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Strategic orientation and coordination of human resource management in multinational corporations: An information-processing and gestalt analysis

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Joachim Wolf

Nr. 553

STRATEGIC ORIENTATION AND COORDINATION OF HUMAN RESOURCE
MANAGEMENT IN MULTINATIONAL CORPORATIONS:
AN INFORMATION-PROCESSING AND GESTALT ANALYSIS

Abstract

This paper analyzes to what degree and in what way MNCs have coordinated the HRM decisions of their headquarters and foreign subsidiaries. Based on both the information-processing and gestalt approach, "ideal" coordination patterns were developed which correspond to the overall strategic orientation of the MNC and their foreign subsidiaries. Data from two samples gathered in the HRM units of the headquarters and foreign subsidiaries of US, German, and other European MNCs were used to test the alignment of the actual coordination behavior to the "ideal" patterns.

INTRODUCTION

In management studies, coordination is regarded as a problem facing most general managers, the resolution of which is essential to the effective functioning of any corporation. Case study analyses made at different times [Prahalad 1975; Doz 1976; Bartlett 1979; Ghoshal 1986; Hedlund and Rolander 1990] gave strong empirical evidence that leading multinational corporations (MNCs) established sophisticated concepts, tools, and techniques to provide an efficient trans-border solution of the coordination task. Recent literature has argued that, in international management, cross-border coordination is not only a challenge for some key functions like finance or production management, but also for environment-oriented functions like marketing or human resource management [Rosenzweig and Nohria 1994]. Yet, there is empirical evidence that the density of interactions between the subsystems of MNCs varies substantially relative to their functional areas [Young, Hood and Hamill 1985]. While financial, R&D, or production-related decisions often seem to be highly coordinated across borders [Leksell 1981; Papanastassiou and Pearce 1994; Mascarenhas 1984], other functional areas, especially the human resource management (HRM) function, seem to be integrated to a much lower degree. Unfortunately, this seems also to be true in situations where a higher level of integration is advantageous [Evans 1994].

On the other hand, there is also substantial literature, which calls for an alignment of HRM with the strategy of the respective corporation [with a focus on multinational corporations: Hamill 1989; Martinez and Ricks 1989; Boyacigiller 1990; Arvey, Bhagat and Salas 1990; Dowling and Welch 1991; Brewster and Hegewisch 1994; Rosenzweig and Nohria 1994; Welch, Fenwick and De Cieri 1994; Bird and Beechler 1995; Hannon, Huang and Jaw 1995; with a focus on corporations in general: Lorange and Murphy 1983; Edström and Lorange 1984; Angle, Manz, and Van de Ven 1985; Butler 1988; Ferris and Judge 1991; Milliman, Von Glinow, and Nathan 1991; Wright and McMahan 1992]. Interpreted on the basis of Thompson's framework, different strategies cause unequal material, informational, and temporal interdependencies [Thompson 1967] within the HRM function, and this necessitates different patterns of HRM behavior. Although formal models which relate strategy and HRM are frequently discussed, there are only few publications which offer concrete information how the strategy-HRM-fit should look like - both in publications on national and international HRM. Thus, the strategy-(I)HRM-fit is still underspecified. Furthermore, studies are rare which look for the de-facto level of strategy-HRM-alignment within (international) corporations.

Mindful of these insights, the present study investigates in what ways MNCs handle the cross-border coordination of HRM decisions made at headquarters and in host-country sub-units. Particularly, it will be analyzed to what degree the coordination of HRM decisions is aligned to the overall strategic orientation of the MNCs. It is noteworthy, that the study focuses on organizational questions of IHRM and not on specific skills, instruments, or methods typical of this functional area.

In MNCs the complex phenomenon called "coordination" occurs in very different guises. The variety of concepts and methods preferred by different corporations have been systematized by business scholars in a number of ways [Welge 1980]. Because fundamental shifts in the use of coordination instruments over time can be sufficiently described by differentiating between technocratic and person-oriented instruments, the dichotomous typology established by Jaeger [1983], Kenter [1985], and especially Martinez and Jarillo [1989] is used in the present study. Technocratic coordination instruments have an impersonal character because they tend to detach the process of aligning decisions and actions from the human beings involved. Typically, in the process of an intensive use of technocratic instruments like "centralization", "standardization", or "formal reporting systems" (almost) no personal interaction between domestic and foreign managers occurs. In a given context, a high level of "centralization" exists if the majority of HRM decisions focus on one unit (e. g. the headquarters of the MNC). The instrument "standardization" includes the development and use of general rules, which have to be considered by the managers of the domestic and foreign HRM departments. In a similar way, "formal reporting systems" provide employee-related information for users (managers) who are normally unknown to the sender of the information. A typical characteristic of person-oriented instruments is personal interactions between managers from different units, which are then used for coordinative reasons. All three, the international transfer of managers, cross-border visits, and the maintenance of a strong corporate culture, are typical of such instruments. The international "transfer of managers" includes the delegation of managerial potential from one sub-unit to another for a limited time period (usually longer than half a year) so that a direct collaboration between home country, host country, and third country nationals occurs. This interaction pattern also features transnational "visits", but this instrument differs from the foregoing in the sense that it is limited to a time period of a few days. A strong "corporate culture" serves as a coordination instrument because a basic consensus among domestic and foreign managers and employees about the philosophy and goals of the corporation enables a flexible response to environmental turbulence.

Literature analyses [Ferris and Judge 1991; Wright and McMahan 1992; Von Glinow and Teagarden 1997] argue that (I)HRM research is still characterized by isolated fragments of knowledge, by a lack of theoretical foundation, by top-heaviness, and for that reason by a "relative infancy". In order to overcome these analytical problems and to develop an integrated, theory based view of IHRM coordination, the information-processing and the gestalt approach will be used to develop strategy-related patterns of IHRM coordination.

INFORMATION-PROCESSING AND GESTALT APPROACH AS CONCEPTUAL FOUNDATIONS OF IHRM COORDINATION

The notion that corporations are basically information-processing systems is rooted in classical organization theory [March and Simon 1958]. This concept describes corporations as communication systems, decision-making systems, and systems which have to cope with uncertainty. Information-flows within corporations are seen as an answer to reduce the uncertainty caused by corporations' environment and technology choices [Thompson 1967; Tushman and Nadler 1978]. A corporation's environment can be differentiated according to the internal and external factors predominant at different markets where the corporation is operating. Galbraith [1973, 1977] has re-conceptualized, extended, and specified the traditional idea of information-processing; he viewed corporations as having a good structural "fit" when their information-processing capacities matched the information-processing requirements of their environments. Effective corporations were those that align their information-processing capacities to the amount of uncertainty they faced. Furthermore, he stated that when a corporation faced increased information-processing and decision making demands, it can either reduce the need for information or increase its capacity to process it. Whilst the development of slack resources and the creation of self-contained tasks served to reduce the need for information-processing capabilities, an investment in vertical information systems and the creation of lateral relations increased the capacity to process information [Galbraith 1973: 15]. Since the former strategy is difficult to implement, corporations tended to invest both in vertical information systems and in developing lateral relations so as to increase their information-handling capacities. Moreover, Galbraith has argued that if uncertainty and information-processing requirements increased, corporations tended to use lat-

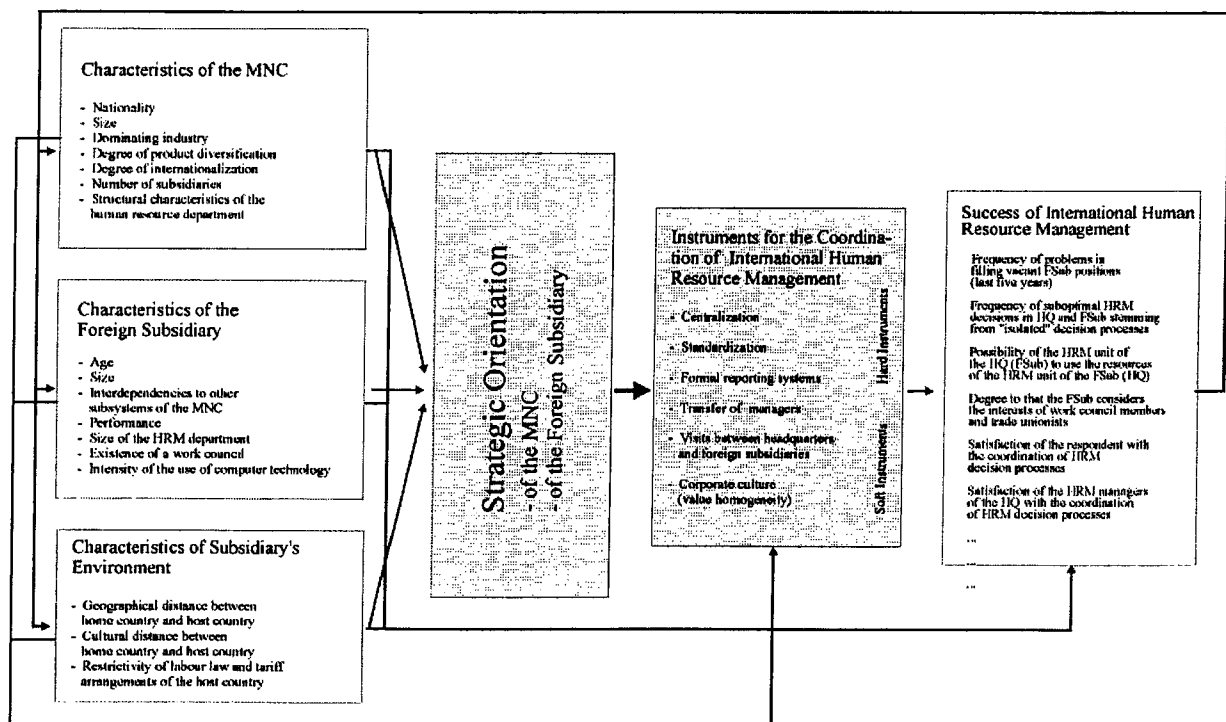
eral relations to support the information-processing capacity defined by the vertical information systems.

Because of the heterogeneity between the home and host country's economical, legal, social, technical, and ecological conditions, MNCs' environments vary substantially both in their degree of uncertainty and in the degree of managerial discretion they permit [Haleblian and Finkelstein 1993]. Therefore, it might be argued that MNCs are generally forced to develop a high level information-processing capacity, and that they will have a strong tendency toward the establishment of lateral relations to handle the level of uncertainty present in the environment. Yet, the de facto situation seem to be much more ambiguous. This is because the spectrum of MNCs includes a wide range of corporations, from small firms which are casual exporters, to large conglomerates with numerous foreign subsidiaries representing highly integrated networks. Because of the multiplicity of MNCs it is useful that Egelhoff [1991: 349-60] has developed a general framework which distinguished between different forms of information-processing in MNCs. This framework analyzed on a theoretical basis different organizational forms with respect to their capacity to transmit (1) reciprocal and (2) non-routine information. Similar to earlier approaches rooted in other theoretical concepts, Egelhoff argued that horizontal (lateral) information systems such as direct contacts, task forces, teams, integrating roles, or matrix designs will have the highest capacity to process reciprocal and non-routine information. Relating Egelhoff's work to the discussion of coordination instruments presented above, it becomes plausible that technocratic coordination instruments are suitable for processing sequential and routine information whilst person-oriented instruments have a higher capacity to process reciprocal and non-routine information.

The intensity of the use of the technocratic ("hard") and person-oriented ("soft") coordination instruments in IHRM provides the focus of the present study, which is guided by the conceptual framework shown in figure 1. On the one hand, this framework is derived from general research designs of organizational theory, as it is assumed that managerial practices (coordination instruments in this case, basic organizational structures in the case of organizational theory) do not emerge in a vacuum, but are the results of deliberate decision processes of managers who consider and interpret a complex set of internal and external phenomena in an implicit or explicit way [Kieser 1993]. On the other hand, it is supposed that strategic orientations of MNCs play an intervening role between the contextual factors and MNCs' coordination behavior. This modification of the traditional research design has been developed because strategic orientations (interna-

tional strategy (= ethnocentric strategy, selection strategy); multinational strategy (= polycentric strategy, single market strategy); global strategy (= geocentric strategy, integration strategy); blocked global strategy (= regiocentric strategy, interaction strategy, transnational solution)) can be viewed as "distillates" or "genetic codes" of both MNC's environments and its international business activities, including information about the unfamiliarity and cultural diversity of MNC's host countries, its degree of internationalization, the number of foreign subsidiaries, the interdependency between these subsidiaries, the density of informational flows to subsidiaries' environments, and so on. Thus, it is assumed that the information-processing requirements of MNCs and their (HRM) subsystems fluctuate significantly according to the basic strategic orientation a MNC follows. Consequently, it is expected that MNCs with unequal strategic orientations differ systematically with respect to their use of technocratic and person-oriented coordination instruments in IHRM. Finally, according to the general assumption that managerial actions have to

FIGURE 1
Frame of Reference



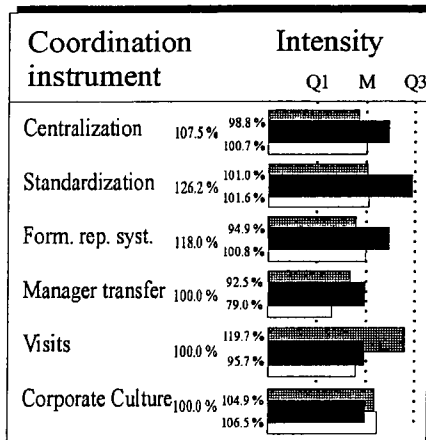
contribute to the achievement of economic and social goals, we should ideally test to what degree an alternative use of coordination instruments is associated with different levels of economic and social performance. Whilst the results of the contextual and performance analysis will be discussed in a subsequent paper, the focus of the present paper is on the relationship between strategic orientations and IHRM coordination.

Traditionally, analyses attempting to differentiate between contextual factors or strategic orientations on the one hand and managerial behavior (HRM coordination) on the other have been done in a partialistic way, which isolates different coordination instruments. However, in the last few years, this approach has been criticized by scholars such as Miller and Friesen [1984] and, in the context of international business, Macharzina and Engelhard [1991]. These papers argued that strategies, structures, and processes of (multinational) corporations have to be viewed as complex entities, whose quality can only be judged through holistic analyses, and by examining a broad spectrum of variables simultaneously [Birkinshaw and Morrison 1995]. According to this gestalt approach, successful corporations differ from less successful ones not only because they "do more" in some managerial functions, but mainly because of their ability to align the configuration of their actions with the overall situation in which they are embedded. Although the idea of harmony underlying this theoretical approach is debatable [Schneider, Smith and Goldstein 1994] and the empirical execution of such an approach is complex, this paper will adapt a holistic view, mainly because it is plausible that there are strong associations between the coordination instruments and that linear relationships between contextual factors and IHRM coordination are scarce.

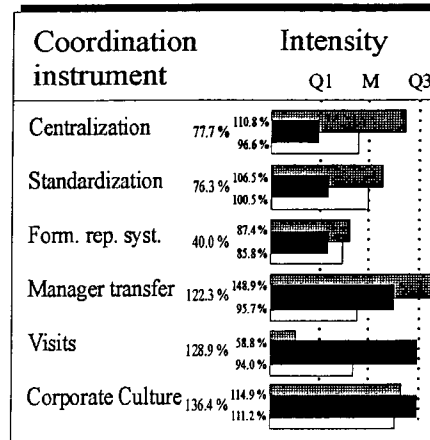
HYPOTHESES: STRATEGY-RELATED IDEAL PATTERNS OF IHRM COORDINATION

In this paragraph "ideal" patterns of IHRM coordination will be defined based on the information-processing approach; these patterns can serve as "reference points" for the subsequent empirical analysis. The ideal patterns of IHRM coordination relate to the four basic strategic orientations of MNCs which are described and discussed by Perlmutter [1969], Fayerweather [1978], Doz [1980], Bartlett and Ghoshal [1989], and others. For each strategic orientation, one pattern indicating an optimal configuration of coordination instruments had been developed (cf. black bars in figure 2). Since the strategic orientations are closely related to the MNC's industry, the logic of the ideal patterns is rooted in the structure-conduct-performance paradigm [Bain 1956].

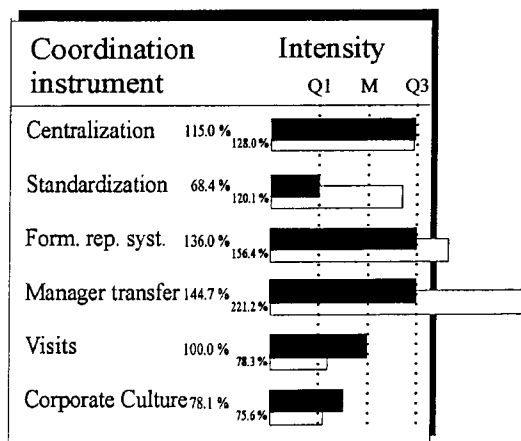
FIGURE 2
Ideal and De Facto Coordination Patterns Referring
to MNCs' and Foreign Subsidiaries' Strategic Orientation



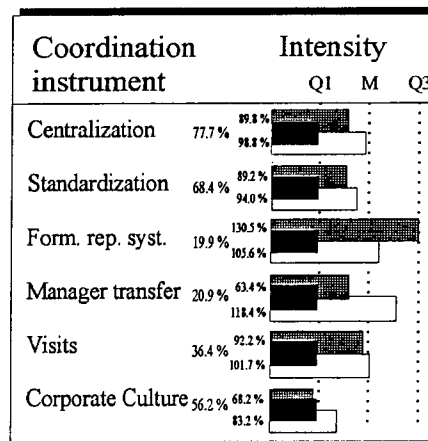
Coordination patterns
of global strategy
(n=46; m=33)



Coordination patterns
of blocked global strategy
(n=19; m=22)



Coordination patterns
of international strategy
(n=0; m=3)



Coordination patterns
of multinational strategy
(n=16; m=23)

■ Ideal patterns

▨ De facto patterns referring to the respective strategic orientation of the MNC

□ De facto patterns referring to the respective strategic orientation of the FSub

Q1: = lower quartile (representing "low intensity")

M: = average (representing "medium intensity")

Q3: = upper quartile (representing "high intensity")

%: = ideal/de facto intensity of coordination instrument i in strategic group j relative to average intensity of coordination instrument i in sample B

n: = number of MNCs following this type of strategic orientation

m: = number of foreign subsidiaries following this type of strategic orientation

Basis of pattern analysis: Sample B/author's assignment of strategic orientations n=81

The ideal coordination patterns can be viewed as somewhat complex settings of hypotheses. It is noteworthy, that the ideal patterns of IHRM coordination refer both to the strategic orientations of MNCs and those of their foreign subsidiaries. The reason for this is that several researchers [Bartlett and Ghoshal 1989; Jarillo and Martinez 1990; Roth and Morrison 1992; Birkinshaw 1995] have argued that foreign subsidiaries normally fulfil specific roles or mandates for their MNC, as their general "plan of action" is not merely a miniature replica of the whole system's behavior, confirming that neither in the strategic nor the organizational dimension MNCs should be viewed as monoliths. In order to assess the concordance of the ideal and de facto patterns, the ideal patterns will be broken down to a series of hypotheses (these hypotheses will include only those coordination instruments where a very high or a very low level of insertion is expected).

Ideal HRM Coordination Pattern of International Strategic Orientation

Industries like the construction business and the power supply business are characterized by an international orientation. Here, the activities usually are focused on the home country markets as the pressures towards globalization are comparatively low [Meffert 1986]. Seen from the information-processing perspective, the information-flow from the subsidiaries to the host country environment is rather low and sequential in nature (dissemination of home-country-based products); a similar structure exists with respect to the internal information flow (to the headquarters and to other foreign subsidiaries). The home country market is the most important market for corporations competing in international industries; thus, a selective strategic behavior (international strategy) is appropriate.

Because of the small number and narrow-range mandates of foreign subsidiaries, cross-border information-processes of MNCs with an international orientation are limited, sequential, and of an "unequivocal" [Daft and Lengel 1986] type. Here, foreign subsidiaries are highly dependent on headquarters resources; in the field of HRM this is the case because of the higher differentiation of headquarters' HRM units and the limited personnel qualification available at the foreign subsidiaries [Edström and Galbraith 1977]. Because of the unequivocality of cross-border information-processes, vertical information systems can be used to advantage, and the HRM unit of the headquarters is made to the focus of the HRM decisional competence. A high level of HRM centralization and numerous hierarchical referrals [Egelhoff 1991] are typical of the IHRM of international

national oriented MNCs. Sophisticated formal reporting systems have been established to provide home country HR managers with information necessary to make decisions about international HRM affairs [Jones and Kydd 1988]. In contrast to the high intensity of centralization and formal reporting systems, the level of standardization can be kept rather low here; a solution which is possible as the number of foreign activities and subsidiaries is easily comprehensible [Leifer and Mills 1996]. The quantum of informational flows from and to headquarters is not so large that at the headquarters an overload might occur [Schneider 1987]. Headquarters' HR managers of MNCs with an international orientation are usually aware of the limited experience and decision-making competencies of the HRM units of their foreign subsidiaries. That's why they perceive a superiority of the parent corporation and sometimes even their nationality as a whole [Perlmutter 1969]. This somewhat parochial attitude might be an additional reason for a high level of centralization of HRM decision-making; besides, it is an important impetus for the extensive expatriation of home country managers to host country HRM units. According to the information-processing rationale the use of expatriates, which play the role of boundary spanners [Tushman and Scanlan 1981], will be most likely if the flow of non-routine information between headquarters and foreign subsidiaries is somewhat higher. This is typical of the early stages of a foreign subsidiary's life, as a lot of constitutional decisions (e. g. recruitment of core-personnel, start-up of HRM systems) has to be made. Because of the continuous presence of home country nationals at the foreign locations, visits of HR managers can be limited to the few cases where critical situations have to be handled. Finally, because of the duality of the home country HR managers on the one hand and the host country HR managers on the other, the level of trans-border value integration is comparatively low. Thus, a transnational corporate culture does not exist. In view of information-processing theory, both the extension of visits and the intensity of cross-national value integration can be kept at a low level, since non-routine information-processing will be managed by the strong link between the headquarters' HRM unit and the headquarters' HR managers assigned to the foreign subsidiary [Weick 1979]. Because of this, it is proposed that

H1a: HRM units of MNCs (FSubs) with an international strategic orientation use the coordination instruments "centralization", "formal reporting systems", and "manager transfer" more intensively than other MNCs (FSubs) of the sample.

H1b: HRM units of MNCs (FSubs) with an international strategic orientation use the coordination instrument "standardization" less intensively than other MNCs (FSubs) of the sample.

Ideal HRM Coordination Pattern of Multinational Strategic Orientation

The cement industry, the steel industry, the furniture industry, and the food industry, among others, still have a multinational character [Henzler and Rall 1985]. Similar to the previous case, the globalization pressures in these industries are comparatively low; yet, in multinational industries, the need to localize the products and processes is evident. Unlike the case of internationally oriented MNCs, the foreign subsidiaries of multinational industries' MNCs provide a complete value chain and are highly autonomous [Leontiades 1986]. Therefore, the main stream of foreign subsidiaries' information-flow is from and to their host country environments. Unlike this, the information flows from the headquarters to the foreign subsidiaries and those between the foreign subsidiaries are low, routine, and sequential. Besides, because of the necessity to react flexibly according the changing conditions of the host country environment, a country-specific behavior will be appropriate, which gives the foreign subsidiaries a high level of strategic and operating freedom (multinational strategy).

Corporations which belong to multinational industries are well advised to limit the intensity of (internal) coordination to a very low level. This is because extensive headquarters dominance would restrict the operating flexibility of the foreign subsidiaries to a level which does not allow them to respond sufficiently to the different challenges presented by host country markets. A "self-management model" [Leifer and Mills 1996] with a moderate use of both technocratic and person-oriented coordination instruments seems to be appropriate; technocratic instruments because they are not able to transfer the highly specific information referring to the self-contained value chains of the foreign subsidiaries [Galbraith 1973]; person-oriented because managers from foreign countries might not be able to establish sensitive information channels from and to the HRM relevant interest groups of the host country environment. It is obvious that the balance of necessary information-flows (internal, from and to other sub-units of the MNC, vs. external, to host country interest groups) vary between the MNC's managerial functions [Meffert 1986]. For instance, one might suppose that some core functions like financial management or R&D can be bound together to a somewhat supra-national extent. But in general, especially in those managerial functions which are highly related to the respective cultural, legal, and economical standards of the host country (especially HRM), the foreign subsidiaries and the respective host country nationals should handle the decision processes largely in an independent manner [Ghoshal and Nohria 1989]. It is expected that

H2: HRM units of MNCs (FSubs) with a multinational strategic orientation use all coordination instruments less intensively than other MNCs (FSubs) of the sample.

Ideal HRM Coordination Pattern of Global Strategic Orientation

A totally different situation is given in industries producing aircraft, construction machines, personal computers, automobiles, and other such goods where the needs of the customers from different countries are highly comparable, so that a truly homogeneous world market exists. Global MNCs normally try to realize scale advantages by disseminating the steps of their value chains around the world, so that in the "pure case" each (foreign) subsidiary or even each host country specializes in providing one link of the value chain. Reciprocal, but well-structured information-flows between the headquarters and the (foreign) subsidiaries are typical of MNCs following a global strategy [Kobrin 1991].

As the consequent realization of a global strategy leads to numerous serial, parallel, and especially reciprocal interdependencies between the subsidiaries of the MNCs, coordination instruments are frequently used. In the field of HRM this is plausible, since the split of MNC's value chain causes an uneven configuration of its qualitative manpower requirements; e. g. in such a way that the R&D locations have a comparatively high demand of academically-trained persons, while at the manufacturing facilities skilled workers are the critical bottleneck. Yet, because of the coherence and the a priori compatibility of global corporations' home country and host country operations, the information-flows from and to the HRM units of the subsidiaries are somewhat orderly both in their amount and content; for that reason cost-efficient technocratic instruments can be used to meet HRM coordination demands [Macharzina 1993]. Because of the large number of subsidiaries and the limited decision capacity of the headquarters' HR managers, worldwide standardization of HRM decisions based on a complex set of rules and programs seems to be an opportune means to manage the IHRM processes of global corporations. Formal reporting systems can be used intensively, as the information exchange between the headquarters and the foreign subsidiaries is rather uniform. However, because of the complexity of global corporations' activities, it seems unrealistic to concentrate HRM coordination efforts entirely on hard (technocratic) instruments. In particular, the extreme interconnection of the corporations' production processes might lead on occasion to innovative situations, which require individual handling.

Thus, in order to extend the information richness of the IHRM coordination processes, the HRM units of globally oriented MNCs will also have to develop a potential of person-oriented coordination instruments to be used as required [Tushman and Nadler 1978; Daft and Lengel 1984]. Because of the relative long international experience of some global MNCs, they usually have access to a pool of international managers who can provide the HRM coordination function both as expatriates or as visitors of/from foreign subsidiaries. Therefore, a comparatively high degree of international value integration potential will emerge.

H3: HRM units of MNCs (FSubs) with a global strategic orientation use the coordination instruments "standardization" more intensively than other MNCs (FSubs) of the sample.

Ideal HRM Coordination Pattern of Blocked Global Strategic Orientation

There can be no doubt that corporations in the railway, telecommunications, and armaments industries, among others, have to cope with the most difficult situation. In such businesses, strong economic pressures towards globalization are existing, but blocked up by a pronounced necessity to localize products and processes [Doz 1976]. That's why these industries are sometimes indicated as being "blocked global" [Henzler and Rall 1985]. Here, MNCs' (foreign) subsidiaries conduct an intensive information exchange, both internally, with other subsystems, and externally with the interest groups of different countries [Egelhoff 1991]. The need for blocked global MNCs to balance different interests articulated from inside and outside the corporation leads to complex interactive decision processes between the MNC and the interest groups within its environments. Therefore, the term "interaction strategy" might characterize well the imperative of MNCs following a blocked global strategy. This strategic behavior is broadly similar to the "transnational solution" described by Bartlett and Ghoshal [1989].

HRM units of blocked global MNCs will not succeed in coordinating their cross-border transactions by using mainly technocratic instruments. This is because the information-processing capacity of these instruments is too low relative to the processing needs of non-routine, equivocal information. For instance, since the products and value processes fluctuate spontaneously according to customers' individual preferences, the HRM policies and measures of the headquarters and the foreign subsidiaries will be much less stable than those typical of global MNCs. Thus, and as

there is a variety of organizational tasks, HRM units of blocked global MNCs should develop a sophisticated system of person-oriented instruments which are much more flexible and innovative than the technocratic instruments [Daft and Lengel 1986]. Such a preference structure will allow intensive participation of subsidiary HR managers in the decision processes relevant to the MNC as a whole. In this context, visits of managers from and to foreign subsidiaries will be the nucleus of the coordination activities. The reason is that visits, rather than the transfer of managers, allow a flexible flow of information in the MNC, which is understood as a network of equal units [Bartlett and Ghoshal 1989]. This proposition is in line with Van de Ven, Delbecq, and Koenig's (1976) general finding, that when task non-routineness and interdependence were high, information-processing shifted from impersonal rules to personal exchange including face-to-face and group meetings. In transnational MNCs, the HRM unit of the headquarters is only one nodal point in the complex network of HRM decision arenas. In this model, no a priori defined, or even time constant authority structure exists [Böttcher 1996]. Furthermore, as an intensive use of visits enables debate, clarification, and enactment, it might guarantee an optimal consideration of the diverging interests articulated in the home and host country environment of the HRM units. In turn, this will foster the development of a strong (trans-border) corporate culture which is necessary as headquarters' HRM unit cannot assess completely and accurately HRM-related information-processing requirements emerging in the subsidiaries [Hedlund 1986].

H4a: HRM units of MNCs (FSubs) with a blocked-global strategic orientation use the coordination instruments "centralization", "standardization", and "formal reporting systems" less intensively than other MNCs (FSubs) of the sample.

H4b: HRM units of MNCs (FSubs) with a blocked-global strategic orientation use the coordination instruments "visits" and "corporate culture" (value homogeneity) more intensively than other MNCs (FSubs) of the sample.

In the following empirical part of the paper, we will test to what degree the corporations under study have aligned their de facto coordination of IHRM to the ideal coordination patterns. Beforehand, the methodology and the empirical basis of the study will be discussed and the intensity of the six coordination instruments will be described and explained with respect to their general level and variation between the MNCs and foreign subsidiaries under study.

METHODOLOGY AND SAMPLE CHARACTERISTICS

After comparing the pros and cons of different research methods [Denzin and Lincoln 1994] the field work was conceptualized as a formalized inquiry, using questionnaires to obtain relevant information. The basic aim lies in synthesizing a comparatively large and fairly representative data base which could generate information about similarities and differences in the IHRM coordination of large MNCs.

Studies analyzing the coordination processes of MNCs can be divided in two major groups, those looking for coordination processes from a headquarters perspective and those using information acquired from the foreign subsidiaries. Both methodological approaches are distinguished by specific strengths and weaknesses [Jarillo and Martinez 1990]. In order to neutralize the typical problems related to the two approaches, in the first inquiry done in 1992 (which will afterwards be called "sample A" and whose results had been discussed extensively in Wolf [1994]) data had been gathered both at the headquarters and the subsidiary level. Because of the complexity of such a "mirror image approach" and budget limits, study A was limited to the analysis of a comparatively small number of 100 MNCs selected in a randomly-controlled process out of the top 1,000 US-American, German, and other European industrial corporations drawn from CIFAR Global Company Handbook [Bavishi 1992]. 18 headquarters and 39 foreign subsidiaries sent back completed questionnaires.

In order to improve and evaluate the findings of sample A, in August 1995 a second inquiry ("sample B") was begun. The questionnaire used in this instance was nearly identical to that of sample A. Slight variations refer to the operationalization of the coordination instrument "corporate culture" and those of the success of IHRM coordination, which is not analyzed in the present paper. The modified operationalization of corporate culture is described in a later section of this paper. Because of the fact that in sample A subsidiaries' contextual factors had a substantial influence on the insertion of coordination instruments and because of the low response rate of the first inquiry (6.88 %), in sample B the study was focused solely on data given by the HRM units of foreign subsidiaries, which were contacted indirectly via the HRM departments of the headquarters. Using this data gathering mode, the headquarters of the 170 non-Japanese MNCs be-

longing to the world's largest 250 industrial corporations [Jacob 1995] had been asked to mail out questionnaires on the author's behalf to some of their foreign subsidiaries which again should be characterized by different age, size, cultural and geographical distance, role in the MNC, etc. While study A focused on the world's top 1,000 MNCs, study B was concentrated on the world's top 250 MNCs as the cross-border coordination problem seems to be most important here. From the 170 MNCs which had been contacted 64 accepted to mail out the questionnaires to their foreign subsidiaries. In total, 216 questionnaires were sent to the headquarters of these MNCs which are all from the "western world". Finally, 83 foreign subsidiaries belonging to 48 MNCs (15 US MNCs, 11 German MNCs, and 22 other European MNCs) of the 170 MNCs originally contacted have participated in the replication study. As one foreign subsidiary had already participated in study A it had been taken away from sample B which therefore contains 82 observations. Because of the indirect method of contacting the foreign subsidiaries, the question might arise, to what degree the responding foreign subsidiaries are representative for the world's top 250 corporations. This question seems debatable, because the completed questionnaires represent only 28.2 % of the contacted MNCs. In order to analyze these kind of representativity, the 48 MNCs represented in study B were compared with the world's top 250 MNCs with respect to size and structural criteria. The comparison made evident that nearly all (79) of the answering foreign subsidiaries are owned by MNCs belonging to the world's 150 largest industrial corporations [Jacob 1995]. Therefore, table 1 contrasts criteria typical of the corporations under study with those of the 150 largest MNCs of the world. It makes evident that the structure of sample B fits quite well with respect to criteria such as number of employees or degree of internationalization to the structure of the reference group. Furthermore, table 1 indicates that the representation of US, German, and other European MNCs in the sample is highly comparable to the distribution of these "nationality" groups in the group of the world's top 150 corporations.

TABLE I
Population and Sample

	150 largest MNCs of the world 1995	Sample (n=48)	Significance of difference
World sales	44.79 Bill. \$	54.00 Bill. \$	T=0.2862 p=0.7750
Number of employees	123,361	128,118	T=1.3537 p=0.1786
Degree of internatio- nalization (sales)	52.15 %	71.69 %	T=5.2520 p=0.0001
Degree of internatio- nalization (employees)	49.41 %	61.04 %	T=4.3036 p=0.0001
Nationality of MNCs	US: 37 (24.7 % (38.9 %)) German: 17 (11.3 % (17.9 %)) Other Europ.: 41 (27.3 % (43.2 %))	US: 15 (31.3 %) German: 11 (22.9 %) Other Europ.: 22 (45.8 %)	
Number of foreign subsidiaries		155.54	
Number of manufacturing foreign subsidiaries		78.47	
International experience		79.63 years	

Source of data describing the top 150 corporations: - 1996 Fortune Global 500 (World's 500 Largest Industrial Corporations) (http://pathfinder.com/2*HrWQYAqEH1Hpur/fortune/1996/specials/g500/instructions.html)

- UN World Investment Report 1996

Similar to the previous question, it could be argued that the representativity of sample B with respect to the whole group of foreign subsidiaries which belong to the top 250 MNCs' is limited. Especially, some might speculate that the headquarters of the MNCs have sent the questionnaires only to such foreign subsidiaries which are characterized by atypical (e. g. excellent or very improvable) coordination relationships with the headquarters. Unlike the previous case, a comparison between the overall population and sample B with respect to "input variables" (size, age, etc.) is not possible because only some MNCs publish data on the subsidiary level and therefore subsidiary-specific data referring to the overall population are not available. That's why it is difficult to clear away such potential criticism totally. However, the author is somewhat optimistic about the representativity of his study with respect to the subsidiary structure because nearly 40 % of the questionnaires sent to the headquarters had been both completed and returned. Moreover,

because of the descriptive character of the majority of the survey's questions and because of the scarcity of popular literature dealing with advantageous and disadvantageous coordination behavior in the field of IHRM it could be argued that neither the headquarters' nor the foreign subsidiaries' HR managers could estimate which coordination behavior (answering alternative) comes most close to an ideal solution. Furthermore, only very few questions of the survey asked for an evaluation of the coordination processes between the headquarters and the foreign subsidiaries. Finally, the fact that the foreign subsidiaries were asked for sending back the questionnaires directly and anonymously to the author might have contributed to a higher level of representativity.

Measurement of Variables

Cook and Campbell [1976] stated that researchers should use multiple measures for any given construct whenever possible, since single measures will not provide a perfect fit for any construct. In order to allow a comparison of the present results with previous findings, in the present study, the multiple measurement of variables has been aligned to previous studies about the coordination of MNCs [for more detailed information about measurement see Wolf [1994]].

Centralization of IHRM decisions. This variable describes the average influence of the headquarters' HRM unit on the HRM unit of the respective foreign subsidiary with regard to 17 HRM decision matters (e. g. (1) recruitment of foreign subsidiary's managers, (2) ... of other employees, (3) development of foreign subsidiary's managers, (4) ... of other employees, ..., (17) ...). Scales developed and tested by Hedlund [1981] and Van den Bulcke and Halsberghe [1984] had been used. The 17 items of HRM centralization have been factor analyzed. Since the first factor explains more than four times as much of the variance than the second factor (and all other factors, respectively), and since 14 out of the 17 sub-variables load higher than 0.60 on this factor, an average centralization value has been calculated.

Standardization of IHRM decisions. This variable describes which percentage of foreign subsidiary's HRM decisions (the same 17 HRM decision matters) is influenced by standardized guiding decision principles which are relevant to several sub-units of the MNC. Similar to the previous case, the 17 items have been factor analyzed. Since the first factor explains more than seven times as much of the variance than the second factor (and all other factors, respectively), and since 15

out of the 17 sub-variables load higher than 0.60 on this factor, an average standardization value has been calculated.

Formal reporting systems. This is an integrated indicator which describes the frequency, the breath, and the depth of formal reporting of foreign subsidiary's HRM unit to the headquarters' HRM unit. Three subvariables had been used, because the overall intensity of formal information processing is dependent on the frequency, the breath, and the depth of formalized information transfers; e. g. a higher intensity of one sub-variable can substitute a lower intensity of the others, and vice versa.

Transfer of managers. This is an integrated indicator, too. It describes (1) if the personnel officer of the foreign subsidiary is a home country national (yes=100; no=0), (2) if the managing director of the foreign subsidiary is a home country national (yes=100; no=0), and (3) the average percentage of home country managers in the top three hierarchical levels of foreign subsidiary's management. The position of the foreign subsidiary's managing director has been analyzed as in numerous foreign subsidiaries HRM decisions are influenced by the "strategic apex". Moreover, the measurement of the analysis has not been limited to the foreign subsidiary's first hierarchical level because in numerous corporations the HRM function is not represented at this hierarchical level [Wolf 1994].

Visits. Again an integrated indicator. It describes (1) the frequency and duration of visits of headquarters' managers to the foreign subsidiary in order to discuss HRM matters and (2) the frequency and duration of visits of foreign subsidiary's managers to the headquarters in order to discuss HRM matters. Both the frequency and the duration of visits have been asked for as they determine the overall time available for discussing HRM matters.

Corporate culture. Since culture might be viewed as collective programming of mind [Hofstede 1980], this variable was determined as follows: Firstly, the respondents were asked to describe the values of a typical HR manager working at the headquarters of the MNC along 50 criteria developed by O'Reilly, Chatman, and Caldwell [1991]; then (some pages later in the questionnaire) they were asked to describe a typical HR manager working at the own foreign subsidiary along the same criteria. The variable "corporate culture" is the overall distance between the two value profiles.

Strategic Orientation of the MNC/FSub (respondents' perception). Firstly, respondents were asked which of the following strategic orientations is most typical of his/her MNC: a) Our MNC offers abroad products or services which are conceptualized and developed for the home market; the products or services are offered only in such foreign countries which have environmental (e. g. cultural) conditions similar to the MNC's home country; b) our MNC adapts its products or services considerably to the specific conditions and the differing needs of individual foreign customers; c) our MNC offers world-wide the same products or services, the products or services are developed to the rather homogeneous needs of the world market; d) our MNC balances the second and third alternative so that both the economic advantages of standardization and those of a close consideration of customers' requirements can be used (please indicate this alternative only if neither the second nor the third alternative is predominant). Later in the questionnaire, respondents were asked which of the following strategic orientations is most typical of his/her foreign subsidiary: a) Our foreign subsidiary offers on the host country market and other markets products or services which are conceptualized and developed for the home market of the parent company. Products or services are only slightly adapted to the specific conditions and the differing needs of individual customers in the host and third country markets; b) our foreign subsidiary adapts its products or services considerably to the specific conditions and the differing needs of the customers of the respective country; c) our foreign subsidiary offers on all markets (host country market, third country markets) products or services which are conceptualized and developed to the homogeneous needs of the world market; d) our foreign subsidiary balances the second and third alternative so that both the economic advantages of standardization and those of a close consideration of customers' requirements can be used (please indicate this alternative only if neither the second nor the third alternative is predominant).

Strategic Orientation of the MNC/FSub (author's perception). The author's external assignment of strategic orientations to MNCs (foreign subsidiaries) was based on theoretical and empirical work done by Fayerweather [1969], Doz [1980], Henzler and Rall [1985], Leontiades [1986], Porter [1986], Meffert [1986], and Ghoshal [1987], who have to an earlier time related strategic orientations to industries and corporations. Firstly, based on annual reports (=> MNCs) and questionnaire information (=> foreign subsidiaries), for each MNC (foreign subsidiary) under study the dominant industry has been identified. Then, those strategic orientation has been assigned to the MNC (foreign subsidiary), which had been called in publications mentioned above as typical of the respective industry.

RESULTS

Description of the Use of Coordination Instruments

In the present study the analysis and interpretation of data has been done in several steps. In the following section, a brief summary of the descriptive results [detailed data are presented in Wolf 1994, 1996] referring to the use of the coordination instruments will be given. Discussion is limited to results where sample B confirms the findings of sample A.

Serial Analysis of Coordination Instruments

The results clearly indicate that in the MNCs under study the location of decision-making competence for HRM matters is primarily delegated to the foreign subsidiaries [Van Den Bulcke and Halsberghe 1984]. Furthermore, similar to Young, Hood, and Hamill's observations [1985], the respondents perceive that HRM decisions are less centralized than those of other functional areas. In the light of information-processing theory, the decentralization of HRM is plausible because of the predominance of local cultural and legal influences in this functional area. Furthermore, these findings might be a hint that top managers still attach a comparatively low level of strategic importance to the HRM function. Furthermore, HRM decisions which refer to managers or which have a political character (decisions which substantially influence the interests of larger groups of MNC' employees; decisions which are irreversible; decisions which are badly structured, ...) are usually centralized somewhat higher in the MNC as they form a guideline for other personnel-related decisions [Negandhi and Welge 1984]. Also, the results show that decisions which refer to middle or lower-level employees in the foreign subsidiary are normally made abroad. This result might be explained by the difference in the strategic importance of managers and non-managers for the MNC. Comparing the findings referring to standardization with those of the centralization dimension, one might argue that standardization is used in a clearly higher intensity. The differences support earlier findings of Hamill [1984], who also found that in international business the intensity of the use of the coordination instrument "standardization" is higher than that of the instrument "centralization". This might be the outcome of the strong pressures towards global

efficiency that dominate nearly all industries and corporations. Furthermore, based on the information-processing theory, one could argue that the headquarters cannot increase the level of HRM centralization to that typical of standardization without overloading the information-processing capacities of the HRM unit of the headquarters. Nevertheless, the cross-functional comparison indicates that the HRM function is characterized by a lower level of standardization than other functional areas. Furthermore, the intensity of the standardization also fluctuates heavily between the individual HRM decision topics. The highest level of pre-structuring again seems to exist with respect to the transfer of managers. This behavioral pattern sounds rational because, in MNCs, managers are often transferred to very different cultural, economical, and legal environments. This risky process will only be calculable if MNCs develop a certain level of "artificial" order. As opposed to this, generalized rules are atypical in the context of the discharge of employees and the development of single-plant contracts between employees' representatives and the foreign subsidiary. In particular, the existence of legal regulations in the area of terminating employment contracts and the far-reaching consequences of such decisions might create a very dense informational web between the foreign subsidiaries and their host country in this field; in turn this phenomenon prevents a higher level of standardization. The close interactions between foreign subsidiaries and the host country environment and the variability and qualitative character of HRM information might explain why IHRM reporting is dominated by informal modes of information transfer and why formal reporting systems are of subordinate importance. This finding is supported by the observation that the foreign subsidiaries report much less frequently in a formalized way about HRM matters than it is known from other functional areas [Hulbert and Brandt 1980; Dobry 1983]. Looking at the content of formalized HRM reports, it is quite unexpected to find that IHRM reports refer mainly to past and present, but not to future phenomena relevant to the HRM unit of the subsidiary. The informational ambiguity typical of future phenomena might be an explanation that these topics are discussed infrequently in the HRM reports.

Results referring to the manager transfer indicates that the post of the personnel officer is, in nearly all cases (92.1 %; 86.7 %), filled by host country nationals [Yoshino 1976; Steinmann et al. 1983; Ondrack 1985]. This finding is plausible, as personnel officers usually have to be familiar with the legal and cultural peculiarities of their local environment. In contrast, home country nationals were used very often (46.2 %; 38.7 %) as foreign subsidiaries' managing directors. Welge [1980] and Boyacigiller [1990] made comparable observations. This might express the

aspiration of MNCs to build close personal links between their sub-units which are not influenced by culturally-caused misunderstandings. Seen out of the information-processing perspective the different nationality structures might be a hint that at the foreign subsidiaries' general management level the information-transfer is more focused on the headquarters than it is on the level of the foreign subsidiaries' HRM units. Altogether, the data show that in the managerial practice of MNCs - in spite of numerous normative statements calling for geocentric transfer patterns [Kobrin 1988] - ethnocentric and polycentric recruitment patterns still dominate. The data referring to visits (frequency and duration) is somewhat problematic in its description and interpretation. This is because considerable variations have been detected. Yet, such heterogeneous findings are familiar since Hulbert and Brandt [1980] and Welge [1980] made equivalent observations. For that reason references to average values (frequency: 8.93 */year; duration: 3.4 days) should be interpreted carefully. However, it is obvious that all of these values are much lower than those worked out by Welge [1980] with respect to other functional areas. Again, the strong environmental orientation of the HRM function might be the cause of the variation. With respect to the "soft stuff" corporate culture, a comparison of the value profiles indicates that the majority of respondents perceive that their MNC has developed a comparatively high level of trans-border value integration.

Parallel Analysis of Coordination Instruments

In the previous passages, both the type and intensity of coordination instruments used by the HRM units of MNCs to integrate their domestic and foreign personnel-oriented operations have been analyzed in an isolating manner. This first inspection might be somewhat unrealistic since MNCs usually shape the design of their coordination processes in an integrative manner, which optimizes coordination instruments simultaneously [Macharzina 1993]. For instance, one might argue that the instruments are seen as being at least partly interchangeable with each other. Some researchers have adopted the idea of a holistic arrangement of coordination processes, and have argued that especially the increasing rapidity of environmental changes calls for a fundamental shift from technocratic to person-oriented instruments [Martinez and Jarillo 1989]. The arguments favoured this direction note that the person-oriented instruments are more flexible in the way they handle interdependencies, transfer information, and make decisions [Egelhoff 1991].

In view of the plausibility of this line of argument, it comes as somewhat of a surprise that the present data set could only partly support this rationale (see table 2). Expected interrelationships have been found in the group of technocratic instruments, which are (both in sample A and sample B) generally associated in a positive and often significant way. Because of the uniformity of the results, it might be argued that MNCs interpret "centralization", "standardization", and "formal reporting systems" as parts of an integrated methodological bundle which has to be implemented in a parallel way [Hedlund 1981]. In the group of person-oriented instruments, no such pattern could be detected. Here the correlations between the instruments are non-uniform in their direction and extent; furthermore, it is clear that the results of the samples are very different from each other. This is astonishing since Roth, Schweiger, and Morrison [1991] have reported results indicating positive associations inside the group of "soft" instruments. One potential and tentative explanation - which is evaluated in the present paper's following sections - might be that the HRM units of the MNCs have just started to implement holistic patterns of control. Therefore, they have not reached a well-balanced pattern of transnational control. Finally, regarding the association of "hard" and "soft" instruments, no consistent pattern of interrelationship emerged. For that reason we can neither argue that the HRM units interpreted the person-oriented instruments as substitutes for the technocratic ones [Edström and Galbraith 1977] nor that they saw them as "additives" which offered a chance to increase the level of integration developed by the use of technocratic instruments [Schaan 1989].

TABLE 2
Intercorrelation of Coordination Instruments

	2	3	4	5	6
1 Centralization	0.30** 0.26**	0.30** 0.13	- 0.02 0.06	0.14 0.12	- 0.04 - 0.10
2 Standardization		0.28* 0.24**	- 0.11 - 0.11	0.22 0.19*	- 0.16 - 0.16
3 Formal reporting systems			- 0.24* 0.04	0.37** 0.45***	- 0.22 - 0.22**
4 Manager transfer				- 0.03 0.29***	0.19 - 0.01
5 Visits					0.08 - 0.04
6 Corporate culture (value homogeneity)					

*, p=0.1; **, p=0.05; ***, p=0.01

Information of foreign subsidiaries 1992 (n=39)

Information of foreign subsidiaries 1995/96 (n=82)

Strategy-Related Analysis of Coordination Instruments

This section describes to what degree the de facto coordination patterns correspond to the ideal coordination patterns developed above. This analysis was based on sample B and has been made in two steps. At first, hypotheses 1 to 4 have been tested. It has been checked if the de facto insertion of the coordination instruments tended towards the direction proposed in the four hypotheses. After this sequential, isolating testing procedure, a holistic comparison of ideal and de facto coordination patterns has been carried out. In this step, the focus has been on the configurational structure of the coordination patterns. To conduct these two steps of analysis, the sample had been divided into four groups including MNCs (foreign subsidiaries) with an identical strategic orientation. For each of the four groups, the average intensity of the six coordination instruments had been computed.

Table 3 presents the results which refer to the four hypotheses. It shows that the hypotheses have been tested both on the basis of respondents' perceptions of strategic orientations and on the basis

of the author's assignment of strategic orientations. This "double-based testing approach" has been conveyed as some respondents assigned strategic orientations to their MNC (to their foreign subsidiary) which according to standard literature are atypical of MNC's (foreign subsidiary's) dominating industry. At first glance, table 3 indicates that regardless of the reference point used (strategic orientations of MNC, strategic orientations of foreign subsidiaries, respondents' perception, author's assignment) the data supports the four hypotheses to a very limited extent. Hypotheses 1a and 1b are not confirmed. Only two out of twelve tests brought significant results that point towards the supposed direction. Moreover, in four out of twelve cases the interaction is against the assumed direction. Yet more frequently (50 % of the cases) the data point towards the expected direction. Even more disappointing are the findings that refer to hypothesis 2. Although the majority of tests (16 out of 24) point towards the right direction, only in two cases the effect is both significant and according to our rationale. Significant findings are also rare with respect to hypothesis 3; nevertheless it should be mentioned that all effects point towards our proposition. Hypotheses 4a and 4b could not be supported, too. Only four out of 20 tests brought significant results that are in line with our expectations. In 14 out of 20 cases the findings point towards the expected direction. Summarizing these results, one has to conclude that none of the four hypotheses had been confirmed by the data set. Yet, some might emphasize that in 42 out of 60 tests the data point towards the expected direction. With respect to the "double-based testing approach", it becomes clear that the results are not very sensitive to the type of strategic orientation's determination (respondents' perception vs. author's assignment). Finally it seems worth mentioning that in the group of technocratic instruments no higher relationship between fit situations to misfit situations has been found than in the group of person-oriented instruments. This might be taken as a hint that the speculation, according to which (1) hard instruments are more easily to manage than soft instruments and (2) that they therefore would be often aligned to the MNC's overall plans [Macharzina 1993], is questionable.

TABLE 3
Isolated Analysis of Strategy-Coordination-Relationships

Basis: Strategic Orientation of MNCs							
	All observations n=81	MNCs with an international strategy n=5 n=0	MNCs with a multinational strategy n=23 n=16	MNCs with a global strategy n=31 n=46	MNCs with a blocked global strategy n=22 n=19		
Centralization	2.20	2.06 #	2.14 ✓ 1.98 ✓	2.32 2.17	2.11 ✓ 2.44 #		
Standardization	2.75	2.55 ✓ -	2.97 # 2.45 ✓	2.87 ✓ 2.78 ✓	2.88* ✓ 2.93 #		
Formal reporting systems	13.82	19.21* ✓ -	15.14 # 18.04 #	14.00 13.05	8.70 ✓ 12.08 ✓		
Manager transfer	23.85	13.30* # -	21.45 ✓ 15.12* ✓	18.77 22.06	33.94* 35.52		
Visits	18.20	30.77 -	16.53 ✓ 16.78 ✓	19.63 21.79	15.01 # 10.70*** #		
Corporate culture	21.27	14.10* -	20.77 ✓ 14.51* ✓	20.39 22.31	24.66 ✓ 24.44 ✓		

Basis: Strategic Orientation of FSubs							
	All observations n=81	FSubs with an international strategy n=5 n=3	FSubs with a multinational strategy n=20 n=23	FSubs with a global strategy n=32 n=33	FSubs with a blocked global strategy n=24 n=22		
Centralization	2.20	2.38 2.82	2.18 2.17	2.40 2.22	1.93** 2.13		
Standardization	2.75	3.13 3.31	2.90 2.59	2.90 2.79	2.35* 2.76		
Formal reporting systems	13.82	14.73 21.62	19.32 14.59	12.40 13.93	10.77 11.86		
Manager transfer	23.85	46.66** 52.75	17.84 28.24	24.08 18.84	23.50 22.82		
Visits	18.20	18.43 32.43	14.37 18.51	18.83 17.42	20.50* 17.11		
Corporate culture	21.27	18.38 16.08	19.86 17.70	19.27 22.63	23.72 23.65		

*: p=0.1; **: p=0.05; ***: p=0.01

Italics: Basis = respondents' perception of strategic orientations
Standard: Basis = author's assignment of strategic orientations

✓: Hypothesis significantly supported

✓: Direction of hypothesis supported, but insignificant result

: Hypothesis rejected

In the second step the overall alignment of de facto coordination patterns to the ideal patterns has been examined. For this reason the different intensity levels of the coordination instruments of the ideal patterns had to be substituted by quantitative terms that allow an estimation of the distance between the ideal patterns and the actual coordination behavior of the MNCs (foreign subsidiaries) under study. Because the statements "low intensity", "medium intensity", and "high intensity" have no absolute character, they had to be related to the spread (deviation) of coordination instruments' use found in the sample. At first, in sample B for each coordination instrument the lower quartile, the mean value, and the upper quartile had been computed. Then, the lower quartile had been taken as an equivalent for the logical statement "low intensity", the mean value had been taken as an equivalent for the logical statement "average intensity", and the upper quartile had been taken as an equivalent for the logical statement "high intensity". The outcome of this procedure is represented by the black bars of figure 2. After this, these ideal patterns had been contrasted with the actual coordination behavior typical of those MNCs (foreign subsidiaries) which follow an identical strategic orientation.

Figure 2, where the de facto patterns (= actual coordination behavior) are visualized in grey bars (basis: MNCs' strategic orientations) and white bars (basis: foreign subsidiary), contrasts the ideal patterns of IHRM coordination with those of the de facto coordination. At first glance, it becomes clear that the ideal and the de facto patterns are very different from each other. Since during the test of hypotheses the findings had not been very sensitive to the type of strategic orientation's determination, figure 2 exclusively presents data that refer to the author's assignment of strategic orientations. In order to test the significance of the pattern difference, for each strategic orientation a series of t-tests (one for each coordination instrument) had been applied (for the applicability of t-tests as a means for multiple comparisons see [SAS Institute 1990]). Table 4 indicates that in 19 out of 36 cases the de facto IHRM coordination differs significantly (5-%-level) from the expected coordination intensity. In order to test the overall difference of the coordination patterns, for each strategic orientation multivariate discriminance analyses and Wilks' Lambda were computed [Kotz and Johnson 1982]. The respective results are shown in table 4, too. As expected, for both levels of analysis (strategic orientation of MNCs, strategic orientation of foreign subsidiaries) the ideal and the de facto coordination patterns vary considerably from each other. Yet, the computation of alternative profile similarity indices [Edwards 1994] has shown that the level of alignment of the ideal patterns to the de facto patterns varies considerably between the

four strategic orientations. According to the Euclidean distance measure [Ghoshal and Nohria 1989] MNCs (foreign subsidiaries) with a global strategy have the best match of IHRM coordination and strategic orientation ($\Delta\text{MNC} = 1,712.7$, $\Delta\text{FSub} = 1,449.0$), while in MNCs (foreign subsidiaries) with a multinational strategy the ideal and de facto coordination patterns vary considerably from each other ($\Delta\text{MNC} = 17,875.3$, $\Delta\text{FSub} = 22,944.4$). The other strategic orientations are characterized by medium pattern differences (international strategy: $\Delta\text{FSub} = 9,587.4$; blocked global strategy: $\Delta\text{MNC} = 10,338.2$; $\Delta\text{FSub} = 5,601.1$). This inequality of pattern differences is plausible since a global strategy includes the *weltanschauung* of an organized world, whilst according to the multinational strategy diversity and individualism should dominate managerial behavior. Finally, it is worth mentioning that not only the distance between the ideal and de facto patterns, but also their configurative structure differ substantially.

TABLE 4
Significance of Differences Between
Ideal and De Facto Coordination Patterns

Strategic Orientation of MNCs and IHRM Coordination Patterns							
	Pairwise comparison between ideal and de facto coordination intensity for each coordination instrument (t-tests)						Holistic comparison across all coordination instruments
	Centralization	Standardization	Formal reporting systems	Manager transfer	Visits	Corporate culture	
International strategy (n=0)	/	/	/	/	/	/	/
Multinational strategy (n=16)	T=1.850 p=0.084	T=1.924 p=0.074	T=4.123 p=0.001	T=1.867 p=0.082	T=3.908 p=0.001	T=0.698 p=0.496	Wilks' Lambda = 0.491 p=0.004
Global strategy (n=46)	T=-1.584 p=0.120	T=-3.954 p=0.000	T=1.069 p=0.291	T=0.634 p=0.486	T=1.041 p=0.292	T=1.469 p=0.147	Wilks' Lambda = 0.781 p=0.002
Blocked global strategy (n=19)	T=4.606 p=0.000	T=4.435 p=0.003	T=2.369 p=0.029	T=-1.563 p=0.136	T=-6.274 p=0.000	T=-3.936 p=0.001	Wilks' Lambda = 0.285 p=0.000

Strategic Orientation of FSubs and IHRM Coordination Patterns							
	Pairwise comparison between ideal and de facto coordination intensity for each coordination instrument (t-tests)						Holistic comparison across all coordination instruments
	Centralization	Standardization	Formal reporting systems	Manager transfer	Visits	Corporate culture	
International strategy (n=3)	/	/	/	/	/	/	/
Multinational strategy (n=23)	T=2.401 p=0.025	T=2.993 p=0.007	T=4.103 p=0.000	T=3.339 p=0.002	T=2.838 p=0.010	T=2.073 p=0.050	Wilks' Lambda = 0.477 p=0.000
Global strategy (n=33)	T=-1.407 p=0.169	T=-3.576 p=0.001	T=-0.647 p=0.522	T=0.458 p=0.650	T=0.416 p=0.682	T=0.570 p=0.573	Wilks' Lambda = 0.785 p=0.019
Blocked global strategy (n=22)	T=2.702 p=0.013	T=3.200 p=0.004	T=1.903 p=0.071	T=-1.525 p=0.142	T=-4.295 p=0.000	T=-2.354 p=0.028	Wilks' Lambda = 0.431 p=0.000

Basis: Author's assignment of strategic orientations

DISCUSSION AND CONCLUSION

At least three lines of argumentation should be discussed in order to understand the misfit between the ideal and de facto patterns of IHRM coordination. They lead to different future research avenues that might help overcome the limitations of the present study.

Firstly, based on strategy process models [Burgelman 1983], it has to be considered that the alignment of strategy and coordination is a time-consuming process. In the field of international business this seems to be particularly true; here, because of the ambiguity of contexts, managers often face problems in designing coherent business concepts. In ambiguous contexts it is difficult to balance both, the need to use informality and vagueness (person-oriented instruments) in order to gain commitment from diverse interests with the need to demonstrate formalization of managerial practices (technocratic instruments) to acquire legitimacy from critical resource suppliers. Thus, future studies should focus on HR managers' subjective evaluation of decision contexts and analyze to what degree IHRM coordination processes vary according to different levels of contextual ambiguity. Moreover, based on the findings of strategy process and organizational inertia research [Lant, Milliken and Batra 1992; Miller and Chen 1994], future studies will have to analyze to what degree factors like MNCs' past performance, top management team structure, and top managers' compensation are associated with the strategy-coordination fit. Since strategic orientations and coordination processes might influence each other, longitudinal studies should be done, so that a better understanding of the causes and consequences of strategy and coordination will be possible.

Secondly, yielding in the same direction, but with a different explanatory structure, both social choice theorists' [e. g. Child 1972] and institutionalists' [e. g. DiMaggio and Powell 1991] arguments should be picked up to explain the misfit of strategic orientations and IHRM coordination. Pfeffer [1981], for instance, has argued that it is not always apparent as to what might be the optimal mechanism for organizational allocation processes. Thus, power enters into all important MNC decisions, and, since the power structure changes during MNC's organizational evolution [Prahalad and Doz 1981], a uniform explanation of the strategy-coordination-relationship will be questionable. Moreover, according to institutionalists' perspective, MNCs, like other organiza-

tions, tend to routinize their behavior, even if this behavior does not fully match the corporation's strategy (DiMaggio and Powell 1991]. To understand such entangled behavioral processes, future coordination research should include both the social and political dimension of MNCs and a power perspective should be utilized to explain why MNCs' coordination processes do not follow "direct" theoretical rationale.

Thirdly, more specifically, the thesis is debatable that the HRM units of (MN)Cs are comparatively closed and highly self-referential. Drumm [1995], among others, has argued that the HRM is influenced by a specific setting of contextual factors, such as legal and labor-market related conditions, and that its links to the corporation's general management system and to other functional areas are rather loose. Especially the finding, that in the majority of MNCs the head of the HRM unit is not a member of the corporation's board of directors [Wolf 1996], gives support to this opinion. Moreover, the considerable dissimilarity of the legal conditions of different countries corroborates this view. However, even if this is true, in the context of increasing competitive intensity, we should ask if MNCs should simply reconcile themselves to this situation or if they would not be better advised to strive for a closer link between corporate strategy and HRM (coordination) processes. Anyway, because of the uncertainty about IHRM's relevant context, future IHRM research should analyze both specific and general contextual factors simultaneously, so that it can be analyzed if IHRM coordination is dominated by specific or by general circumstances.

Finally, independent from these misfit explanations, one major challenge of future research is to address the direct, lateral interactions existing between the HRM units of MNCs' foreign subsidiaries which currently in MNCs play an important role [Hedlund 1986; Poynter and White 1989]. This should be one of the focal points of future research, since - at least in the field of (I)HRM - network concepts are often requested, but less frequently studied.

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