Routledge
Taylor & Francis Group

International Studies of Management & Organization

ISSN: 0020-8825 (Print) 1558-0911 (Online) Journal homepage: https://www.tandfonline.com/loi/mimo20

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International Studies of Management & Organization, 49: 355–371, 2019

ISSN: 0020-8825 print/1558-0911 online
DOI: 10.1080/00208825.2019.1646486

Context and HRM: Theory, Evidence, and Proposals

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Abstract: Human resource management (HRM) has paid insufficient attention to the impact of context. In this article, we outline the need for HRM to take full account of context, particularly national context, and to use both cultural theories and, particularly, institutional theories to do that. We use research publications that utilize the Cranet data to show how that can be done. From that evidence, we develop a series of proposals for further context-based research in HRM.

Keywords: Comparative; context human resource management; international human resource management

INTRODUCTION

Human Resource Management (HRM) has paid insufficient attention to the impact of context. There are clear reasons for that and also clear weaknesses that result from it. So we outline the need for HRM to take proper account of context. Whilst conscious of the importance of what we might call the organization's proximate context (for example, its technology, its competitive position, and its success) and of what we might call the intermediate levels of context (such as size and sector), here we focus particularly on the more encompassing levels of national context: the national context and international clusters within which the organization operates. Whilst we believe that doing so requires the use of both cultural theories and institutional theories, and we concentrate on the latter, since we believe that the latter can to some extent encompass culture ("soft institutions"), that measures of national culture remain

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inconsistent (Avloniti and Filippaios 2014) and that organizations have limited ability to "work around" institutional constraints compared to cultural ones (Vaiman and Brewster 2015). We use research publications that utilize the Cranet data* to show how that can be done. From that evidence, we develop a series of proposals for further context-based research in HRM.

Because this is a review article, rather than a report on a specific research project, its format is a little unusual. First, we clarify what we mean by HRM and briefly develop a critique of the extant research as largely ignoring the importance of context. We then consider comparative institutionalism as a theory of context. Thereafter, we present evidence drawn from the Cranet network exploring and explaining differences in HRM in Europe to show how significant context is for HRM practices and outcomes. In the penultimate section, we review Cranet evidence that there is no significant convergence of national systems of HRM practices, suggesting that context remains a potent explanatory factor over time. Finally, we draw on the first two sections of the article to suggest a series of propositions for future research.

The Cranfield Network on International Human Resource Management (IHRM) (Cranet), was established to meet the need for ready access to information on best practice and comparative performance within Europe and, now, globally. Cranet is now an established research collaboration between over 40 universities and business schools with a proven track record of collecting powerful, representative data, on a continuing basis; undertaking rigorous analysis and disseminating high quality results.

THEORIES OF HUMAN RESOURCE MANAGEMENT (HRM)

According to Schuler and Jackson (2005), the study of HRM started in the United States in the mid-1970s as a response to the increasing professionalization of HRM by HRM specialists, and a growing recognition of the importance of human resources to companies' success. As a consequence, businesses in the United States began to view human resource professionals as partners "who should be involved in the strategic decision making processes of the firm" (Schuler and Jackson 2005,12). The subject was encapsulated in two "founding" texts that appeared at the same time in the early 1980s (Kaufman 2015). These offered approaches developed in two of the leading University Management Schools in the United States: one by Beer et al. (1984), offering the "Harvard model," and one by Fombrun, Tichy, and Devanna (1984) offering the "Chicago model" of HRM. The "Harvard" map of the territory of HRM, as they termed it, took a wider perspective, giving a prominent role to stakeholder interests, long-term consequences, and "situational factors." Situational factors, or what we call context, were not a feature of the Fombrun et al. (1984) text. Instead, it was significantly tightly concentrated on the HRM chain within the firm as a means to promoting performance, and was prescriptive, recommending systematic use of strategically based selection, individual performance appraisal, individual performance-related rewards, and outcomes-monitored training and development. The approach is unitarist, in the sense that employers and employees are not viewed as having conflicting or divergent interests (Walton 1985) and other stakeholders' interests are not relevant, so firms are, or should be, able to develop their HRM practices free of industrial relations or governmental pressures. As Sparrow and Hiltrop

(1994, 7) phrased it, in terms of this HRM paradigm, human resources are “to be obtained cheaply, used sparingly, and developed and exploited as fully as possible in accordance with the demands determined by the overall business strategy.”

The notion of HRM quickly spread to Europe and then around the world. One reason for that was the lack of construct clarity around the phrase so that researchers with different approaches could all cheerfully claim to be discussing HRM. Whist this led to a number of critiques in the UK press in particular (Guest 1990; Legge 1995), in practice the Fombrun et al. approach to HRM rapidly became the dominant paradigm. Purely in terms of citations, the most cited HRM journal articles deal with the impact of elements of the HRM chain on organizational performance. However, of greater significance to our argument is that the focus is on firms within single national contexts, overwhelmingly that of the United States. As such, context has not been considered to matter. Whilst, as we note below, since these early days there have been calls for context to be taken into account in our explanations of HRM policy and practice, and there has been some research that does that, the role of context, and particularly nation context, remains a minority concern amongst HRM researchers. As a range of complaints have made clear (Rynes, Brown, and Colbert 2002; Rynes, Giluk, and Brown 2007), this lack of context is one reason why practitioners are not “listening” to the researchers. The dominant strand of HRM ignores the everyday experience of practitioners who are always conscious of context and the need to satisfy a complex range of internal and external stakeholders whose interests are not necessarily compatible.

Context

More recently it has been recognized in HRM, and specifically in IHRM (see, e.g., Delbridge, Hauptmeier, and Sengupta 2011), that a weakness in much of the extant “strategic” literature is that it rests on a fundamental assumption that managements can choose and implement any strategy that they deem appropriate (Wangrow, Schepker, and Barker 2015), and further, that the strategies they implement will have direct and intended consequences regardless of context.

The HRM research that is most likely to overcome these weaknesses views management action as nested within enabling and constraining forces, so that management can maneuver only within relatively tight, externally located limits. Hence, a simplistic focus on the HRM chain of policies, practices, and perceptions (Wright and Nishii 2013) and the corporate strategy or policies of the firm misses important factors. Organization operates in context. As Beer et al. (1984) noted, context includes external stakeholders, such as economic actors, governments, local authorities, and trade unions, and background factors, such as the size and economic power of the country, its history, and the levels of economic development, and the rule of law interact to set the framework within which the organization operates. These all impact the HRM chain within the organization, and the outcomes of that chain are located at different levels of social complexity: outcomes for the individual employee; for organizational HRM; for organizational results; for the community; and the country.

Comparative Theories

In this article, we address comparative HRM and the level of context that occurs at, and above, national level. We accept that factors, such as the size of the organization and the sector in which it operates are important, and we do not deny the importance of the organization's competitive situation, but our interest is in context at the national level and above. Conceptualizing context requires defining a theoretical angle. The descriptive use of "obvious surface phenomena," such as size, sector, unemployment rates, or quality of the educational system, is important but has its limits. Unless we define what these elements represent in theoretical terms, understanding their importance for HRM is difficult. There are two basic sets of theories that have been used to explain differences in management generally and HRM in particular at this level (Brewster and Mayrhofer 2012), namely, cultural theories and institutional theories. Both are important to get a full picture of HRM, and we note some examples of the culturally based literature below. Our main attention, though, is given to institutional theories, since we believe that in many cases managements can "navigate around" cultural differences, since they can, for example, recruit people who do not fit the local cultural stereotypes into a subsidiary, but they have much less autonomy with regard to institutions, such as the law or fiscal regulations, where they are constrained to either obey the rules or risk severe penalties (Vaiman and Brewster 2015). Hoffmann (1999, 351) states that, "[i]nstitutional theory directs attention toward forces that lie beyond the organizational boundary, in the realm of social processes (Powell and DiMaggio 1991; Scott 1995)". A firm's action is seen not as a choice among an unlimited array of possibilities determined by purely internal arrangements, but rather as a choice among a narrowly defined set of legitimate options determined by the group of actors composing the firm's *organizational field* (Scott 1991). The form of this influence is manifested in *institutions:* rules, norms, and beliefs that describe reality for the organization, explaining what is and what is not, what can be acted upon and what cannot. The field of comparative (neo-)institutionalism argues that to be effective, organizations must establish and maintain legitimacy, and notes that this is construed differently in different national settings.

There have been approaches that focus on single institutional elements, and these have been used by Cranet authors, as we note below. Thus, analysts have attempted to link intra-organizational behavior with national politics (Roe 2003), political systems (Pagano and Volpin 2005), or legislation (Botero et al. 2004). Botero et al. (2004), for example, focus on the role labor regulation plays in determining management practices, and Botero et al. (2004, 1339) contend that "every country in the world has established a complex system of laws and institutions intended to protect the interests of workers." Further, they argue that systems of labor regulation constitute formal institutions that constrain the actions of firms, their managers, and employees through rewarding or sanctioning particular courses of behavior. The most promising and to date widely used approach in HRM are the synthetic theories developed to include these and other national factors in explaining the differences between countries. Collectively, these are known as theories of comparative capitalisms (Jackson and Deeg 2008).

Comparative capitalisms encompass theories of Varieties of Capitalism (Hall and Soskice 2001; Thelen 2014), which draw a distinction between the Liberal Market Economies (LMEs) of the English-speaking world and the Coordinated Market Economies (CMEs) of, mainly, the Rhineland countries. LMEs are "shareholder economies," where competition is key, and is legislatively required, and in which private enterprise is about maximizing short-term profits for the owners of the business. Government's role is to "hold the field" but otherwise not interfere with business. In the CMEs there is more coordination through relational contracting, coordination, and mutual monitoring through networks. Firms collaborate with each other and with government and pay attention to a wider set of stakeholders. These differences apply within the firm too. In LMEs, managements and unions compete, while in CMEs they are more likely to collaborate, reinforced by legislation on employee rights and by financial arrangements that are less reliant on open capital markets. Other authors under the comparative capitalisms rubric have given their theories different titles and identified different categories (Amable 2003; Whitley 1999) but are similarly focused on explaining firm actions through the context in which they operate.

In firms operating in the CME context, managements are significantly more institutionally constrained than those in the LME context, in the sense that they operate within legal frameworks and systems of industrial relations that limit their autonomy in applying market-driven or technologically contingent management practices. Hall and Soskice (2001) point to a number of systemic differences in HRM practices between firms operating in LMEs and CMEs. Thus, whereas in LMEs there are substantial pay differentials, even within the same industries, in CMEs most pay negotiation occurs at the industry level, taking pay negotiation out of the workplace. Likewise, whereas in LMEs the opportunities for employee dismissal for economic reasons are relatively unconstrained, in CMEs there is a tradition of long-term labor contracts and substantially greater security against arbitrary lay-offs.

Hall and Soskice (2001) recognize that there are a large number of countries that fall outside of their analysis. Both Amable (2003) and Whitley (1999), amongst others, cover a wider range of countries and have more to say about relationships within the organization than Hall and Soskice. Common to all of these approaches is that certain institutional contexts provide managers with greater autonomy than others. Using studies employing comparative institutional theory and data from Cranet surveys, we shall show how context constitutes a powerful explanation of the use of HRM practices and outcomes. The Cranet survey was developed in order to test not only elements of the Chicago model (e.g., performance-related compensation) but also the Harvard model (e.g., employee voice).

While some Cranet studies have included the effects of national culture (e.g., Nikandrou et al. 2008), the overall theoretical thrust of Cranet research has been located within comparative institutional theory. Thus, there have been Cranet studies using varieties of capitalism (Hall and Soskice 2001; Thelen 2014) and business systems (Amable 2003; Whitley 1999) amongst others. Perhaps the most comprehensive test of such theories has been applied by Walker, Brewster, and Wood (2014). Using internal firm-level evidence that market economies (largely on the Amable models) are distinctive in terms of HRM, they find considerable diversity within them but significantly that there are more differences between the varieties than there are within them.

THE CONTINUING IMPORTANCE OF CONTEXT?

First, however, we address the question of whether analyses based on national context remain important. The thrust of the arguments that globalization increasingly affects every aspect of business (Drori, Meyer, and Hwang 2006; Gospel and Pendleton 2005) is that HRM may become increasingly standardized to a dominant, efficient model of "best practice." In brief, the convergence thesis argues that differences in management systems, which have arisen as a result of the geographical isolation of businesses, and the consequent development of differing beliefs and value orientations of national cultures, are being superseded by the logic of technology and markets that requires the adoption of specific, and, therefore, universally applicable, management techniques (Kidger 1991).

In direct contrast, proponents of the divergence thesis argue that personnel management systems, far from being economically or technologically derived, epitomize national contexts that do not respond readily to the imperatives of technology or the market. According to this perspective, organizational choice is limited by culture and by institutional pressures, including the state, regulatory structures, interest groups, public opinion, and norms (DiMaggio and Powell 1983; Meyer and Rowan 1983; Oliver 1991). Moreover, many of these pressures are so accepted, so taken-for-granted "as to be invisible to the actors they influence" (Oliver 1991, 148). Alternatively, it has been argued that the embeddedness of HRM means that it is likely to remain distinct in each country (Brewster and Mayrhofer 2012; Meyer, Mudambi, and Narula 2011).

While many researchers have been constrained by having to grapple with the convergence-divergence issue on the basis of sequential country-by-country descriptions, and without the benefit of access to strictly comparable measures, Cranet researchers have been able to simultaneously analyze developments across a range of countries in terms of precisely defined HRM practices. Gooderham and Brewster (2003) found evidence of convergence towards the "Americanization" of HRM, though they also noted significant differences between the countries. HRM convergence was explored in detail by Mayrhofer et al. (2011), who looked at the position in Europe over two decades. They found evidence of some clear trends in HRM, in, for example, increasing individualization of HRM, and increased communication within organizations, in a steady rise in contingent pay systems and a centralization of policy-making towards the HRM department and away from line management. They found no evidence of country "recipes" losing their force or countries becoming more alike in their HRM.

In detail, Cranet researchers find that, for example, union membership, employers' recognition of unions, policy determination in industrial relations, and communications between management and employees, showed similar trends, but across-Europe distinctive national patterns of industrial relations remained steady (Gunnigle, Brewster, and Morley 1994; Morley et al. 1996). Similarly, later research (Brewster et al. 2007) also largely rejected the notion that there has been a development from collective towards individual voice mechanisms. It was concluded that collective voice still remains significant in large work organizations.

Larsen and Brewster (2003), examining the decentralization or delegation of HRM responsibilities to the line management over a ten-year period, found that the positions of the countries they examined, relative to one another, did not change. In that sense, they observed no significant convergence.

Nikandrou, Apospori, and Papalexandris (2005) longitudinally examined HRM strategies and practices and the role of HRM within organizations in 18 European countries. Adopting a country-level analysis, they employed cluster analysis to group the countries at both points in time. Two stable major clusters were identified, indicating a systematic North/West–South/East distinction in respect to HRM practices. No signs of convergence between these two clusters were found. However, it was observed that Italy and the former East Germany had moved closer to the North-Western cluster.

Clearly, the findings on convergence from the above studies are complex but largely negative. In that sense, the Cranet research has indicated that what North (1990) refers to as the "rules of the game" are not undergoing dramatic change. This is despite the presence of foreign MNCs in Europe that are sources of local variety, but in fact, largely follow local laws and regulations (Brewster, Wood, and Brookes 2008; Farndale, Poutsma, and Brewster 2008), and despite the latitude that firms have to make strategic decisions.

EVIDENCE FROM CRANET

We offer our account of the findings from Cranet-based research in line with the human resource cycle that applies to employees: covering successively the strategic role of the HRM department and, then, policies that are experienced by employees. We then cover, in turn, recruitment and selection, voice and communication, compensation, training, and tenure. We discuss briefly the Cranet research that has addressed the business outcomes of HRM: productivity and financial performance.

The Strategic Role of the HRM Department in HRM Practices

Looking at the voice and strategy debate from another angle, and using a wider range of countries, Vernon and Brewster (2013) found that in organizations where trade union membership and influence are high, the HRM department is better positioned to play a strategic role. Brewster, Brookes, and Gollan (2015) examined the role of line managers in 11 countries. Organizations in the Nordic economies were most likely to assign HRM responsibilities to the line and LMEs least likely to do so. They also noted that in any economy the least likely to assign HRM responsibilities to the line were larger organizations, unionized organizations, and those with the most strategically positioned HRM departments.

Employing a multi-level analysis, Gooderham et al. (2015) examine the impact of firm and national level characteristics on the location of the primary responsibility for HRM decision-making concerning the following four HRM areas: pay and benefits; recruitment and selection; training and development; and industrial relations. At the national level, they employ Botero et al. (2004) in order to test whether institutional conditions influence the location of HRM decision making. They find support for the notion that, the greater the degree to which the conditions of employment are specified legally, the fewer incentives firms have to develop a specialized HRM function that has decision-making responsibility. Thus, in institutional settings characterized by more rigid employment laws, devolution to line management is greater. This remains the case even when controlling for national culture. However, their multi-level analysis also indicates that firms have a significant degree of latitude to engage in strategic behaviors irrespective of institutional constraints. Thus, they find that the political power of senior HR managers has a unique effect on the ownership of HRM decision-making.

Recruitment and selection

There have been few attempts to use the Cranet data to examine recruitment and performance, and the reason for that may be that the findings are equivocal—pointing to neither uniformity nor diffuse diversity. They show that whilst there are distinctions according to types of comparative capitalisms and the property rights implied under each type, the patterns show as many examples of diversity within a system as between them (Wood et al. 2014). This seems to be an area where context is perhaps less important than managerial agency.

Employer-employee communication

Voice is one of the topics where the comparative capitalisms literature is clearest. It is expected that employees will have least voice in the owner-focused LMEs and more in the stakeholder-focused CMEs. There is now considerable evidence that these predictions are broadly correct (Brewster et al. 2007; Brewster et al. 2014; Brewster, Wood, and Goergen 2015). Brewster et al. (2014) found that, although the picture was complex, both direct and indirect participation varied with setting, being much more likely to occur in CMEs.

Aside from the impact on the firm, the Cranet data have also addressed the debate as to whether other forms of voice "crowd out" formal trade union voice, being used perhaps as a way for management to avoid or bypass the unions. Brewster et al. (2007) found that, in fact, the two systems are much more likely to complement each other than to be substitutes.

Croucher, Gooderham, and Parry (2006) argue that the "Varieties of Capitalism" literature suggests that, as part of a general structural bias towards consensus-building, in particular within organizations (Hall and Soskice 2001), stronger information-sharing is to be expected in CMEs than in LMEs. They examined this thesis by comparing the use of "direct communication," i.e., management information-giving to employees that is not mediated through employee representatives, in the UK, an LME country, and Denmark, a CME country. However, they found no support for national level differences. Instead, they found that despite the marked systemic differences between the two national cases, direct communication has similar antecedents in both countries. In both the UK and Denmark, firms involving their HR managers in strategy development are significantly more likely to have direct communication than those that do not. This finding holds true even when the level of unionization at the firm-level is controlled for. Thus, independent of the unionization factor, a strategic approach to HRM, denoted by the integration of the HRM function into the strategy formulation process, is associated with high levels of direct communication with employees.

Compensation

One early application of comparative institutional theory to compensation is the study of Gooderham, Nordhaug, and Ringdal (1999). After developing a two-fold typology of HRM practices, that distinguished "calculative" and "collaborative" HRM, they categorized six European institutional contexts that they employed to hypothesize differences in the application HRM. While the concept of collaborative HRM captures how employers brief employees on strategy, the concept of calculative HRM encapsulates individualized pay-for-performance (I-PFP) compensation systems. Their findings are particularly clear-cut for the latter. They find that calculative HRM is much more of a feature of the UK than of Germany or Scandinavia. Thus, their findings support the notion that institutional determinants, as indicated by the national embeddedness of firms, have a substantial effect on the application of compensation practices. In a substantial refinement of this analysis, Gooderham et al. (2018) conducted a multi-level analysis of the adoption of I-PFP using data from over 4,000 firms in 26 countries. Using Botero et al.'s (2004) labor regulation approach to conducting cross-national institutional comparisons, as well as a measure of national culture, they find that, at the country level, both culture and the institutional environment explain significant variance in the use of I-PFP. Thus, although they find a high degree of inter-firm variability within countries, country level effects have an important impact on firm behavior. Further, their study indicates that a country's institutions explain unique variance over and above the effect of culture on the use of I-PFP. Moreover, while culture plays some role in determining I-PFP use, this role is entirely mediated via institutional configuration (labor regulation and between-country differences) in the influence of labor unions. As such, their study supports the general approach of Cranet research to focus on comparative institutional theory rather than on culture theory.

Gooderham et al.'s (2015) study also indicates that regardless of country-of-origin, foreign-owned firms, in general, show greater propensity to adopt I-PFP than do domestic firms. Thus, multi-national firms do not necessarily seek to impose home country practices but seem to converge towards a global standard. These findings are in line with the Le et al. (2013) study, which shows that use of management incentives is higher in MNCs than in domestic firms and that the gap between MNCs and domestic firms is lower in the MNCs than in other types of market economy.

Cranet scholars have also studied financial participation, including share schemes and profit sharing. One of the world's leading experts on financial participation, Erik Poutsma, with colleagues (Poutsma, Ligthart, and Schouteten 2005), found that what they called "Anglo-Saxonization" had a significant effect on the likelihood of share schemes and profit sharing, both those aimed just at management and the broad-based schemes, and that this applied both to the LME economies and to the influence of U.S. MNEs within European economies. Kalmi, Pendleton, and Poutsma (2012) used the Cranet data to explore financial participation, and variable pay, in 13 European countries, and found a complex picture. They found that team-based variable pay is most common in centralized pay regimes, and employee share ownership most common in decentralized regimes. Their decentralized regimes are mostly LMEs and the centralized ones CMEs, but this is not consistently the case. Kabst, Matiaske, and Schmelter (2006, 577) examined the UK, France, and Germany and similarly found that "the institutional environment in which the organization is situated affects the occurrence and eligibility of financial participations schemes." Croucher et al. (2010) had similar findings, noting also that collective employee voice (see below) had no impact, but that calculative HRM strategies were significant. In line with Gooderham et al. (2015), Poutsma, Ligthart, and Schouteten (2005) too observe considerable diversity at the within-country level.

Training

Training is more likely to occur in CMEs, according to the literature on comparative capitalisms. With lower turnover, less downsizing, and longer tenure, firms are more likely to invest in developing their employees; those trained employees are more likely to stay with the organization rather than take that investment to competitors. In fact, although these categorizations are broadly correct, and analyses by organizational size or sector had little explanatory power, the Cranet data shows a need for a more nuanced picture, with significant variation within the CME group (Goergen et al. 2012).

Tenure

Tenure will be longer in the CMEs than in the more transactional LMEs. In LMEs, the opportunities for employee dismissal for economic reasons are relatively unconstrained, whilst in CMEs there is a tradition of long-term labor contracts and substantially greater security against arbitrary lay-offs. This was tested by Croucher et al. (2012). They used Amable's (2003) more differentiated view of distinctions within the CME group, separating out the Nordic group, and found that exit, forced or voluntary, is more common in the LME countries and least common in the CMEs, with the Nordic group somewhere between the two. Similarly, Goergen, Brewster, and Wood (2013) found that downsizing was not explained by differences in varieties of capitalism, nor by legal origins, but was correlated with differences in political systems, being less common in those countries with proportional representation.

Looking across these findings, it seems that some HRM practices, such as representative employee voice, compensation and tenure are more impacted by context than others, where managements may have greater agency.

HRM outcomes. What about the outcomes of HRM policies and practices? A substantial proportion of the most highly cited empirical studies of HRM have as their primary focus the relationship between HRM and organizational performance, not least productivity and financial performance (Jackson, Schuler, and Jiang 2014). Cranet research contains several examples of this relationship but differs by studying financial performance outcomes across a variety of contexts, not least national context.

Productivity and financial performance

A driving force behind the emergence of the narrow strategic view of HRM was the belief that HRM practices should serve the owners of the business and enhance organizational performance, not least in a short-term financial sense (Schuler and Jackson 2005). Paralleling this, numerous theorists have argued that the human resources of the firm are potentially a powerful source of sustainable competitive advantage, and have sought to demonstrate that there is a positive relationship between HRM and firm performance (Appelbaum, Berg, and Kalleberg 2000; Guest 1997; Huselid 1995; Paauwe, Guest, and Wright 2013).

Stavrou-Costea (2005) studied HRM challenges in southern EU countries and their effect on organizational performance. On the basis of the existing literature, she identified a number of basic challenges that involved training and development, efficiency and flexibility, and employee relations. She found that these were related to firm productivity in most of southern EU.

Apospori et al. (2008) also included southern Europe in their analysis of the firm-level impact of strategic HRM practices on organizational performance. They clustered these countries and compared them to a cluster of northern European countries. Adopting a contingency approach, they developed a structural model that considered direct and indirect influences of market growth, business strategy formalization, and HRM centrality and practices on organizational performance in Europe. Their study revealed differences between northern and southern Europe. Clear differences appeared between the two clusters in the HRM policies and practices correlated with higher performance, thus indicating that the link between HRM and performance may be different in various geographies. Apospori et al. (2008, 1202) concluded that "[t]reating various European countries together may disguise interesting differences; based on this assumption the present research studied the two major groups of countries identified in cluster analysis. However, further division of the two clusters into sub-clusters would give us more refined estimates of the found impacts and reveal some more interesting differences."

In other words, they indicate the need to include country, rather than clusters of countries, in future analyses. This is precisely the strategy adopted by Gooderham, Parry, and Ringdal (2008) and Rizov and Croucher (2008). Gooderham et al. (2008) examined the extent to which HRM practices have a significant impact on whether gross revenue over the past three years has been well in excess of costs or not. Deploying factor analysis on as many as 60 HRM practices contained in the Cranet data set, they identify six bundles of calculative practices, six bundles of collaborative practices, and three "intermediary" bundles. Their findings both support and cast some doubt on the value of HRM for firm performance in the context of Europe in that their findings are different in regard to calculative and collaborative HRM. While they found that calculative and intermediary HRM bundles, with exceptions, generally have some impact on the performance of European firms, collaborative HRM bundles do not. They found no support for the notion that these HRM bundles would be contingent on an interaction with a range of external and internal factors. They observed that, for European firms, the country of location is a relatively important source of variation in performance. This was ascribed to differences in national economic cycles, but they also speculated that country of location may reflect the efficacy of national business systems in delivering profits for owners. The authors argued that future studies should be designed to differentiate between cyclical economic conditions and long-term institutional conditions.

Rizov and Croucher's (2008) study of HRM and performance in Europe also adopts the calculative/collaborative HRM dichotomy. However, unlike Gooderham et al., who differentiated between various bundles of calculative and collaborative HRM, Rizov and Croucher used only two composite HRM measures. Another difference is that Rizov and Croucher's measure of self-reported measure of firm performance is significantly broader, being a composite index comprised of five partial measures: service quality, level of productivity, profitability, product to market time, and rate of innovation. However, despite these differences, when Rizov and Croucher tested the relationship between HRM practices and firm performance, they also found, like Gooderham et al. (2008), that while calculative HRM has a positive impact on performance, collaborative HRM has no effect.

Rizov and Croucher then inter-acted the two HRM variables with country dummies. This had noticeable consequences. First, while the effect of collaborative HRM on performance remained non-significant, the effect of calculative HRM was now also non-significant. Overall, their analysis indicated virtually no significant country-calculative HRM interaction effects on performance. Instead, their analysis indicated positive interaction effects of collaborative practices for several CME countries including France, Germany, and Denmark, though no such effects for several other CME countries such as Belgium, Austria, and Norway. This assortment of findings was also the case when Rizov and Croucher tested for absenteeism and employee turnover rather than performance. Nevertheless, they concluded that the evidence suggests that collaborative HRM is more likely than calculative HRM to enhance firm performance when one takes into account the institutional setting. In short, firms located in high trust CME countries are more conducive to generating performance effects from collaborative HRM than LME countries such as the UK. On this basis, Rizov and Croucher (2008:18) argued that their findings "demonstrate that the CME model is superior in supporting productive efficiency at the organizational level."

Taken together, and allowing for differences in operationalizations of firm performance, these studies indicate that the effect of HRM on firm performance is somewhat limited. This is particularly the case when firm performance is defined in terms of purely financial performance. Furthermore, both studies indicate that country of location is a factor that influences firm performance. Whereas Rizov and Croucher ascribe this to institutional setting and, thus, argue for the superiority of the CME institutional setting, Gooderham et al. (2008) point to an alternative possibility, that of variation in national economic cycles. This would account for the variation Rizov and Croucher observed between CME countries in relation to collaborative HRM. However, Gooderham et al. also speculate that country of location may reflect the efficacy of national business systems.

PROPOSALS

We have argued that HRM research needs to take more account of context, perhaps particularly using the neo-institutional lens. Moreover, these differences are not going away: there is little sign of convergence. We have also shown that the researchers in the Cranet network have made a significant contribution already to that research drive. Where do the theories and the evidence take us for the immediate future? Each of the areas studied so far by the network leaves considerable room for development. A weakness of the Cranet data is that it can show differences in terms of numbers and percentage but not in terms of quality. Thus, we can measure the number of organizations using particular recruitment patterns or dealing with trade unions, but we cannot tell from this evidence how well they do that. There is a need for more detailed comparative research on all these topics.

We close this article by suggesting four areas of potential research that might be said to arise directly from the evidence we have outlined. These are as follows: expanding the research beyond Europe; clarifying the role of managerial autonomy; the role of MNEs in bringing in new HRM practices; the impact of time, in particular the effects of factors such as economic crisis on a country's HRM practices years later and the extent of convergence or divergence.

Expanding the research beyond Europe is obviously needed given the Euro-centric nature of the research noted. It is becoming more of a possibility as Cranet collects solid data from North and South America and Asia. Although it is the focus of this issue, Cranet, of course, is not the only source of comparable data on HRM, and we look forward to other evidence being developed. There are ever greater numbers of qualified researchers from almost every country in the world, and the research into emerging countries and their multinational corporations is growing apace and showing the importance of context and of not assuming that things will work the same way in different contexts.

Clarifying the role of managerial autonomy is, in a sense, a counter-balance to the insistence of the neo-institutional literature that managers are not free to do as they wish but rather are tightly constrained in their actions-–at least, if they wish to be legitimate and effective. In fact, literature shows that there is room for managerial agency: We just do not know how much room. To what extent can managers act outside the cultural and institutional norms and still be effective? In some contexts, institutions may be weak and not be deeply embedded in the fabric of the country. For example, in some developing counties the power of certain families, tradition, and/or corruption may be more powerful than government enforcement. We need more research that examines the role of managerial agency and the balance between that and the institutional constraint.

The role of MNEs follows a similar line of argument. How much freedom do they have to act differently from other organizations in the host countries? There has been much debate, and there is still much to learn. The Cranet evidence (Brewster, Wood, and Brookes 2008; Farndale, Poutsma, and Brewster 2008; Fenton-O'Creevy, Gooderham, and Nordhaug 2008; Gooderham, Nordhaug, and Ringdal 2006), unlike many other contributions, is able to compare MNEs and indigenous firms directly, and that evidence seems to show that MNEs are different from indigenous firms, but not that different. Basically, they have to deal with the same education system, labor market, and employment and fiscal laws as all other organizations. In the LMEs, multinational firms follow LME practices; in CMEs they are more likely to follow CME practices. But they are innovators in each society, and they do some things differently; we need greater understanding of what these things are, what enables and constrains them, and how these might be explained.

The impact of time has been largely ignored in HRM research (Hippler, Brewster, and Haslberger 2015; Sonnentag 2012) but is clearly critical. The discussion of convergence above is a case in point. Unless we can measure changes in HRM over time, and ensure that we are comparing data collected at the same time point, we will not be able to understand the impact of context fully when we do international comparisons. There is an urgent need for more longitudinal analyses.

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