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Working Paper No. 372

**Using expatriates for adapting subsidiaries' employment modes to  
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Johannes Meuer, Marlies Kluike, Uschi Backes-Gellner  
and Kerstin Pull

2017

Published as: "Using expatriates for adapting subsidiaries employment modes to different market economies: a comparative analysis of US subsidiaries in Germany, the UK And Switzerland." *European Journal of International Management* 13(2019)3. By Johannes Meuer, Marlies Kluike, Uschi Backes-Gellner and Kerstin Pull. DOI: [dx.doi.org/10.1504/EJIM.2019.099423](https://doi.org/10.1504/EJIM.2019.099423)

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University of Zurich, Plattenstrasse 14, CH-8053 Zurich,  
<http://www.business.uzh.ch/forschung/wps.html>

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**Contact Details**

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**Johannes Meuer**

ETH Zurich

Department of Management, Technology and Economics

[jmeuer@ethz.ch](mailto:jmeuer@ethz.ch)

**Marlies Kluike**

University of Tuebingen

School of Business and Economics

[marlies.kluike@uni-tuebingen.de](mailto:marlies.kluike@uni-tuebingen.de)

**Uschi Backes-Gellner**

University of Zurich

Department of Business Administration

[backes-gellner@business.uzh.ch](mailto:backes-gellner@business.uzh.ch)

**Kerstin Pull**

University of Tuebingen

School of Business and Economics

[P\\_O@uni-tuebingen.de](mailto:P_O@uni-tuebingen.de)

# **Using expatriates for adapting subsidiaries' employment modes to different market economies**

A comparative analysis of U.S. subsidiaries in Germany, the UK and Switzerland

## **Johannes Meuer**

Group for Sustainability and Technology  
ETH Zurich  
Department of Management, Technology and Economics  
Weinbergstrasse 56/58  
CH-8092 Zurich  
Switzerland  
Tel: +41 44 63 22 983  
Email: jmeuer@ethz.ch

## **Marlies Kluike**

University of Tübingen  
School of Business and Economics  
Department of HRM and Organization  
Nauklerstr. 47  
72074 Tübingen  
Germany  
Tel.: +49 (0) 70 71 29 76 186  
Email: P\_O@uni-tuebingen.de

## **Uschi Backes-Gellner**

University of Zurich  
Department of Business Administration  
Plattenstrasse 14  
8032 Zurich  
Switzerland  
Tel: +41 (0) 44 63 44 281  
Email: backes-gellner@business.uzh.ch

## **Kerstin Pull**

University of Tübingen  
School of Business and Economics  
Department of HRM and Organization  
Nauklerstr. 47  
72074 Tübingen  
Germany  
Tel.: +49 (0) 70 71 29 76 186  
Email: kerstin.pull@uni-tuebingen.de

## **Abstract**

Because the extent to which multinational companies (MNCs) benefit from foreign subsidiaries depends on how effectively MNCs manage their foreign subsidiaries' workforce, the international management literature has long focused on how MNCs transfer Human Resource Management (HRM) practices. However, the literature has only vaguely dealt with institutional differences between host and home countries, often simplifying these differences under the umbrella of institutional or cultural distance. This article investigates how MNCs use expatriates to adjust subsidiaries' employment modes to different market economies. We define employment modes as bundles of HRM and industrial relations (IR) practices implemented at the firm level and examine the employment modes of 76 subsidiaries of U.S. MNCs in a coordinated market economy (Germany), a hybrid market economy (Switzerland), and a liberal market economy (United Kingdom). Our results reveal substantial differences in the expatriation strategies of MNCs that depend not only on the international focus of the MNC but also on the differences in IR between the parent and subsidiary's environment. Our findings qualify the role of expatriates in adjusting subsidiaries' employment modes to different market economies and highlight the boundary conditions of integrating HRM with IR practices in the management of foreign subsidiaries.

## **Keywords**

Expatriation, International Human Resource Management, Industrial Relations, Varieties of Capitalism, fsQCA

## **Acknowledgements**

We thank Brendan Boyle, John Burgess, Ursula Mense-Petermann, Mike Geppert, Kathleen Park, and Michèle Angstmann for their helpful comments and suggestions. Earlier versions of this article were presented at the ILERA 2013 Symposium on "MNCs & Employment Relations in the 21st Century" and at the 2013 EGOS track on "Change in Multinational Firms: Expatriate Managers, Institutions and Sector Specific Issues". This research was supported by a joint project of the Swiss National Science Foundation (SNF), Ref. No. 1000181\_134510, and the German Science Foundation (DFG), Ref. No. PU 204/8-1.

## **Biographical sketches**

Johannes Meuer is a Senior Researcher at the Department of Management, Technology and Economics, Group for Sustainability and Technology at ETH Zurich. He earned his Ph.D. from the Rotterdam School of Management, Erasmus University in the Netherlands and worked as a SNF Post-doctoral researcher at the University of Zurich. His current research focuses on Corporate Sustainability, Organizational Design, Human Resource Management, and novel approaches for integrating set-theoretic and statistical methods in management research.

Marlies Kluike received her PhD from the University of Tuebingen. She joined the department of Personnel and Organization in July 2009 as a Research Assistant, after having worked in Human Resources for three years in the UK and Norway. Beforehand, she completed a Master's degree in International Employment Relations and Human Resource Management at the London School of Economics, and she holds a Bachelor's Degree in Psychology and Management from the University of Exeter, UK. Her research interests are International and Comparative Employment Relations and Human Resource Management.

Uschi Backes-Gellner is Professor for Business and Personnel Economics at the University of Zurich. She serves as the Deputy Dean of the Faculty for Business, Economics and Informatics and acts as Director of Swiss Leading House on Economics of Education: Firm Behaviour and Training Policies. Her research focuses on Business Studies, Education Economics, Industrial Relations and Innovation. A special emphasis of her work is the empirical analysis of firm-level data.

Kerstin Pull is Professor for Human Resource Management and Organization at the University of Tübingen. From 2008 to 2010, she was Dean of the Faculty of Economics and Business Administration at the University of Tübingen. Among others, she held teaching positions at the University of Vienna, the University of Zurich and the LMU Munich, and visiting positions at the Graduate School of Business at Stanford University (2001, 2007), the University of Zurich (2007), the Max Planck Institute for Economics in Jena (2008), and the University of Bologna (2017). Her research focusses on Personnel Economics, Corporate Governance, Higher Education, and International HRM.

## **Introduction**

Multinational corporations (MNCs) play an increasingly important role in the continuing rise of a global economy (Lu and Björkman, 1997, Rosenzweig and Nohria, 1994, Skarameas et al., 2002). For MNCs, foreign subsidiaries constitutes an essential source for their competitive advantage in the global arena (Björkman et al., 2004). The extent to which MNCs benefit from their network of foreign subsidiaries depends crucially on how effectively subsidiaries are managed and the extent to which they complement the strategic needs of the MNC (Bartlett and Goshal, 1989, Hada et al., 2013). However, managing overseas subsidiaries is challenging. Whereas some MNCs merely experience tension between the local workforce and the headquarters' management style, others fail more significantly in integrating foreign subsidiaries into the MNCs global strategy. The ultimate retreat of an MNC, as experienced by Walmart in Germany, most clearly exemplifies the challenges and substantive risks involved in mismanaging foreign subsidiaries (Yoder et al., 2016).

For these reasons, international management scholars have extensively investigated the management of overseas subsidiaries. A large body of literature has focused on how MNCs may best exert control over foreign subsidiaries and relatedly how MNCs may facilitate the transfer of knowledge between the headquarters and foreign subsidiaries (e.g., Björkman et al., 2004, Paik and Sohn, 2004). As many of the challenges associated with the management of foreign subsidiaries relate to the overseas workforce, a specific stream of literature has focused on how MNCs may transfer human resource management (HRM) practices (Edwards and Kuruvilla, 2005, Tayeb, 1998). Scholars in this line of research have frequently noted that the fundamental tension lies in finding the right balance between localization (i.e., adjusting HRM practices to the local context) and standardization (i.e., harmonizing practices within the global operations of the MNC) (e.g. Lu and Björkman, 1997).

As one important mechanism of MNCs for controlling and facilitating the transfer of practices, researchers have regularly examined the potential influence of expatriate managers (Harzing, 2001, Meyerhofer et al., 2004, Tharenou and Caulfield, 2010). Expatriation research has traditionally focused on company-backed expatriates<sup>1</sup> (CBEs), i.e., expatriates sent out by their employer to work in a foreign subsidiary (Chang et al., 2012, Hippler, 2009, Hocking et al., 2007). More recently, researchers have also explored self-initiated expatriates (SIEs), i.e., those who move abroad on their own initiative (Jokinen et al., 2008, Saxenian, 2005). Compared to local managers, both types of expatriate managers are considered cultural carriers in that they have fewer communication problems, have been socialized in the MNCs home country, and have gained familiarity with the local host country (Edström and Galbraith, 1977). These skills and experiences help expatriates overcome managerial and technical shortages or facilitate the integration of the global operations of an MNC (Harzing, 2001, Meyerhofer et al., 2004, Tharenou and Caulfield, 2010). With the growth of emerging markets and the rapid internationalization of small- and medium-sized firms, the demand for expatriates has substantially increased (Brown, 2008, Finaccord, 2014). Clearly, expatriation is an increasingly important strategic instrument for MNCs.

However, despite the significant advancements in developing a better understanding of how MNCs may use expatriates for staffing foreign subsidiaries, the research has thus far adopted a narrow focus by examining merely HRM practices more specifically but neglecting local employment relations practices (Björkman et al., 2007, Colakoglu and Caligiuri, 2008, Edwards and Kuruvilla, 2005). This narrow focus is surprising for various reasons. Nearly every study on the transfer of practices and the management of foreign subsidiaries alludes to

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<sup>1</sup> A similar term for CBEs is “parent country national” (PCN). Whereas the term emphasizes the cultural background of an expatriate, CBE highlights the expatriate’s embeddedness in the company. The expatriation literature treats PCNs and CBEs as almost identical, both in terms of scholarly theorizing and in terms of operationalization. However, because more recent publications adopt the term CBEs and because it better matches our operationalization, we use the term CBE throughout this article.

the important influence of cultural or institutional distance (e.g., Farley et al., 2004, Paik and Sohn, 2004). Moreover, researchers have argued that HRM practices are differently compatible with the local conditions (Lu and Björkman, 1997).

Most importantly, many challenges and tensions that MNCs experience in managing foreign subsidiaries appear to relate to the presence and absence of country-specific IR practices rather than firm-specific HRM practices. For example, Tayeb (1998) highlights how American MNCs face stronger resistance at unionized plants in Scotland than they face at non-unionized plants. Similarly, tensions between foreign subsidiaries in Japan often arise in the context of Japanese industrial relation (IR) practices rather than firm-specific HRM practices (Beamish and Inkpen, 1998, Paik and Sohn, 2004). Thus, as Edwards and Kuruvilla (2005) note, the research thus far has only vaguely conceptualized national differences, particularly those related to the institutional environment of host countries.

Building on the varieties of capitalism (VoC) approach (Hall and Soskice, 2001) and research on the cross-border adaptation of business practices (Kostova and Roth, 2002, Rosenzweig and Nohria, 1994) and on expatriation (Gaur et al., 2007, Harzing, 2001, Hippler, 2009), this article asks how MNCs use CBEs to adjust subsidiaries' employment modes to different market economies. We focus on CBEs because of "their potential for boundary spanning between headquarters and the host subsidiaries" (Colakoglu and Caligiuri, 2008). Moreover, unlike previous studies that merely investigate the ability of expatriate managers to adjust HRM practices, this article situates the effectiveness of expatriate managers within the broader context of employment modes.

We conceptualize employment modes as bundles (e.g. Gerhart, 2007, Jayasekara and Takahashi, 2014, MacDuffie, 1995) of HRM practices that are implemented at the firm level and IR practices. IR practices are characteristic for a market economy either by formalization in national regulations or by embeddedness as good practices among many firms (Singe and

Croucher, 2005). Although firms can choose which IR practices to adopt, the institutional pressures limiting this choice differ substantially among different market economies (Thelen, 2001). In contrast, HRM practices are less regulated, thereby giving firms more leeway in adapting HRM practices according to their strategic needs (Lepak and Snell, 1999). Because IR practices directly reflect a country's institutional environment, our conceptualization of employment modes allows us to focus our investigation on aspects specific to the institutional environment of an MNCs' host country.

Empirically, we explore the employment modes of 76 subsidiaries of U.S. MNCs (hereafter U.S. subsidiaries) in Germany, Switzerland and the United Kingdom (UK). For our analysis we use fuzzy set Qualitative Comparative Analysis (fsQCA), a method that is particularly suited for exploratory analysis and theoretical development (Kent, 2005). fsQCA systematically compares configurations of multiple elements but does not require *ex ante* specification of directions of relationships. Therefore, fsQCA is capable of identifying how bundles of practices (e.g., Gerhart, 2007, Meuer, 2017, Mitchell et al., 2013) or, in our case, employment modes are uniquely adapted to one of the three market economies.

Our results identify four major expatriation strategies for the adaptation of employment modes to different market economies. We label these strategies "ambiguous expatriation," "substantive expatriation," "substantive non-expatriation," and "balanced non-expatriation." Each strategy shows idiosyncratic associations with the adaptation of employment modes that largely depend, first, on the differences between the institutional environment (home) of the parent firm and that of the subsidiary (host) and, second, on the international focus of the MNC.

Thus, we find that not all MNCs use expatriates in the same way. Regarding MNCs decision for (or against) expatriation staffing, our findings suggest that expatriation is primarily advantageous for MNCs when the fit between the home country and host country is

low. In these cases, MNCs are more likely to use expatriates to adapt employment modes to the idiosyncratic features of the subsidiary's host country. However, when the fit between home and host countries' institutions is high, MNCs are less likely to staff subsidiaries with expatriate managers due to the substantive costs involved with expatriation.

Our findings call for more research, first, to more precisely conceptualize national differences and, second, to investigate the intersection of HRM and IR practices in the management of foreign subsidiaries (e.g., Gooderham et al., 1999, Singe and Croucher, 2005). Our findings contribute to the literature on international management and expatriation by providing a first approach, and emphasizing the need, to better conceptualize effects originating in the institutional environment of subsidiaries' host countries. Moreover, we show that more holistically integrating HRM and IR practices into employment modes allows researchers to specify the boundary conditions of expatriation strategies.

This article is structured as follows. In the literature section, we review and integrate the literature on the VoC approach, and the international business and expatriation literature. In the methodology section, we introduce the data and methodology as well as the outcome and explanatory conditions included in our empirical study. In the results section, we describe and explain our results. In the discussion section, we discuss our findings against the relevant literature and outline several limitations and avenues for future research.

## **Literature**

To explore expatriation as a central "transnational learning mechanism" in the adaptation of employment modes, scholars have recently called for more multi-level approaches to analyzing the role of MNCs in the changes of international employment modes (Collings, 2008, Ferner et al., 2011, Tregaskis et al., 2010). This article combines the VoC approach (Hall and Soskice, 2001, Thelen, 2001) with the international business literature on the cross-border transfer of business practices (Kostova and Roth, 2002, Rosenzweig and

Nohria, 1994) and the literature on expatriation (Gaur et al., 2007, Harzing, 2001, Hippler, 2009). Although each of the three bodies of literature provides important insights, we argue that their combination provides a unique opportunity for comprehensively assessing how expatriation is associated with the adaptation of employment modes.

### *The VoC approach and the Institutional Distance of Employment Modes*

The VoC approach argues that structural differences of market economies explain the behavior of markets, industries or firms (Hall and Soskice, 2001). Coordinated market economies (CMEs), such as Germany, emphasize non-market coordination mechanisms, whereas liberal market economies (LMEs), such as the U.S. or the UK, are less coercive in prescribing such mechanisms, relying instead on market coordination.

Traditionally, the VoC literature has strongly focused on the analysis of IR systems (Hall and Soskice, 2001), with only limited consideration of the HRM systems of different market economies (Marsden, 1999). Characteristic for the IR systems of CMEs is the establishment of labor representation or the participation of firms in an economy's vocational education system (Thelen, 1994, Thelen, 2001). At the firm level, Tsui et al. (1995) suggest that HRM systems in CMEs tend to be organization-focused, emphasizing investments in training, organization-based compensation, and higher job security. Organization-focused relationships provide managers with flexibility in the internal deployment of workers. In contrast, IR systems in LMEs are less coordinated so that the adaptation of, for example, labor representation or collective agreements is either at the discretion of the firm or in the employees' bargaining power. Rather than investing in employees, firms in LMEs rely more strongly on the external labor market (Thelen, 2001), thereby avoiding long-term labor relationships and investments in training. Job descriptions are task-focused, and compensation is based on individual performance. Such employment modes traditionally provide managers with more flexibility for hiring and firing.

The strength of the VoC approach lies in identifying ideal type market economies and highlights the importance of their institutional distance. Nonetheless, the simplistic bifurcation of market economies and the limited consideration of firm-specific aspects have at least two disadvantages for understanding expatriation in the adaptation of employment modes. First, the VoC approach neglects firm-level considerations, such as the strategic orientation (Harzing, 2000) or "country-of-origin" effect (Edwards, 2004, Ferner, 1997, Tregaskis et al., 2010). Likewise, the VoC approach remains silent on questions of the cross-border transfer of business practices and the clashes of institutional logics that may occur between firms from different countries. Recent empirical results, however, indicate that foreign subsidiaries behave differently from domestic firms (Edwards et al., 2010, Kluike and Pull, 2013, Marginson et al., 1995). By failing to distinguish between domestic and foreign firms, the VoC approach implies that subsidiaries of MNCs will adapt only those employment modes that are characteristic of their host market economy.

Second, little information is available on the shape of employment modes in hybrid market economies, i.e., those that are not unambiguously CME or LME. Nonetheless, recent empirical evidence shows that most countries and even those that commonly serve as paradigmatic cases (e.g., Germany or the UK) contain elements of both CMEs and LMEs (Kluike, 2015, Schneider et al., 2010).

### *The International Business Literature and the Focus of MNCs*

The international business literature concerned with the international focus of MNCs more generally discusses firm-level considerations in the transfer of business practices. To understand the transfer of business practices at the firm level between the headquarters and the MNCs subsidiaries, most of the international business literature distinguishes three international foci of MNCs (Harzing, 2000). First, ethnocentric MNCs take their headquarters as the blueprint, striving to replicate its structure in foreign subsidiaries (Almond et al.,

2005). The training of key personnel occurs at the headquarters, and subsidiaries imitate the employment modes of the headquarters, that is, strive towards "internal consistency."

Second, polycentric MNCs give foreign subsidiaries more leeway to adapt to local conditions so that subsidiaries strive towards "local isomorphism" (Bartlett and Beamish, 2011, Rosenzweig and Nohria, 1994). Decision-making occurs locally, and employees identify with the local, not global, organization. Other scholars have labeled the polycentric strategy a "multinational" or "national responsiveness" strategy (Bartlett and Goshal, 1989). Third, geocentric MNCs focus on collaborative approaches to decision-making between the headquarters and its subsidiaries to develop standards that are simultaneously local and global. Communication between the headquarters and the subsidiary runs both ways: employees are rewarded for meeting local and global corporate objectives. The main tenet of the geocentric focus lies in the absence of a particular local strategy, whether of the home or the host country of the MNC. Other labels for the geocentric strategy are transnational or administrative coordination (Bartlett and Goshal, 1989).

Although the literature on the adaptation of business practices between MNC headquarters and their subsidiaries provides important insights into the role of an MNCs international profile in fostering "local isomorphism" or "internal consistency" (Bartlett and Beamish, 2011, Farndale et al., 2008), this literature largely neglects the role of the institutional difference that may lie between the home and the host countries of the MNC (Tregaskis et al., 2010). In fact, although most studies on the transfer of knowledge generally (Paik and Sohn, 2004) or on the transfer of HRM practices specifically (Lu and Björkman, 1997) highlight the role of institutional distance between an MNC's home and host countries, few studies adequately conceptualize these institutional differences between nations (Edwards and Kuruvilla, 2005).

Moreover, most researchers examine coordination and control mechanisms more generally, thereby neglecting that the degree to which, for example, IR practices are embedded in local institutional environments or the extent to which HRM practices are culturally accepted, may differ substantially from other functional practice areas (Caligiuri and Colakoglu, 2007, Ferner et al., 2011, Kostova and Roth, 2002, Vachani, 1999). Institutional environments do not necessarily shape employment modes but they certainly determine how MNCs implement and practice them (Almond et al., 2005).

Finally, whereas the international business literature has paid attention to the role of expatriation in the transfer of organizational practices, it has only vaguely explored to what extent employment modes require adjustment to specific market economies (Edwards et al., 2010, Harzing, 2000, Harzing, 2001). In their seminal contribution, Rosenzweig and Nohria (1994) find that expatriates positively affect the adaptation of HRM practices, a finding supported by other studies (Edwards and Kuruville, 2005, Farley et al., 2004, Gamble, 2003). However, Björkman et al. (2004) find no support for the positive influence of expatriate managers on knowledge transfer, a results that may be driven either by differences in the cultural familiarity of the expatriate manager (Paik and Sohn, 2004) or by the type of practices that were transferred (Lu and Björkman, 1997, Tayeb, 1998). Thus, the literature has identified expatriation as an important international HRM strategy for facilitating cross-border learning in MNCs but has ignored how expatriates may facilitate not only the transfer of practices from the headquarters to a subsidiary but also the adjustment of practices to the institutional environment of the host country.

#### *The Expatriation Literature on Boundary-spanning of Expatriates*

Much of the expatriation literature has focused on the abilities of expatriates to “translate” between different cultural domains (Harzing, 2001, Reiche et al., 2009) identifying expatriates as important agents in the adaptation of business practices (Edwards et

al., 2010). The expatriation literature currently distinguishes two dominant types of expatriates: CBEs, who are sent abroad directly by their employer to work in a foreign subsidiary of the company, and SIEs, who move abroad on their own initiative and whose purpose of moving abroad is unrelated to their employment (Doherty et al., 2011, Tharenou, 2015). CBEs and SIEs differ in a number of aspects (Inkson et al., 1997), and the two types of expatriates share important commonalities. For example, Au and Fukuda (2002) argue that the value of expatriates lies in their boundary-spanning activities and provide evidence for expatriates' role in balancing trends towards "local isomorphism" and "internal consistency." Others, however, contend that expatriates tend to implement practices similar to those they experienced at headquarters (Chang et al., 2012, Tsui et al., 1995). According to these researchers, expatriates will foster the "internal consistency" of MNCs and oppose the adaptation of employment modes to a foreign context.

Thus, MNCs may strategically use expatriation to pursue different objectives (Harzing, 2001). The extent to which MNCs use expatriates for the management of foreign subsidiaries reflects the strategic focus of the firm. Konopaske et al. (2002), for example, distinguish between ethnocentric staffing (i.e., the extensive use of expatriates) and polycentric staffing (i.e., the extensive use of host country nationals). They thus explicitly link expatriation to the international business literature on the focus of MNCs.

In sum, theories on IR and HRM in different market economies, on the international strategies of MNCs, and on expatriation provide valuable focused insights. Additionally, many studies incorporate the theoretical ideas from two related strings of literature. Nonetheless, the literature has only provided limited theoretical considerations about the complex interplay between the institutionalized structures of host market economies, the internal focus of MNCs, and the influence of expatriates.

In this article, we integrate the three interrelated bodies of literature to develop the first theoretical insights into the role of expatriation strategies in the adaptation of employment modes to different market economies. Following calls for more multi-level perspectives on expatriation (McNulty and De Cieri, 2014, Wright and van de Voorde, 2009), we highlight how the forces at these levels of analysis in combination shape how MNCs use CBEs to adjust subsidiaries' employment modes to different market economies.

## **Method and Analysis**

### *Data selection*

After retrieving contact details from Bureau van Dijk's Amadeus database, we sent out questionnaires to five hundred randomly selected U.S. subsidiaries in each of the three countries (i.e., Germany, Switzerland, and the UK) in October and November 2010. The questionnaire covered aspects of IR and HRM practices that the subsidiary uses and asked about the composition of the workforce, including questions on the share of staff originating from the parent firm. A first round of mailings yielded a response of 33 questionnaires, each from U.S. subsidiaries in Germany and Switzerland, and 12 questionnaires from U.S. subsidiaries in the UK. Follow-up calls in the UK revealed that some of the firms we contacted were not U.S. companies or not in business anymore. We also found that U.S. subsidiaries with a non-response policy were higher in the UK than in Germany and Switzerland. To make up for this larger share of non-responding companies in the UK and to increase the number of responses in the UK, we conducted a second round of mailings that yielded another 21 responses from US subsidiaries in the UK.

From the total population of 99 responses, we excluded 16 subsidiaries with fewer than ten employees. This procedure is common in studies on HRM systems because firms with fewer employees do not have the resources to implement strategic employment modes

(Boselie et al., 2005). Moreover, we excluded seven observations because too many values in the items of interests were missing. Of the remaining 76 U.S. subsidiaries, 24 (31.6%) are in Germany, 30 (39.5%) are in Switzerland, and 22 (28.9%) are in the UK.

Table 1 provides descriptive statistics for the U.S. subsidiaries in the sample in Germany, Switzerland, and the UK with information on their size and their area of operation, which is the industrial, service, or information sector.

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Insert Table 1 here

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#### *Method and calibration*

We draw on fuzzy-set Qualitative Comparative Analysis (fsQCA) to identify the design of discrete employment modes unique to any of the three market economies and to account for the theoretical complexity underlying the notion of "bundles" (MacDuffie, 1995, Meuer, 2017). Instead of comparing individual variables, fsQCA examines combinations of elements (i.e., configurations) and minimizes these configurations by using Boolean algorithms that eliminate irrelevant conditions. More specifically, fsQCA follows Mill's method of difference, considering irrelevant any element that distinguishes only one of two configurations that both lead to the same outcome. This procedure allows fsQCA to identify structures characterized by the simultaneous presence of multiple elements. fsQCA is therefore highly suitable for uncovering the discrete design of employment modes unique to institutional environments and for developing first theoretical insights for questions with only a minimum set of theoretical considerations available (Kent, 2005).

fsQCA operationalizes measures as membership scores within pre-defined sets. A score of 0 represents full *non*-membership, whereas a score of 1 indicates full membership. Researchers obtain membership scores through calibration, an approach that defines

meaningful anchor points within the item distribution depending on the level of fit between the content of the ordinal categories and the qualitative conceptualization of membership in the set (Fiss, 2011, Ragin, 2008a). We develop sets for each measure in the analysis, using the following items and calibration procedures to examine the association of expatriation with bundles of IR and HRM practices.

#### *Geographical location as the outcome measure*

The outcome measure is the geographical location of the U.S. subsidiary. This measure takes a value of 1 if the subsidiary operates in a given country (e.g., the UK) and 0 otherwise (e.g., Germany and Switzerland). This operationalization has two advantages: First, our operationalization does not *ex ante* classify market economies as either CMEs or LMEs. Whereas such an approach appears less problematic in the cases of Germany and the UK, two countries regularly considered ideal CMEs or LMEs, such an approach is particularly problematic in the case of hybrid market economies, such as Switzerland (Schneider et al., 2010). Second, it allows us to isolate those employment modes equally suitable for different market economies from those that are decidedly unique to one of the specific market economies. This step more precisely examines how expatriation is associated with the adaptation of employment modes.

#### *Independent measures*

In line with similar research (e.g., Björkman et al., 2004, Paik and Sohn, 2004), our measure for expatriation is the share of staff originating from the parent firm (i.e., CBEs who are sent abroad by their employer). We develop the set as follows. Subsidiaries with no expatriates are clearly *out* of the set and therefore receive a score of 0. Furthermore, following the expatriation literature, which finds that even a few expatriates will have a

substantial influence on the local operations (Chang et al., 2012, Collings et al., 2007, Harzing, 2001), any subsidiary with expatriates is considered to be *in* the set.

Membership scores above 0.5 are assigned by examining the distribution in the share of expatriates: (1) subsidiaries with between 1%-9% of expatriates receive a membership score of 0.7; (2) subsidiaries with between 10%-19% of expatriates receive a score of 0.8; (3) subsidiaries with between 20%-49% of expatriates receive a score of 0.9; and (4) subsidiaries staffed with more than 50% of expatriates receive a the membership score of 1. With no unambiguous rationale for assigning membership scores, beyond the reasoning that they should lie between 0.5 and 1 when at least some expatriates are working at the subsidiary, alternative calibrations by reducing the membership scores by 0.1 for all intermediate scores show that the results remain unaffected.

Furthermore, we include three IR practices that we calibrate as follows. *Vocational training participation* and *labor representation*<sup>2</sup> are measured as binary, with a membership score of 1 when firms participate in vocational training or when a form of labor representation exists and a membership score of 0 otherwise. Subsidiaries with a *collective agreement* negotiated at a higher level than the subsidiary have a membership score of 1 in the set of firms with a collective agreement. Those cases with a collective agreement negotiated at the (lower) subsidiary level receive a membership score of 0.6. Subsidiaries that do not have a collective agreement but use tariffs as a guideline for determining actual wages receive the score 0.3. Those subsidiaries that neither have a collective agreement nor use tariffs as guidelines receive a membership score of 0.

Additionally, our model accounts for four HRM practices that previous research has examined (Boselie et al., 2005, Pfeffer, 1994). We calibrate these HRM practices according

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<sup>2</sup> Because forms of labor representation differ between countries, we included country-specific terminology in the questionnaires. In Switzerland, we asked for the existence of a “Personnalkommision,” in Germany of a “Betriebsrat,” and in the UK of a “works council.”

to two modes of calibration: (1) in the case of binary measures, whether a subsidiary has implemented a certain HRM practice, and (2) in the case of continuous measures, the extent to which subsidiaries rely on a certain practice.

First, *training* is the average number of training days that staff receives annually. Second, we measure *occupation-focused employment* with two items: whether job categories follow (1) occupational qualifications (e.g., engineer) or (2) work tasks (e.g., typist), reverse coded. Together the two items reflect the reliance on occupation-focused employment. Third, a binary measure for *occupation-based compensation* indicates whether compensation derive from organization-focused considerations. Fourth, we measure *job security* using a five-point Likert scale question asking respondents about their agreement with the following statement: "Staff numbers are often adjusted according to business need." This variable calibrates all non-binary measures to a fuzzy-set scale ranging from 0 for subsidiaries that either have not implemented or do not heavily rely on an HRM practice to 1 for those subsidiaries that heavily rely on a specific HRM practice.

Table 2 provides descriptive statistics and correlations for the measures. As expected, subsidiaries in Germany are more likely to have labor representation and collective agreements. In contrast, U.S. subsidiaries in Switzerland tend to avoid forms of labor representation and instead use occupation-based compensations, much in line with Switzerland's strong vocational education sector (Meuer et al., 2015). Finally, aspects worth noting for U.S. subsidiaries in the UK are their comparatively low share of expatriates and their avoidance of collective agreements and occupation-based compensation (Harzing, 2001).

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Insert Table 2 here

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## *Analysis*

We run three independent analyses on the employment modes of U.S. subsidiaries in Germany, Switzerland, and the UK. To identify employment modes that are unique to a market economy, fsQCA proceeds as follows: First, a truth table is generated in which each row corresponds to a possible combination of present and absent measures. For each configuration, fsQCA provides information on the number of actual cases and the degree to which these cases are consistent with a specific category.

Second, researchers select configurations with both a sufficiently high coverage and consistency. The coverage value indicates the minimum number of empirically observed cases for each configuration. The consistency value displays the proportion of cases consistent with the outcome (Ragin, 2008b). In this article, the coverage threshold is set at 1 and the consistency threshold is set at 0.8; both thresholds are in line with the standards of good practice in fsQCA analysis (Fiss, 2011, Ragin, 2008b).

Third, fsQCA uses Mill's method of difference to systematically compare employment modes and to identify the combinations of practices that are indispensable for representing an employment mode. To identify those combinations of employment modes unique to a given market economy, Boolean logic reduces the number of possible configurations.

## **Results**

The results are presented in a configuration chart in which large circles illustrate core practices. Circles are filled when an employment mode relies on, or builds upon, a given practice; crossed out circles indicate that firms do not use a practice. Peripheral practices appear as smaller circles, and empty cells indicate that a certain practice is irrelevant for explaining location-unique employment modes (Fiss, 2011). Figure 1 shows the results from the three independent analyses for each market economy. The first column on the left side

lists all independent measures included in the model. The top row arranges the different employment modes of U.S. subsidiaries, beginning (on the left-hand side) with the employment modes unique to Germany, followed by those unique to Switzerland and then those unique to the UK.

The bottom of Figure 1 illustrates the model coefficients, the overall solution consistency, and the overall solution coverage. The consistency measure indicates how consistently each employment mode is associated uniquely with one location. Ranging from 0.89 for Switzerland to 0.96 for Germany, the consistency measures for the three models are above the usually recommended threshold of 0.80 (Ragin, 2008b, Schneider and Wagemann, 2013). Coverage provides information on the number of cases (i.e., subsidiaries) that have adapted an employment mode. The three overall solution coverage coefficients range from 0.17 to 0.30, indicating that the results account for between 16.7% (Switzerland) and 37.5% (Germany) of the subsidiaries' employment modes.

As the configuration chart shows, the employment modes of U.S. subsidiaries greatly differ in their combination of core IR and HRM practices, each surrounded by peripheral practices that help to explain the country uniqueness of each employment mode. Moreover, the first employment mode unique to Germany DE(1) displays neutral permutations; that is, its core practices are surrounded by more than one combination of peripheral practices. Thus, the results provide evidence for first-order equifinality across employment modes unique to each country and for second-order equifinality within one employment mode unique to Germany.

To advance the understanding of expatriation in the adaptation of employment modes to different market economies, the following three subsections, first, describe the employment modes unique to each location with respect to the expatriation strategy of the MNC and, second, compare the results across market economies.

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Insert Figure 1 here

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*Employment modes of U.S. subsidiaries unique to Germany*

Figure 1 indicates that there are two employment modes of U.S. subsidiaries unique to Germany. The results for U.S. subsidiaries in Germany explain only the employment modes of nine, or 37.5%, of the 24 subsidiaries. The remaining 15 subsidiaries implement employment modes similar to those adapted to the Swiss or the UK economy.

Only two of the 24 subsidiaries in Germany match the first employment mode, DE(1). Its core practices are the presence of employment representation and the absence of occupation-focused employment and occupation-based compensation. Participation in vocational training is peripheral. Moreover, the results identify two neutral permutations of DE(1). DE(1A) matches U.S. subsidiaries that have only a moderate share of expatriates, whereas DE(1B) matches those that use collective agreements and provide higher levels of job security. Given these features, this employment mode is labeled an "ambiguous expatriation" strategy with an IR adaptation of polycentric MNCs.

The HRM practices indicate that neither compensation nor job descriptions are based on occupational qualifications, two practices considered a characteristic feature of employment modes of LMEs, not CMEs, such as Germany. Thus, whereas the IR bundles of the U.S. subsidiaries with this employment mode somewhat resemble the relatively coercive German IR system (i.e., the subsidiaries' host country), the HRM practices more strongly resemble the bundles characteristic for the U.S. (i.e., the subsidiaries' home country). These employment modes are thus ambiguous in their combination of IR and HRM practices. Moreover, the two neutral permutations of "ambiguous expatriation" reveal a trade-off

between sending expatriates DE(1A) and relying more strongly on a combination of collective agreements and a higher level of job security DE(1B).

The second employment mode, DE(2), matches seven of the 24 U.S. subsidiaries in Germany. Characteristic for this second employment mode unique to Germany is the presence of expatriates, participation in vocational training and employment representation and the absence of job security. Given the substantive role of expatriates, the results suggest that, in particular, MNCs with an ethnocentric focus will use this employment mode (Konopaske et al., 2002). Compared to DE(1), MNCs matching DE(2) more comprehensively adapt to the host country's IR practices, in this case Germany's vocational training system and employment representation. Nonetheless, strong ethnocentric staffing appears to shape HRM practices according to the home country's traditions. The reliance on firing flexibility, for example, may indicate a result of HRM customs of U.S. expatriates. Consequently, this employment mode is labeled a "substantive expatriation" with selective IR adaptation of ethnocentric MNCs.

#### *Employment modes of U.S. subsidiaries unique to Switzerland*

The employment modes of U.S. subsidiaries in Switzerland appear in columns 4 to 6 in Figure 1. The results explain only five, or 16.7%, of the 30 employment modes of U.S. subsidiaries in Switzerland, indicating that given Switzerland's hybrid institutional profile, the *ex ante* theoretical arguments for how expatriation strategies might match the design of employment modes in Switzerland are inconclusive. In contrast to the case of Germany, there are two employment modes in Switzerland distinctly characterized by either the presence or absence of expatriates.

The first employment mode, CH(1), represents four of the 30 U.S. subsidiaries. The core characteristics of CH(1) are the presence of expatriates and the absence of occupation-focused employment and vocational training. For CH(1), the absence of collective

agreements and training and the presence of occupation-based compensation are peripheral. CH(1) is labeled as "substantive expatriation" with IR avoidance by ethnocentric MNCs.

U.S. subsidiaries with substantive expatriation do not participate in Switzerland's vocational training system; jobs are categorized according to tasks, and these subsidiaries provide no training. Moreover, as the results suggest, U.S. subsidiaries implementing this employment mode seek to either provide lower levels of job security or to reduce the influence of employment representation forms. Indeed, the salient feature of this employment mode is its strong reliance on expatriation. For Switzerland, however, this reliance results in not implementing Swiss IR practices, such as vocational training.

The second employment mode unique to Switzerland, CH(2), stands in stark contrast to CH(1) because of the absence of expatriates. Adapted by only one subsidiary, its core characteristics are the presence of employment representation, occupation-based employments and job security. The absence of collective agreements and training and the presence of occupation-based compensation are peripheral. Because it appears so important that these subsidiaries are managed by local employees, not by employees originating from the headquarters, this employment mode is labeled "substantive non-expatriation."

The results suggest that when Swiss employees have a stronger voice in the management of the subsidiary, the employment mode of U.S. subsidiaries in Switzerland will entail rather local HRM practices and rather CME-like IR practices. Thus, MNCs with a polycentric profile are likely to implement a substantive non-expatriation strategy to adapt to local employment modes.

#### *Employment modes of U.S. subsidiaries unique to the UK*

Our analysis identifies two employment modes unique to U.S. subsidiaries in the UK. The results explain seven of the 22 U.S. subsidiaries in the UK. In contrast to DE(1), DE(2)

and CH(1), in both employment modes unique to the UK, the absence of expatriates is peripheral.

The core characteristics of the first employment mode, UK(1), adapted by one subsidiary, are the presence of employment representation and occupation-based employment and the absence of occupation-based compensation. The absence of collective agreements, training, job security, and expatriates is peripheral. Despite UK(1) having a lower reliance on expatriates than CH(2), these two employment modes are similar: the two salient features of UK(1) are its reliance on employment representation and the presence of occupation-based employments, both uncharacteristic of an LME such as the UK. Therefore, UK(1) is labeled "IR-based non-expatriation" adapted by MNCs with a polycentric focus.

The second employment mode unique to the UK, UK(2), appears in six subsidiaries. The core characteristics of UK(2) are the absence of vocational training, occupation-based employment, and occupation-based compensation. The absence of employment representation, collective agreements and job security is peripheral. Thus, all features of UK(2) are in line with the expectations of the VoC approach (Thelen, 2001). Given its strong singular reliance on occupation-focused employment, UK(2) is labeled "occupation-focused non-expatriation."

The employment modes unique to U.S. subsidiaries in the UK show notable differences. First, for U.S. subsidiaries, expatriates are less important in the UK than in Germany or Switzerland. Second, U.S. subsidiaries in the UK rely much less on IR practices and much more on HRM practices. Thus, U.S. subsidiaries in the UK enjoy much more flexibility in the design of employment modes.

## **Discussion**

By comparing the employment modes, defined as bundles of HRM and IR practices implemented at the firm level, and the role of CBEs of U.S. subsidiaries in Germany,

Switzerland and the UK, this article provides insights into expatriation strategies in the adaptation of employment modes to different market economies. The results reveal substantially different expatriation strategies contingent upon (1) the difference between the institutional environment of the headquarters' home country and the subsidiary's host country and (2) the international focus of the MNC.

First, the results do not identify a single IR or HRM practice that, by itself, uniformly describes either the employment modes of U.S. subsidiaries abroad or the particular country choice for establishing U.S. subsidiaries. Given that IR practices are national institutional elements, not finding a single practice is not necessarily surprising, but it does strongly suggest that the home country's "imprinting" (Bird et al., 1998) of employment modes is less important than the host country's adaptation of employment modes to differing market economies. Second, our results suggest that expatriation appears to be particularly suitable for subsidiaries of ethnocentric MNCs either in hybrid institutional environments or in an institutional environment substantially different from that of the headquarters. Such a substantive expatriation strategy is found among U.S. subsidiaries in Germany and Switzerland. Under substantive expatriation, foreign firms selectively adapt host countries' IR practices and design HRM practices according to the needs of the MNC.

Third, the results identify an "ambiguous expatriation" strategy in subsidiaries in an institutionally different environment. This strategy is unique to Germany. Expatriation in this case is ambiguous for ethnocentric MNCs because the combination of expatriates with the international focus of the MNC appears to result in tensions between the possibly symbolic adaptation of home country IR practices - such as participating in the Vocational Education and Training system or relying on employment representation - and the implementation of host country HRM practices. Fourth, in all other instances, the results suggest that non-

expatriation is more advantageous for MNCs in aligning employment modes with their international focus and the institutions of the host country.

Substantive non-expatriation appears to be advantageous for Switzerland and possibly advantageous for polycentric MNCs in hybrid institutional environments or in institutional environments similar to those of the MNC's headquarters. Substantive non-expatriation fosters local isomorphism, thereby allowing MNCs to adopt employment modes that are characteristic of the host country.

Remarkably for the UK, the market economy that institutionally most closely resembles that of the U.S., is the overall absence of expatriates in both locations - unique employment modes. However, the absence of expatriates only partly captures the employment modes of U.S. subsidiaries in the UK. In these cases, the employment modes appear to emerge from the institutional similarity between home and host countries - not from a particular expatriation strategy. The non-use of expatriation as a control instrument allows subsidiaries to adapt to local IR practices and to design HRM practices according to their needs. The results for the UK suggest that expatriation appears to be irrelevant in institutionally similar countries, so firms can use more cost-effective solutions to the staffing of overseas subsidiaries (Ando and Paik, 2014, Bonache Pérez and Pla-Barber, 2005), for example, by hiring local managers.

### *Contribution to theory*

Our article contributes to international management theory and the expatriation literature in three ways. First, we reveal patterns among employment modes of HRM practices and IR practices. Thus far, the international management literature has only insufficiently incorporated institutional differences between home and host country (Edwards and Kuruvilla, 2005). Our article contributes to research on the transfer of HRM practices by developing an approach that allows researchers to better and more precisely conceptualize the institutional background of host countries. Moreover, and in extension, our approach is

capable of capturing detailed institutional differences between home and host countries. By revealing patterns of IR and HRM practices, our article emphasizes the need to account for the institutional background of host market economies when investigating aspects of strategic importance to MNCs.

Second, the bundles of HRM and IR practices we identify only partly confirm theories on the international focus of MNCs. Thus, although our results corroborate some of the core propositions of international management theory, the results do not provide a picture as clear as desirable. Incorporating aspects of host countries' IR systems reveals that the choice between major international foci (i.e., ethnocentric, polycentric, and geocentric) fails to capture the challenges that MNCs face when managing foreign subsidiaries. Therefore, our article corroborates previous findings (e.g., Tayeb, 1998) that criticize international management theories and call for research to better conceptualize the challenges and opportunities for MNCs when managing foreign subsidiaries.

Third, our article contributes to the expatriation literature by providing novel insights into the boundary conditions of MNCs expatriation strategies. Many studies provide evidence of a positive correlation between the staffing of subsidiaries with expatriates and MNCs' ability to transfer HRM practices (Gamble and Huang, 2009, Paik and Sohn, 2004). However, other studies find positive influences of expatriate managers on the impact of headquarters' control mechanisms on foreign subsidiaries (Björkman et al., 2004). Our article contributes to better understanding the potential role of expatriates in adjusting the employment modes of foreign subsidiaries by pointing towards three conceptual elements that previous research has neglected. As we have discussed above, these inconclusive findings may stem from an insufficient conceptualization of institutional differences or the failure to incorporate specific institutions, such as IR practices.

However, these inconclusive findings may also result from an overly vague treatment of expatriates. Focusing explicitly on CBEs rather than SEIs and incorporating the differences in IR practices in our article allow us to specify conditions under which MNCs may fruitfully employ expatriation to adjust employment modes to the particular conditions of host market economies. Specifically, the staffing of foreign subsidiaries with CBEs appears to be more effective when subsidiaries are located in institutionally distant market economies and when subsidiaries require close alignment with the headquarters' operations. In other situations, staffing with CBEs may not necessarily be strategically advantageous, but SEIs may still be the more cost-effective alternative. Thus, we contribute to the expatriation literature by highlighting the need to take into account macro-institutional conditions of the host country and by specifying the enabling and limiting conditions for the boundary-spanning function of expatriates.

#### *Managerial implications*

As our findings indicate, the apparent patterns between HRM practices and IR practices call for managers to not merely account for the function of foreign subsidiaries in the MNCs global strategy but also carefully consider what type of IR governs the local environment of foreign subsidiaries. Evidence of failed management of foreign subsidiaries suggests that how countries organize IR may pose additional risks to MNCs. However, IR also promise substantive opportunities to foreign firms that firms can use to improve their potential successes, for example by providing stable labor market conditions, a continuous provision of highly skilled labor, or hiring and firing flexibility. We argue that the extent to which MNCs may tap into these opportunities largely depends on their ability to align their HRM practices not only to the MNC's global operations but also to the local IR regulations.

The VoC approach centers on a dichotomy that distinguishes coordinated from liberal market economies (Hall and Soskice, 2001). In line with the VoC approach, we expect that it

should be relatively easy for managers to anticipate the potential impact of IR practices for subsidiaries located in countries that clearly fall into one of the two pure categories of market economies (coordinated vs. liberal). However, managers will find it more difficult to assess the risks and opportunities associated with aligning the HRM and IR practices of foreign subsidiaries when subsidiaries are located in “hybrid” market economies. In our article, we have chosen Switzerland, a mature “hybrid” market economy with stable IR practices. Other market economies, such as China, may qualify as hybrids as well because their IR systems are in transition and have the feature of new and old IR practices at the same time (Farley et al., 2004, Lu and Björkman, 1997). Our article suggests that the management of foreign subsidiaries in these locations will require more attention and closer monitoring from managers.

Moreover, we find that MNCs have different options for expatriation staffing. Thus, for situations where MNCs seek to better align the subsidiary with its host country institutional and labor market environments, our article provides important managerial implications. Overall, our findings suggest that the use of CBEs appears most beneficial for MNCs when subsidiaries are located in institutionally distant host markets and when subsidiaries still require close alignment with headquarters. For institutionally closer host markets, CBEs are less important, and their comparatively high costs may not be justified. SIEs may however be very effective and less expensive, thereby offering a viable alternative to MNCs’ expatriation staffing. Thus, our findings suggest that MNCs should avoid hiring costly CBEs for institutionally similar countries and should instead employ CBEs in subsidiaries in more dissimilar countries. Moreover, our findings also suggest that MNCs should avoid the use of costly CBEs when subsidiaries require little integration with the headquarters’ HRM system and should focus their use on those cases when subsidiaries are faced with the need for a close alignment with headquarters. Ultimately, MNCs should approach staffing with SIEs as

strategically as staffing of CBEs and should consider the opportunities of having a good mix of CBEs and SIEs for better cost-effectiveness.

### *Limitations and Future research*

Our article is limited in three ways that suggest directions for future research. First, we have argued that, to better and more precisely conceptualize the institutional distances between MNCs headquarters and subsidiaries, research should more holistically examine HRM and IR practices in conjunction, rather than focusing exclusively on the challenges of adjusting HRM practices. Our findings identify different patterns of HRM and IR practices, some more and others less, in line with the IR and the international management literatures. Prior research on the international transfer of HRM practices has suggested that some HRM practices will be more locally embedded than others, indicating a certain level of “stickiness” of HRM practices (e.g., Gamble, 2003, Lu and Björkman, 1997). Other researchers have argued that the effectiveness of HRM practices lies in their nature as “bundles” (MacDuffie, 1995) and the degree to which these bundles are internally consistent and individual practices are complementary (Appelbaum et al., 2000, Chadwick, 2010, Gerhart, 2007, Meuer, 2017). Investigating these aspects is beyond the scope of our analysis yet future research may develop important insights by investigating the complementarities among HRM and IR practices and the extent to which more or less ambiguous employment modes are associated with more or less successful subsidiaries.

Second, our sampling approach allows us to focus on a set of firms homogenous in their headquarter location (i.e., U.S.) but heterogeneous in the three locations of their subsidiaries. Our approach thereby follows previous research (e.g., Björkman et al., 2004, Farley et al., 2004) but also suffers from similar limitations. In particular, our sampling approach may provide empirical results that are culturally biased and that may not apply to other regions. Moreover, our sample does not allow us to examine the employment modes of

geocentric, multifocal, or transnational (Bartlett and Beamish, 2011) MNCs or to better understand the differences between hybrid market economies. Future research may use data on MNCs from different home countries operating in different host countries or draw on the logic of a matched pairs design methodology by comparing two subsidiaries of the same MNC in two different locations. Researchers may also focus more strongly on comparing MNCs' subsidiaries in hybrid market economies to improve the scholarly understanding of how MNCs may use expatriates to adjust subsidiaries' employment modes to different market economies.

Third, in line with related research on the management of overseas subsidiaries and expatriations, we have examined the role of CBEs by measuring the share of staff originating from the parent firm (Kostova and Roth, 2002). However, our analysis does not allow us to more closely examine how MNCs may benefit from hiring SIEs to adjust the employment modes of subsidiaries to the particular institutional condition of the host market economy. CBEs and SIEs, however, differ in a number of important behavior aspects (Marschan-Piekkari et al., 1999, Takeuchi, 2010). For example, SIEs are socially more strongly embedded in the host country. They are thus more familiar with the local environment than CBEs. In addition, SIEs are less familiar with the MNCs global operations and the functioning of the MNC headquarter. They thus tend to be less career-driven and are less easily incentivized by career opportunities within the MNC. The difference between CBEs and SIEs suggests that SIEs will shift the push and pull forces towards a stronger adjustment to local conditions. SIEs should thus also be more advantageous for ethnocentric MNCs in adjusting employment modes to the institutional conditions of subsidiaries' host countries and managing subsidiaries in institutionally similar host countries. Future research may focus on SIEs to provide a better understanding of how particular characteristics of SIEs, such as their level of familiarity with the host country, their social embeddedness, or their experience

working with local firms affect how they can be effectively used to align the HRM and IR practices of MNCs.

### *Conclusion*

The international management literature has long been concerned with how MNCs may more effectively manage the workforce of overseas subsidiaries. Most literature has focused on the transfer of HRM practices but has only broadly considered institutional differences between host and home countries, often simplifying these differences under the umbrella of institutional or cultural distance. By integrating the VoC approach with the international literature on the cross-border transfer of business practices and the literature on expatriation, we respond to calls for more multi-level approaches to analyzing the role of MNCs in the changes of international employment modes. We show that the use of expatriates for adapting subsidiaries' employment modes to different market economies differs significantly between host countries and thereby the boundary conditions of integrating HRM with IR practices in the management of foreign subsidiaries. Given the continued importance of international business operations, our article highlights the need for more research on how MNCs may use expatriates for effectively managing foreign subsidiaries.

## Table and Figures

**Table 1: Descriptive statistics of U.S. subsidiaries in Germany, the United Kingdom and Switzerland**

	Germany	Switzerland	United Kingdom
<b>Number</b>	<b>24</b>	<b>30</b>	<b>22</b>
<b>Size (no. of employees)</b>			
Min	14.00	11.00	13.00
Max	6500.00	6000.00	5000.00
Mean	624.88	397.70	370.64
Std. Deviation	1436.36	1105.10	1063.22
<b>Sector</b>			
Industry	9 (37.5%)	9 (30.0%)	5 (22.7%)
Services	5 (20.8%)	14 (46.7%)	5 (22.7%)
Information	10 (41.7%)	7 (23.3%)	9 (40.9%)
<i>No information available</i>			3 (13.6%)

**Table 2: Descriptive statistics and correlations for the model measures**

	Mean	SD.	1	2	3	4	5	6	7	8	9	10
1 Germany	0.32	0.47	-									
2 Switzerland	0.39	0.49	0.55**	-								
3 United Kingdom	0.29	0.46	0.43**	0.52**	-							
4 % Expatriates	0.36	0.41	0.05	0.19	-0.26*	-						
5 IR. Vocational Training	0.46	0.50	0.22	0.01	-0.24*	0.20	-					
6 IR. Labor representation	0.30	0.46	0.35**	-0.24*	-0.10	0.04	0.43**	-				
7 IR. Collective agreement	0.25	0.36	0.39**	-0.13	-0.26*	0.11	0.45**	0.63**	-			
8 HR. Training	0.15	0.19	0.18	-0.23*	0.06	0.08	0.06	-0.02	0.06	-		
10 HR. Occupation - focused employment	0.46	0.26	0.82	0.10	-0.20	0.14	0.09	0.12	0.05	0.11	-	
11 HR. Occupation - based compensation	0.68	0.47	0.04	0.26*	0.32**	0.06	-0.05	0.14	0.17	0.05	-0.15	-
13 HR. Job Security	0.36	0.30	0.00	0.06	-0.06	-0.05	0.06	0.01	-0.07	0.17	0.07	0.25*

Note: For all measures, minimum = 0 and maximum = 1. Reported correlations, with two - tailed significance levels (\*\*. Correlation is significant at the 0.01 level; \*. Correlation is significant at the 0.05 level).

**Figure 1: Employment modes of U.S. Subsidiaries in Germany, Switzerland and the UK.**

Label	<i>Germany</i>			<i>Switzerland</i>		<i>United Kingdom</i>	
	<i>Ambiguous Expatriation</i>		<i>Substantive expatriation</i>	<i>Substantive expatriation</i>	<i>Substantive non-expatriation</i>	<i>IR-based non-expatriation</i>	<i>Task-focused non-expatriation</i>
	<i>DE(1)</i>		<i>DE(2)</i>	<i>CH(1)</i>	<i>CH(2)</i>	<i>UK(1)</i>	<i>UK(2)</i>
Configuration Permutation	<i>A</i>	<i>B</i>					
<b>Expatriation</b>	●		●	●	⊗	⊗	⊗
<b>Industrial Relations practices</b>							
Vocational training	●	●	●	⊗	●		⊗
Employment representation	●	●	●		●	●	⊗
Collective agreement		●		⊗	⊗	⊗	⊗
<b>Human Resource practices</b>							
Training				⊗	⊗	⊗	
Occupation-based employment	⊗	⊗		⊗	●	●	⊗
Occupation-based compensation	⊗	⊗		●	●	⊗	⊗
Job security		●	⊗		●	⊗	⊗
No. of U.S. subsidiaries	1	1	7	4	1	1	6
Consistency	1.00	1.00	0.95	0.91	0.81	0.92	0.91
Raw Coverage	0.05	0.05	0.22	0.13	0.04	0.25	0.25
Unique Coverage	0.03	0.03	0.17	0.13	0.04	0.05	0.05
<b>Overall solution consistency</b>	<b>0.96</b>			<b>0.89</b>		<b>0.91</b>	
<b>Overall solution coverage</b>	<b>0.24</b>			<b>0.17</b>		<b>0.30</b>	

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