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Anja Iseke, Martin Schneider\*

## **Transfer of Employment Practices, Varieties of Capitalism, and National Employment Systems. A Review\*\***

**Abstract** – National employment systems are changing primarily through the activities of multinational enterprises (MNEs). In order to understand in how far national employment systems are susceptible to change, we revisit important quantitative empirical studies published since 1994 on the transfer of employment practices within MNEs. Three propositions are derived from a neo-institutional approach, and evidence for all of the three was found when re-analysing the empirical papers. Firstly, human resource practices are more often transferred than industrial relations practices. Secondly, HR practices are more often transferred from a liberal market economy (such as the USA) to a coordinated market economy (such as Germany) than vice versa. Thirdly, some adoption of HR practices common in the USA points to a dominance effect. Overall, the findings show that an uneven change in national employment systems is to be expected from the transfer of practices within MNEs. The limits of the analysis and further routes for research are discussed in the concluding section of the paper.

### **Transfer von Personalpraktiken, Kapitalismusformen und nationale Beschäftigungssysteme: Ein Überblick**

**Zusammenfassung** – Nationale Beschäftigungssysteme verändern sich vor allem aufgrund der Aktivitäten multinationaler Unternehmen. In diesem Beitrag wird die Veränderungsanfälligkeit nationaler Beschäftigungssysteme untersucht, indem seit 1994 veröffentlichte, wichtige empirische Studien zum Transfer von Personalpraktiken innerhalb multinationaler Unternehmen aufgearbeitet werden. Drei Zusammenhänge, die aus neo-institutionalistischer Perspektive motiviert werden, bestätigen sich in den Studien. Erstens werden Praktiken der Arbeitsbeziehungen seltener transferiert als andere Personalpraktiken („HR-Praktiken“). Zweitens werden HR-Praktiken häufiger aus einer liberalen Marktökonomie in eine koordinierte Marktökonomie transferiert als in umgekehrter Richtung. Drittens weist die Einführung bestimmter „angelsächsischer“ HR-Praktiken auf einen Dominanzeffekt hin. Insgesamt zeigen die Befunde, dass sich nationale Beschäftigungssysteme in Reaktion auf die Entscheidungen multinationaler Unternehmen asymmetrisch verändern. Der Beitrag benennt abschließend bestimmte Grenzen der vorliegenden Analyse und wirft interessante künftige Forschungsfragen auf.

**Key words:** **employment systems, varieties of capitalism, transfer of employment systems, multinational enterprises**  
(JEL: F23, M50, M54)

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## 1. Introduction

Companies differ systematically across nations in their employment practices, for example in terms of worker supervision (Gordon 1994), job descriptions (Marsden 1999, 2000), job authority (Dobbin/Boychuk 1999), and the importance of organization versus market control (Hendry 2003). It is therefore legitimate to speak of a “national employment system” (Dobbin/Boychuk 1999) as a combination of employment practices that are typical for and widespread in a certain country and that differs from the systems in other countries. National employment systems are shaped by the wider institutional context – the variety of capitalism into which they are embedded (Hall/Soskice 2001). They differ, for example, because trade unions or works councils may be endowed with different degrees of power, and because the national system of education and training equips workers with different levels and types of skills.

Though national employment systems – in principle – tend to persist, they have changed considerably since the 1990s, leading to more divergent systems (Katz/Darbishire 2000). Japan and Germany are cases in point. They have long been considered as prime examples of a welfare capitalism with stable non-market institutions (Dore 2000). But in Japan, the traditional system of life-long employment and seniority-based pay has been transformed (Watanabe 2000), and in Germany, the strongly collectivist employment system has undergone a substantial revision (Bosch et al. 2007; Hassel 1999).

The chief impetus for change comes from the activities of multinational enterprises (MNEs) in an internationally competitive environment (Morgan/Kristensen 2006). MNEs often apply employment practices within their jurisdiction that are at odds with local practice. This is because MNEs often transfer practices from the home country to different host countries, or they implement a global employment system by centralizing perceived best practices. In addition to the direct changes that MNEs thus bring to their host countries, indirect changes are induced by processes that lead – from a neo-institutional perspective – to isomorphism (DiMaggio/Powell 1983). The introduction by MNEs of new modes of employment systems challenges the legitimacy of existing patterns within host countries (Kwok/Tadesse 2006; Westney 1993). In the face of increased international competition, managers of local organizations also look towards MNEs because their policies are often considered as best practices. (Tayeb 1999). Emulating these will bestow local organizations with legitimacy and trustworthiness, which in turn helps to attract global investors and highly qualified employees. Processes of normative isomorphism are also at work: practices employed by MNEs often diffuse via business schools, consulting companies, and professional associations (Tempel/Walgenbach 2007). Overall, the transfer of practices changes national employment systems in a number of direct and indirect ways.

In this paper, we shed light on the changes from a particular comparative perspective. We study which countries, and which employment practices, are most susceptible to change via a transfer. The literature on employment systems has not addressed this issue. Conceptual approaches have concentrated on developing typologies capturing differences in employment systems that are not identical with national sys-

tems (Hendry 2003; Marsden 1999, 2000). The few comparative accounts of employment systems have emphasized the differences across countries rather than changes within the country systems (Dobbin/Boychuk 1999).

We approach our question in this paper by revisiting the literature on the transfer of employment practices within MNEs. The stream of studies published since the seminal article by Rosenzweig/Nohria (1994) has important implications for change in national employment systems. It is linked in this paper to insights on national institutional contexts. Linking institutionalism to the study of the transfer of employment practices has been suggested elsewhere (Edwards et al. 2006; Farndale et al. 2008; Ferner et al. 2005; Ferner/Tempel 2006; Tempel/Walgenbach 2007) and underlies many of the empirical papers we review below. Building on institutional theory, our review is more theoretical than previous ones (Almond et al. 2003; Edwards/Ferner 2002; for example, Ferner 1997).

We make two main points in this review paper. Firstly, a meaningful distinction can be made between employment systems within coordinated market economies and within liberal market economies. Among these, the employment systems in coordinated market economies are more susceptible to change via the transfer of employment practices. The dichotomy is helpful in predicting change. Most studies, when referring to national institutions, have resorted to the concept “national business systems”, thereby emphasizing the uniqueness of each country system rather than following a typology approach. The dichotomy, however, allows classifying countries in a way that can predict the extent of transfer (Farndale et al. 2008; Fenton-O’Creevy et al. 2008; Parry et al. 2008). Secondly, human resource (HR) practices are more easily, and more often, transferred than industrial relations (IR) practices. This has been argued by Schmitt/Sadowski (2003) and it is a common pattern emerging from a systematic review of all quantitative studies. Therefore, national employment systems may change unevenly, with IR practices persisting while HR practices are more likely to change.

The two points are derived in the second section of the paper. The third section presents evidence from revisiting 14 journal articles, which examined empirically the transfer of employment practices based on large-*n* studies. Though the two main points we suggest are supported, the literature illustrates the substantial gaps that remain. In particular, the evidence has been based on too few datasets and too few countries. Furthermore, the transfer of practices has been measured in manifold ways, thus inhibiting easy generalization across studies. These limitations along with routes for future research are discussed in the concluding section.

## **2. Conceptual framework**

### ***2.1 Building blocks***

The managements of MNEs seek to transfer employment practices across borders for two main reasons. They may either apply the methods they are accustomed to in their home country, or they may try to implement practices globally because these work well or facilitate coordination within the MNE or both. If a transfer is successful, the local practice is changed, contributing to a change in the national employment system. If the attempted transfer is not successful, local adaptation prevails and the national

employment remains unchanged. Our analysis of existing studies in terms of transfer versus local adaption is guided by four arguments or building blocks.

*First, it is argued that a useful distinction can be drawn between two orientations of national employment systems that mirror the two ideal types of capitalism suggested by Hall/Soskice (2001).* In their analysis, and related ones in the “comparative capitalism” literature (Jackson/Deeg 2008), country-specific institutional environments are depicted as configurations of interdependent institutions (Haake 2002; Hall/Soskice 2001; Whitley 1999, 2007). These institutions refer to education and training, the financial system, inter-firm relations as well as labour market regulation and industrial relations. The main proposition is that economies tend to gravitate to either of two successful ideal types of capitalism: the liberal market economies type exemplified by the USA and a coordinated market economies type exemplified by Germany. The literature on national employment systems, we argue, is consistent with the dichotomy of capitalist models and provides important details on how the different types of capitalism work on the shop-floor, so to speak. This idea can be illustrated with reference to the work of Marsden (1999; 2000) and Hendry (2000; 2003).

Hendry, in his typology of employment systems, distinguishes “market control” from “organization control”. Market control involves a lot of hiring and firing and adjustments of terms according to market situation. Organization control, by contrast, insulates employees partly from those external market forces by seeking to retain and develop employees. Though Hendry does not discuss national differences, it is clear that the market type of control is more compatible with a liberal market economy, in which exchanges on labour and other markets tend to be organized by short-term, arms-length relationships. The institutional setup supports this type of strategy, for example, with lax employment protection legislation. Conversely, the organization type of control is compatible with a coordinated market economy, in which firms are embedded into intermediary institutions that encourage more long-term and implicit contractual arrangements. The institutional setup supports this organization control, for example, by an institutionalized system of vocational training and strict employment protection legislation.

Similarly, Marsden distinguishes between a “task-centred” and a “function-centred” approach to classifying jobs. The function-centred approach defines jobs by relying on the qualification that employees hold. This implies that job content, in terms of the actual tasks performed, remains somewhat flexible. For firms to be able to follow this approach, a system of vocational education and training, as it is common in many coordinated market economies, must be in place. Marsden’s prime country example for the function-centred approach is, accordingly, Germany. Conversely, the task-centred approach defines jobs more rigidly depending on the procedure in the chain of production or on the tools of the trade. That approach is more compatible with liberal market economies, in which shop-floor workers often lack broader skills and a strong vertical division of labour between conception and execution is in place. Marsden’s prime example is the USA.

Overall, then, liberal market economies favour company-level employment systems involving market control and task-centred job descriptions. Conversely, coordinated market economies favour company-level employment systems involving organi-

zation control and function-centred job descriptions. These differences would imply substantial differences also in the whole range of employment practices such as training, pay determination, and hiring and firing.

*As a second building block, it is argued that societal norms complement regulatory norms in different types of capitalism, and these norms in turn influence whether cross-border transfer or local adaption is observed.* Different types of norms are distinguished in the neo-institutional approach (DiMaggio/Powell 1983; Meyer/Rowan 1977). That approach complements the varieties-of-capitalism in understanding the transfer of employment practices (Tempel/Walgenbach 2007). In addition to the formal regulation discussed by Hall/Soskice, societal norms also form an integral part of national institutions. In particular, “regulatory institutions” such as works councils or other voice institutions are often connected with a strong, widespread expectation that individual employers comply to common practice. In other words, the regulatory institutions are complemented by “normative institutions”. According to neo-institutional arguments, then, these normative institutions exert a strong pressure on MNEs to meet expectations and adopt the practices established in the host country. Overall, varieties of capitalism refer both to regulatory institutions and societal norms, both to the political economy and the “moral economy” (Granovetter 2002; Thompson 1971)

*As a third building block, it is argued that societal norms do not attach in the same way to different employment practices.* A rough distinction should be made in that respect between industrial relations (IR) practices and human resource (HR) practices (Schmitt/Sadowski 2003). IR practices refer to whether an employer recognizes trade unions and works councils; HR practices denote the whole range of other employment practices such as recruitment or training. IR and HR practices differ in two ways relevant for this analysis. Compared to HR practices, IR practices are more severely influenced by coercive isomorphism. Coercive isomorphism refers to both formal regulations and societal norms (DiMaggio/Powell 1983). In contrast to HR practices, IR practices are more strictly regulated by law. Additionally, IR practices are supported, in particular in coordinated market economies, by the moral economy, by strong norms for MNEs to comply with local practice (coercive, mimetic and normative isomorphism). For HR practices, such norms are weaker or even absent. A second difference between IR and HR practices refers to their costs or burdens on employers. Voice mechanisms grant workers more power by providing them with information and by establishing roads for bargaining. This may raise labour costs. Furthermore, negotiations themselves incur costs and may protract the decision-making process. Though there has been a long-lasting debate on whether voice mechanism may enhance productivity through reducing labour turnover and conflict at a social level, it is safe to argue that, from an individual employer’s viewpoint, voice mechanisms are costly (Freeman/Lazear 1995).

*As a fourth and final building block, it is argued that certain norms may exist inducing the management of MNEs to adopt employment practices typical for US companies (Ferner/Quintanilla 1998).* These norms arise because practices originating from the USA acquire the status of best practice, or of a common currency within global business. This is because US American (and British) companies have been the most important MNEs investing abroad and the USA has been perceived as the dominant economy. If US MNEs

therefore tend to be referred to as the sources of best practices, then companies in other institutional environments may adopt employment practices common in US MNEs; this type of adoption can be interpreted as mimetic isomorphism (DiMaggio/Powell 1983). Then, adoption of practices is not necessarily a transfer of practices from home to host country but may still lead to change in national employment systems.

## 2.2 Propositions

The four building blocks give rise to three main propositions, which are going to guide our re-analysis of existing empirical studies.

The first proposition builds on the difference between IR and HR, which helps to understand the pattern of transfer (Farndale et al. 2008; Parry et al. 2008). Employers, in particular in coordinated market economies, are usually expected to comply with local IR practices (not so much with HR practices such as recruitment or training). Unlike HR practices, IR practices are easily observed outside the firm, and the public is more interested in IR than in HR practices because the moral economy is often entrenched in the labour movement and the larger society (Schmitt/Sadowski 2003). Hence, both formal regulations and cultural expectations induce MNEs to comply in host countries that are coordinated market economies with local IR practices but not necessarily with HR practices. Hence, MNEs usually do not transfer their (usually more liberal) IR practices to coordinated market economies, while MNEs with headquarters in coordinated market economies refrain from transferring constrictive IR practices to liberal market economies. The institutional pressures on HR practices, on the other hand, are much weaker. *Overall, as a first proposition we suggest that a transfer of HR practices is more frequent than the transfer of IR practices.*

A second proposition refers to the different national employment systems. If home and host country are of the same type of capitalism, a transfer of practices is likely to be smooth since the underlying national employment systems are similar. However, the management of MNEs may not be interested in a practice transfer to a host country with a very similar employment system. In line with this idea, it has been shown that US MNEs tend to impose more centralized decisions on HR the more closely the host country resemble the coordinated market economy model, that is, the more distant the host country is to the US institutional environment (Fenton-O'Creevy et al. 2008).

Conversely, if institutional distance is large (both countries differ in their type of capitalism), the transfer of practices may become more difficult and at the same time more strategically important for the MNE. It becomes more difficult because of institutional pressures to adapt. It becomes more strategically important because an MNE's employment practices starkly differ from local practice in the host country, and adapting to this would imply a substantial deviation from the parent company's practices. This, in turn, may endanger the benefits of global integration of policies. Therefore, despite the obstacles to a transfer, MNEs very likely seek to transfer employment practices across differing types of capitalism.

The main content and direction of transfer is also predictable. The dominance effect or Anglo-Saxonization of practices implies that a transfer from liberal home to

coordinated host economies is more likely than the opposite. Furthermore, because of the differences in terms of societal norms, transfer is likely to concentrate on HR practices, while in IR practices local adaptation is likely to prevail. *As a second proposition, then, it is argued that observed transfer will primarily be in HR practices from liberal to coordinated market economies.*

A final proposition is derived from the Anglo-Saxonization hypothesis (Ferner/Quintanilla 1998). When certain norms exist in the global business community to adopt US employment practices, then this may lead the management of MNEs to adopt these practices, irrespective of the variety of capitalism in the home and host country. US type of practices such as performance-related pay or performance management may become common currency within MNEs. These norms may clash with the societal norms attached to certain IR practices. Therefore, the effect of Anglo-Saxonization will be visible in HR rather than IR practices. *As a third proposition, then, it is expected that some "Anglo-Saxon" HR practices (but not practices from other countries) are introduced irrespective of the type of capitalism in home and host country.*

### 3. Empirical review

#### 3.1 Procedures for sampling and analysis

Rosenzweig/Nohria (1994) marks the beginning of a stream of recent contributions studying the transfer of practices within MNEs. Studies published subsequently in the English language in scholarly journals were identified. The analysis was restricted to journal articles because of the quality control in the reviewing process. This restriction is common in other areas of research (for example, Wall/Wood 2005). Hence, book chapters were not considered. Also excluded from the analysis were a number of closely related articles. These do not focus on MNEs in particular (Gooderham et al. 1999) or do not provide any incidence on the actual transfer of practices (Cadin et al. 2006). We also dropped from the analysis four studies that did not allow to differentiate between liberal and coordinated market economies (Beck et al. 2009; Björkman et al. 2007; Myloni et al. 2004; Ngo et al. 1998).

Overall, we identified 34 articles published from 1994 to 2009. Of these, 14 followed a quantitative empirical methodology, that is, the findings were based on regression or variance analyses of a large number of observations. We considered the study as the unit of analysis, which implies that each study contributes equally to the overall result (Cooper 1998). Hence, studies which follow a qualitative, case-based design were not included in this review, because they would have had a disproportionately high impact on synthesis results. However, the case-based methodology has unique strengths that will be taken up in the concluding section of this paper. The studies we found were published from 1994 to 2009. The data mostly refer to the period 1996 to 2000. The studies all had a cross-section design, and in nine of the 14 studies the sample size exceeded 100.

The 14 studies covered 12 countries, five of which are liberal market economies (Australia, Britain, Canada, the Republic of Ireland and the USA) and five of which are coordinated market economies (Denmark/Norway, Germany, Japan, Netherlands, and Sweden). Two countries, France and South Korea, are more controversial. They were counted as coordinated market economies for the purpose of the review because



empirical analyses show that the institutional setting resembles those of coordinated market economies (Schneider/Paunescu 2012).

We analyzed for each study whether a transfer occurred or not, whether HR practices, IR practices, or both were examined, and which home and host countries were involved. For example, Tüselmann et al. (2002) found that UK-based subsidiaries differed significantly from local UK companies in terms of their IR practices. Hence, we inferred that a transfer of IR practices from Germany (a coordinated market home country) to the UK (a liberal market host country) had occurred. Straightforward as this appears, it was sometimes difficult to establish the information because transfer was measured in manifold ways in these studies. Usually, the studies contained information on how widespread a certain practice was (as in the presence of unions or works council) or how intensive it was used on average (as in training expenditures). Depending on the study design, various comparisons have been drawn to gain information on transfer versus local adaptation. In one study, the comparison referred to differences in means between local companies and parent companies (Rosenzweig/Nohria 1994). In other studies, the comparison was made between local companies and subsidiaries of MNEs (Farndale et al. 2008; Geary/Roche 2001; Myloni et al. 2004; Ngo et al. 1998; Turner et al. 1997; Tüselmann et al. 2002), in still others between subsidiaries and headquarters (Björkman et al. 2007; Pudelko/Harzing 2007). Finally, in some studies differences between companies in various host countries have been identified and it was then distinguished between local companies and subsidiaries by including interaction dummies (Bae et al. 1998; Gooderham et al. 1998; Poutsma et al. 2005; Poutsma et al. 2006). From all these ways of measurement we inferred whether a transfer or local adaptation prevailed. One situation led to ambiguous cases, namely the interpretation of similarities between local companies in liberal market economies and subsidiaries of MNEs with headquarters in another liberal market economy. If both groups showed similar practices, we interpreted this situation as a transfer. Though that situation might also be interpreted as local adaptation, an alternative classification would not affect the conclusions concerning our three propositions.

### **3.2 Findings**

A detailed summary of the findings is provided in Table 1. Furthermore, the Figures 1 to 4 illustrate, via a graphical method of social network analysis, the web of countries for which a transfer has been analyzed (Figures 1 and 3) and for which a transfer has been confirmed in the analysis (Figures 2 and 4).

Various interesting findings emerge from the analysis. The first proposition, stating that the transfer of HR practices is more frequent than that of IR practices, is supported. Of the links between countries in terms of HR transfer, most are confirmed (compare Figure 1 to Figure 2). Conversely, of the links between countries of IR transfer most are not confirmed (compare Figure 3 to Figure 4). Apparently, companies have some leeway in transferring HR practices whereas to IR practices strong societal norms attach, norms exerting a strong pressure on companies to adapt to local practices.

**Table 1: Summary of findings from quantitative studies on the transfer of HR and IR practices (1994 to 2009)**

		Host					
		LME		CME			
Home	LME	US to	UK	transfer of HR practices (Gooderham et al. 1998; Faulkner et al. 2002; Poutsma et al. 2005; Gooderham et al. 2006; Poutsma et al. 2006) transfer of IR practices (Parry et al. 2008) decentralized control of HR practices (Fenton-O'Creevy et al. 2008)	US to	Germany	transfer of HR practices (Poutsma et al. 2005; Poutsma et al. 2006; Pudelko/Harzing 2007) no transfer of HR practices (Gooderham et al. 2006) no transfer of IR practices (Parry et al. 2008)
			Ireland	transfer of HR practices (Turner et al. 1997; Gooderham et al. 1998; Geary/Roche 2001; Gooderham et al. 2006; Poutsma et al. 2006) no transfer of IR practices (Turner et al. 1997; Geary/Roche 2001) decentralized control of HR practices (Fenton-O'Creevy et al. 2008)		Norway/Denmark	transfer of HR practices (Gooderham et al. 1998; Gooderham et al. 2006) no transfer of IR practices (Parry et al. 2008) centralized control of HR practices (Fenton-O'Creevy et al. 2008)
						Sweden	transfer of HR practices (Poutsma et al. 2006) no transfer of IR practices (Parry et al. 2008) centralized control of HR practices (Fenton-O'Creevy et al. 2008)
						Netherlands	transfer of HR practices (Poutsma et al. 2006) no transfer of IR practices (Parry et al. 2008) centralized control of HR practices (Fenton-O'Creevy et al. 2008)
			Australia	transfer or adaptation of HR practices (Gooderham et al. 2006) transfer of IR practices (Parry et al. 2008) decentralized control of HR practices (Fenton-O'Creevy et al. 2008)	others	ambiguous (Pudelko/Harzing 2007: Japan) transfer of HR practices (Bae et al. 1998: South Korea) centralized control of HR practices (Fenton-O'Creevy et al. 2008: Switzerland, Austria, Finland, Portugal, Italy, Spain, Belgium)	
		UK to	US	transfer of or adaptation to HR practices (Rosenzweig/Nohria 1994)			
		Canada to	US	no or weak transfer (Rosenzweig/Nohria 1994; Pudelko/Harzing 2007)			
			UK	no transfer of HR practices (Faulkner et al. 2002) transfer of IR practices (Farndale et al. 2008; Parry et al. 2008)			
			Australia	transfer of IR practices (Parry et al. 2008)			

**Table 1: Summary of findings from quantitative studies on the transfer of HR and IR practices (1994 to 2009) (continued)**

		Host					
Home		LME				CME	
CME	Germany to	US	no transfer of HR practices (Rosenzweig/Nohria 1994; Pudelko/Harzing 2007)		Germany to	Japan	no transfer but anglo-saxonization (Pudelko/Harzing 2007)
		UK	transfer of HR practices (Faulkner et al. 2002) transfer of IR practices (Tüselmann et al. 2002)				
	Japan to	US	transfer of several HR practices (Rosenzweig/Nohria 1994)		Japan to	Germany	no transfer but anglo-saxonization (Pudelko/Harzing 2007)
		UK	not identifiable (Farndale et al. 2008)			South Korea	transfer of HR practices (Bae et al. 1998)
	Netherlands to	US	no transfer of HR practices (Rosenzweig/Nohria 1994)				
		UK	not identifiable (Farndale et al. 2008)				
	Sweden to	US	no transfer (except for training (Rosenzweig/Nohria 1994)				
		UK	transfer of HR practices (Faulkner et al. 2002)				
	France to	US	no transfer except for training (Rosenzweig/Nohria 1994)				

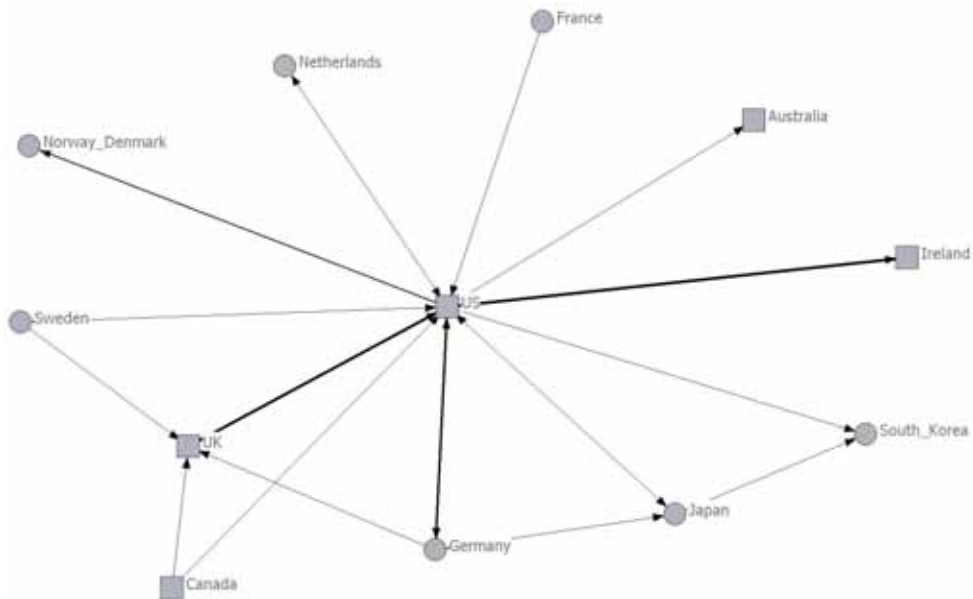
A number of empirical observations are consistent with the second proposition, according to which transfer will be most frequent in HR practices from liberal market home to coordinated market host countries. Firstly, the societal norms appear to be stronger in coordinated market economies. In none of the studies has a transfer of IR practices to a coordinated market economy been documented; a transfer solely occurs among liberal market economies, namely the USA, Britain, Canada, and Australia (Figure 4). In that respect, the study by Parry et al. (2008) is particularly interesting because they included HR and IR practices in various countries. They found that IR practices are transferred from US and Canadian headquarters to Britain and Australia but not from US and Canadian headquarters to Germany, Norway/Denmark, Sweden, and the Netherlands.

Secondly, even in liberal market economies, IR practices are difficult to change if they are strong. Ireland is a good case in point. In two studies, the transfer of practices from the main investor country for Ireland – the USA – has been examined (Geary/Roche 2001; Turner et al. 1997). In both studies, HR practices are found to travel well to the local subsidiaries. In IR practices, by contrast, US investors choose to comply with collective bargaining institutions, which in Ireland are developed more strongly than in other liberal market economies.

Thirdly, we observe the expected asymmetry in the transfer of HR practices between different types of capitalism. Transfer is more frequent from a liberal market home country to a coordinated market host country than in the opposite direction. Six links of a transfer of HR practices from a liberal to a coordinated market economy have been studied; for all six a transfer was confirmed. Of the equivalent six links of a transfer of HR practices from a coordinated to a liberal market economy, only three cases of a transfer were confirmed. These involved a transfer of HR practices of Japanese and German MNEs to the USA (Rosenzweig/Nohria 1994), and a transfer of German MNEs to the UK (Faulkner et al. 2002).

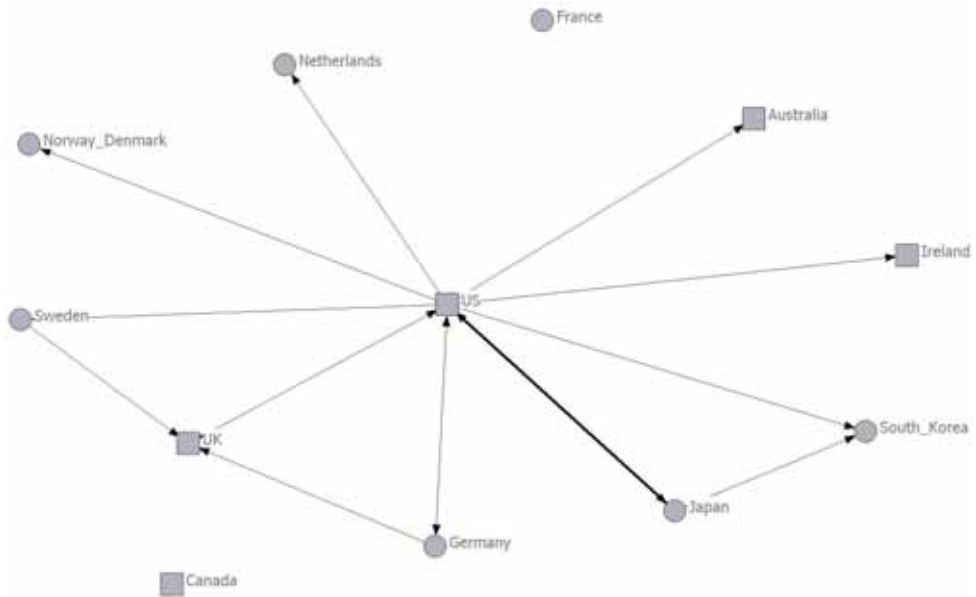
Finally, there is an interesting finding that is consistent with the third proposition, the Anglo-Saxonization hypothesis. In a study including German MNEs with subsidiaries in Japan, and Japanese MNEs with subsidiaries in Germany, no transfer was found on average but, rather, an introduction in both direction of practices that are considered part of the US business model (Pudelko/Harzing 2007). This is consistent with the dominance effect.

**Figure 1: Studies *analyzing* the transfer of HR practices**



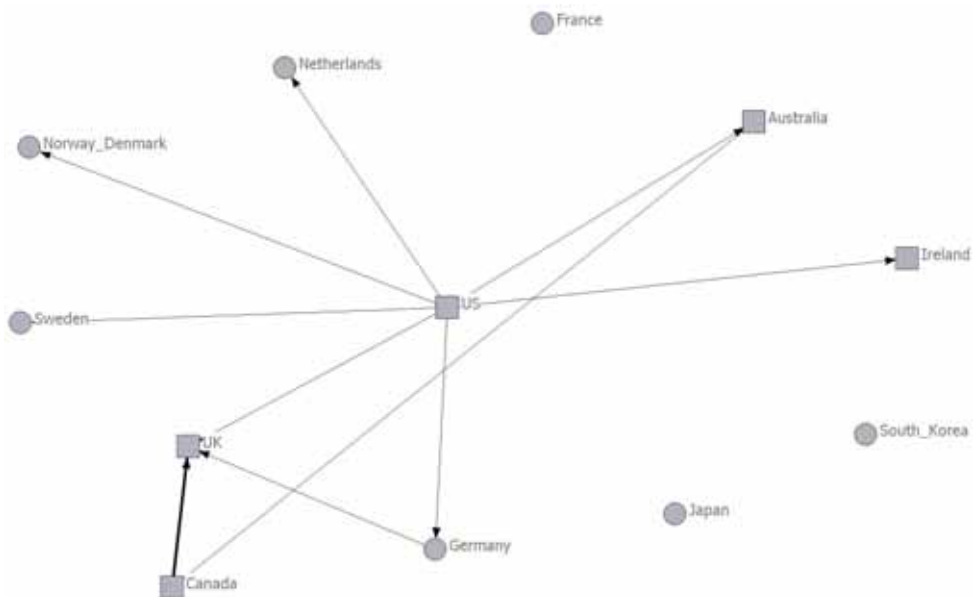
Note: The lines indicate that a transfer of HR practices from country A to country B has been analyzed. The line thickness indicates the number of studies. Circles denote coordinated market economies, the squares denote liberal market economies.

**Figure 2: Studies *confirming* the transfer of HR practices**

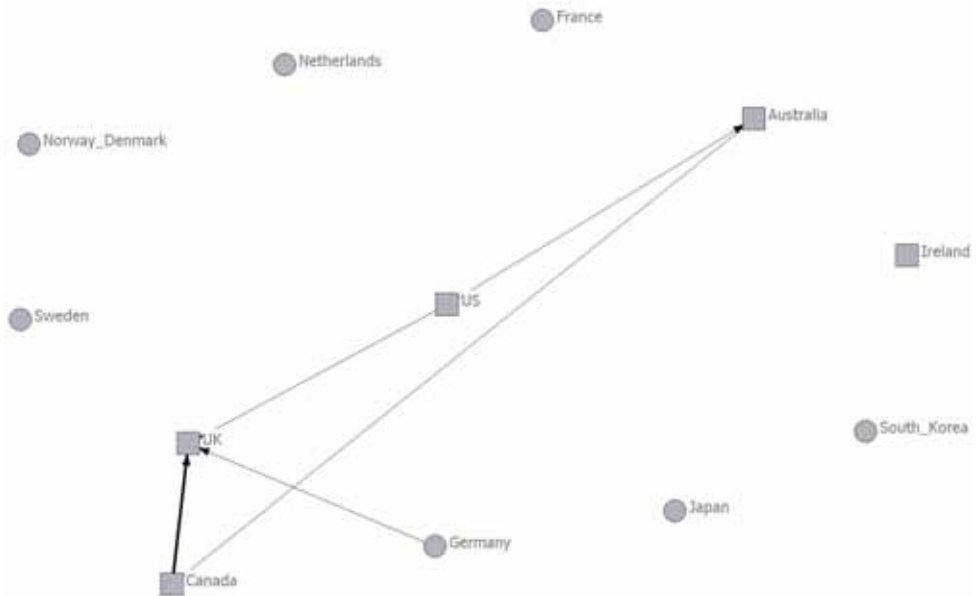


Note: The lines indicate that a transfer of HR practices from country A to country B has been *confirmed* in the analysis. The line thickness indicates the number of studies. Circles denote coordinated market economies, the squares denote liberal market economies.

**Figure 3: Studies *analyzing* the transfer of IR practices**



Note: The lines indicate that a transfer of IR practices from country A to country B has been *analyzed*. The line thickness indicates the number of studies. Circles denote coordinated market economies, the squares denote liberal market economies.

**Figure 4: Studies *confirming* the transfer of IR practices**

Note: The lines indicate that a transfer of IR practices from country A to country B has been *confirmed* in the analysis. The line thickness indicates the number of studies. Circles denote coordinated market economies, the squares denote liberal market economies.

#### 4. Conclusions

Revisiting 14 empirical studies on the transfer of employment practices among affluent societies we show that national employment systems are susceptible to change via MNEs – but to varying degrees. HR practices are more frequently transferred than IR practices. HR practices are more often transferred from a liberal market economy to a coordinated market economy than vice versa. Some adoption of HR practices common in the USA points to a dominance effect. As this implies, national employment systems are unevenly affected by the activities of MNEs. Coordinated market economies more than liberal market economies are under pressure because MNEs are likely to insert a good deal of “foreignness” into their national employment system. HR practices more than IR practices will be transferred within MNEs and will therefore change the employment systems of host countries. The societal norms that underpin certain IR regulations and practices render IR practices more nationally stable than HR practices.

The empirical studies we have revisited had certain limitations that inhibit definite conclusions on the extent of change in national business systems. Firstly, the studies were cross-sectional and did not allow inferences on change as such. Secondly, the studies concentrated on a small number of economies. The countries most heavily studied were the USA, Britain, and Germany as home and as host countries. Important liberal and coordinated market economies such as Switzerland, Austria, or

New Zealand were not studied or only studied with reference to whether a centralization of employment decisions was pursued (Fenton-O’Creevy et al. 2008). (Of course, we have omitted countries that should not be considered as either liberal or coordinated market economies; that may be considered another limitation of our review.) Thirdly, though we discussed findings from 14 studies, these are not truly independent. Seven of the studies used data from the international Cranet network (Farndale et al. 2008; Fenton-O’Creevy et al. 2008; Gooderham et al. 2006; Gooderham et al. 1998; Poutsma et al. 2006; Turner et al. 1997). Fourthly, the transfer of practices was measured in different ways. This inhibits more systematic reviews. Overall, the scope for generalizing from examining these quantitative studies is somewhat restricted. Nonetheless, the clear pattern that emerged shows that the approach of distinguishing practices – HR versus IR – and economies – liberal versus coordinated – is fruitful in predicting an uneven transfer of practices.

There are five routes for future research that we find particularly promising. Firstly, a similar analysis of qualitative studies may shed light on issues that quantitative studies cannot illuminate. For example, qualitative studies have looked at “reverse transfer”, in which practices travel from a subsidiary to headquarters (Edwards 1998; Edwards et al. 2005; Zhang/Edwards 2007). Similarly, qualitative studies may distinguish between transfer and an attempt to centralize, for example by introducing best practices (Zhang/Edwards 2007). Centralization and reverse transfer may have implications for change in national systems that differ from those of a transfer from home to host country.

Secondly, change in institutions and business systems should be studied more directly by looking at a number of countries over time. One reason is that transfer may not only cause change, but change may itself encourage the transfer of practices. In particular, a strong degree of institutional change may give MNEs more leeway in transferring practices even to coordinated market economies whose collective institutions are often hostile to transfer. This is because the normative pressure of institutions becomes weaker if traditional institutions are undergoing a transformation. A good example is Ireland. Geary/Roche (2001) found that US MNEs that entered Ireland later than 1985 transferred employment practices to Irish subsidiaries rather than adapting to local practices. The reason is that, by the 1990s, the institutions were somewhat weakened in response to strong foreign direct investment. Similar points can be made for Greece (Myloni et al. 2004) and Sweden (Poutsma et al. 2006).

A third route concerns institutional distance between economies. Future studies should work towards measures that are more fine-grained than the dichotomy between liberal and coordinated market economies that we used. For example, an overall index measure of institutions and of institutional distance may be invoked (Brookes et al. 2011) The indices could include measures such as the strictness of employment protection, collective bargaining coverage, the length of employment contracts, and the number of people in vocational training. More itemized analyses of institutional distance may allow for more specific predictions as to which practices in national employment systems may be most prone to change.

Fourthly, in futures studies the channels through which national employment systems change due to the influence of MNEs could be uncovered. In this paper, coer-

cive, mimetic, and normative isomorphism were employed as arguments to help derive hypotheses. Untangling the relative existence and importance of the different processes may shed further light on differences between different types of capitalism. Here, qualitative studies may be more instructive than quantitative studies.

Finally, it might be studied how the transfer of practices is affected by type of industry or sector. It has been argued, and shown empirically, that the liberal and the coordinated market economy models each have their particular sector-specific comparative advantages, with liberal market economies supporting more radical innovation and high-tech, and coordinated market economies supporting incremental innovation and medium high tech (Schneider/Paunescu 2012). These comparative advantages suggest that the extent of transfer may also differ by whether a certain practice is compatible with radical or incremental innovation, suggesting complex interactions in the extent of transfer between industry and type of capitalism.

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