1. The development of human resource management across nations: history and its lessons for international and comparative HRM

Bruce E. Kaufman

This volume contains country studies of the historical development and current practice of human resource management (HRM) in seventeen nations across the world. Each chapter describes the historical origin of human resource management in the respective country, typically starting in the late 19th century, and then describes the evolution of HRM through successive stages of development to the present time. The emphasis is on the organization and practice of HRM in industry, broadly defined to include private and public sectors, small and large companies, modern and traditional managements, and domestic and multinational companies. Although human resource management in the business world is the main focus, each chapter also discusses important writers, ideas and intellectual streams of thought that shaped HRM and, also, the parallel development of HRM in its universities.

HRM is defined broadly and generically as the coordination and utilization of people – the labor input – for production of goods and services in all types of economies and organizations (Boxall, Purcell and Wright 2007). Frequently this broad meaning of the term is conflated with a narrower interpretation that identifies HRM with a specific managerial philosophy and set of HRM practices that originated in American business schools in the 1980s and then spread to other countries (Beer and Spector 1984; Dulebohn, Ferris and Stodd 1995). Productive and value-free scientific discourse, however, needs a term for its object of study that transcends a specific culture, nationality, set of practices, and time period. The term used here is human resource management, albeit with distinction made between HRM and other labels, such as personnel management, labor relations, and employment relations, as the specific context requires in individual chapters. Individual chapters in this volume also make a distinction between HRM and strategic HRM (SHRM), although for this introductory chapter the main points do not require it.

The seventeen countries featured in this volume represent all major areas of the world. Choice of countries was made on the basis of three criteria. A country had to have a substantively interesting story of HRM development in order to give content and value-added to the chapter; it needed to represent an important geographic area, culture-language group, political system, or level of economic development; and, finally, it needed to provide a distinctive addition to the volume and avoid overlap or duplication with
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other countries. Thus, countries such as Canada, Chile, Egypt, Mexico, The Netherlands, Philippines, and Zimbabwe, as illustrative examples, were not chosen for one or more of these three reasons, along with the constraint of available space and authors.

For each country, a recognized national authority on the history and practice of HRM – if possible the national authority (individually or as a set of co-authors) – was recruited. Authors were deliberately limited to natives of each country, partly to get the subject experts but also because writers immersed in the American-centered HRM research literature are inevitably influenced consciously or unconsciously to frame the story from the perspective of conventional academic theories and debates and Anglo-American-based business practices and cultural-institutional norms. These chapters, therefore, speak with a higher than usual degree of country-specific authenticity and, also, diversity in academic perspectives and scholarly research traditions. Essential homogeneity in chapters was introduced by a combination of detailed guidelines, an active editor, and authors’ willingness to iterate in most cases through a minimum of four drafts.

A feature of the chapters is their focus on both the micro and macro levels of HRM. Human resource management typically takes place within an individual workplace, utilizes various functional activities such as selection, compensation, training, performance evaluation, and employee relations, and often involves face-to-face interaction between managers and workers. An accurate depiction of the reality of HRM has to capture this micro level, which all authors provide in their chapters through specific company examples and other forms of case study evidence. These micro practices and outcomes, however, have to also be related to the broader social-political-economic environment within which the human resource function is embedded and contingent. All chapter authors, therefore, put the practice and organization of HRM in their country into an appropriate macro context, perhaps thought of as the political economy dimension, by describing distinctive features of national cultures, economies, historical developments, labor laws, labor movements, political events, and employment institutions.

VOLUME OBJECTIVES AND CONTRIBUTIONS

This volume adds to our knowledge about human resource management in three important and useful ways. Each is briefly described below.

HRM History

I was invited several years ago to write a handbook chapter on the historical development of human resource management from an international perspective (Kaufman 2007). I discovered relatively little English language literature exists on the history of HRM in most countries. The major exceptions are the USA (e.g., Jacoby 1985; also Kaufman 2008, 2010) and Great Britain (e.g., Gospel 1992), with useful but partial accounts covering certain time periods and developments in France, Germany and Japan. My experience is buttressed by other researchers; Brewster and Mayrhofer, for example, recently noted, “From an empirical perspective, hard evidence of long-term development in HRM is scarce” (Brewster and Mayrhofer 2012: 8).
By way of contrast, extensive historical accounts have been written for many countries, frequently by researchers in an older industrial relations tradition, on the origins of their labor movements, the growth of trade unions, collective bargaining and strikes, and the development of labor law regimes (e.g., Ayusawa 1966; Grebing 1969; Blanpain 1985). A portion of this early industrial relations literature, typically overlooked in modern HRM, also examines the management of human resources, sometimes in a comparative cross-country perspective (e.g., Harbison and Myers 1959). Also rarely utilized are contemporary studies in comparative industrial relations (e.g., Katz and Darbishire 2000; Rubery and Grimshaw 2003; Bamber, Lansbury and Wailes 2011) even though a number provide useful historical perspective on the history of companies’ labor management practices. With these qualifications in mind, it nonetheless remains a fair statement that the scholarly literature on the historical development of the management side of the employment relation – that is, HRM – is considerably thinner than with respect to the union movement and labor law sides.

An impetus for this book, therefore, is to help fill this literature void. It complements and extends two recent handbooks, Handbook of Research on Comparative Human Resource Management (Brewster and Mayrhofer, 2012) and Research Handbook of Comparative Employment Relations (Barry and Wilkinson, 2011). Both volumes are predominantly focused on contemporary features of HRM and employment relations but, nonetheless, individual chapters introduce helpful historical content. Some countries not included in this book are discussed in one or both of these other volumes.

Evidence of a void in HRM history is seen in various places. For example, the leading academic management association, the Academy of Management, has 25 divisions and interest groups. One is the human resource division, another is the management history division. Typically the two go their separate ways with little cross-fertilization or interaction. Also, one sees in articles published in the Academy’s principal research journals, Academy of Management Journal and Academy of Management Review, relatively little HRM historical content.

Part of this omission arises from the fact that much HRM research featured in these and other academic journals is about current practices and outcomes; likewise, the scientific project in most fields, including management, tends to be forward and not backward looking. Nonetheless, the relative void in historical literature on HRM development in individual nations also reflects an unfortunate tendency toward an ethnocentric and ahistorical perspective. Although no national HRM literature is free of historical blinders and cultural bias, some writers are particularly critical of the American-based literature on both counts (e.g., Brewster 2007). A contributing factor behind the lack of historical perspective in American research is the widely held view that the subject and practice of HRM in its present form only go back to the early 1980s (before then, there were personnel management and industrial relations), suggesting not much history exists to discuss. Also, the American perspective on HRM sometimes strikes readers from other countries as suffering from cultural insularity and an uncritical belief that what is best practice HRM in the USA is also going to be best practice in other countries (Rowley and Warner 2007; Wood et al. 2013). To the degree this type of ethnocentric bias is present, one can point to a variety of reasons, such as the post-World War II preeminence of American business and popular culture, the location in the USA of many of the world’s leading business schools and HRM doctoral programs, American development of the HRM
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The development of human resource management (HRM) has been a significant area of study, with a strong influence from American scholars and journals. This has contributed to a void in research that can be quickly seen by doing a literature search, particularly for books and articles dealing with the development of HRM in individual countries. Numerous pieces of research exist, but they have not been synthesized into a comprehensive, broad-based account.

This omission can be likened to an individual academic and practitioner community not knowing its own genealogical record and family tree – including its historical roots and subsequent generations of thinkers, doers, and contributors. This volume aims to rectify this by getting experts from seventeen different nations to dig deep into their historical literatures and write up the details of how HRM developed in each of their countries over a century of time. In the process, a more inclusive and balanced view of HRM is also promoted.

New Evidence for International–Comparative HRM

Parallel with the globalization surge of the last three decades has been a boom in teaching and research in business schools on comparative, international, and cross-cultural dimensions of management (Schuler and Tarique 2007; Björkman, Stahl and Morris 2012). Among the functional areas of management, the fields of international and comparative HRM have been particularly strong growth areas because their subject – the management, motivation, and treatment of people in organizations and employment relationships – is one of those most directly affected by cultural-social-political differences across countries (Brewster and Mayrhofer 2012). International airlines, for example, use either Boeing or Airbus wide-body passenger jets but the HRM practices used to manage their workforces differ depending on whether the employees are based in Asia, Africa, North America, the Middle East, Europe, or Latin America.

As indicated in the previous section, research on international and comparative aspects of HRM goes back a number of decades; indeed, to the beginning years of the industrial relations and HRM fields in the 1920s (Kaufman 2007, 2008) and founding of the International Labor Review (1921) by the International Labour Organization (ILO). Nonetheless, in their modern form the areas of international and comparative HRM were only born in the 1980s and blossomed into major research fields only from the early 1990s onwards. A visible sign of growing international HRM interest, and also a facilitator to it, is the founding of the International Journal of Human Resource Management (1991), now publishing twelve issues a year with contributions from around the world.

International and comparative HRM, although being very closely related, are separate and distinct research programs (Clark, Gospel, and Montgomery 1999; Hollinshead 2010). As commonly defined, international HRM (IHRM) deals with human resource management practices and outcomes in multinational corporations (MNCs). An MNC originates in a particular country and has its headquarters located there, such as Toyota in Japan, Ford in the USA, and Mercedes-Benz in Germany, but has branched out and established divisions, facilities, and plants in other countries – often as part of a global supply chain. The subject area of IHRM, also sometimes labeled strategic IHRM, is how the MNC organizes and practices human resource management in its different nation-
state locations and the effect alternative approaches have on company performance. In particular, a central topic in IHRM is the extent to which MNCs take their home country HRM practices and transplant them in their foreign country facilities or, instead, tailor their HRM practices to fit with the host country’s cultural-social norms and legal-institutional frameworks. Frequently this issue is framed as the “globalize vs. localize” challenge or, alternatively, as a “standardize vs. differentiate” strategy (Fenton-O’Creevy, Gooderham and Nordhaug 2008). Numerous studies use statistical analysis and empirical data to determine which approach works better and under what conditions (e.g., Kim and Gray 2005; Parry, Dickmann and Morley 2008).

The unit of analysis in comparative HRM (CHRM), on the other hand, is not the multinational corporation but the nation state (Boxall 1995). IHRM and CHRM partly differ, therefore, by level of analysis (company vs. nation state). CHRM’s central research topic is identification of systematic differences across nations in their structures, practices and outcomes of HRM and isolation through comparative analysis of the causal factors responsible for this variation (Brewster and Mayrhofer 2012). For example, a question investigated by CHRM researchers is: do American, Chinese, and French companies use relatively similar or considerably different employee selection, compensation, and training methods and, if the answer is yes, why do they adopt different procedures and does it make any discernible difference to the performance of their business organizations? Rather than IHRM’s globalize vs. localize dichotomy, CHRM instead focuses on a different dualism: universalism vs. contingency in HRM. If HRM practices are universal, this means they are structured and implemented in much the same way across countries; if their adoption and performance depend in an important way on specific national characteristics, such as cultural traditions or labor law regimes, then the HRM practices are contingent. As an example, are performance-based pay and methods of employee dispute resolution equally adopted and effective in American, Chinese and French firms? Or, does their structure and performance differ substantially across these countries and are the reasons related to one or more nation-specific contextual factors? A yes answer to the former question is evidence in favor of HRM universalism, a yes answer to the latter is evidence of HRM contingency (see Verburg et al. 1999; Festing 2012; Schaaper et al. 2013).

CHRM is a smaller and less developed field than IHRM, in part because it requires the researcher to develop relatively greater expertise in country-specific business systems, cultural heritages, and employment laws and institutions. To really explore comparative HRM, a researcher also has to develop foreign language skills in order to read primary and secondary source materials and conduct company interviews with managers and workers who often only speak the local language. However, no matter whether IHRM or CHRM, the international dimension adds another layer of complexity relative to research projects on home country HRM. Data bases are more difficult and expensive to build, cross-country variation in institutions, laws, and practices introduces difficult measurement and comparability problems, and the logistics and expense of traveling across countries to conduct interviews and develop case study materials can be steep.

Looking over both IHRM and CHRM, and also comparative employment relations (Barry and Wilkinson 2011), a considerable amount of interesting research has been published over the last decade on HRM practices in multinational companies and in countries outside the once-dominant Anglo-American core. Getting particular attention
in recent years, for example, are China and former socialist countries in Eastern Europe (Cooke 2009; Brewster, Morley and Bučiūnienė 2010). Also, a number of insightful cross-country comparisons have been published, such as on differences between HR practices in British-French (Gillman and Raby 2013), Chinese-Vietnamese (Cooke and Lin 2012), and Hungarian-Turkish firms (Aydın 2010). A literature has also developed on European HRM and whether it is substantively different than North American HRM (Sanchez and Kepir-Sinangil 2003; Festing 2012). IHRM-CHRM studies of current HRM practices, particularly in Western economies, have also been facilitated by several relatively new cross-country data bases, such as Cranet (Brewster, Mayrhofer and Reichel 2011).

With this backdrop in mind, a second contribution of this volume comes into sight. The seventeen country studies discernibly expand the knowledge base in IHRM-CHRM and make more information on cross-national HRM trends and practices available to researchers and students. Particularly with respect to cross-national HRM history, before publication of this volume a reader wanting to learn about the development of HRM in, say, Brazil, Korea, or Sweden would be seriously limited because much of the information is contained in books and articles written in the home country language known to relatively few people. This volume helps overcome this barrier by having knowledge experts from each country synthesize the important primary and secondary source materials and present the main findings in English – the predominant lingua franca of the international scholarly community. In addition, the country studies also provide new evidence for theoretical and empirical studies regarding the development, trajectory, and extent of alternative HRM systems and practices. The case studies, for example, provide not only cross-section (point in time) evidence on HRM systems and practices among these seventeen countries but also longitudinal (over time) evidence spanning more than a century. In effect, this volume generates numerous additional data points for CHRM-IHRM researchers.

**Strengthening CHRM–HRM Theory**

The individual chapters describe in considerable detail the historical evolution of human resource management in each country. Inevitably, a significant share of this factual material, whether for Argentina, France, Russia, or South Africa, is country-specific and frequently idiosyncratic. Examples include the rise of President Juan Peron, the ideologically fractured nature of the French labor movement, forms of wage-salary incentive in Soviet-era factories, and the apartheid system in South Africa. For readers who pick up this volume wanting to learn more about the historical development of HRM in one of these nations, this country-specific and descriptive-institutional detail is exactly what they seek because it fleshes out the portrait of national HRM on an otherwise distressingly blank canvas.

Other people looking at this volume, however, may question the value of reading through the chapters on HRM history for many of these countries, particularly if the countries are not of immediate personal research interest or are not in the economic top tier or have unfamiliar institutions and traditions. This concern with the “so what?” payoff of reading each of the individual chapters is certainly appropriate, particularly amidst escalating time pressures and commitments facing many academic researchers. Fortunately, the question can also be given a positive answer.
A third contribution of this volume, and one of relevance to every HRM scholar regardless of country and research interest, is strengthening the theory base of comparative and international HRM. Human resource management has long been a mostly applied field of business practice and has lacked a strong, integrative theoretical foundation (Ferris et al. 2004). To some people theory sounds esoteric and of small value; the opposite is surely the case, however. Theory is the intellectual backbone for every field of scientific inquiry because it is theory that identifies and explains causal “if A then B” relations and how these relations interact to form a larger system of behavior. Without theory, a business practice area such as HRM becomes akin to a ship without a rudder or compass.

In the last two decades much talent and effort has been invested in developing HRM theory and applying/extending it to the international-comparative level of analysis. A review of the HRM literature reveals several features (see Boxall, Purcell and Wright 2007; Paauwe, Guest and Wright 2013). First, the field still lacks a commonly accepted integrative theoretical framework. Instead, HRM has a number of overarching taxonomic-conceptual frameworks, often represented in box-arrow diagrams, which identify key variables and directions of influence. At a somewhat greater level of theoretical specificity, HRM also has a number of middle-range models, theories, and frameworks, typically developed to address particular subject areas and drawn from different disciplines or fields (see Stahl, Björkman and Morris 2012). Examples are social exchange theory from psychology, the resource based view of strategy from industrial organization economics, and organizational isomorphism from sociology. In the area of international-comparative HRM, these middle-range theories are all featured; also added due to the cross-national nature of the subject are several others, such as theories of cultural differentiation from sociology and anthropology, varieties of capitalism from socio-economics, and legal origins theory from law (see separate chapters in Barry and Wilkinson 2011).

As a useful generalization, it seems fair to say that researchers in international-comparative HRM, and also comparative industrial-employment relations, form two broad but somewhat divergent groups when it comes to putting these theoretical pieces together and using them to form hypotheses about the pattern of HRM practices across countries both at a point in time and over time (Clark, Gospel and Montgomery 1999; Pudelko 2006; Kaufman 2011). One group, located more in North America and the international HRM field, takes a universalist perspective and predicts convergence in HRM systems. The second group, located more in the comparative HRM field and outside North America (particularly in Europe), rejects the universalist-convergence thesis and instead asserts the thesis of disparity-divergence in HRM systems (Brewster, Sparrow and Vernon 2007). Provided below is a snapshot portrait of each perspective.

Universalism-convergence

The universalism-convergence perspective rests on several ideas but two are central. The first is the high performance work system; the second is existence at a point in time of a complementary set of HRM best practices (Delery and Doty 1996; Becker and Huselid 2006; Boxall and Purcell 2011).

HRM researchers have found that companies adopt different configurations – also called systems or bundles – of HRM practices (Toh, Morgeson and Campion 2008; Kaufman 2013). These configurations can be ordered along a continuum with companies
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using few/simple/control types of HRM practices located at one end, companies using many/sophisticated/commitment types of practices at the other end, and companies using intermediate combinations located somewhere in between.

The terms “control” and “commitment” are two alternative methods for organizing the HRM function and securing desired employee behavior (Beer and Spector 1984; Walton 1985). The control method uses a “hard” HRM approach. It is a top-down hierarchical style of people management with bosses as the thinkers and order-givers and workers as the order-takers and implementers. The emphasis is on employee compliance secured through well-defined rules and threat of penalties embedded in a culture of “do what I say and don’t talk back.” The exemplar of a command and control style of people management is the military organization. The commitment approach is a much different style of management. It uses a “soft” HRM approach that gets desired employee behaviors not through external control devices but humanistic, participative, and win-win HR practices that create an internal desire among employees to work hard and cooperate with management in order to make the firm successful – akin to the spirit generated on a sports team. The commitment model still has bosses and workers but the two sides have much more overlap, interaction, and sense of shared purpose.

Companies use a mix of control and commitment methods but in the traditional model of employee management, typified in this view by earlier systems of personnel management and industrial relations (e.g., the people management systems used in advanced industrial nations the 1920s–1970s), the commitment idea is considered impractical – even utopian – and most companies rely on various types of HRM control, often in a “hire and fire” context. Control methods in the workplace are attractive because they are easier for managers to implement, don’t threaten or undermine managerial authority, and typically perform well enough that firms can concentrate on the other more strategic parts of their business. A control model, however, also has downsides. For example, it often dulls employees’ work motivation so they do only as much as is required, creates a we-versus-them divide between managers and workers, inhibits productivity and organizational learning with a “check your brains and heart at the door” culture, and can make employees feel they need a strong labor union for voice and protection.

So, on balance, what works better: control or commitment? The central line of empirical research in modern HRM has sought to find the answer to this question. Following on a pioneering study by Huselid (1995), many dozens of empirical studies – often but not always using American or UK data – have examined the relationship between types of HRM practices companies use and their operational and financial performance. As summarized in a recent meta-analysis (Combs et al. 2006), the evidence strongly points to the performance superiority of a commitment-type HRM system. The name typically given to this type of HRM approach is high performance work system (HPWS); other common labels are unitarist (unity of interest), mutual gain, and human capital-high involvement model. Its productivity edge comes from what researchers identify as AMO: employees with greater abilities, motivation, and opportunities to make a difference (Boxall and Purcell 2011).

The structure and specification of the HRM practices that go into a commitment-HPWS model are still a matter of debate. Typically, however, researchers cite selective employee hiring criteria, extensive training and skill development, broadly designed jobs with greater opportunities for self-direction and group collaboration, pay-for-
performance compensation methods, formalized and carefully administered performance evaluation methods, mechanisms for employee voice and participation, equitable treatment with formal channels for dispute resolution, and an egalitarian organizational culture. Because these HRM practices are associated with highest firm performance, and because they seem to have this effect for a wide range of firms, researchers often identify them as “best practice.”

A high performance HRM system, it has to be noted, is more expensive, requires greater up-front investment, turns labor into a quasi-fixed cost, and requires higher quality management than other approaches, such as a simple/informal model often found in smaller firms or, alternatively, rigid/bureaucratic systems such as in public sector organizations or technical/control systems such as in traditional factory assembly line operations. Nonetheless, the higher cost, according to these studies, seems to be more than offset by the higher productivity that goes with a commitment HRM system.

These empirical studies find that the more companies use these HRM best practices – particularly when combined into an integrated bundle – the higher the financial performance they report. This “more advanced HRM is better” finding is frequently called the “main effect” in statistical studies (Huselid 1995). It is qualified, however, by what are called contingency effects. The notion of best practice does not literally mean “one size fits all;” rather, firms have to modify, adjust, and adapt the HRM components in an HPWS to fit their particular situation, including industry, firm size, production technology, and other such mediating influences. These circumstances create contingent effects; that is, the main effect remains positive (more HRM → higher performance) but its size and form are contingent on these other conditioning variables. Because they adjust but do not change the positive sign of main effect, these variables are said to be a case of weak contingency (Kaufman 2011).

If certain HRM practices, whether individually or in a bundle, are performance maximizing for most-to-all firms, the logical conclusion is that over time more and more companies should shift toward the commitment-HPWS model (Becker and Huselid 2006). The carrot of higher profit is one inducement but so too is the stick of competitive survival. At least for private sector firms in capitalist economies, survival, growth, and satisfied shareholders require that managers use their physical, financial and human capital assets as efficiently as possible. Competitive selection pressures, therefore, incent owners and managers of firms to gravitate toward an HPWS-type human resource system because any other is lower performing and will eventually disappear as either companies go out of business or shift, perhaps incrementally, to an HPWS. Although competitive market pressures and the incentive of profit are either absent or considerably attenuated in public sector firms, highly regulated industries, or state-run economies, their leaders cannot be indifferent over the long run to how employees are managed and treated. Low performing and dissatisfied workers more quickly drain budgets, lower enterprise efficiency, alienate customers, and feel dissatisfied and join unions or protest in front of Parliament or at Tiananmen Square.

What does all of this discussion about HPWS and convergence have to do with theory in CHRM-IHRM? To a significant group of researchers, it seems a straightforward deduction that if the HPWS model represents best practice in one country then it should also be best practice in others – with due allowance for secondary (weak) contingency effects arising from different political, institutional, and cultural circumstances (Brewster,
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Sparrow and Vernon 2007; Hollinshead 2011; Zhong et al. 2012). This tenet is the basis for the universalist proposition in human resource management. Proponents of universalism claim that underneath the surface of national diversity reside certain fundamental principles of effective people management that are always and everywhere valid. To use an analogy, American, French and Japanese automobiles are built with different engines, parts, and exterior styles yet, underneath, they all have fundamentally similar designs and operate according to the same scientific-engineering principles. In the universalist perspective, regardless of country “people are people” and the same HR management principles that get American employees to perform at their best will do the same in France, Japan and all other countries.

It follows, in turn, that if the same approach to people management is best practice in each country then the same incentives and competitive pressures that bring about convergence within each country should also bring about convergence across countries (Katz and Darbishire 2000). More specifically, the globalization process, from this perspective, is having a pronounced leveling and homogenizing effect across nations as economies, cultures and political systems gradually – sometimes painfully – become more integrated and alike in their basic features. The disintegration of the socialist political-economic model in countries such as China and Russia and their shift toward a market-based economy (and eventually political democracy?) is but one example of the unfolding convergence process; the rush of American companies in the 1980s to learn the principles of Japanese management is a second. A number of countries, it is true, seem to be exceptions, such as socialist North Korea and Cuba and war-torn and poverty-stricken Afghanistan and Somalia. From a universalist perspective, however, these countries are a case of convergence postponed, not denied.

Strong contingency-divergence

A second group of international-comparative HRM researchers look at the pattern of human resource management practices across nations and reach a much different interpretation. They see large disparities in HRM systems around the world that persist over many decades, indicating that divergence rather than convergence is the rule (Delbridge, Hauptmeier and Sengupta 2011; Dore 2000; Wood et al. 2013).

If a person looks only at large multinational corporations, it appears that similar business models and HRM systems are spreading from New York City and London to the distant corners of the world, such as Beijing, Buenos Aires, Istanbul, Johannesburg, and New Delhi. However, look more closely, say the proponents of the strong contingency perspective, and the universalist case starts to develop large cracks. Considerable empirical research (no single dominant system) finds that, in actuality, MNCs do not use a standard best practice HRM system across countries but, instead, tailor important parts to fit each national environment (Kim and Gray 2005; Schaaper et al. 2013). Further, MNCs account for a very small share of employment in most countries and are far overshadowed by domestic-only firms. These firms, as described in the previous section, can be ordered along a continuum from few/simple/control HRM practices to many/sophisticated/commitment practices. The critical flaw in the universalist story, however, is the assumption that an HPWS type system is even approximately best practice for all or most firms (Kaufman 2011). Instead of one best practice equilibrium that all firms converge to, the reality is that several – perhaps many – HRM systems are best practice for their
particular situation. The reason, in turn, is that structural conditions, such as differences in production systems across industries, legal systems across nations, and cultural norms regarding individualism versus collectivism, create conditions of strong contingency that not only modify the HPWS main effect but actually override it in favor of a different – perhaps quite different – HRM configuration (Reiche, Lee and Quintanilla 2012; Wood et al. 2012).

The argument can be usefully developed using the strategy concept from the field of strategic HRM. A strategy is a plan of action that seeks to accomplish a goal or mission in the most efficient/effective way. In the case of HRM, the dominant position, particularly in the Anglo-American literature, is that management’s strategic goal should be to implement the HRM system that maximizes the firm’s performance. The goal of maximizing firm performance, in turn, translates for managers of privately owned companies to the equivalent rule: maximize shareholder wealth.

The strategy concept provides insights on why HRM systems may exhibit large and persistent disparities across nations and regions (Pinnington 2011). One reason is that an HRM strategy that maximizes firm performance in a free market or “liberal” type of economy will harm firm performance in a different type, such as a “coordinated” economy with greater institutional structure, regulation, and government guidance (Kaufman 2011). A common presumption in free market economies, such as the USA and UK, is that “more markets” and “more competition” are better for efficiency and growth; thus, they expect that when people and governments in the more regulated economies wake-up to this truth their economies will shift to the liberal camp and, hence, their HRM systems will start to converge too. Proponents of the contingency-divergence perspective, however, say this free market presumption is but one of many instances where ethnocentric bias warps conclusions about what kind of economy and HRM work best (Wood et al. 2013).

Actually, people in many nations do not accept the theory that a free market economy is the most efficient or desirable type (Streeck and Yamamura 2001). This contention is most starkly illustrated in the case of former socialist countries, such as China and Russia (Morley, Minbaeva and Michailova 2012; Collins, Zhu and Warner 2012). These countries had revolutions to replace free market capitalism, in part because it was seen as prone to periodic crises with large-scale unemployment and a socially corrosive divide between a rich minority and poor majority. Most of these countries have in the last twenty–thirty years turned away from the socialist model and introduced substantial components of private property, markets, and profit-making. Here again, say advocates of the strong contingency hypothesis, is a case that looks like evidence in favor of the convergence hypothesis but which, when examined more closely, looks much less so. That is, the employment systems in these former socialist countries are not evolving to the Anglo-American liberal model but a coordinated system featuring a mix of private and state enterprise with substantial government regulation and management. Accordingly, the search for optimal fit and maximum performance leads the managers of enterprises in these countries, not to some American/universalist HPWS model, but distinctly variegated and hybrid Chinese and Russian HRM systems.

The same picture is true, though in a less stark form, for many other countries, say the proponents of the contingency-divergence perspective. The nations of continental Europe, for example, eschew the free market model for what is commonly labeled a
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A social market economy (Esping-Andersen 1985; Hall and Soskice 2001). A social market economy tries to stabilize and humanize capitalism – therefore making it more efficient in the long run – through extensive social welfare and training programs, protective labor laws, and widespread worker representation in trade unions and works councils. A firm’s best HRM strategy in a social market country, accordingly, will be considerably different than in a liberal market country (Pudelko 2006). As one example, certain HPWS practices cited as best practice in an American-type economy, such as management-created employee voice programs, do not fit well in a German or Swedish type coordinated economy (Boxall and Macky 2009). Asian countries, such as Japan and Korea, also have their own distinctive form of capitalism. For example, while free market ideas in the USA and UK make it seem good business to lay off workers when doing so will boost the company’s share price, this way of conducting HRM in Asian countries is regarded as short-sighted and inefficient because it damages the employees’ motivation, works skills, and loyalty to the company (Dore 2000). As seen by many people outside North America and Britain, therefore, the liberal market model, while certainly having strong points, also has critical weak points (e.g., financial crises, commodification of labor, the McDonaldization of society) and may not triumph in the long run. Continued divergence in economies, therefore, implies continued divergence in HRM systems.

The strategy idea brings out a second reason why HRM divergence occurs and persists. Even if all nations decided to adopt a common economic model, it doesn’t imply that the firms of these nations will therefore be led to converge on the same HRM model and set of practices. They will do so if all accept the same strategy goal, such as to run the firm to maximize shareholder wealth. However, here enter cultural, social, political and ethical considerations that vary greatly among nations. Anglo-Americans, for example, may accept the goal of shareholder wealth maximization but people in other countries, such as Sweden, Turkey, and Japan, believe other considerations also need to be given weight (Jackson 2011; Reiche, Lee and Quintanilla 2012). For example, in Sweden and other social democratic countries, the view is that firms do not exist just to make their owners rich; rather, firms also have other constituencies and social responsibilities and their interests should be included (Berglund and Löwstedt 1996).

Here emerges a strong contingency in the form of two kinds of corporate governance models: shareholder versus stakeholder. If a firm adopts a shareholder model, only the interests of capital owners get weight and many of them may have relatively short investment time horizons. HRM practices that yield quick profit gains, such as incentive pay and outsourcing non-core jobs, will be favorably viewed while HRM practices having a long pay-back period, such as skills upgrading and job security guarantees, will be scaled back. In a stakeholder model, on the other hand, employees’ interests also get weight and more long-run and worker-friendly HRM practices get adopted, such as pensions, training programs, and job security provisions. In stakeholder countries, governments also take a more activist role in ensuring that companies’ HRM policies take into account social preferences and costs, such as for a clean environment, stable employment, and equal opportunity for women and minorities (Kazlauskaite et al. 2013).

Yet other reasons can lead to sustained disparity of HRM practices and, indeed, growing divergence. Consider, for example, the implications of international trade theory from economics (Golub 1999). The theory of comparative advantage, first articulated by early 19th century economist David Ricardo, demonstrates that all countries gain...
when they specialize in the product where they have a comparative cost advantage and then export their surplus product in exchange for imports of everything else they need. He showed this proposition with a two country/ two good case – England and Portugal and cloth and wine. If each country tries to produce both cloth and wine they will be poorer than if England specializes in cloth and Portugal in wine and they trade. Ricardo’s explanation of comparative advantage turned on relative differences in land productivity and climate; other economists later generalized the theory to include differences in other factor endowments, such as labor and capital (known as the Heckshers-Ohlin trade model).

The implications of trade theory for the convergence-divergence debate in CHRM-IHRM have not received much attention (but see Harzing 1995). The theory points, however, to the potential for sustained and quite possibly growing disparities in HRM systems across nations. Before trade, England and Portugal both produce cloth and wine. The two goods have different production systems and associated HRM systems; however, since both countries use some of each system they will show a rough equality (convergence) in national HRM practices. However, when trade starts convergence turns to divergence. Now England uses only HRM practices associated with cloth manufacture (large-scale capital intensive factories, mechanical skills, trade unions) while Portugal uses only HRM practices associated with wine production (small-scale labor intensive wineries and vineyards, horticultural skills, a rural-based labor force).

Even though the examples have been drawn from the early 1800s with England and Portugal, one can appreciate that this story applies equally – perhaps even with more force – to the last thirty years of globalization. As world markets become more tightly interconnected, labor intensive industries migrate to low wage countries and high wage countries specialize more in capital intensive and knowledge intensive industries. Thus, here we have a great irony between convergence and divergence stories. In the former, globalization leads to convergence because firms around the world are pressured by competition to adopt best practice production and HRM methods. In the latter, globalization leads to divergence because competition and gains from trade lead countries to specialize in certain types of products and, therefore, adopt similarly differentiated HRM systems and practices.

Specialization in trade is an economic explanation for cross-national divergence in HRM systems. Another explanation comes from sociology, anthropology, and cultural management, with cross-over to political and social institutionalism (Wood et al. 2012; Reiche, Lee and Quintanilla 2012). Going back to the idea of strategy, assume we are looking at similar firms, say domestic airlines in France, Korea, Turkey, and the USA. Further assume all firms seek the HRM system that maximizes return on capital. Will they all choose the same kind of HRM system, say an HPWS? The answer is no to the extent that (1) each country has a distinctive culture (collectively shared values, attitudes, norms, traditions) and (2) these cultural characteristics shape and constrain managers’ and workers’ behaviors, beliefs, and interactions.

From this perspective, cultural differences mean there can be no universal “best practice” in HRM because the practice that works best in Korea may cause many problems in the USA. In Korea, for example, the airline’s workers may sing company songs before start of the shift and managers at a city base line up outside the building, even in rain or snow, to greet the visiting CEO (Jung 2011). In America, cultural norms are very different.
and these HR practices would soon alienate employees. Similarly, Turkey is strongly influenced by Middle Eastern and Islamic cultural norms while French cultural norms are anchored in the Western and Christian tradition (Budhwar and Mellahi 2012). As the convergence school emphasizes, the technology of flying passengers from one city to another in France or Turkey is very similar and, hence, this points to similar HRM systems in the two countries. However, the divergence school claims if you look under the surface at the airlines in the two countries you will nonetheless see a number of important HRM disparities. HRM in France, for example, operates in a tradition of legalism, formalism, social rights, and adversarial relations with unions; HRM in Turkey, on the other hand, operates in a social ethos with greater emphasis on a personal-traditional style of management, informal understandings between managers and workers, a paternal-family relation between company and workers, avoidance of open conflict at work, and religious-influenced norms about social-gender roles.

Closely related to the cultural perspective in CHRM-IHRM is an institutional perspective (Kaufman 2011; Wood et al. 2012). Institutions are typically conceived as bodies of rules, either formal or informal, that define individual rights, resources, authority relations, social norms, and behavioral rewards and penalties. A popular approach of the last two decades is to analyze the dynamics of employer-employee relations using a game theory model (Miller 1991); in this context, an institution – such as the HRM system – is conceived of as defining the rules of the game. The application to CHRM-IHRM is that countries – due to factors such as differences in cultures, electoral systems, and ruling elites – construct different institutions to govern and coordinate economic activity in markets and firms. As an example, Anglo-American countries have an institutional order that supports their preference for an economy built on markets, individualism, and small government; European and Asian countries, on the other hand, adopt a different institutional order to support their preference for an economy with greater social-collective guidance and regulation. Not surprisingly, differences in institutional orders ripple into the organization and practice of HRM in individual countries. One reason, for example, that human resource management originated in the USA, rather than Germany or China, is that the institutional order in America gives company executives the widest scope to organize and practice employee management as they deem best (Bendix 1956; Guillén 1994; Kaufman 2004). Where employee management is tightly constrained by laws, trade unions, and social customs, it correspondingly has less room to “make a difference” in society and to the organization’s bottom line and, accordingly, seems less important and worthy of academic-practitioner attention.

Trade specialization and differences in national cultures and institutions are all strong contingencies that create persistent disparities in HRM systems across nations. But, won’t these sources of disparity gradually be eroded by the homogenizing forces of market competition and cultural integration? Yes, these forces are important and work on their side toward convergence. On the other side, however, are forces that maintain the HRM disparity and even increase them. Three factors are important here.

The first is the concept of complementarity. Items are complements when putting them together makes both more productive (Milgrom and Roberts 1992). Complementarity gives rise to synergy – the phenomenon that the whole is greater than the sum of the parts. The idea of complementarity is important in strategic HRM because it helps explain why companies tend to create distinctive systems of individual HRM practices
History and its lessons

A company can choose a number of different methods to accomplish the same HR activity, such as selection, compensation, training, and performance evaluation. Some of these methods, in turn, work better in some contexts than others. For example, staffing with walk-in applicants, providing few benefits or assurances of job security, and paying only the market wage, might maximize profit for a fast-food restaurant but not for a large company that designs advanced electronics. Taking this idea one step further, if complementarity exists between individual HRM practices, then companies gain higher performance by not only picking the highest productivity practices for that context but also selecting other practices that fit together for maximum synergy. The application to CHRM-IHRM is that what is true at the company level is also true at the nation state level (Katz and Darbishire 2000; Hall and Soskice 2001). Thus, cultural-institutional differences encourage companies in Argentina, Britain, and Japan to choose a different method of, say, compensation or performance evaluation. This individual practice disparity then becomes amplified into a system disparity to the extent complementarities shape the entire package. Not only does complementarity among HRM practices amplify system divergence, it also makes the system more tightly bound together and thus resistant to incremental or piece-by-piece change.

The second concept is path dependency (Barney and Clark 2007). The idea is that once a business firm implements a particular strategy it tends to get locked-in by sunk investments in physical and human capital and development of specialized capabilities and knowledge (Wright, Dunford and Snell 2001; Coff and Kryscynski 2011). Thus, once chosen, a firm tends to stay on the same strategic path, particularly because changing paths is often very expensive and disruptive. An implication of path dependency is that “history matters.” CHRM-IHRM theorists reason that path dependency is another explanation for not only persistent disparity in HRM systems but also divergence over time. Sweden and the USA, for example, were each faced with massive labor protest and strikes in the 1930s. Due to cultural, political and economic differences at the time, the two countries chose different strategies to solve the problem (Esping-Andersen, 1985; Kaufman 2004). Sweden opted for a social market economy with an extensive welfare state and corporatist-type collective bargaining system; the USA considered the same options but rejected them in favor of a liberal market economy, modest-sized social welfare program, and decentralized “business union” form of collective bargaining. Path dependency means that once these initial decisions were made they sent the two countries down different paths of HRM development – leading to growing disparities over time. Pressures for convergence, say from global market integration, can override path dependency but the lock-in effect is powerful and takes considerable time and pressure to overcome.

The third and final concept is multiple equilibria (Katz and Darbishire 2000). An equilibrium point is where a system comes to rest after all adjustments to external conditions have been made; it serves as a dynamic attraction point toward which a system heads. The universalism-convergence hypothesis assumes that an HPWS-type HRM system is the attraction point toward which all organizations and countries are headed, albeit slowed and shifted by various weak contingent factors described above. The divergence-contingency hypothesis, however, assumes multiple equilibria exist in the world economy and different HRM systems can thus coexist and perform equally well. With multiple equilibria, therefore, HRM disparity can persist indefinitely and more than one system can
be high performing. Another name for this idea in the HRM literature is “equifinality,” meaning different routes exist to the same performance outcome (Delery and Doty 1996).

CONCLUSION

I have endeavored to frame the historical issues and develop the intellectual context for the seventeen country studies that follow. In serving as editor for these chapters, I learned a lot and believe readers will too. We also owe a debt to the chapter authors who faced a substantial challenge in assembling and synthesizing more than a century’s worth of material into a relatively compact account. They worked hard to tell their nation’s history of human resource management, in some cases for the first time even in their native language and in other cases the first time in the English language.

Perhaps the central theoretical issue that readers will look for in these chapters is evidence on the convergence-divergence debate. Mayrhofer et al. (2011) make the useful distinction between directional convergence and final convergence. In the former, disparate HRM systems move in the same direction; in the latter, the systems not only move in the same direction but their differences narrow and, in the limit, disappear.

These seventeen case studies display strong directional convergence as countries follow along a common path of economic and social development from the late 19th century to the early 21st century. This pattern was insightfully described and theorized more than a half-century ago by Kerr et al. in Industrialism and Industrial Man (1960). The verdict these authors reached in a retrospective fifteen years later was that they overestimated the forces leading to final convergence and underestimated the forces creating divergence and persistent disparity (Dunlop et al. 1975).

My reading of these seventeen chapter case studies, along with all the works cited here, is that forty years later directional convergence in HRM practices continues apace but (1) final convergence seems somewhere between modest and negligible and (2) to the degree convergence is taking place it is, on balance, not toward the HPWS but a more short-term and market-oriented employment system. Given that globalization has been in full swing for more than thirty years, one would expect that the “upstream” convergence process originally expected in Industrialism and Industrial Man, and as forecast in the universalist/high-performance/best practice school of HRM, would have clearly emerged. If readers can discern a convergence trend toward the HPWS in the chapters that follow, they have sharper eyes than mine. Instead, I think the reassessment in favor of HRM disparity by Dunlop et al. (1975) continues to hold the high ground in this debate. I welcome readers, however, to make up their own minds.

REFERENCES


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