

RESEARCH ARTICLE

Local isomorphism and multinational enterprises' human resource management practices: Extending the research agenda

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Abstract

Local isomorphism constitutes the regulatory, cognitive and normative profile of a host country. The regulatory institutional setting reflects the rules and legislation governing collective bargaining agreements, trade unions, local content laws and employment relationships. The cultural or cognitive dimension supports the widely held cultural and social knowledge and the normative profile acknowledges the influences of social groups and organizations on acceptable normative behaviour. Earlier literature lends support to the importance of institutional profile and its influence on the design and implementation of multinational enterprises' human resource management policies and practices. This paper seeks to advance the concept of local isomorphism and highlight the implications of local isomorphism for future research on the transfer of multinational enterprises' human resource management practices across and between subsidiaries.

Keywords: analysis techniques; meta-analysis; human resource diffusion across countries; topic areas; international human resource management

Introduction

The rise in multinational enterprises (MNEs) operations in emerging and developing economies in the last few decades has paved the way for more research into how national institutional settings influence MNEs' human resource management (HRM) design and adoption of policies and practices owing to institutional and cultural dissimilarities between advanced economies and less-developed economies (Budhwar & Sparrow, 2002; Kostova & Roth, 2002; Björkman, Smale, Sumelius, Suutari, & Lu, 2008; Dowling, Festing, & Engle, 2008; Ayentimi, Burgess, & Brown, 2018b). In response to Scott's (2001) and DiMaggio and Powell's (1983) argument on institutional theory, and Whitley's (1999) and Hall and Soskice's (2001) national business system (NBS) and varieties of capitalism (VoC) theories, Bjorkman (2006) argued that until very recently, only few international HRM (IHRM) and international management scholars made reference to local isomorphism. Institutional studies in both contemporary international business (IB) and comparative HRM research have relied extensively on institutional persistence and homogeneity resulting from institutional legitimacy (Scott, 2001; Bjorkman, 2006; Björkman et al., 2008; Trevino, Thomas, & Cullen, 2008; Svendsen & Haugland, 2011) to explain the determinants of MNEs' subsidiary HRM practices and HRM knowledge transfers (Chiang, Lemański, & Birtch, 2017; Cho & Ahn, 2017). This paper contributes to the literature by highlighting that the concept

of local isomorphism provides a far-reaching perspective for understanding conceptualizations and theories underpinning IHRM and comparative HRM literature.

The concept of local isomorphism is a vibrant theory that has risen its importance as a powerful explanation for organizational and individual actions in a context constrained by laws, customs and institutions (Dacin et al., 2002; Tzeng, 2018). The concept of local isomorphism examines the degree of isomorphic pressure, institutional persistence and homogeneity provided by a host-country's institutional configurations resulting from embedding institutional configurations within the business environment of the nation-state (Chiang, Lemański, & Birtch, 2017; Cho & Ahn, 2017). Most importantly, local isomorphism helps to understand the determining factors of MNEs' HRM practice dissemination to host countries or reverse diffusion of HRM practices from subsidiaries to headquarters. Scott (2001) described local isomorphism as a process whereby institutional arrangements – norms, routines and rules – are established as authoritative procedures for social behaviour. A host-country's regulatory, cognitive and normative archetypes are the foundation of institutional arrangements described by Kostova and Roth (2002), as the 'institutional profile' of a country. Similarly, to Björkman et al. (2008), and more recently, Li and Sun (2017), local isomorphic pressure originates from national and sub-national institutional structures and social actors recognized by the host-country's regulatory, cultural and normative institutional settings. Isomorphic pressure coercing MNEs to configure their HRM practices similar to a host-country's practices may not only be limited to local isomorphism but may also be prompted by MNE's desire for HRM integration. However, globalization and international competition are often referred as international isomorphism or competitive isomorphism (Thite, Wilkinson, & Shah, 2012; Burbach & Royle, 2014).

The implication of local isomorphism is that it promotes homogeneous or standardized processes and outcomes on MNEs' HRM practice configurations in host countries. For instance, increased support for local isomorphic pressure is likely to create limitations for MNEs' subsidiaries in the adoption of market-driven employment practices in less-developed host countries or in market economies where firms originating from coordinated market economies collaborate with other institutional actors and nonmarket employment relations (McDonnell, Boyle, Bartram, Stanton, & Burgess, 2015). It may constrain MNEs' desires in the implementation of global standardized HRM strategies in different host countries because of institutional dissimilarities between home and host countries (Brewster, Wood, & Brookes, 2008; Kostova, Roth, & Dacin, 2008; Li, Jiang, & Shen, 2016). In addition, local isomorphism provides an important lens to understand the implication of 'liability of foreignness' on MNEs' operations within the context of contemporary IB and IHRM literature (Zaheer, 1995; Liu, Jiang, & Sathye, 2017). On the one hand, the notion of local institutions as opportunities in some respect, especially on the diffusion of market-driven HRM practices by MNEs into less developed countries, may be supported or constrained by the concept of 'institutional distance' which measures the degree of institutional differences or similarities between countries (Kostova & Roth, 2002). There is also evidence to support the idea of 'cultural distance', which Kogut and Singh (1988) acknowledged as the degree of cultural dissimilarities among countries. It can be argued that national cultural and institutional dissimilarities exert diverse impact on management orientation and employee behaviour resulting in different HRM policies and practices (Hofstede, 1994; House, Hanges, Javidan, Dorfman, & Gupta, 2004). As a result, management practices in organizations differ in respect to national cultural differences and orientation (Hofstede, 1994; House et al., 2004; Haak-Saheem & Festing, 2018).

Primarily, both empirical evidence and theoretical insights suggest that diffusing MNEs' home-country HRM practices to subsidiaries in different host countries may be less constrained when the two countries have significantly fewer cultural or institutional differences (Liu, 2004; Ayentimi, Burgess, & Brown, 2018). National institutional structures could provide some benefits or constraints to firms operating in such environments; therefore, receiving institutional support from such environments will enhance the performance of MNEs (Svendsen & Haugland, 2011; Li

& Sun, 2017). Notwithstanding these views, Gooderham, Nordhaug, and Ringdal (1999) argued that a host country with liberal institutional settings with inadequate formal institutional structures, MNEs, can adopt a global standardization HRM policy or transfer home-country HRM policies and practices to their subsidiaries into the host country. Comparatively, some theoretical and conceptual perspectives, namely the NBS, VoC, the cultural theory and liability of foreignness, are among the few to make a significant contribution to the advancement of the IHRM and IB literature and are perceived to have been based on the logic of local isomorphism.

This paper examines the extent to which previous and current IHRM and comparative HRM studies address HRM policies and practices of selection and recruitment, training and development (T&D), talent management (TM), employee involvement, voice and communication and retention through the lens of local isomorphism. The paper then identifies promising future research direction through the lens of local isomorphism. These HRM aspects are noted in contemporary IB literature as the most important and critical HRM programmes applied by MNEs (Dowling, Festing, & Engle, 2008; Kang & Shen, 2013). The paper contributes to the IHRM and IB literature in three ways. First, the paper makes an important research contribution to the international management literature given the significance and relevance of local isomorphism in understanding conceptualizations and theories underpinning IHRM and international management literature. Second, the paper seeks to advance the concept of local isomorphism and stimulate debate on the implications of local isomorphism on MNEs' HRM practice arrangements. Third, the paper contributes to knowledge of local isomorphism and identify promising research areas and future research directions within the IHRM and comparative HRM research fields. The paper is divided into four sections. The methodology associated with literature selection and analysis is outlined and then follows a review of the literature examining MNEs programmes of selection and recruitment, T&D, TM, employee involvement, voice and communication and employee retention (ER) policies. The direction for future research agenda is discussed in the third section followed by the conclusion.

Methodology of the Literature Review

The paper employed a literature review approach followed by Nijmeijer et al. (2014) in determining the criterion for the selection of MNEs' HRM practices. There are debates as to what constitutes the core HRM practices of MNEs. Researchers have relied on different conceptualized models to explain what constitutes a firm's HRM practices in the IB and IHRM literature. Huselid's (1995) seminal work on high performance work system (HPWS) refers to a set of organizational practices such as employee recruitment and selection, employee compensation system, performance management and T&D designed to improve the skills of employees towards increasing organizational performance. The HPWS model has been used to represent those elements that constitute a firm's core HRM practices. Likewise, the high-involvement work practices model conceptualized by Pil and MacDuffie (1996) identified a similar set of core HRM practices as being essential towards improving organizational performance. These core HRM practices have been included in the literature analysis. Following the identification of core practices, the literature search included 'MNEs selection and recruitment', 'MNEs training and development', 'MNEs talent management', 'MNEs employee voice and communication', 'MNEs employee involvement' and 'MNEs employee retention policies'.

The literature analysis examined the extent to which previous and current IHRM and comparative HRM studies address HRM policies and practices of selection and recruitment, T&D, TM, employee involvement, voice and communication and retention through the lens of local isomorphism with the aim of identifying promising future research directions. There were no limits imposed on publication dates for the search process (see also Nijmeijer, Fabbriotti, & Huijsman, 2014). Each search theme was combined with other keywords 'local isomorphism' or 'institutional theory' or 'host-country and home-country effect' or 'national business system' or

‘varieties of capitalism’ during the search process. For instance, ‘MNEs selection and recruitment’ and ‘local isomorphism’ are used (see Nijmeijer, Fabbriotti, & Huijsman, 2014; Frynas & Stephens, 2015). In order to control for quality throughout the review process, we followed Mainela, Puhakka, and Servais (2014) and Nijmeijer, Fabbriotti, and Huijsman (2014) approach to literature selection. In our review process, we considered journals ranked by the Australian Business Deans Council (ABDC) and Scientific Journal Rankings (SJR) with high impact factors in the 2013 ranking lists (Mainela, Puhakka, & Servais, 2014). We excluded articles that did not overtly address key themes or keywords. The search process included the following search engines: Wiley Online Library, ScienceDirect, Emerald, Business Source Complete, Goggle Scholar, and Springer link which yielded over 120 peer-reviewed journal articles, working papers and books/book chapters. We selected 103 journal articles and 14 books/book chapters for the review using the criteria that they directly addressed the main themes and were in the top ranked journal articles from both the ABDC and SJR 2013 ranking lists.

The Literature on MNE HRM Practices and local isomorphism

Recruitment and selection

International staffing strategies are important prerequisites for successful implementation of MNEs business strategies (Collings, Scullion, & Morley, 2007; Rickley & Karim, 2018). Gaur, Delios, and Singh (2007) suggest the means for MNEs to exert control and coordinate subsidiary activities; enhance knowledge sharing between headquarters and subsidiaries that are achieved through staffing strategies. MNEs subsidiary staffing decisions have become a strategic management issue owing to the impact of such staffing decisions on coordination, control and knowledge-sharing opportunities for the MNEs and its subsidiaries (Harzing, 2001; Dowling, Festing, & Engle, 2008; Allen & Vardaman, 2017). Gong (2003) suggested that MNE subsidiary’s staffing decisions have critical performance outcomes. MNEs have access to different staffing options such as the use of parent country nationals, third country national and host-country nationals. However, the major challenge for such staffing options is the differing implications on knowledge-sharing capabilities between the headquarters and its subsidiaries (Gaur, Delios, & Singh, 2007; Rickley & Karim, 2018); headquarter coordination and control mechanisms (Harzing, 2001); organizational development and issues relating to local legitimacy in the host country (Lanciotti & Lluch, 2018). MNEs subsidiary staffing decisions are likely to be premised on two main outcomes; knowledge sharing and control and coordination between subsidiaries and headquarters. Gaur, Delios, and Singh (2007) argued that the former is conceptualized on the reasoning that headquarters and subsidiary integration should be underpinned by MNEs staffing strategies, whereas coordination and control is enhanced through similar staffing strategies. MNEs are able to maintain control of subsidiaries while enhancing knowledge-sharing capabilities between subsidiaries and headquarters by staffing their subsidiaries with parent country nationals who hold firm operation knowledge (Harzing, 2001; Guo, Rammal, & Dowling, 2016; Lanciotti & Lluch, 2018). Despite the strategic benefits of parent country nationals in international staffing, researchers draw attention to the rising numbers of expatriate failures and the associated cost to firm performance and local legitimacy (Dowling, Festing, & Engle, 2008; Collings & Isichei, 2018).

Lanciotti and Lluch (2018) argued that MNEs executive staffing policies in host countries can be underpinned by a sequence of considerations ranging from MNEs life-cycles, competitive advantages, organizational type, economic conditions in the host country and the nature of investment climate. For example, regional knowledge accumulation, cultural and institutional distance may strongly influence the staffing policies of MNEs in their early life-cycles in the host country. Perlmutter (1969) identified polycentricism, ethnocentricism and geocentricism as strategic staffing options available to MNEs; however, the national institutional characteristics of host countries may limit the freedom of MNEs to choose from these strategic staffing options

(Myloni, Harzing, & Mirza, 2004; Collings, Morley, & Gunnigle, 2008; Rickley & Karim, 2018). Bonache and Pla-Barber (2005) note that cultural distance between the MNE home and host country could constraint their staffing options and desire to maintain subsidiary control. For example, cultural heterogeneity between the MNE home and host country may lead to a rise in information asymmetry and manager's self-interest desires when MNEs adopt a localization HRM strategy. MNEs have two strategic staffing options to address the problem of information asymmetry and managerial self-interest desires at the subsidiary. First, the firm may adopt a polycentric staffing strategy (host-country nationals) by incurring huge costs in managerial selection, control and managerial training. Second, the MNE may adopt an ethnocentric staffing strategy to overcome information asymmetry and managerial self-interest desires and to maintain headquarters interest at the subsidiary level (Bonache & Pla-Barber, 2005).

Recent empirical studies have examined how staffing strategies in MNEs is associated with specific-firm benefits and the management of institutional distance. The evidence suggest that despite increases in institutional distance, foreign firms have preference for expatriate CEOs due to firm-specific benefits accruing from multinationality and regional agglomeration experiences (Rickley & Karim, 2018). It has also been argued that MNEs proprietorship of firm-specific benefits accumulating from multinationality and regional agglomeration appear to shift their subsidiary staffing strategies in favour of foreign managers in host countries (Lanciotti & Lluch, 2018; Rickley & Karim, 2018). Collings and Isichei (2018) highlight some emerging global staffing forms such as commuter and rotational assignment and IB traveller is yet to draw some research attention within MNEs staffing literature. Although commuter and rotational assignment relates to expatriate employees taking up jobs on a bi-weekly or weekly basis in a host country, IB travellers are required to make regular host-country visits of a business unit or project sites (Mayrhofer, Reichel, & Sparrow, 2012; Collings & Isichei, 2018). These emerging work arrangements within MNEs operations may potentially shift the nature of their staffing strategies. In summary, in the emerging staffing topologies such as commuter and rotational assignment, IB traveller is increasingly making the global staffing choices more complex for MNEs and their subsidiaries, yet relatively limited research attention has focussed on such emerging complexities in the global staffing literature (e.g., Welch, Welch, & Worm, 2007; Mayrhofer, Reichel, & Sparrow, 2012; Collings & Isichei, 2018). Although this emerging staffing trend clearly forms an important research area, it appears that the MNEs staffing literature has excessively concentrated on the traditional staffing topologies to the detriment of emerging forms of MNEs staffing approaches as there is significant research potential in this emerging area (Collings & Isichei, 2018).

Training and development

Huselid's (1995) HPWS model placed T&D as a critical pillar of the HPWS model. Datta, Guthrie, and Wright (2005) describe HPWS as a set of HRM practices that are designed strategically to enhance employees' capabilities and firm productivity. A study of Chinese firms by Akhtar, Ding, and Ge (2008) found employee training and internal career opportunities affect firms' products and financial performance. T&D underpins HPWS and is a core pillar of the HPWS model (Appelbaum, Bailey, Berg, & Kalleberg, 2000). Foley, Ngo, and Loi (2012) argue in support of HRM convergence by suggesting that the HPWS can be transferred to or adapted by firms operating in different host countries regardless of culture and institutional differences. On the contrary, earlier literatures provide evidence to suggest that T&D approaches used by firms are entrenched in the culture, educational and training structure, labour market settings and history of the country (Ramirez & Mabey, 2005; Edwards et al., 2007). A study by Ramirez and Mabey (2005) on T&D management in Europe found country differences in training and management development methods. The evidence further suggests that German firms place more priority on management development than their British and

French counterparts. Edwards et al. (2007) reported variations in the approach used by MNEs in relation to employee T&D in the United Kingdom. MNEs originating from Germany invest more extensively in employee T&D compared with their Japanese counterparts. Also, Japanese MNEs are less likely to employ succession planning. The theoretical and empirical literature suggests that MNEs employee T&D decisions are not only underpinned by individual firm's internal structures, thus T&D research need to be explored within the wider national business setting of the nation-state. Indeed, researchers have argued that T&D practices are entrenched in the cultural, economic and institutional settings of a host-country (Rosenzweig & Nohria, 1994; Edwards et al., 2007), which ultimately defines how technical and vocational education skills formation are designed (Ramirez & Mabey, 2005). These institutional and cultural dissimilarities among countries could pose differing implications on MNE T&D programmes and the avenues for knowledge-sharing activities with other subsidiaries in different host countries (Gaur, Delios, & Singh, 2007). For example, transferring home country training and management development models to subsidiaries in host countries is likely to be less constrained when the two countries have similar educational and skills formation orientation and labour market settings (Liu, 2004; Akhtar, Ding, & Ge, 2008). In summary, the T&D literature generally highlights the significance of advancing research towards exploring the interface of employee T&D, particularly management development and global TM (Tarique & Schuler, 2010; Morley, Scullion, Collings, & Schuler, 2015). Therefore, T&D research in MNEs remains significant in addressing the talent war, particularly among MNEs originating from less-developed and emerging economies.

Employee involvement, voice and communication

Employee voice and participation have become critical employment relations issue in MNEs operations (Muller, 1998; Tüselmann, Allen, & McDonald, 2014). Lavelle, Gunnigle, and McDonnell (2010) define employee voice as any mechanism providing the opportunity for employees to be part of the decision-making process by way of expression their opinions and views about work related and other organizational issues. Ahmad and Schroeder (2003) suggest that sharing information about the firm's strategy and performance to employees is a source of employee empowerment as it nurtures transparency and serves as an ER strategy. Tüselmann, Allen, and McDonald (2014) and Pfefer (1998) argue that employee involvement and employee voice are among the major key HRM practices in MNEs because of its embeddedness of organizational trust between management and employees. Employee voice and involvement facilitates learning, innovation, teamwork and knowledge sharing and can also be a tool for a firms' competitive edge (Edwards et al., 2007; Budd, Gollan, & Wilkinson, 2010). Kristensen and Zeitlin (2005) noted that the ability of an MNE to develop and sustain collective actions between management and employees within the organization is a strategic capability that the MNE can use to enrich its competitive edge. Host-country national institutional settings are most likely to influence the way MNE subsidiaries manage their employment relationship and also influence the home country effect in the design and adoption of the different employee involvement policy choices (Geary & Roche, 2001). Implicitly or explicitly, the underlining assumptions of both the home-country effect and host-country effects draws support from VoC literature (Hall & Soskice, 2001), NBS literature (Whitley, 1999) and the institutionalist perspective (DiMaggio & Powell, 1983; Scott, 2001). According to these perspectives, firms NBS and national institutional settings are key differentiators. Studies by Pudelko and Harzing (2007), Edwards et al. (2007) and Almond et al. (2005) provide substantial evidence to support the country-of-origin effect on many HRM and industrial relations practices in different host countries.

The predominance of direct employee involvement practices among firms originating from the United Kingdom, Australia, United States, Canada and Ireland is because of the liberalized

nature of the industrial relations environment and the low regulation of employment relationship (Gunnigle, Collings, & Morley, 2005; Edwards et al., 2007). MNEs originating from the United States pursue individualistic or direct employee involvement practices (McDonnell, Boyle, Bartram, Stanton, & Burgess, 2015). Many scholars describe the US individualistic employee involvement model as a global best practice for managing industrial relations in many MNEs in different host countries (Brewster, Wood, & Brookes, 2008; Geary, Aguzzoli, & Lengler, 2016). However, the German employment relations system has been predominantly based on the collective oriented employee involvement approach facilitated by a strong, well-established and coordinated institutional setting. Muller (1998) contends industrial relations in Germany are characterized as a consensus relationship between employees and their employers and formalized voice structures such as work councils. Smith and Meiksins (1995) and Edwards and Ferner (2002) have relied on different models to explain the employment relations outcomes in MNEs. Edwards and Ferner (2002) identified four broad models: country-of-origin effect, host-country effect, dominance effect and the international integration pressures. Edwards and Ferner (2002) conceptualized the host-country effect in terms of three factors, which include: (a) the constraints posed by the host country; (b) the receptiveness of the host country and (c) the host country deliberate policy framework or strategic intent. However, Tüselmann, Allen, and McDonald (2014) suggest that liberalized industrial relations host countries pose little or no constraints and provide leeway for MNEs to design similar employment relations or transfer similar home countries employment relations practices into their host countries. Host countries with fewer institutional constraints might not have the capacity to absorb transfer of employment relations models developed from highly regulated and institutionalized settings. Guest and Hoque (1996) suggest that in situations where the headquarters do not associate positive outcomes with country-of-origin employment relations model, it may pursue a local employment relations model in a liberalized host country to overcome home country employment relations models. In summary, the increasing decline in union density across the developed and emerging economies coupled with the rise in union substitution strategies in MNEs and their subsidiaries opens up a stimulating research niche to examine how the new changes to employee involvement and voice by MNEs and their subsidiaries will reinforce employer–employee relationship.

ER

ER is critical for MNEs as a consequence of a possible increase in employee turnover rates (Reiche, 2008) and its impact on organizational effectiveness. Lazarova and Tarique (2005) suggest that employee turnover is a major constraint to knowledge transfer and the advancement of long-term interpersonal relationship between management and employees. Internal organizational factors contribute more to employee turnover than external factors. Khatri, Fern, and Budhwar (2001) contend employee turnover is a function of poor HRM practices and Reiche (2008) notes that employee turnover is complex and challenging within MNE settings because of different cultural and institutional influential factors originating from the host-country and the home-country institutional settings. Rovai (2008) argued that isomorphic pressure from the host-country institutional settings may constrain MNEs from adopting certain retention practices for managing employee turnover. Host-country national institutional settings have tendency to influence the design and applicability of MNE subsidiaries' ER practices. The host-country effect in relation to HRM practices has commonly been explained through the lens of institutional theory by DiMaggio and Powell (1983) and Scott (2001) and the NBS perspective in alliance with the VoC literature (Whitley, 1999; Hall & Soskice, 2001). Building on this line of reasoning, it can be argued here that MNEs are likely to be constrained or limited in their choice of certain specific ER practices owing to diverse isomorphic pressure from the host country national institutional settings. Budhwar and Sparrow (2002) and Jensen and Szulanski (2004) demonstrate that the

host-country cultural and institutional settings constitute the most critical and significant force that influences the transfer of headquarters retention practices to their subsidiaries. House et al. (2004) have demonstrated that reward schemes based on individual employee performance are likely to conflict with host-country collectivist behaviour. Ngo, Turban, Lau, and Lui (1998) study of the effect of country-of-origin on HRM practices by comparing the HR practices of Hong Kong firms and MNEs originating from the United Kingdom, Japan and United States operating in Hong Kong found that retention-oriented compensation schemes in the US subsidiaries were ineffective in retaining local staff compared with retention-oriented compensation schemes of subsidiaries from Japan and China.

Brockner et al. (2001) suggested that retention practices, such as performance-related pay, employee involvement, performance appraisal and application of distributive and procedural justice mechanisms, are more susceptible to the local cultural and institutional settings. Kostova, Roth, and Dacin (2008) argued that the success of MNEs' HRM practice transfer across national borders is contingent on the degree of institutional distance or institutional differences between the host and home country of the MNE. It has been noted that the transfer of HRM practices by US MNEs to their subsidiaries in the United Kingdom is faced with little or no constraints due to institutional similarities between the two countries. The effectiveness of context-specific practices in retaining employees largely depends on the flexibility of such practices to different MNEs affiliates. Accordingly, Reiche (2008) indicated that the flexibility of ER practices needs to meet two conditions to be effective. First, the extent to which ER practices can be reconfigured in different affiliates and second, the degree to which ER practices can be altered to a specific host national institutional setting. In summary, exploring fresh insights into how institutional and cultural distance between host and home countries impact MNEs and their subsidiaries' talent retention policies and practices represents an important research niche for further research enquiry within the international and comparative HRM literature.

Talent management

TM has become a significant component of firms overall strategy and one that can offer advantage over rivals if successfully developed and implemented (Lewis & Heckman, 2006; Tarique & Schuler, 2010). TM is noted for developing organizational competences and retaining skilled employees (Morley et al., 2015). Despite its significance, Tarique and Schuler (2010) identified exogenous factors (globalization, demographics and demand–supply gaps) and endogenous factors (egocentrism, competencies, international strategic alliance) that hinder a MNE's global TM efforts. Makela, Bjorkman, and Ehrnrooth (2010) noted that the host-country national institutional settings are most likely to influence the way MNE subsidiaries design their global TM practices. Ferner (1997) considers the influence of home country effect in designing and adopting different TM mechanisms. However, in contrast, Hartmann, Feisel, and Schober (2010) found that Western MNEs operating in China have a significant amount of flexibility in the transfer of similar TM practices from MNEs headquarters to their subsidiaries. Implicitly or explicitly, the underlining assumptions of both the home-country effect and host-country effects draw insights from the VoC literature by Hall and Soskice (2001), NBS literature by Whitley (1999) and the institutionalist perspective by DiMaggio and Powell (1983) and Scott (2001). McDonnell (2008) argues that MNEs originating from the United States are likely to have a formalized TM system compared with domestic or local firms in the same host country. Edwards et al. (2007) found that MNEs originating from Germany invest extensively in employee T&D as compared with Japanese MNEs. National cultural differences exert a distinct impact on employee behaviour and as a result create different HRM policies and practices according to different cultural backgrounds (Liu, 2004). It has generally been claimed that transferring home-country HRM policies to subsidiaries in host countries has less constraint when the two countries have less significant

cultural and institutional distance (van Hoorn & Maseland, 2016). National culture influenced HRM practices due to differences in national culture between collectivist and individualistic-oriented countries. Björkman and Lervick (2007) highlighted that it might be extremely challenging for MNEs to transfer home-country HRM policies and practices to host countries with a different national cultural orientation. In summary, considering MNEs current challenges in talent attraction and retention, TM remains a noteworthy concern for enquiry and management practice, especially for MNEs operating in less-developed economies characterized by skilled labour shortage. In addition, building new perspectives into how cultural, political and regulatory changes on migration, especially in developed economies, impact MNEs global TM strategies are important research areas for future investigations.

Directions for future research

Using the literature analysis, the trend is that over the last decade, both the IB and IHRM literatures evidenced an increase in conceptual and empirical papers on host-country effects and MNE HRM practices through the lens of the VoC theory (Hall & Soskice, 2001), the NBS theory (Whitley, 1999), institutional theory (DiMaggio & Powell, 1983; Scott, 2001) and cultural settings literature (Hofstede, 1994; House et al., 2004). Even though we acknowledge the valuable contribution that cultural theory (Hofstede, 1994) makes to the IHRM and IB research, an important shortcoming in contemporary IB and IHRM literature is the over-reliance on either Hofstede's (1994) seminal work on culture's consequences or the GLOBE project (House et al., 2004), which is considered comprehensive in contemporary cross-cultural and international management studies in recent times to explain MNEs' HRM practice configurations and other international management issues. In order for IHRM and IB researchers to adequately examine the important drivers and limiters of local isomorphism on MNEs' HRM practice transfers between host and home countries and also between advanced countries (home) and less-developed countries (host), cultural theory must be supplemented with the NBS and VoC perspectives and vice versa. This complementary approach offers a broader perspective to the understanding of local isomorphism and how it impacts MNEs' HRM practices transfers between less-developed host countries and advanced home countries owing to institutional and cultural dissimilarities between advanced and less-developed economies (Kostova, 1997; Kogut & Singh, 1988; Ayentimi, Burgess, & Brown, 2018).

Institutional studies in both IHRM and comparative HRM research have relied extensively on institutional persistence and homogeneity resulting from institutional legitimacy (Rosenzweig & Nohria, 1994; Scott, 2001; Björkman, 2006; Björkman et al., 2008) to explain: (i) the determinants of MNEs' subsidiary HRM practice configuration; (ii) factors that are likely to create constraints or provide opportunities for the transmission or reverse diffusion of MNEs' HRM practices between host and home countries; and (iii) the influence of home and host-country effect on MNEs' subsidiary HRM practices and other IHRM issues. However, what is underplayed in the contemporary IHRM literature is how IB literature views local isomorphism coupled with the failure of researchers to separate the relative implication of MNEs external and internal regulatory, cultural or cognitive and normative processes in contemporary IB and international management issues (see also Björkman, 2006) together with the ways in which MNEs external and internal regulatory, cultural or cognitive and normative processes could influence their foreign subsidiaries to adopt specific HRM practices. If future research using the local isomorphism lens is to benefit contemporary IB and management, more work is required to examine the tensions between 'local isomorphic pressure' and 'international or competitive isomorphic pressure' and to explore how contextual factors or conditions could moderate the impact on MNE subsidiaries HRM configurations in the host country. There is scope for future research to explore the tensions between 'local isomorphic pressure' and 'international or competitive isomorphic pressure' by focussing on the conditions

or instances where MNEs are most likely to have preference for local isomorphism or international isomorphism in the design or transfer of their HRM practices between the home and host country. Further research remains the gateway to uncover the answers to these issues that can benefit IB and IHRM literature.

The majority of current IHRM literature when using institutionalist perspective tends to use either institutional context of the NBS (Whitley, 1999) or the VoC approaches (Hall & Soskice, 2001), and the Hofstede (1994) or the GLOBE project (House et al., 2004) when using cultural theory. We argue that Kostova's (1999) concept of 'institutional distance', Kogut and Singh's (1988) notion of 'cultural distance' and Scott's (2001) theory of 'institutions' are fundamental and sit at the heart of local isomorphism through which IHRM and international management scholars can offer a broader perspective of the impact of institutions on the strategy and operations of MNEs, particularly from a local isomorphism lens. In the IB literature this is often examined within the context of globalization or more often a combination of approaches and in this literature, 'liability of foreignness' and 'institutional distance' are also central to current debates on the extent of adjustments to local host conditions or local isomorphism (see Kostova & Roth, 2002; Björkman & Lervick, 2007). However, most IHRM and international management literature lack major contemporary approaches to local isomorphism. Importantly, the concept of 'liability of foreignness' as a result of 'institutional distance' or 'institutional dissimilarities' between countries (Kostova & Roth, 2002) in recent contemporary IB and international management research is opening up a number of avenues for further research through the lens of local isomorphism. This brings us to methods and evidence. We suggest a need for both cross-sectional and longitudinal studies within the context of diverse firms, sectors and industries (Zaheer, 1995) and also within the institutional settings of the VoC – coordinated market economies and liberal market economies – approach by complementing such theories with the concept of local isomorphism. For instance, how does capitalist diversity moderate the liability of foreignness and local isomorphism in MNEs operations in advanced and developing countries owing to institutional dissimilarities between advanced and less-developed economies?

Furthermore, there is a need for more focussed research on key IHRM issues in developing and emerging economies. The lack of focussed research on key IHRM and contemporary international management issues within the context of developing and emerging economies is attributed to IHRM and IB scholars' over-reliance on NBS or VoC approaches to local isomorphism which is not well suited with in-depth studies of IHRM issues in developing and emerging economies (see Wailes, Wright, Bamber, & Lansbury, 2016). It is important to draw IHRM researchers attention to approaches (NBS and VoC) that do not have well-developed concepts of institutional business environments or institutional types of capitalist outside of the well-established and predominantly Western concepts of capitalist and business institutional environments (Wailes et al., 2016). The reliance on NBS and VoC approaches within the context of emerging and developing economies in contemporary IB and IHRM research might not be well suited owing to such limitations. For instance, Allen (2004) criticized the VoC approach on the grounds that it lacks variety owing to its emphasis on only two VoC – liberal market economies and coordinated market economies. Thus, VoC provides a narrow range of countries the approach could be applied. This implies that much of the existing IHRM and international management literature is predominantly applicable to advanced economies because the NBS and VoC used are only applicable to these types of institutional systems. More interestingly, the advocates of the VoC approach, Hall and Soskice (2001) consistently acknowledged the difficulty in accommodating some countries within the VoC approach owing to institutional variations among liberal market economies and coordinated market economies (see also McDonnell et al., 2015). Therefore, if institutional theories such as NBS and VoC can be helpful for contemporary IB and management research in developing and emerging economies, it is important to complement such theories with the concept of local isomorphism. This is where it may provide

valuable information in terms of understanding how institutional systems create local isomorphism and where it can be effective or defective in developing and emerging host countries.

Given the complexities within the formal and informal national institutional settings and their embeddedness with the business environment in less-developed countries (Ayentimi, Burgess, & Brown, 2016), this is indeed an important shortcoming in IHRM and international management and as a consequence it is of the use of NBS and VoC approaches to local isomorphism. Moreover, we may also attribute it to the lack of a more developed institutional or conceptual framework to examine how IHRM and international management literature fails to adequately examine important drivers and limiters of local isomorphism. Further research is however required to explore and provide new insights on how local isomorphism in less-developed and emerging economies could impact MNEs' HRM practices configurations, particularly in Asia, the Middle-East and sub-Sahara Africa where there has been a rapid increase in the number of MNEs (McDonnell, Collings, & Burgess, 2012; UNCTAD, 2014). Bartram, Boyle, Stanton, Burgess, and McDonnell (2014) also note the lack of scholarly literature on MNEs research in transition economies despite the significant contribution of MNEs from and in these economies to global trade and development.

The extension of research on local isomorphism in MNEs' HRM practice configuration within the context of emerging and transitional economies would meet the current information deficit as Alon (2010) suggests that the role of the state in Western economies is fundamentally different from both BRIC countries (Brazil, Russia, India and China) and less-developed economies. The emergence of state-owned MNEs is also another promising research area in which there is little research and has the potentials to yield significant and valuable new insights about how state-owned MNEs can moderate the impact of local isomorphism in less-developed host countries (Kang & Jiang, 2012) as issues around state actors have become more relevant. Theoretically, it can be argued that state-owned MNEs has a narrow shareholder base (Alon, 2010) and as such MNEs are more likely to be influenced by state objectives compared with nonstate-owned MNEs where the focus of such firms has always been on shareholders' value addition, coupled with demands from its wider shareholder base (Gugler & Boie, 2008). Indeed, the emergence of China as a leader in global trade (McDonnell, Collings, & Burgess, 2012) with its emerging state-owned MNEs is creating an important research niche as state-owned MNEs could have access to certain 'power resources' and a political agenda that are not available to privately owned MNEs (Gugler & Boie, 2008; He & Lyles, 2008; Globberman & Shapiro, 2009; Alon, 2010; Huang, Xie, Li, & Reddy, 2017). Such power resources could undermine or moderate how local isomorphic pressure within host countries could influence such MNEs' HRM practice configurations as they expand their operations to less-developed and emerging economies.

Another under-researched area is the analysis MNEs operating in the resources sector – agriculture, mining, oil and gas. According to UNCTAD (2012), the resources sector is the dominant recipient of foreign direct investment (FDI) in both emerging and less-developed economies for the past three decades, yet very little research has been conducted in this sector as research has been dominated by the manufacturing sector in both IHRM and comparative HRM literature (Collinson & Rugman, 2010). The resources sector also encompasses many state-owned enterprises, particularly in the oil and gas and mining sectors (Gugler & Boie, 2008; Kaplinsky & Morris, 2009; UNCTAD, 2014). Kang & Jiang (2012) hypothesized that the endowment of natural resources in a host country is positively related with Chinese FDI location choice. Therefore, a focus on MNEs operating in the resources sector in less-developed and emerging economies is an important addition to the field owing to the strategic nature of such resources to the development of less-developed and emerging host countries. In addition, the resources sector is likely to embrace local content policy frameworks or regulations given the significant contribution of such resources to economic growth and development (Ayentimi, Burgess, & Brown, 2016), which could constrain the HRM practice configurations and MNEs practices transfers (Ngoasong, 2014). Thus

far, most research have focussed on developed countries. Research on the influence of host national institutional settings on MNE subsidiaries HRM policies and practices in sub-Saharan Africa are largely overlooked and still remains a 'blind spot' (see Bischoff & Wood, 2012) despite the rapid increase in the number of MNEs in sub-Saharan Africa over the last two decades. This situation necessitates more empirical work on local isomorphism and MNE subsidiaries' HRM practices in sub-Saharan Africa to address this important literature deficit.

Another important literature deficit in IHRM is the need for more empirical studies on how MNE subsidiaries across different home countries react and accommodate less-developed host countries national institutional settings – regulatory, cognitive and normative pressures – in the design and delivery of their HRM programmes. Institutional distance (Kostova & Roth, 2002) between developed economies and less-developed economies could pose major constraints or limit MNEs desire for global standardization of its HRM practices across its subsidiaries (He & Lyles, 2008); therefore, it is significant for more empirical work to be undertaken in this area to explore how MNEs from different home countries react and accommodate host countries national institutional settings in their subsidiary HRM design as a result of this institutional distance. Furthermore, an important theme in IB literature that is under-represented is the diffusion of MNEs' HRM practices from the headquarters to its subsidiaries in less-developed economies. More research is vital in this area to identify factors in less-developed host-countries national institutional and cultural settings, which could pose constraints or provide opportunities for the diffusion of best HRM policies and practices from MNEs' home countries to their subsidiaries in less-developed host countries owing to the rapid increase in the number of MNEs originating from developed economies with operations in less-developed economies.

Conclusions

This paper has examined the literature on MNEs' HRM policies and practices and has suggested challenging components of future research agendas bearing in mind the complexities within the geopolitical dynamics (formal and informal) and its embeddedness with the NBS of the nation-state, particularly in less-developed host countries. Cultural and institutional configurations underpin differences in national institutional patterns that are relevant to understanding MNEs' HRM policies and practices despite the emergence of globalization. In this regard, local isomorphism or the institutional profile of the host country still remains relevant in MNEs' HRM practice adoption and practice transfer between the host and home country. The regulatory institutional setting, the cultural and normative institutional dimensions support the importance of a country's institutional profile and local isomorphism influence in the design and implementation of MNEs' HRM policies and practices. The institutional profile of a country could provide opportunities and constraints as MNEs seek to localize their HRM practices or adapt to globalized HRM practices in their subsidiaries. Thus, local isomorphism gives prominence to the constraints and opportunities available for adopting HRM policies and practices. Among these constraints, the national institutional environment or the institutional profile of the host country remain relevant. The complexities within the nation-state are undermining scholar's assumptions of stable national institutional environment coupled with the emergence of globalization, which is facilitating the integration of organizations without regards to the nation-state national institutions. To ensure local isomorphism and MNEs' HRM research remain relevant and up-to-date with recent changes and the complexities within the nation-state, within the processes of economic development and new trade and capital flows, together with new forms of MNE ownership and governance, future empirical studies should be guided by a robust conceptualization of all important factors within the host national institutional settings to provide a broader perspective to the understanding of local isomorphism and MNEs' HRM practice configurations in developing economies.

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