate/accept new practices. Similarly, the once heavy regulated environment has become more relaxed and thus there is more flexibility and room to manoeuvre for MNC subsidiaries.

It seems that HRM in Greece is in a state of development and potentially fundamental change.

Such observations can be of considerable importance to management practice. They imply that although the Greek cultural/institutional framework might inhibit a wholesale transfer of HRM practices, it is possible for MNCs to transfer *some* HRM practices. Our results could be particularly helpful to MNCs when making important decisions about which practices are more easily transferred into the Greek socio-cultural context and which practices have to be adapted to some degree. At the same time, the changing environment hints towards a need for constant research and evaluation of which practices are best suited to a specific socio-cultural context at any given time.

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Table 1 Degree of adaptation of HRM practices in MNC subsidiaries

Degree of adaptation of HRM practices	Min	Max	Mean	Std. Deviation
Compensation	1	6	3.69	1.38
Selection	1	6	3.48	1.26
Performance appraisal	1	6	2.84	1.39

Table 2 Significant differences between Greek firms and MNC subsidiaries

	Greek firms	Subsidiaries	Sig. (p)
Selection/ Recruitment			
Use of Interviews	Less	More	.062
Use of CV data	Less	More	.048
Importance of recommendations	More	Less	.080
Compensation			
National/industry level determines basic pay	More	Less	.036
Importance of employee training level	More	Less	.042
Importance of employee experience	More	Less	.060
Importance of employee seniority	More	Less	.000
Performance Appraisal			
Written Performance appraisal reports	Less	More	.042
P. appraisal by employee himself/herself	Less	More	.000
P. appraisal by employee's subordinates	Less	More	.060
Performance appraisal favouritism	More	Less	.006

Table 3 Similarities between Greek firms and MNC subsidiaries

	Greek firms	Subsidiaries
Selection/ Recruitment		
Use of assessment centres/group interviews	Low	Low
Use of psychometric tests	Low	Low
Use of references	High	High
Internal recruitment	Moderate	Moderate
Selection by informal qualifications	Moderate	Moderate
Compensation		
Company level determines basic pay	High	High
Individual level determines basic pay	Moderate	Moderate
Profit-sharing, share options	Low	Low
Importance of group objectives	Moderate	Moderate
Importance of individual performance	High	High
Temporary contracts	Low	Low
Performance Appraisal		
Personal interview with supervisor	High	High
P. appraisal by employee's peers	Low	Low
Results evaluation rather than process	High	High
Better performance rather than career development	High	High

Appendix 1

Level of HRM transfer

Selection/compensation/performance appraisal practices are similar to those of the parent company as opposed to the local company practice (3 items, 7-point Likert scale; similar to parent – similar to local)

Selection and recruitment

1. Selection methods used (application forms, assessment centres, psychometric tests, interviews, CV data, references, group interviews)
2. Low / high importance of recommendation and/or personal acquaintance with the potential candidate (7-point Likert scale; not important – very important)
3. Internal / external recruitment (7-point Likert scale; largely internally – largely externally)
4. Selection criteria based on informal qualifications (7-point Likert scale; not at all – very much)

Compensation

1. Level of basic pay determination (national/industry, company, individual)
2. Importance of several items on decisions relating to salary levels: achievement of group objectives, individual performance, employee age, seniority, training level and experience (5-point Likert scale; of very little importance – of outmost importance)
3. Variable pay components (profit-shares, share options, bonuses)
4. Percentage of temporary contracts

Performance Appraisal

1. Method(s) used in appraising employee performance (personal interview between supervisor-subordinate, informal/non-written feedback, written reports)
2. People that participate in employee performance appraisal (supervisor, employee

himself/herself, peers, subordinates)

3. Extent to which favouritism influences performance appraisal (7-point Likert scale; not at all – very much)
4. Process / results evaluation (7-point Likert scale; process – results)
5. Primary objective of employee performance appraisal (7-point Likert scale; performance improvement – career development)

Subsidiary interaction with host country organisations

1. The degree of the subsidiary's reliance on local technological and managerial expertise
2. The degree of strength of the relationship the subsidiary has with local suppliers

Union representation

Proportion of employees who are members of a trade union