

A conceptual framework for international human resource management research in developing economies

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This paper highlights the evolution and contribution of the institutional theory perspective to the study of human resource management (HRM) transfers between advanced economies and less developed economies owing to institutional dissimilarities. The paper seeks to explore the institutional differences between advanced economies (home) and less developed economies (host) through the lens of institutional theory and how such institutional differences constrain or provide opportunities for the transfer of HRM practices. We develop a conceptual framework through the lens of institutional theory to provide useful and comprehensive insight of factors or conditions to consider when transferring HRM practices from advanced economies to less developed economies where there are institutional dissimilarities. The framework offers a broad perspective of the three dimensions of institutional theory to help multinational enterprises evaluate and explore how the differences in institutional settings between home and host countries may create opportunities or constraints in HRM practice transfers.

Keywords: human resource management practices, institutional dissimilarities, institutional theory, international human resource management, multinational enterprises

Key points

- 1 Our conceptual framework identifies those factors or conditions to consider when multinational enterprises transfer human resource management (HRM) practices from advanced economies to their subsidiaries in less developed economies.
- 2 The framework is based on institutional theory to evaluate and explore how the differences in institutional configurations between home and host countries may create opportunities or constraints in HRM practice transfers.
- 3 Institutional theory is significant for international HRM research in that it provides a strong foundation in hypothesizing at both home and host country levels with regards to institutional dissimilarities between developed and less developed countries.

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Multinational enterprises (MNEs) have become central in global trade and development over the last three decades owing to their contribution to global production, income, employment, economic growth and development in both developed and less developed economies (Blomstrom and Kokko 1998; Ranjan and Agrawal 2011). Researchers have argued that underpinning globalization stems from the activities of MNEs (Ranjan and Agrawal 2011; Sayim 2011). Pulignano and Keune (2015, 8) suggest that ‘employment policy within MNEs and their subsidiaries reflects a complex interaction between national institutions that enforce certain standards; the parent which attempts to impose home-country rooted policies or practices; and negotiation between management and employee groups’. MNEs refer to organizations engaged in cross-border economic activities (Bartlett and Ghoshal 1989). It has been noted in the international human resource management (IHRM) literature that MNEs frequently have to respond to multiple and complex organizational structures due to their embeddedness or interconnectedness with national and sub-national institutional arrangements in both host and home countries (Almond 2011; Dekocker et al. 2012). The growth in the number of MNEs in developed, emerging and less developed economies has paved the way for more studies into issues such as: subsidiary autonomy, expatriate management, training and career development, compensation management, recruitment and selection, performance management, talent management and employee voice and involvement (Singh, Mohamed and Darwish 2013; Tüselmann, Allen and McDonald 2014). Research in the field of IHRM has expanded in scope owing to the growth of MNEs and the inherent international and multinational nature of their HRM programs (Dowling, Festing and Engle 2008). Indeed, the scope of IHRM has been broadened to cover a wide range of management and organizational issues relating to people management among firms operating within an international setting which is the main scope of the paper. MNEs subsidiaries have to alter their HRM practices in order to accommodate local institutional conditions and the forms of adjustment have, according to Björkman and Lervick (2007), been an ongoing area of debate among researchers and practitioners of IHRM. Thus, the conceptualization of local isomorphism through the lens of institutional theory to develop an understanding of the transfer of HRM practices from advanced economies to less developed economies has grown in importance in IHRM research (Björkman, Fey and Hyeon 2007; Najeeb 2013). Taylor, Beechler and Napier (1996) have observed that appropriate established institutional structures and processes support the transfer of IHRM practices between the headquarters and their subsidiaries (see also Belizón et al. 2014). We argue that in order to effectively transfer HRM practices from developed countries into less developed host countries, MNEs should have the capabilities to evaluate and manage the institutional dissimilarities between the home and host countries. To address this issue MNEs have to consider three basic questions. What are the institutional differences between advanced economies and less developed economies? How long or short is the institutional distance between the home and the host country? How can these institutional dissimilarities constrain or provide opportunities for the transfer of HRM practices to less developed host

countries? The above questions are central to the analysis in this paper as we propose a conceptual framework which offers a broader perspective of the three dimensions of institutional theory to help MNEs evaluate and explore differences in institutional configurations between home and host countries. The main contribution of this paper is the development of a conceptual framework through the lens of institutional theory to help MNEs evaluate and explore how the differences in institutional configurations between developed economies (home) and less developed economies (host) may create opportunities or constraints in the transfer of HRM practices.

Subsidiaries of MNEs are challenged with a wide range of competitive and isomorphic pressures during the process of internationalization (Burbach and Royle 2014; Edwards and Ferner 2002; Pulignano and Keune 2015; Thite, Wilkinson and Shah 2012). The institutional perspective has made a significant contribution (Geppert, Matten and Walgenbach 2006) to IHRM research. There is substantial evidence in the extant literature that suggests strong local isomorphism among subsidiaries of MNEs to adapt to HRM practices similar to local practices in host countries (Björkman, Fey and Hyeon 2007; Mellahi et al. 2013; Rosenzweig and Nohria 1994). Most importantly, the emergence of institutional theory in IHRM research is attributed to how it can be used to conceptualize both the home and host countries' national institutional settings in explaining the national business systems' influence on MNEs' subsidiaries HRM practice configuration (Geppert, Matten and Walgenbach 2006; Kim 2012; Sidani and Al Ariss 2014). This paper seeks to draw IHRM scholars' and practitioners' attention to the evolution and contribution of institutional theory to the study of IHRM practice transfers between advanced economies and less developed economies where there are considerable institutional dissimilarities. Our proposed conceptual framework aims to provide useful and comprehensive insight of the factors or conditions to consider when transferring IHRM practices from advanced economies to less developed economies.

This paper is organized into three sections. First, we highlight the contribution of institutional theory to understanding the transfer of HRM practices internationally. Second, the three pillars of institutional theory – that is, the regulatory (coercive), cognitive (mimetic) and normative paradigms – will be outlined. A conceptual framework is then developed to support the analysis of HRM practice transfers between home and host countries in the context of institutional dissimilarities between developed and less developed countries. The implications of our conceptual framework to IHRM research and practice are then discussed. The final section provides suggestions for further research in IHRM using the institutional perspective.

The institutional theory perspective and MNEs HRM practice transfers

The institutional perspective has been used by IHRM scholars to conceptualize the influence of both home-country and host-country national institutional settings on MNEs' HRM practices. Institutional theory has also lent support to IHRM research as it aided in explaining the variations or differences in HRM practices between MNEs from different

countries of origins (Ferner, Almond and Trevor 2005) and different national business systems – co-ordinated market economies (CMEs) versus liberal market economies (LMEs; Edwards, Marginson and Ferner 2013; Gooderham and Nordhaug 2010). We seek to highlight the contribution of institutional theory to the understanding of local isomorphism and IHRM practice transfers between advanced economies and less developed economies. Rosenzweig and Nohria (1994) employed institutional theory to explain the impact of local isomorphism on MNEs subsidiaries' HRM practices. Their study drew extensively from institutional theory to explain how local isomorphism in the United States influences MNEs' subsidiaries to adopt to certain HRM practices similar to local firms. Mellahi et al. (2013) examined HRM practices among MNEs' subsidiaries and local firms in Turkey, providing insights into both the host and home countries' institutional settings on HRM configuration. They identified characteristics of HRM practices that are most likely to be aligned to the local cultural and institutional environment. It emerged from their study that HRM practices that are easy to manage and control from the headquarters and also reflect the core values of the organization will not be modified for the local context. However, MNEs' subsidiaries are likely to adapt to local HR practices that are difficult to control and manage from headquarters and are sensitive to local institutional pressures. Kim's (2012) study of institutional misalignment and adoption with a focus on isomorphic pressure on MNEs' operations also used institutional theory to explain how institutional, functional and competitive pressures interact with institutional misalignment to influence HRM practices and adoption behaviours. Ferner, Almond and Trevor (2005) carried out a study of employment policy transfers across national borders by drawing support from institutional theory to explain how MNEs originating from the United States have internationalized their workforce diversity policy in their UK subsidiaries. Interestingly, their study found that the actors within the UK subsidiaries had organized specific power resources which provided them the opportunity to resist diversity policy implementation initiated by the parent company from the United States.

Even though these studies demonstrate the significance of institutional theory in IHRM and international business (IB) research, there has been limited research that has addressed institutional dissimilarities that are likely to hinder or provide opportunities for the transfer of IHRM practices from developed or advanced countries to less developed host economies. Our conceptual model seeks to address this important literature gap through the lens of institutional theory as a way of stimulating the interest of HRM researchers to conduct more research on HRM practice transfers between less developed host countries and MNEs' home countries. Fundamentally, institutional theory has proven to be an appropriate framework for researchers to interpret complex environmental or national institutional settings (Mayrhofer et al. 2011) and how these impact on the HRM practices of MNEs from different national business systems (LMEs or CMEs). Institutional theory has also been used to explain the possibilities and limitations posed by the host country's national institutional settings in the standardization or diffusion of MNEs' HRM practices to their subsidiaries. Our assumption of institutional and cultural dissimilarities between advanced economies (LMEs) and less developed economies is

underpinned by Kostova's (1997) characterization of institutional distance, which he described as a measure of the degree of institutional variations between the home and host countries; and Kogut and Singh's (1988) definition of cultural distance which measures the degree of cultural differences between countries. Indeed, both empirical and theoretical evidence in the IHRM literature suggest that it is through institutional dissimilarities or distance that firms derive their distinct and unique HRM practices owing to their embeddedness in their national business system and institutional environment (Belizón et al. 2014; Edwards, Marginson and Ferner 2013; Gooderham and Nordhaug 2010; Vaiman and Brewster 2014).

In many less developed countries, the national business system and macroeconomic dynamics are influenced by economic aid and grants from the Bretton Woods Institutions (IMF, World Bank) and other international development donor agencies. The conditions attached to such economic aid and grants carries with it economic and social implications for less developed economies (James 1990) which overtly or covertly influence the structure of the national institutional settings or the business environment. This situation creates institutional dissimilarities between less developed countries and advanced economies where economic aid and large external donor grants do not exist. For instance, Wilkinson et al. (2008) found MNEs originating from emerging countries behave differently compared to MNEs originating from advanced countries in relation to the adoption of HRM strategies. Kostova, Roth and Dacin (2008) and Mayrhofer et al. (2011) suggest that institutional theory is a strong theoretical foundation in understanding both the home and host country levels of analysis. Accordingly, institutional theory allows a comprehensive analysis and interpretation of how the host and home country's national institutional settings impact on MNEs' subsidiary HRM practice transfers. Institutional theory has also proven to be a powerful tool in explaining the differences and similarities in HRM practices between local firms and subsidiaries of MNEs due to the isomorphic pressures in host and home countries (Ferner, Edwards and Tempel 2011; Gaur, Delios and Singh 2007; Geppert, Matten and Walgenbach 2006; Mellahi et al. 2013) which has been coined by Rosenzweig and Nohria (1994) as local isomorphism. Institutional studies have focused on homogeneity and persistence resulting from institutional pressure, legitimacy and isomorphic mechanisms. In effect, institutional theory argues that subsidiaries of MNEs are under local isomorphic pressure to adapt and behave according to local practices in the host country in order to gain legitimacy and recognition (Björkman et al. 2008; Ferner, Edwards and Tempel 2011; Ollo-López, Bayo-Moriones and Larraza-Kintana 2011; Rosenzweig and Nohria 1994; Sidani and Al Ariss 2014). The underlining purpose of institutional theory is to explain the degree of homogeneity, persistence and isomorphic pressure provided by a host-country national institutional setting. Drawing insights from this body of literature, we argue that subsidiaries of MNEs can be conceptualized to be influenced by both host and home country's national institutional settings described as institutional duality. Isomorphic pressure for MNEs to adapt to certain HRM practices is not limited only to local isomorphism. International isomorphic pressure could result from globalization, headquarters–subsidiaries integration desires and

international competition among firms (Burbach and Royle 2014; Gaur, Delios and Singh 2007; Thite, Wilkinson and Shah 2012). Local Isomorphism is the processes by which structures, including rules, norms, and routines become established as authoritative guidelines for social behaviour in a particular society or environment (Scott 2001). These local isomorphic pressures originate from the host country's national, sub-national institutional arrangements and social actors on MNEs to adapt to certain HRM practices recognized by the host-country regulatory, cultural or cognitive and normative institutional settings (Björkman et al. 2008; Rosenzweig and Nohria 1994; Scott 2001). Local isomorphic pressure could potentially constrain MNEs' HRM practice transfers to their subsidiaries in different host-country contexts.

DiMaggio and Powell (1983) and Scott (2001) suggest that isomorphism is classified into three major dimensions; these are regulatory (coercive), cognitive (mimetic) and normative. For DiMaggio and Powell (1983) and Scott (2001) coercive isomorphism acknowledges that firms are forced or coerced to adapt to certain configurations or practices by the legal regulations and other institutional settings of the host country; mimetic isomorphism support firms copy or mimic certain organizational practices associated with success from other firms; and normative isomorphism is where sub-national institutions and social actors act as disseminators of best practices which are adopted by firms under the influence of such social actors in their environment (Bjorkman 2006; Mellahi et al. 2013; Pudelko and Harzing 2007; Sidani and Al Ariss 2014). What follows is a detailed discussion of the three dimensions of isomorphism.

Regulatory isomorphism

The formal legal system of every sovereign state is the foundation upon which institutional theory is developed and it constitutes the regulatory/coercive isomorphic dimension of the theory. The central pillars of the regulatory dimension of institutional theory are: fear, expedience and force (DiMaggio and Powell 1983; Harvey 2002; Kostova and Roth 2002; Morgan and Kristensen 2006; Scott 2001). The judiciary regulates and limits the behaviours of individuals and firms through the regulatory processes of rule formulation, surveillance and providing punishments against individuals and firms for any violation of the rules and regulations (Gaur, Delios and Singh 2007; Harvey 2002). DiMaggio and Powell (1983) and Scott (2001) suggest that the rules and regulations established by the judiciary as an arm of government are formalized rules and clearly stipulate codes of conduct for individuals and organizations in the host country. North (1990) argues that the central institutional pillar of every country is its regulatory framework (Gaur, Delios and Singh 2007; Harvey 2002). In effect, it is possible to argue that a more stable legal system – formalized and informal – supported by effective monitoring and the power to sanction is centred on the regulatory institutional setting of the host country (Harvey 2002).

Cognitive isomorphism

The cognitive paradigm of institutional theory is based on organizations, groups and individuals' willingness to follow predetermined socially acceptable behavioural patterns established

by societal subgroups as a result of their experience of subcultures or the wider societal culture as a whole (Harvey 2002; Hofstede 1980; House et al. 2004; Stone, Stone-Romero and Lukaszewski 2007). This cognitive aspect of institutional theory has gained support from anthropologists and cultural sociologists such as Douglas (1986). According to Douglas (1986, cited by Harvey 2002; 1125), ‘cultural categories should be viewed as cognitive containers in which social interests are defined and classified, argued, negotiated, and worked out’. For Hofstede (1980), Budhwar and Sparrow (2002) and House et al. (2004), these non-formalized protocols are embedded in the wider societal social settings through its subcultures. Such informal protocols indicate established patterns of social interactions that are acceptable including societal values, roles, beliefs systems, behaviour and assumptions within a defined social context in the host country. Even though cognitive isomorphic pressures are informally established, they are instilled and transferred from one generation to another as a result of their acculturation to the workings of societal culture (Budhwar and Sparrow 2002; Harvey 2002; Wu, Lawler and Yi 2008). Cognitive isomorphic pressure may not be as powerful as the regulatory isomorphic pressure, but such culturally collective beliefs, norms, values and assumptions become stable as more formalized rules and regulations are embedded within the national business system in the host country. For instance, Gaur, Delios and Singh (2007) maintain that the host’s informal national institutional settings such as the tolerance of corruption; transparency and corporate governance processes and the importance attached to political connections and business networks can result in conformity to local conditions. There is evidence in the extant literature to suggest that HRM practices are centred on certain societal values and beliefs systems which mirror the culture of that country in which firms are entrenched in the national business system. This could potentially limit the choice available to MNEs in the adoption of certain HRM practices due to cognitive isomorphic pressures in the host country (Budhwar and Sparrow 2002; Myloni, Harzing and Mirza 2004).

Normative isomorphism

The normative dimension of institutional theory is developed on the underlining assumption that behaviour is underpinned and guided not only by the broader societal cultural tradition, but also by certain societal groups including specific institutions that organizations and individuals experience through regular interaction within the broader societal culture (Budhwar and Sparrow 2002; Harvey 2002; House et al. 2004). Societal values are shared ideas about what is desirable and good which is learned or derived through regular personal interaction with other social groups (Harvey 2002; Rawat 2007). Scott (2001) argues that societal norms clearly specify the means through which socially accepted ends can be accomplished, thereby defining both the acceptable objectives and the acceptable means to reaching such targets (see Harvey 2002, 1126). As a consequence of the embeddedness of the social dimension, diverse social actors and groups within the society act as disseminators of normative acceptable behaviour to individuals and organizations. Though normative isomorphism has measurability difficulties in quantitative studies, there is evidence in the literature to suggest that social class, religious attachments, kingship and other social institutions – universities and research institutions, trade unions,

consultancy firms, and professional and business associations are the sources where shared values and collective beliefs are transmitted to organizations and individuals in society (Dowling, Festing and Engle 2008; Harvey 2002; Rawat 2007).

A conceptual framework

The main focus of our framework is on transfers between home and host countries due to what Kostova (1997) described as institutional distance which measures the degree of institutional dissimilarities between home and host countries. We seek to provide a broad perspective of the institutional environment within which developed countries MNEs' HRM practice transfers can be facilitated or constrained by less developed host countries' regulatory, cultural or cognitive and normative institutional settings. In this regard, the proposed framework (see Figure 1) will enable researchers to identify key factors likely to facilitate or inhibit the transfer of HRM practices from MNEs' home countries to their subsidiaries in less developed economies due to the embeddedness of the institutional settings within the business system of the nation-state (Almond 2011; Hall and Soskice 2001; Whitley 1999). The conceptual framework outlines the institutional (coercive, cognitive and normative) dissimilarities between advanced economies and less developed economies.

Institutional environmental settings of less developed host-countries

Scott (2001) acknowledged institutions comprise the socio-cultural, legal, economic, and political systems of a society. Scott (2001) explain the differences in HRM practice configurations which are built on three important logics – the socio-cultural or cognitive paradigm, the normative paradigm and the regulatory paradigm in every host-country (Budhwar and Sparrow 2002). First, it has been argued that national cultural differences exert a distinct impact on employee behaviour and as a result create different HRM practices according to different cultural backgrounds (Liu 2004; Vaiman and Brewster 2014). Research by Adler (1995) found differences in HRM practices due to differences in national culture between collectivist and individualistic oriented countries (see also Hofstede 1980). For instance, MNEs originating from the United States pursue individualistic or direct employee involvement or voice practices (Gunnigle, Collings and Morley 2005; McDonnell et al. 2015) compared to most less developed countries. Ollo-López, Bayo-Moriones and Larraza-Kintana (2011) found countries with high individualism, high uncertainty avoidance, low power distance and low masculinity, experience high indirect employee involvement. It was also reported in the same study that host countries that are liberal market economies grant employees more job autonomy than host countries that are co-ordinated market economies. In this regard, Kogut and Singh (1988) coined the term 'national cultural distance' which measures the degree of cultural differences among countries. The notion of 'national cultural distance' indicates that HRM practices are centred on certain societal values and beliefs system which mirrors the culture of the country in which firms are entrenched in the national business (Budhwar and Sparrow 2002; Hofstede 1980; House et al. 2004). Beechler and Yang (1994) suggest

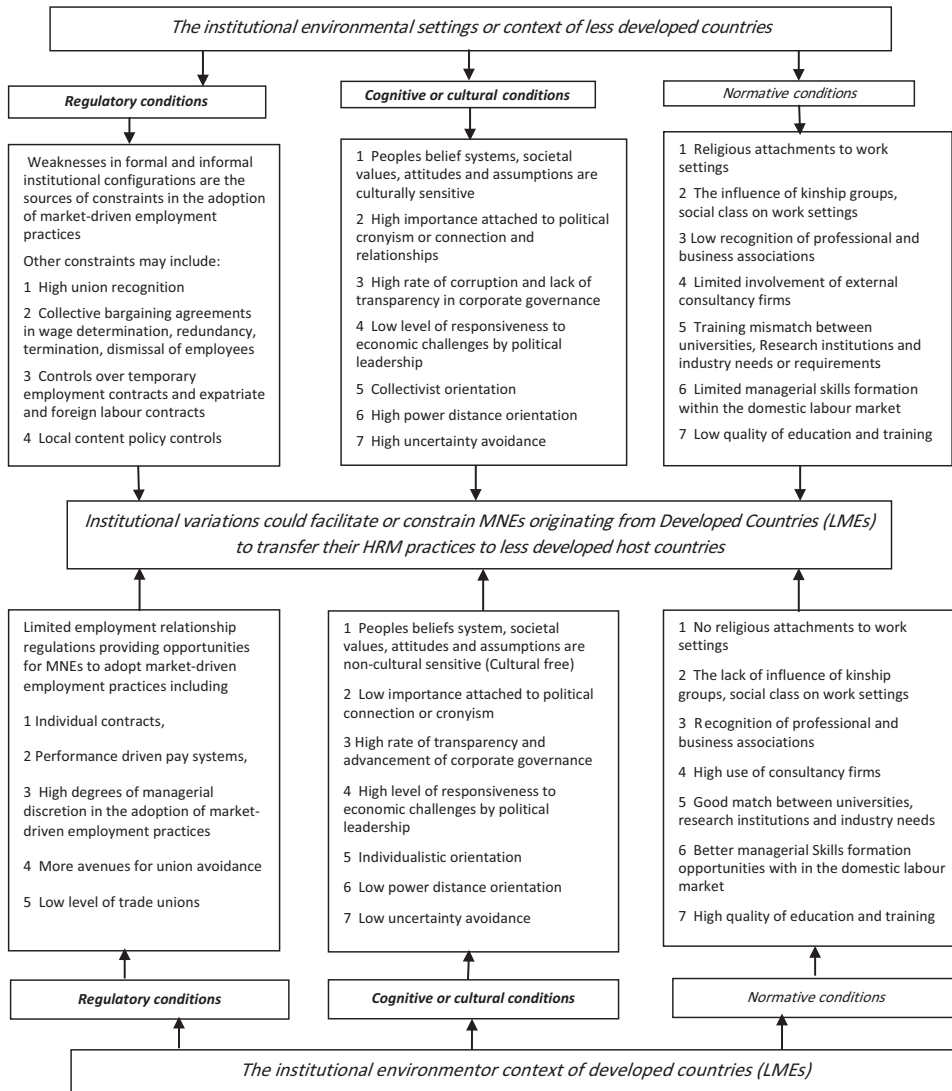


Figure 1 A conceptual framework for the application of institutional theory in MNEs HRM practice transfers between LMEs and less developed countries

it is extremely challenging for MNEs to transplant home-country HRM practices to host countries with different national cultural orientations. Similarly, Liu (2004) contends that transferring home-country HRM practices to subsidiaries in host countries is likely to be constrained when the two countries have high significant cultural distance.

Second, the host-country regulatory framework, trade unions, social actors and other sub-national institutional settings (Dekocker et al. 2012) can exert local isomorphic pressure on MNEs to localize their HRM practices leading to institutional persistence and homogeneity in a host-country. Gaur, Delios and Singh (2007) and Harvey (2002) suggested that the greater the legal or regulatory differences among countries, the more challenging for MNEs in the adoption of global standardized HRM practices or the diffusion of best HRM practices from their home country to their subsidiaries in different host countries. It is important to draw attention to the fact that even though host country's national and sub-national institutions and social actors can exert isomorphic pressure on MNEs subsidiaries to adapt to HRM practices similar to local firms, other conditions such as globalization, competition, control and co-ordination could exert competitive isomorphic pressure similar to local isomorphism (Edwards, Marginson and Ferner 2013). North (1990) and Taylor, Beechler and Napier (1996) suggested that the host country's legal regulations represent an important key institutional force on MNEs' HRM practice configurations in host countries. For instance, Amante (1995) conducted a study of the transfer of management practices of Japanese MNEs to their subsidiaries in the Philippines and it emerged from their study that institutional barriers prevented the transfer of the practices to their subsidiaries. Webster and Wood's (2005) study of HRM practices in Mozambique found institutional constraints hindering managerial HRM practice adoption. Leat and El-Kot (2007) reported both cultural and institutional factors were modifying the adoption of HRM practices in Egyptian organizations.

Trade union recognition in less developed economies is likely to be a standard practice (see Debrah 2013) compared to advanced economies like the United States, where there are significant avenues for the adoption of union avoidance strategies (McDonnell et al. 2015). Debrah (2013) and Otoo, Osei-Boateng and Asafu-Adjaye (2009) contend that in most less developed countries, and especially Ghana, the regulatory framework or system leaves little or no room for organizations to avoid trade unions. As organizations are generally mandated by law to manage through collective bargaining agreements, it is virtually impossible to avoid trade unions. However, in some developing economies these barriers are overcome through the adoption of free trade zones to attract foreign direct investment. In these zones regulations over business are minimal and conditions such as union recognition requirements are often wavered, creating an avenue for union avoidance among MNEs (see Collings, Morley and Gunnigle 2008; Gunnigle, Collings and Morley 2005). Although trade union density has been declining in both developed and less developed economies, unions still play a vital role in the mobilization of certain power resources to exert some level of local isomorphic pressure on MNEs in the adoption of certain employment relations practices (Sablok et al. 2013) within the host country. Another source of institutional variation is the extensive application of collective bargaining agreements in wage determination, redundancy, termination, dismissal of employees (Debrah 2013; Otoo, Osei-Boateng and Asafu-Adjaye 2009). All these practices are enshrined in employment relations laws or labour laws in most less developed economies (see Debrah 2013 for details of employment relations practices in less developed

countries) compared to advanced economies in which firms have more flexibility in the adoption of employment practices (McDonnell et al. 2015). Indeed, the predominance of market-driven employment practices among firms originating from the United Kingdom, Australia, United States, Canada and Ireland is due to the liberalized nature of the industrial relations environment and the relatively reduced regulation of the employment relationship (Edwards et al. 2007; Gunnigle, Collings and Morley 2005; Gunnigle et al. 2015; McDonnell et al. 2015).

Local content policy regulations mandate foreign firms to use local workforce or host-country nationals (HCN), businesses and goods and services in all operational activities in the host country aimed at advancing the capacity of the host-country's economy. The World Investment Report by UNCTAD (2007) contends that using local content regulations to create employment for HCNs has become indispensable in less developed economies owing to pressure from social actors on MNEs to play an important role towards economic growth and development. Local content regulations have been recognized as an unconventional development strategy to address development disparities in many less developed countries. Critics of such policies have argued that local content regulations have the potential to constrain less developed countries from reaping the benefits of knowledge transfers from the activities of MNEs (Bakare 2011). Similarly, controls over temporary employment contracts and use of expatriates within local content policy regulations could limit the ability of MNEs in the adoption of market-driven employment practices which implicitly or explicitly affect the transfer of HRM practices into less developed economies due to regulatory isomorphic pressure. For instance, an increase in the coercive and normative institutional distance between the host country and MNEs' home country could lead to a high probability of constraints in the transfer of HRM practices between the home and host country (Gaur, Delios and Singh 2007).

Another important institutional variation between less developed economies and advanced economies is the poor skills formation and the failure of the state in most less developed countries to co-ordinate the activities of their technical, vocational education and training (TVET) system, resulting in the mismatch between TVET programs and industry skills requirements. A similar mismatch is also prominent between universities and polytechnics and labour-market requirements (Ansah and Kissi 2013; Bawakyillenuo et al. 2013). Although significant efforts have been made to increase access, improve infrastructure and teaching and learning at all levels of the educational system in less developed economies, quality issues still remain a major challenge. The TVET institutions do not support a high level of professional technical skills and knowledge formation at the operational and middle management levels (Bawakyillenuo et al. 2013). MNEs operating in most less developed host countries complain of the cost and time involved in the retraining of graduates to meet many jobs requirements which adds to the cost of employee training and development (Bawakyillenuo et al. 2013). The numerous constraints within the educational and vocational training system in most less developed economies create pressure for MNEs to invest heavily on employee training and development owing to the poor skills formation within the host-country labour market. These

labour-market constraints may hinder MNEs transferring certain HRM practices from headquarters to their subsidiaries in less developed host countries. MNEs have to resort to recruiting expatriates which has serious cost implications including expatriate failure, increased wage and non-wage costs (Harzing 2001). The recruitment of expatriates also has the potential to create tensions with local workforce due to salary disparities. It has generally been argued that the successful implementation of MNEs' subsidiaries HRM practices are most likely to be complex in host countries that are characterized by workforce with an inappropriate level of qualification compared to western (advanced economies) management skills requirements (Ramirez and Mabey 2005). The lack of local skills formation at the operational and managerial level in most less developed economies may compel MNEs to engage in extensive job training as a way of overcoming the skills shortage. It may also become necessary for MNEs to design internal skills development and talent management programs aimed at addressing the local skills shortage at both the operational and managerial levels in less developed host countries.

Building on this well-established body of literature, we considered Hofstede's (1980) four cultural dimensions – individualism, collectivism, power distance and uncertainty avoidance – as part of the cognitive and normative configurations underpinning the institutional variations between less developed host countries and advanced countries. Despite current cultural studies (e.g. the GLOBE project, House et al. 2004), Hofstede's (1980) work on cultural dimensions still remains the most influential study in cross-cultural management and organizational behaviour within the context of IHRM research. Research continues to provide substantial evidence to suggest that most advanced economies like the United States, Australia, Ireland, Canada and United Kingdom record high ratings in individualism, low ratings in uncertainty avoidance and low ratings in power distance, whereas countries that record high ratings in collectivism, high ratings in power distance and uncertainty avoidance are mostly less developed economies (see Ollo-López, Bayo-Moriones and Larraza-Kintana 2011). Drawing support from this evidence we argue that such differences in cultural and institutional attributes (cultural and institutional dissimilarities) could create constraints or provide opportunities for MNEs originating from advanced economies to transfer HRM practices to their subsidiaries in less developed host countries.

Institutional environmental settings of developed home countries

Our framework uses LMEs to be the dominant model of home-countries (advanced economies) institutional settings owing to the fact that a significant number of MNEs originate from LMEs. Ferner (2000) and Gooderham, Nordhaug and Ringdal (2006) contend that national business system (NBS) theory sees distinctions in firm's HRM practices originating from capitalist national development orientation and that of others, and these national development paths reflect into how economic activities are undertaken (Belizón et al. 2014; Edwards and Kuruvilla 2005). Similarly, the varieties of capitalism literature (Hall and Soskice 2001) draws attention to fundamental differences in management practices among firms from different national economies (Gooderham and Nordhaug 2010;

Vaiman and Brewster 2014). The literature on VoC claims specific market economies are most likely to be linked with specific sets of organisational level HRM practices mirroring the different national varieties of capitalism (McDonnell et al. 2015). Gooderham, Nordhaug and Ringdal (2006) and Edwards, Marginson and Ferner (2013) argue that in LMEs – United States, United Kingdom, Canada, Australia and Ireland – firms are driven by market-oriented employment practices with the focus on short-term orientation. Likewise, Marginson (2004), Edwards and Kuruvilla (2005) and Gooderham, Nordhaug and Ringdal (2006) argued that in LMEs, the firm's primary focus is on short-term outcomes, resulting in the adoption of investment strategies driven by financial performance. In these firms, workers are most likely to be viewed as costs or liabilities to the firm as the emphasis is on cost effectiveness, flexibility and competition. The employment and management principles of firms originating from LMEs include: 1) the extensive application of performance appraisals; 2) the adoption of performance-related pay schemes; 3) flexible employment arrangements; 4) less investment priority on employee training and development; and 5) managerial flexibility in the application of market-driven employment practices. Edwards, Marginson and Ferner (2013) suggest that on average that LMEs are faced with limited regulations governing the employment relationship. Similarly, McDonnell et al. (2015) highlight that the industrial relations arrangements in LMEs follows a unitarist model which is characterized by direct employee voice and involvement approaches combined with low union density. Wailes et al. (2016) and McDonnell et al. (2015) contend that the United States is the prime exemplar of the employment practices, voice mechanisms and employment regulations to be found in LMEs. Kidger (1991) has suggested that US-owned MNEs would contribute to global convergence through the transfer and local adoption of the US HRM and industrial relations model. The IHRM literature recognizes LMEs (specifically the United States) MNEs as the dominant exporters of HRM practices and management knowledge to their subsidiaries (McDonnell et al. 2015; Sayım 2011). To this end, Brewster (2007), Ferner (2003) and Ferner and Almond (2013) described LMEs' MNEs as global innovators and leaders of HRM and industrial relations practices.

Implications for the analysis of MNEs HRM transfers

First, the fundamental task in the application of our conceptual model is to identify and understand the differences within the regulatory, cognitive and normative dimensions of the institutional settings in developed and less developed countries and how such differences impact on MNEs' HRM practice transfers. The model takes a broad view of the regulatory, cognitive and normative forces shaping the national and sub-national institutional environment in both advanced and less developed economies. In this regard, the conceptual model sets out the regulatory, cognitive and normative profile of LMEs as a benchmark for advanced economies and less developed economies. The conceptual framework provides a far-reaching perspective of the coercive, cognitive and normative paradigm of institutional theory (see Figure 1) and the institutional dissimilarities between less developed

and developed countries' national institutional settings. In most less developed countries, it is assumed that weaknesses in formal and informal institutional configurations are the sources of constraints for MNEs in the adoption of market-driven employment practices. The national and sub-national institutional configurations in many less developed countries are often unstable and weak (James 1990) which contributes to what is termed 'institutional instability'. For instance, evidence by Webster and Wood (2005) in studies of HRM practices in Mozambique found institutional constraints hindered HRM practice adoption in the host country. These formal and informal institutional weaknesses mostly associated with less developed host countries are likely to undermine HRM practice transfers, especially where the institutional dissimilarities between the home and host countries national institutional settings are significant (Liu 2004).

Second, the cultural or cognitive conditions in less developed host countries draw attention to: 1) the embeddedness of individual values, belief system and assumption of societal culture; and 2) the willingness of groups and individuals to follow predetermined socially acceptable behavioural patterns. Although cognitive isomorphism might not be as powerful as regulatory isomorphism, such culturally collective beliefs, norms, values and assumptions become as stable as more formalized rules and regulations embedded within the society (Scott 2001). As Gaur, Delios and Singh (2007) suggest the informal host-national institutional settings such as: corruption; lack of transparency and corporate governance; the importance attached to political connections and business networks and the level of responsiveness to economic problems by political leadership could support local isomorphism similar to formal institutions. In effect, the cognitive conditions in less developed countries could limit or constrain the desire of MNEs from developed economies to transfer HRM practices to their subsidiaries in less developed host countries considering the institutional distance (Kostova 1997) between the home and host countries.

Third, the normative condition reflects the embeddedness of diverse social institutions and groups within the society which act as disseminators of normative acceptable behaviour to individuals and organizations. Implicitly or explicitly, religious attachments, kinship and social class have shaped work and employment settings in less developed countries, especially in Sub-Sahara Africa (traditional religion), the Middle East region (Islamic religion) and Asia (Confucianism). Indeed, the extant literature provides evidence to suggest that universities, training and research institutions, consultancy firms, and professional and business associations are the sources through which shared values and collective beliefs are transmitted to organizations and individuals in society (Dowling, Festing and Engle 2008; Harvey 2002). The limited recognition of professional and business associations, consultancy firms, universities, training and research institutions as disseminators of best practices in most less developed host countries coupled with the influence of social class, religion and kinship network on work and employment settings may constrain the adoption of best or global standardized HRM practice configurations (Budhwar and Sparrow 2002; House et al. 2004). It is also likely to inhibit HRM practice transfers between developed and less developed countries owing to such institutional variations.

Fourth, the implication of cultural diversity and religious attachments in less developed countries shapes how MNEs' HRM practices are designed and implemented. Therefore, the HRM strategy of MNEs requires a framework that offers a broader perspective of the institutional settings or environment to help evaluate and explore how the differences in institutional arrangements between the home and host countries may provide opportunities or create constraints in HRM practice transfers. Cultural diversity among countries is a major source of the differences in orientation towards time and planning. James (1990, 39) maintained that the United States or any LME 'culture is very time-conscious, whereas many less developed countries cultures consider time to be an abundant resource and are much less concerned about such time-related behaviour as punctuality which directly affect time scheduling activities and planning orientation'. Such cultural orientations coupled with what we term 'institutional instability' in less developed countries contribute to institutional inefficiencies and bureaucracies within the business environment creating constraints in the transfer of MNEs' HRM practices to their subsidiaries.

Lastly, the political and socioeconomic configurations of many less developed countries are characterized by collective cultural values and are influenced by religious, tribal, ethnic and kinship networks, creating a business environment different to that of more developed countries' (Budhwar and Sparrow 2002; James 1990). Diversity in less developed countries is also revealed by the dissimilarities in the level of institutional and economic development owing to the unstable nature of their business environment (James 1990). Less developed economies' idiosyncratic national and sub-national institutional settings could provide MNEs with a complex host of constraints, opportunities and pressures in relation to HRM practice transfers. The conceptual model through the lens of institutional theory helps identify the key potential areas of contestation and adaptation for MNEs in terms of the transfer and development of a HRM practice configuration in less developed countries. The above framework uses LMEs' home-country institutional settings as a benchmark for advanced economies but adaptation can be made for MNEs originating from other developed economies that display significant characteristics of LMEs as categorized by Hall and Soskice (2001) in their VoC approach. Although efforts have been made to evaluate the institutional distance between countries, there has not been any known study in the extant IHRM and comparative HRM literature that has measured the institutional distance between less developed countries (as host) and advanced countries (as home) in the transfer of HRM practices by MNEs. Thus, our framework may support researchers to identify key factors that could provide opportunities or pose constraints for the transfer of HRM practices between advanced economies and less developed economies. Likewise, as a way of extending our understanding of institutional theory perspective in IHRM and comparative HRM research, two important questions should be addressed. First, what are the key institutional conditions likely to impact on the transfer of HRM practices across nation-states? Second, what are the key conditions that allow for replication of LMEs' HRM practices into foreign subsidiaries in less developed countries despite the institutional dissimilarities between LMEs and less developed countries where,

in most cases, the state or government still controls a significant proportion of economic activities?

Implications for IHRM research

While a significant amount of research has been done on HRM practice transfers over the last two decades, gaps in the literature still exist. Our conceptual framework offers a broader perspective of the institutional settings to help evaluate and explore how the differences in institutional arrangements between the home and host countries may create opportunities or constraints in HRM practice transfers. We also highlighted a number of promising areas for further research on IHRM practices. Our proposed conceptual framework could be used as a foundation for conducting studies on IHRM practice transfers between host and home countries operating within diverse institutional contexts (Bjorkman 2006). Institutional theory has the potential to contribute still more to IB and comparative HRM research in a more creative and novel way. We suggest that IHRM and comparative HRM scholars should undertake more research through the lens of institutional theory as a way of supplementing our understanding of how the home – and host – countries' national and sub-national institutional settings or NBS affect the design, adoption and diffusion of HRM practices. Researchers should focus on less developed and emerging economies where it is expected that institutional distance (Kostova 1997; Kostova and Roth 2002) and cultural distance (Kogut and Singh 1988) between such countries and MNE home countries would be high. Further, future research could be carried out in these areas, especially as the reach and spread of MNEs into Africa, Asia and South America intensifies, and new MNEs are to be found in emerging countries (UNCTAD 2007). We further suggest that supplementing institutional theory with NBS and VoC theories in IHRM research has the potential to provide a far-reaching and in-depth analysis of factors that provide opportunities and constraints for HRM practice transfers into less developed host countries. Furthermore, there is an opportunity to explore and re-examine the coercive, cognitive and normative institutional settings of advanced and less developed countries as a way of developing research propositions to further advance the IHRM research agenda in the future. However, it is important to acknowledge diversity among less developed and advanced countries (LMEs) when using the framework (McDonnell et al. 2015).

Conclusion

Our conceptual model provides a simplified representation of the regulatory, cultural or cognitive and normative institutional dissimilarities between advanced (LMEs) and less developed countries. This model has the potential to identify key institutional factors or conditions likely to hinder HRM practice transfers between developed and developing countries. The complexities within host and home countries of MNEs are increasingly undermining assumptions of stable national institutional and cultural settings within the nation-state, whereas globalization is

persistently facilitating the integration of organizations that is further undermining the national institutions of the nation-state. The choice of MNEs' subsidiaries HRM practice configurations will continue to be shaped by the legal, political, sociocultural and economic systems of both the host and the home country's institutional environment (Farley, Hoenig and Yang 2004), which gives relevance to institutional theory or local isomorphism in IHRM architecture. Since the inception of institutional theory, academic scholars from different fields – economics, political science, sociology, management – have consistently drawn extensively from it to explain the degree of homogeneity provided by host-countries' national and sub-national institutional settings in IHRM practice configurations.

Institutional theory has also proven to a powerful tool in explaining the differences and similarities in HRM practices between local firms and subsidiaries of MNEs due to isomorphic pressures (Kim 2012). We suggest that the acceptance of institutional theory in IHRM and IB literature and its significance and valuable contribution to the understanding of IHRM practices has been reinforced by the contribution of the theory in explaining the influence of national business systems on MNEs's subsidiary HRM practices (Sidani and Al Ariss 2014). We recognize that one of the main limitations of institutional theory is its deterministic and narrow focus on institutional persistence and homogeneity (see Kostova, Roth and Dacin 2008); however, we suggest its contribution in shedding light on a number of organizational and international management phenomena in addition to IHRM practices has been extensive. The coercive, cognitive and normative pillars of institutional theory provide a comprehensive perspective to the understanding of IHRM practice transfers between home and host countries. Other relevant factors independent of national institutional settings such as the industry type, mode of establishment, firm size, ownership structure, the age of the firm can also help to explain HRM practice transfers behaviours between host and home countries (Mellahi et al. 2013) and must be factored into the analysis of contemporary IHRM research.

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