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The transfer and diffusion of HRM practices within MNCs: lessons learned and future research directions

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ABSTRACT

The transfer and diffusion of human resources management (HRM) practices within the geographically dispersed operations of multinational corporations (MNCs) is receiving heightened attention, in particular because it is believed to significantly influence the performance and competitiveness of MNCs and their subsidiaries. However, as a review of the current body of literature suggests, further work is needed if we are to more fully understand the underlying process through which HRM practices are transferred and diffused or provide more holistic guidance with practitioner relevance. In this article, the authors review and synthesize the extant literature on the transfer and diffusion of HRM practices in the MNC context. Five salient themes or questions that prior research attempts to address are identified and critiqued. A general guiding framework is proposed as are possible avenues for future research.

KEYWORDS

Transfer; diffusion; HRM practices; MNCs

Introduction

Given the unparalleled growth in multinational corporations (MNCs) and the commensurate rise in numbers of their foreign subsidiaries (Birkinshaw & Prashantham, 2012; Brenner, 2009), it has become a modern business imperative for such organizations to utilize the most effective human resource management (HRM) practices possible in their geographically dispersed network of operations to achieve and sustain competitiveness (Ahlvik & Björkman, 2015; Evans, Pucik, & Björkman, 2011; Horwitz, 2011; Thomas & Lazarova, 2013). This necessitates not only the transfer of proven HRM practices from the headquarters (parent) to their foreign affiliates (subsidiaries), but also the diffusion of practices developed and considered effective in a foreign subsidiary back to the parent and/or to

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other subsidiaries within an MNC's network (Doz, Santos, & Williamson, 2001; Edwards, 1998; Hocking, Brown, & Harzing, 2007).

Despite considerable scholarly work on the transfer and diffusion of HRM practices (e.g. Ahlvik & Björkman, 2015; Ahlvik, Smale, & Sumelius, 2016; Beamond, Farndale, & Härtel, 2016; Chiang & Birtch, 2012; Edwards, Sanchez-Mangas, Bélanger, & McDonnell, 2015; Ferner, Edwards, & Tempel, 2012; Haddock-Millar, Sanyal, & Müller-Camen, 2016; Mellahi, Frynas, & Collings, 2016), by and large the literature remains fragmented and incomplete. One reason for this might be that scholars have typically studied practice transfer and diffusion through different conceptual lenses (e.g. social capital: Ahlvik & Björkman, 2015; resource-based view: Myloni, Harzing, & Mirza, 2007; dominance effects: Pudelko & Harzing, 2007; institutional theory: Burbach & Royle, 2014). Other possible reasons for shortcomings in our understanding include that prior research often focuses on different levels of analysis (e.g. institutional, organizational or individual level), on an individual HRM practice in isolation (e.g. reward practices, performance management, eHRM) or on a single dimension of the transfer and diffusion process (e.g. objectives of the transfer, transfer mechanisms, the context in which transfer takes place). Such diversity in approaches may also account for the mixed results of prior work. Hence, there is a need for a more integrated and holistic view that will help guide and focus research in this important area of international HRM (Edwards et al., 2015).

This study reviews and synthesizes the literature on the transfer and diffusion of HRM practices with the aim of offering a general guiding framework (see Figure 1) and possible avenues for future research. More specifically, we provide a critical analysis of what we know and do not know about the transfer and diffusion of HRM practices. Our discussion is organized according to five prominent themes or questions identified in the literature that prior research attempts to address, including (i) why the transfer and diffusion of HRM practices occurs in MNCs; (ii) what roles transferring and receiving units play in the transfer and diffusion of HRM practices; (iii) what mechanisms facilitate or inhibit transfer and diffusion; (iv) which HRM practices are being transferred and diffused, and (v) how country context affects transfer and diffusion. Within each question, we critically assess the related literature, delineate lessons learned and briefly discuss gaps in our understanding. The review culminates with a summary of possible courses of action for future research. In this manner, we prompt the advancement of scholarly inquiry and support calls for greater research about the transfer and diffusion of HRM practices in the MNC context (e.g. Ahlvik & Björkman, 2015; Arp & Lemański, 2016; Edwards et al., 2015).

This review is not intended to provide an exhaustive account of all studies on the transfer and diffusion of HRM practices. Instead, we followed a specific protocol in an attempt to narrow the literature reviewed according to several criteria, including relevance, timeliness and quality. First, we used popular global databases (e.g. ABI Inform-ProQuest and EBSCO) to filter articles published over

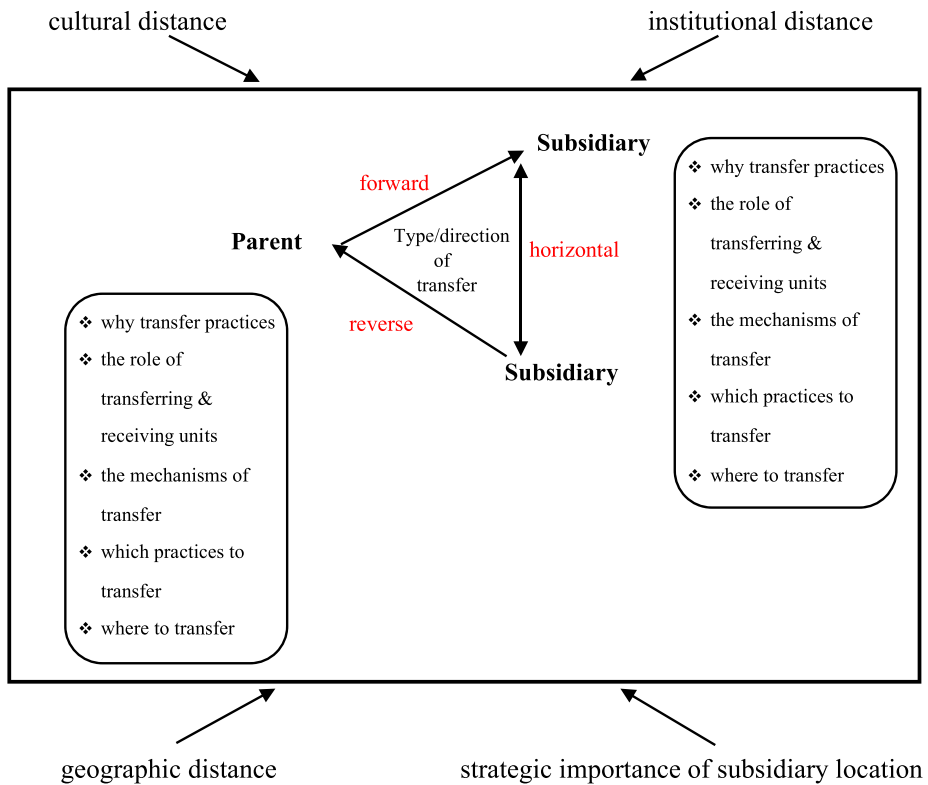


Figure 1. A general guiding framework for the transfer and diffusion of HRM practices.

the past decade containing the key words ‘transfer’ and/or ‘diffusion’ in their title and ‘practices’ in their abstract. Second, we included only articles specifically about the transfer and diffusion of HRM practices within the MNC context (e.g. studies comparing MNCs’ HRM practices within a country or across countries were excluded). Because our focus is on HRM practices, we also excluded studies about other management practices (e.g. marketing, accounting) and non-practice transfer and diffusion (e.g. knowledge, innovation). Lastly, we considered only those articles published in mainstream academic journals that regularly publish high-quality international business and human resource management related research. Our filtering process yielded approximately 186 publications (see Table 1 for examples of representative publications (numbers) reviewed).

Understanding transfer and diffusion

According to Kogut (2005), the diffusion of organizational practices – visible manifestations of possessed organizational knowledge that are believed to be the most valuable asset for contemporary MNCs – has become a major area for contemporary international business research. Although the terms ‘transfer’ and ‘diffusion’ are often used interchangeably, some authors (e.g. Szulanski, 1996) suggest that

Table 1. Representative journal publications reviewed.

Journal title	Number of articles
<i>International Journal of Human Resource Management</i>	23
<i>Journal of World Business</i>	10
<i>Journal of International Business Studies</i>	6
<i>Human Resource Management Journal</i>	5
<i>Human Relations</i>	5
<i>Journal of Management Studies</i>	4
<i>Management International Review</i>	4
<i>Asia Pacific Journal of Human Resources</i>	4
<i>Journal of Knowledge Management</i>	4
<i>Organization Studies</i>	3
<i>Employee Relations</i>	3
<i>Human Resource Management</i>	3
<i>Asia Pacific Business Review</i>	3
<i>Critical Perspectives on International Business</i>	3
<i>Journal of Business Research</i>	2
<i>Human Resource Development Quarterly</i>	2
<i>International Journal of Manpower</i>	2
<i>Journal of Technology Transfer</i>	2
<i>Personnel Review</i>	2
<i>Research Policy</i>	2
<i>Organization Science</i>	2
<i>Strategic Management Journal</i>	2
Total	96

distinctions should be made. For example, diffusion is often said to emphasize the flow of practices as a gradual process of dissemination that may take place over time or occur in many different steps whereas transfer is often considered a one-time or one-off event. Because we attempt to synthesize the literature, we use both terms interchangeably. However, it should be noted that distinctions made in future research may yield more nuanced findings.

In the multinational context, the transfer and diffusion of HRM practices can be classified according to three types or as occurring in three different directions (Edwards, 1998): forward (from the parent to subsidiaries), horizontal (among subsidiaries) and reverse (from subsidiaries to the parent), as depicted in Figure 1. Moreover, each type/direction faces its own set of challenges and level of complexity. For example, in the case of forward transfer and diffusion, parents may face resistance from trade unions (e.g. Ortiz & Llorente-Galera, 2008) or subsidiary managers (Ahlvik et al., 2016; Ferner et al., 2012; Jiang, 2014) because of the ‘not-invented-here syndrome’ (Bartlett & Ghoshal, 1989). Horizontal transfer and diffusion can be complicated by operational and other contextual differences between subsidiaries (Zhang & Edwards, 2007) as well as their geographical distance, as Dobosz-Bourne (2006) noted in a study of General Motors. Finally, challenges to reverse transfer and diffusion can arise from the ethnocentrism of parent managers (Arp & Lemański, 2016; Thory, 2008) and the ‘corporate immune system’ (Birkinshaw, 2000). Although the extant literature does not explicitly address the frequency or magnitude of different types/directions of transfer and diffusion of HRM practices, evidence underscores its overall importance to MNCs,

particularly those wishing to enhance the performance and competitiveness of their global operations.

Deconstructing the literature

Prior work has attempted to address a number of important themes or questions related to the transfer and diffusion of HRM practices in the MNC context, as follows.

Why the transfer and diffusion of HRM practices occurs in MNCs

Various perspectives have been used by scholars in an attempt to explain why the transfer and diffusion of HRM practices occurs in MNCs, including resource-based, internationalization, transaction cost, resource dependency and institutional theories. For example, according to resource-based theory, HRM practices are a major source of 'ownership' advantage (Dunning, 1980) or firm-specific capabilities that can be exploited in overseas markets (Hymer, 1976) and should be aligned across subsidiaries with the parent's overall business strategy in order to achieve competitive advantage (Barney, 1991). Such rationale provides the underlying strategic reason for the *forward* transfer and diffusion of HRM practices (Myloni et al., 2007). However, recognizing that new knowledge, competencies and capabilities increasingly reside in the foreign operations (host countries) of MNCs, especially given that significant numbers of employees may now work in locations outside the parent's home country, MNCs can no longer afford to solely rely on exploiting home country practices (push factors) (Thomas & Lazarova, 2013; Thory, 2008; Tregaskis, Edwards, Edwards, Ferner, & Marginson, 2010). Instead, they must be open to accessing and leveraging valuable practices developed and located in their foreign affiliates (pull factors), rationale underlying the *reverse* and *horizontal* transfer and diffusion of HRM practices. As Ferner and Varul (2000) found, British subsidiaries of German MNCs can play a significant role in the development of new HRM practices (e.g. performance management practices). Hayden and Edwards (2001) similarly found that Swedish MNCs have used their British operations as a basis for altering reward practices (i.e. the 'fixed' pay systems of their parent), reverse diffusion that has led to the introduction of 'variable' pay systems linking pay to individual, business unit and firm performance (i.e. a significant widening of pay differentials).

The internationalization literature further suggests that the transfer and diffusion of practices is influenced by the degree to which the international strategies of MNCs are oriented towards global integration (standardization) vs. local responsiveness (localization) (Pudelko & Harzing, 2008; Rosenzweig, 2006; Smale, Björkman, & Sumelius, 2013). In the case of the former, studies have shown that in order to more closely integrate global operations, MNCs find it necessary to standardize their HRM practices by transferring them from the parent to their

foreign subsidiaries (Lertxundi & Landeta, 2012). As a consequence, HRM practices at the subsidiary level are more likely to resemble those in the home country than host country indigenous firms (Ferner, Quintanilla, & Varul, 2001; Rose & Kumar, 2007). Such an emphasis (forward transfer) also means that the parent is less likely to support reverse diffusion from subsidiaries (Edwards, Almond, Clark, Colling, & Ferner, 2005; Thory, 2008). In the case of the latter, studies have shown that MNCs are less likely to transfer HRM practices from the parent to foreign subsidiaries because such business units inherently emphasize local responsiveness and host country requirements (Broad, 1994). Thus, subsidiaries' HRM practices are more likely to be local in design and implementation (Hayden & Edwards, 2001; Von Glinow & Teagarden, 1988; Yahiaoui, 2015).

Different from the above strategic perspectives, viewed from a transaction cost or organizational efficiency lens, whether transfer and diffusion takes place is said to rely on cost-benefit analysis. For example, forward transfer is often based on the assumption that an MNC is a hierarchically controlled organization that aims to achieve global efficiency. Hence, the transfer and diffusion of HRM practices from the parent to subsidiaries (forward transfer) takes place because it is believed to enhance coordination (Budhwar & Sparrow, 2002; Martinez & Ricks, 1989) and organizational learning due to economies of scale/scope (Schmitt & Sadowski, 2003). It is also thought to promote a common corporate culture (Rosenzweig & Nohria, 1994; Smale et al., 2013) and employee equity perceptions within MNCs which are important to the implementation of HRM practices (Kim & Mauborgne, 1993). However, the forward transfer of practices from the parent to a subsidiary can be costly (Teece, 1981) because it may require additional training resources and the time required for subsidiaries to learn new work techniques. By contrast, the reverse diffusion of HRM practices from subsidiaries to the parent may enable MNCs to achieve a different set of organizational benefits. For example, adopting new practices developed in their foreign affiliates provides MNCs with a greater choice of business solutions (Edwards & Tempel, 2010; Thory, 2008), can increase the quality of the HRM system (Edwards & Ferner, 2004; Lemański, 2014), and promotes subsidiaries as good corporate citizens.

From a control perspective, resource-dependence theory suggests that the more dependent a subsidiary is on its parent for resources, the tighter the parent's control on the subsidiary, thus, the more likely it will be that HRM practices are transferred and diffused from the parent to subsidiaries because this facilitates the parent's control (Martinez & Ricks, 1989; Myloni et al., 2007). However, there may also be cases in which the parent may be reluctant to transfer critical capabilities to its overseas subsidiaries in order to maintain control or other cases in which subsidiaries try to differentiate themselves from their parent by developing their own unique HRM practices to reduce dependency (Chen, Chen, & Ku, 2012). Thus, the extent to which practice transfer takes place is also dependent on the power play between a parent and its subsidiaries (Chen et al., 2012).

Although strategic HRM scholars in general agree that MNCs should transfer 'best practices' from the parent to its subsidiaries, institutional theory suggests that parents and their foreign subsidiaries are subjected to different sets of institutional pressures that are likely to influence which practices may be more appropriate or effective in a specific institutional setting (DiMaggio & Powell, 1983; Rosenzweig & Nohria, 1994; Scott, 2014). That is, organizations operating in the same environment (location) should adopt similar practices and thus become *isomorphic* with one another (DiMaggio & Powell, 1983). Moreover, a certain amount of diversity in practices within an MNC may benefit individual subsidiaries, especially when they imitate leading local or global competitors' practices in a host country (Rosenzweig, 2006; Wood, Brewster, & Brookes, 2014), albeit such an approach may contradict efficiency considerations (Kostova & Zaheer, 1999). Drawing on institutional theory, Burbach and Royle (2014) found that in industries characterized by high competition, MNCs were more likely to benchmark each other's best practices. Some scholars have also argued that MNCs face two different types of pressures, which Kostova and Roth (2002) termed 'institutional duality', namely the pressure to adopt standard practices within the MNC (internal pressure) and the pressure to adopt practices that are popular among competitors in a host country (external pressure) (Ferner & Varul, 2000). For example, although Japanese firms are often considered ethnocentric in orientation, Ando (2011) found that their foreign subsidiary staffing decisions were in fact affected by both internal and external institutional pressures.

Lastly, practice transfer may also occur for less rational reasons. As Schmitt and Sadowski (2003) found, because Japanese management practices became fashionable in the 1980s and 1990s, this led to their increased diffusion.

Critique

As a review of this theme suggests, each of the above perspectives is different in focus and, as a consequence, may over-emphasize the influence of certain variables in the practice transfer and diffusion process while ignoring other salient variables and constructs. Hence, our knowledge of why MNCs initiate practice transfer and diffusion may benefit from future studies that combine and integrate different perspectives. Such an integrative approach may also help to overcome the limitations of any one single approach. For example, the central premise of the resource-based perspective is that an MNC's competitive advantage lies in its unique firm-specific resources and capabilities (e.g. HRM practices) that are inimitable. However, inimitable practices are considered the most difficult to transfer and diffuse. Similarly, while institutional theory suggests that an MNC benchmarks and adopts best practices (imitation) in order to gain legitimacy and avoid lagging behind competitors, matching competitors' best practices can potentially intensify competition, making it difficult to achieve competitive advantage (Barney, 1991).

Moreover, the above stream of research often treats transfer and diffusion as the dependent variable. However, transfer and diffusion differ from practice adoption and implementation. In other words, our knowledge about the actual level of adoption or whether the practices transferred and diffused are fully internalized and successfully implemented in subsidiaries is limited (Ahlvik & Björkman, 2015; Björkman & Lervik, 2007) as is our knowledge about the rates of diffusion and why some companies may have significant levels of transfer and diffusion whereas others have little or no transfer and diffusion taking place. If theory and empirical work are to advance, the conceptualization of transfer and diffusion as well as the operationalization of its outcomes (e.g. implementation, internalization) need to be more clearly specified and measured. It would also be interesting to see how the objectives of transfer and diffusion of HRM practices evolve over time.

What roles transferring and receiving units play in transfer and diffusion

Because practice transfer and diffusion is about the flow of a practice(s) from one unit (the transferring unit) to another (the receiving unit), understanding each actor's role and involvement is critical (Tempel, 2001). Prior research suggests that in comparison to their subsidiaries, parents are often better positioned to provide support and coordinate transfer and diffusion because they control necessary enabling resources (Bartlett & Ghoshal, 1989; Ferner et al., 2012), set the organization's overall strategic goals (Tallman & Koza, 2010) and possess the authority to overcome potential resistance, such as from a subsidiary (Szulanski, 1996). A parent may also discourage reverse transfer and diffusion, including to protect its position within the organizational network, when it deems a practice as harmful (e.g. not aligned with corporate values), to maintain compatibility in HRM systems (Bartlett & Ghoshal, 1989), and to avoid opportunism from a subsidiary (Birkinshaw, 2000). Thus, the parent must strike a balance between a range of competing pressures when considering its role and involvement in HRM practice transfer and diffusion (Rosenzweig & Singh, 1991).

Moreover, a parent's involvement in practice transfer and diffusion can either be direct or indirect. In terms of the former, a parent's role is considered direct when it provides resources and allocates decision-making rights (Ciabuschi, Forsgren, & Martín, 2011), or authoritatively selects which units can transfer which practices (e.g. which practices to transfer globally, maintain locally or even terminate) (Edwards & Ferner, 2004). A parent can also direct a unit to share a practice it developed with another unit or to transfer and diffuse a practice companywide (Arp & Lemański, 2016; Tempel, 2001; Thory, 2008). In terms of the latter, a parent's involvement can also be less direct, such as through the establishment of a corporate culture (Birkinshaw, 2000; Tempel, 2001) that makes the sharing of practices a 'way of doing things' in the MNC (Brenner, 2009; Martinez & Jarillo, 1991) and through the establishment of corporate communication channels that

can act as conduits for the transfer and diffusion of practices (Nohria & Ghoshal, 1997).

However, organizational power within MNCs is increasingly becoming more dispersed throughout their operational networks (Andersson, Forsgren, & Holm, 2007). To this end, although a parent may be able to influence transfer and diffusion, it may not always be able to fully determine subsidiary behaviour or the extent to which a practice is adopted and implemented (Ferner, Almond, & Colling, 2005; Rosenzweig & Nohria, 1994). In such instances, practice transfer is more likely to be executed through a process of negotiation between the parent and different stakeholders in the subsidiary(ies) (Ferner et al., 2012). Thus, the transfer and diffusion of HRM practices contains a political dimension in which a parent's influence is subject to interactions with and the behaviour of subsidiaries (Edwards & Ferner, 2004). Subsidiary initiative, the extent to which subsidiary managers take initiative above, or even against, parent restrictions, may also influence transfer and diffusion (Birkinshaw, Hood, & Young, 2005).

As prior research suggests, it is also important to understand at which stage in the practice transfer and diffusion process different actors get involved as well as their scope of involvement. For example, the transfer and diffusion of HRM practices is a complex process viewed to consist of three different stages: the creation of new practices, the transfer and diffusion of practices between other units, and practice implementation. The first stage, creation or development of new practices, can occur either organically (e.g. in-house experimentation) or through benchmarking and the acquisition of practices from other companies. The second stage, transfer and diffusion of practices, reflects the process through which practices are codified, communicated and transmitted to other units. The third stage, practice implementation, represents the process through which practices are adopted and put to use in the recipient's HRM system (for a review of implementation issues, see Ahlvik & Björkman, 2015; Björkman & Lervik, 2007; Kostova, 1999). Moreover, scope of involvement can range from influencing a single business unit to influencing the whole network of an MNC. According to Ferner and Varul (2000) and Thory (2008), a parent may approach a particular unit to transfer practices back to the MNC's home country or other subsidiaries. Similarly, as Tempel (2001) and Zhang (2003) reported, MNCs have established subsidiaries in highly competitive markets to learn new practices from that business system and then transfer them back to the company's home country operations.

Critique

Underlying this stream of studies is often the assumption that an MNC is a traditional hierarchical organizational structure. However, the number of actors involved can be considerable (e.g. multiple senders/transferrers and recipients), especially when transfer and diffusion occurs across multiple levels of an organization's hierarchy or across multiple units with varying degrees of authority located in different regions. Thus, room still remains for further developing the

conceptualization of transfer and diffusion within MNCs as a network of relationships with differentiated roles and authority (Andersson et al., 2007; Kogut & Zander, 1993). We suggest that large-scale exploratory research is needed to identify broader typologies and patterns of transfer and diffusion. Also, prompting future research is our finding that the current literature has primarily focused on the subsidiary, hence, the role played by the parent remains largely unexplored, particularly in relation to reverse and horizontal transfer and diffusion.

Another way forward in this area appears to be an examination of what factors influence each actor's role in the process of transfer and diffusion. For example, under what conditions would a parent be more likely to engage in the early vs. later stages of transfer and diffusion, have extensive vs. limited involvement; or be involved on a continuous vs. ad hoc basis. Also, to what extent is a parent's involvement subject to negotiation or bargaining with its subsidiary(ies). Would a parent's involvement also be different because of the type of practice being transferred and diffused or whether the subsidiary is located in an emerging or developed country? And, how do the parent's strategic goals and objectives interact with those of the subsidiary to affect the role that each plays in the transfer process. Explorations along these lines may offer some promising insights.

What mechanisms facilitate or inhibit transfer and diffusion

Prior research has identified a number of mechanisms through which practice transfer and diffusion takes place, namely formal (e.g. explicit guidelines, policies, and procedures) and informal mechanisms (e.g. company norms, uncodified interactions). Formal mechanisms typically include HRM best practice systems (Edwards & Ferner, 2004; Tempel, 2001), company procedures and policy manuals, and the establishment of formal structures (e.g. a dedicated function or employee(s) to oversee practice transfer and diffusion). For example, MNCs may establish formal incentive systems that reward participants for their involvement in the transfer and diffusion process (Cross & Prusak, 2003) and performance evaluation schemes that use various criteria related to transfer and diffusion activities (e.g. extent of practice sharing) to evaluate employee performance (Björkman, Barner-Rasmussen, & Li, 2004; Von Krogh, Ichijo, & Nonaka, 2000). Cross-subsidiary teams may also be established to help promote the use of common best practices (Mudambi & Navarra, 2004; Tregaskis et al., 2010). Parents can also stimulate the proactive behaviour of subsidiaries through various forms of recognition (e.g. recognizing active units in corporate publications) and financial incentives (e.g. allocating investment according to participation in the transfer and diffusion of practices) (Edwards & Ferner, 2004).

By contrast, informal mechanisms, such as personnel movement (Fu, 2012), international management transfers (Lazarova & Tarique, 2005) and various forms of social interaction and networking within MNCs (e.g. companywide HR workshops and social events) can also influence the transfer and diffusion of HRM

practices (Edwards & Ferner, 2004; Tempel, 2001). For example, the movement of personnel across MNCs facilitates the diffusion of both codified and tacit practices from one location to another (Fu, 2012).

In addition, the use of various mechanisms may vary according to the stage in the process of transfer and diffusion. For example, to prepare for practice transfer, the parent can organize experiential workshops (Tregaskis et al., 2010) or share HRM practice development efforts with subsidiaries. As Fenton-O’Creevy, Gooderham, Cerdin, and Rønning (2011) found, a parent may test a new practice at a selected subsidiary to fine-tune or refine the practice prior to a global roll-out. Standard operational meetings may also be used to detect and prevent the transfer and diffusion of unwanted practices. Research suggests that expatriates often indirectly control and facilitate transfer and diffusion (Brenner, 2009; Evans et al., 2011). During the transfer stage, global staffing policies may facilitate the sharing of hands-on experience (Lazarova & Tarique, 2005) and best-practice monitoring systems may help identify new practices in subsidiaries that have potential for transfer and diffusion (Edwards & Ferner, 2004; Tempel, 2001). Through stimulating social interactions, MNCs can also overcome potential resistance to the adoption and implementation of practices being transferred (Björkman et al., 2004).

Critique

The choice of mechanisms and their effectiveness cannot be examined independent of context. For example, when there is high level of resistance from a foreign subsidiary, or when a practice itself is considered too new to the recipient party, informal mechanisms (e.g. personnel movement, socialization measures) may be more effective than formal mechanisms (e.g. policies) in facilitating the transfer and diffusion. Future studies should therefore explore what factors are likely to influence the choice and effectiveness of different mechanisms.

Moreover, research on transfer and diffusion appears to be grounded in the assumption that practice innovations diffuse linearly. However, Ortiz and Llorente-Galera’s (2008) study on a German automotive company in Spain and Thory’s (2008) study of French oil MNCs in the United Kingdom suggest that the diffusion process can progress in multiple repeated steps and directions when MNCs are attempting to introduce new practices (i.e. practices may be adjusted, refined and re-introduced). Similarly, practice transfer and diffusion may occur back and forth between different country units, a process that can include practice development and adjustment to satisfy specific business unit requirements (Dobosz-Bourne, 2006). Treating both the original and adjusted practices as elements of one process of diffusion could possibly provide insights into the more complex pathways through which practices ‘travel’ within an MNC as well as how practices evolve at different stages of the transfer and diffusion process. We also call for studies to explore different dimensions of the transfer and diffusion process using existing models and frameworks, such as the implementation-internalization-integration

model proposed by Björkman and his colleagues (Ahlvik & Björkman, 2015; Björkman & Lervik, 2007).

Which HRM practices are being transferred and diffused

Another stream of studies investigates the types of HRM practices being transferred and diffused, including those relating to rewards (Chiang & Birtch, 2012; Sayim, 2010), performance management and development (Chiang & Birtch, 2010; Lunnan et al., 2005; Mellahi et al., 2016; Vo & Stanton, 2011), talent management (Beaumont et al., 2016; Rovai, 2008), teamwork (Ortiz & Llorente-Galera, 2008), eHRM (Burbach & Royle, 2014) and HRM practices related to environmental sustainability (Haddock-Millar et al., 2016). In general, this stream of studies examines how different factors influence the transfer and implementation of practices, particularly the recipient context. As the findings suggest, certain HRM practices (e.g. employment equal opportunities, pension plans, seniority pay) may be more susceptible to country differences and institutional constraints (e.g. labour market regulations, cultural acceptance) than others (e.g. recruitment methods, training programmes) and, as a consequence, may be more difficult to transfer and implement without significant adjustment. That is, a lack of fit with a national business system in a recipient country is likely to inhibit HRM practice transfer and diffusion to the recipient (Ferner et al., 2005). In their study of MNC subsidiaries in Greece, Myloni et al. (2007) found that although many practices were transferred and diffused by the parent MNCs, those practices which did not resonate well with the local culture and regulations were not successfully implemented. More specifically, as depicted in Figure 1, a range of variables are likely to influence the transfer and diffusion of HRM practices, such as cultural, institutional and geographic distance between the MNC's parent and foreign subsidiaries. For example, HRM practices, such as talent management, may have a different meaning and application in a high power distance-oriented parent vs. a low power distance-oriented subsidiary (Gooderham, Morley, Parry, & Stavrou, 2015). Similarly, an individualistic oriented parent may find it difficult to transfer a pay for performance system that emphasizes individual rewards to a collectivistic oriented subsidiary (Chiang & Birtch, 2012).

Moreover, certain HRM practices which are more explicit and codified and less industry specific (e.g. equal opportunities policy, teamwork practices) may be more easily disseminated than those more implicit and country of origin specific (e.g. employee relations) (Fu, 2012). Interestingly, as Smale (2008) observed, the characteristics of each individual HRM practice, namely the know-what (e.g. recruitment procedures), the know-how (e.g. use of multiple recruitment channels) and the know-why (e.g. to attract skilled individuals from a specific talent pool) may also influence transfer and diffusion. This suggests that future studies should investigate such characteristics or sub-dimensions of each individual HRM practice in an effort to provide greater insight into the conditions under

which certain practices may be easier or more difficult to transfer and diffuse and implement.

Critique

A significant number of studies have examined the transfer and diffusion of specific HRM practices. Although rich evidence has been collected, our understanding of why certain practices are more transferable than others is far from complete. First, although prior studies have examined the influence of different contextual elements, their emphasis is predominately Western centric. Hence, a greater diversity of samples is needed to test and extend the current literature's contextual limitations, particularly if we are to provide findings of relevance to a broader and more representative set of MNCs. Second, studies typically examine instances of transfer and diffusion as an outcome. As a consequence, we know less about why and for what reasons certain practices are not being transferred, an avenue that is particularly suited to qualitative investigations. The literature would also benefit from studies that examine why some practice transfers have been attempted but not realized.

Although we have learned from prior research about how different organizational characteristics might influence the transfer and diffusion of HRM practices, the link between strategy and transfer and diffusion of HRM practices has not been well established. Given that the transfer and diffusion of HRM practices is evolutionary and path dependent, longitudinal studies may provide useful insights into how changes in an MNC's strategy influences the transfer and diffusion of specific practices. For example, will a change from a multi-domestic to a transnational strategy increase the transfer and diffusion of certain types of HRM practices? Or will particular practices be transferred and diffused differently when an MNC grows through acquisitions vs. organically?

Moreover, prior research often treats the transfer and diffusion of HRM practices as one-off events. Yet, in the MNC context transfers and diffusions are likely to be occurring continuously. For example, a change in a management team, opening of a new market or even the set-up of a new production line are likely to begin a chain of practice transfers and diffusions. Studies therefore need to identify patterns or orders of practice transfer and diffusion. For example, it might be that when a parent sets-up a new subsidiary or undertakes an acquisition that it tends to transfer and diffuse certain types of practices first, and then as the business unit matures other types of practice transfer and diffusion follow, an area often overlooked in the literature because measures of corporate maturity or time are not analysed or included as control variables.

Lastly, a more provocative avenue for future research may be to examine whether MNCs are transferring and diffusing only 'best' HRM practices. To a certain extent this question urges scholars to re-consider their methods of data collection, as research may be too dependent on the self-reporting of managers, and consequently overlook (an intentional or unintentional) how and why bad

practices are being spread between foreign units within an MNC's network. Thus, more objective analysis is required as well as the triangulation of data from different sources in future studies.

How country context affects transfer and diffusion

A final salient theme identified in the literature relates to how country context affects the transfer and diffusion of HRM practices. As scholars have asserted, firms develop, evolve and adapt to their environments. Hence, country characteristics are formidable in the development and evolution of HRM practices (Budhwar & Sparrow, 2002; Pudelko & Harzing, 2007; Rosenzweig & Nohria, 1994; Weinstein & Obloj, 2002). In other words, HRM practices reflect the historical and institutional setting in which they originate (e.g. economic and social context, Wood et al., 2014). As Ferner et al. (2001) argued, HRM practices derived in an advanced national business system (e.g. developed country) are likely to be more sophisticated than those developed in less advanced environments (e.g. developing country). This is because business units located in highly developed environments enjoy better access to educated workforces and interact with more sophisticated customers and business partners. Advanced countries are also characterized by a high degree of internationalization (United Nations Conference on Trade and Development [UNCTAD], 2016). When a country hosts a large number of MNCs, the local context is rich with experience and knowledge in dealing with international HRM issues and practices, such as managing expatriates, cross-cultural communication and knowledge sharing. Thus, an MNC unit which evolves in such a context (either a parent or subsidiary) is likely to adopt some of these practices (Edwards et al., 2015; Thory, 2008) and potentially become a source of advanced practices within the MNC (Ferner & Varul, 2000). These observations are confirmed by the large amount of HRM practices being transferred and diffused from developed countries (vs. the limited transfer and diffusion from MNC units in less developed countries).

Similarly, because MNC units located in more developed economies often face more severe competition from both local firms and other MNCs, in order to survive in their respective environments, they must evolve and develop innovative practices (Mol & Birkinshaw, 2009, 2014). By surviving in a highly competitive environment, MNC units also gain credibility for their HRM practices – which are associated with the unit's success. The high degree of international competition that is present in advanced countries also calls for more effective monitoring by parents and cooperation with other units (Bouquet & Birkinshaw, 2008), environmental characteristics which make local units credible sources of HRM practices that can be transferred and diffused to other MNC units.

Prior studies have also largely focused on transfer and diffusion of HRM practices from developed economy MNCs to their subsidiaries located in emerging economies, such as China (Gamble, 2003), Jordan (Al-Husan, Brennan, & James,

2009), Vietnam (Thang, Rowley, Quang, & Warner, 2007; Vo & Stanton, 2011), Tunisia (Yahiaoui, 2015) and Turkey (Wasti, 1998). Few studies (e.g. Lemański, 2014) have focused on transfer and diffusion from emerging economies to foreign subsidiaries located in developed economies with the exception of Zhang (2003) who documented how subsidiaries of Chinese MNCs located in the United Kingdom (UK) learned HRM practices and then transferred them back to their home country operations. Hence, unlike MNCs from developed economies which tend to exploit ownership advantages by transferring practices to their subsidiaries located in emerging or developing economies (Mathews, 2006), emerging economy multinational corporations' (EMNCs) subsidiaries often play a pivotal role in absorbing local knowledge and acquiring best practices and then reverse or horizontal transferring and diffusing them back to their parent and/or other subsidiaries in the MNC's network. As a consequence, there is still more to learn about the transfer and diffusion of HRM practices within EMNCs. It is also important that such gaps in our understanding be addressed because EMNCs now represent one-fourth of the 500 largest companies in the world and nearly one-third of the total number of MNCs (Guillen & Ontiveros, 2015).

There are also studies showing that EMNCs tend to model or re-export Western or global best practices to their subsidiaries rather than transfer and diffuse indigenous home-country practices, as Cooke (2014) noted in his study of Chinese MNCs. A recent qualitative study of Brazilian MNCs by Mellahi et al. (2016) also provides anecdotal evidence of an EMNC transferring and diffusing HRM practices developed by a Western consulting firm, rather than their own 'indigenous' home country practices. Hence, more careful examination of the 'country-of-origin' and 'source' of practices transferred and diffused within EMNCs is needed. More broadly, such research should also enrich the convergence/divergence debate about HRM practices (Brewster et al., 2015). Thus, the transfer and diffusion of HRM practices should no longer be conceptualized as a one-way linear process between a parent and subsidiary but a multidirectional flow throughout an MNC's global network of operations and external partnerships (Nohria & Ghoshal, 1997).

Critique

In addition to the above, further work is needed in several areas. First, given the uncertainty and complexity associated with institutional environments in emerging economies, an institution-based view should be particularly useful for helping us to understand how context may influence transfer and diffusion of EMNCs HRM practices. However, current research is limited to a narrow set of locations, primarily developed economies. To echo other scholars' calls (Chung, Sparrow, & Bozkurt, 2014; Mellahi et al., 2016; Pudelko & Harzing, 2007), we similarly suggest that more attention should be placed on investigating the transfer and diffusion of HRM practices to, from and within emerging (e.g. Poland) and newly industrialized economies (e.g. South Korea, Singapore). Understanding the influence of different institutional contexts is important because some HRM

practices (e.g. employment and labour relations) can be highly constrained by local institutions (Cooke, 2014), or for some regions, the level and rate of acceptance of new practices can be low. Research that examines the influence of institutional heterogeneity on practice transfer and diffusion could, for instance, help reveal potentially important contingencies about practice transfer and diffusion.

Second, the opening of borders and trade agreements (e.g. enlargement of the European Union or extension of free-trade agreements in Asia) has not only enabled MNCs to flourish and expand, but they have also simultaneously required them to introduce new territorial organizational structures and management strategies (e.g. regional headquarters). As a significant portion of international business is being done regionally, MNCs are increasingly being required to follow regional rather than global strategies, and have developed regional organizational structures (Rugman & Verbeke, 2004). Thus, it can be expected that MNC units within a particular region may evolve along similar pathways, and that their HRM practices are also evolving to fit such environments and contingencies (Brewster, 1993; Novitskaya & Brewster, 2016; Scholz & Boehm, 2008; Weinstein & Obloj, 2002). Regional integration is also likely to lead to greater convergence of HRM practices (Scholz & Boehm, 2008). Thus, the transfer and diffusion of HRM practices from MNC units located in regional groups is likely to be more prevalent and possibly less complex than that between regions. In this sense, new developments in MNCs' business environment, in particular, regional integration or disintegration (e.g. Brexit) and the emergence of new country economies and their MNCs, provide fertile ground for future research on the transfer and diffusion of HRM practices.

Possible avenues for future research

As the preceding review suggests, prior research relating to each of the five themes or questions has contributed a great deal to our understanding of the transfer and diffusion of HRM practices in the context of MNCs. It also enabled us to assemble the general guiding framework depicted in Figure 1. Yet, as our review also highlights, continued work is needed if we are to extend and advance the extant literature, including undertaking research that integrates different approaches, utilizes different methodologies, and considers relatively less explored dimensions of the transfer and diffusion process. In addition to the suggestions for future work provided above, we shall now elaborate on several additional avenues through which the literature might be further advanced.

First, continued theory development appears essential to improving our understanding about the transfer and diffusion of HRM practices. For example, future studies could consider integrating theories that have previously been used separately to examine different dimensions and variables related to transfer and diffusion. While institutional scholars have investigated how institutional environments (macro-level) affect the 'legitimacy' and hence the ease of transfer and diffusion of certain HRM practices, strategic scholars have mainly explored

the transfer mechanisms through which MNCs can best align practices with the parents' strategy and values. Using Figure 1 as a general guiding framework, future research can assess transfer and diffusion issues at more than one level of analysis – for example, the institutional environment may serve as the macro level, parents' strategic objectives could serve as the organizational level, and transfer and diffusion outcomes could be assessed from both the individual and organizational levels. Using multilevel analysis as an organizing framework will also enable us to examine potential effects across different levels.

Besides integrating theories, future research could also engage in testing competing theories. For example, while institutional theory suggests that institutional pressures facilitate mimetic behaviour that results in the adoption of similar practices (DiMaggio & Powell, 1983), by contrast, resource-based theory suggests that imitation can potentially lose one's competitive advantage, hence MNCs should only transfer practices that are unique among competitors (Barney, 1991). Moreover, theories also differ in terms of how they explain the occurrence of transfer and diffusion. Following the institutional view, practice transfer and diffusion may be driven by compliance to the host country's institutional requirements (e.g. values, norms), which is different from or against the cost notion that transfer and diffusion aims to achieve global efficiency or agency theory that self-interest may be a motivator behind the transfer.

Second, research examining practice transfer and diffusion often implicitly implies that such a process is beneficial to both the transferring and receiving units. However, it has been suggested that the effects of practice transfer and diffusion may not always be desirable due to unintended consequences (Al-Husan et al., 2009; Glover & Wilkinson, 2007; Novitskaya & Brewster, 2016; Pudelko & Harzing, 2007; Rodgers & Wong, 1996; Zhang & Edwards, 2007). To the best of our knowledge, few, if any, studies explicitly examine undesirable or unintended outcomes of the transfer and diffusion of HRM practices. It might be that the transferors obtain benefits (e.g. greater status and increased recognition) as a result of transferring their newly developed practices to other parties (Edwards & Ferner, 2004; Tempel, 2001; Thomas & Lazarova, 2013). However, there may be cases that sharing such practices is risky and may result in losses to the transferring unit (e.g. ownership advantages, power and control). Our understanding of the transfer and diffusion of HRM practices would therefore be enriched if we examine both positive and negative implications and outcomes of transfer and diffusion.

Third, prior research has primarily examined transfer and diffusion at a nodal (examining behaviour of individual units) or dyadic (analysing two units of the same company) level of analysis. While this approach provides a good basis for investigations of various aspects of transfer and diffusion, it significantly narrows the potential insights that may be realized from an exploration of the more complex transfer and diffusion paths and patterns that involve multiple transferring and receiving units in the MNC context, including an MNC's external partners. For example, as Mellahi et al. (2016) revealed, a Brazilian MNC (parent)

Table 2. Examples of methodological designs in studies of the transfer and diffusion of HRM practices.

Research design	Representative studies
Conceptual	Beaumont et al., 2016; Björkman & Lervik, 2007; Clark & Lengnick-Hall, 2012; Edwards, Colling, & Ferner, 2007; Ferner et al., 2012; Lemański, 2014
Quantitative: Survey	Ahlvik et al., 2016; Chiang & Birtch, 2010, 2012; Edwards, Edwards, Ferner, Marginson, & Tregaskis, 2010; Edwards et al., 2015; Lertxundi & Landeta, 2012; Myloni, Harzing, & Mirza, 2004, 2007; Purcell, Nicholas, Merrett, & Whitwell, 1999; Rose & Kumar, 2007; Schmitt & Sadowski, 2003
Qualitative: Multiple case studies	Chung et al., 2014; Edwards et al., 2005; Edwards & Tempel, 2010; Had-dock-Millar et al., 2016; Meardi et al., 2009; Ross, 2008; Saka, 2004; Sippola, 2011; Tempel, 2001; Thory, 2008; Vo & Stanton, 2011; Zhang, 2003; Zhang & Edwards, 2007
Qualitative: Single company case studies	Al-Husan, Brennan, James, 2009; Edwards, 1998; Gamble, 2003; Hayden & Edwards, 2001; Kahancová, 2010; Tayeb, 1998
Mixed method	Rose & Kumar, 2007

transferred reward practices to its foreign affiliates that did not originate from the parent but rather were brought in from external consultants. Consideration should also be given to how the introduction of new HRM practices by one company may affect the practices of other companies operating in the same context (Jaussaud & Liu, 2011; Weinstein & Obloj, 2002; Wood et al., 2014). As this review suggests, dyadic oriented research may overlook variables and issues influencing all stages of the HRM practice transfer and diffusion process.

Fourth, in terms of methodology, exploratory research, particularly qualitative case studies, appears to be the dominant method employed by scholars of practice transfer and diffusion (see examples in Table 2). Relatively few quantitative studies empirically test theory (for exceptions see Edwards et al., 2015; Pudelko & Harzing, 2007). Although qualitative work is important to providing in-depth insights into the issues facing transfer and diffusion, quantitative studies may not only be able to provide more generalizable findings, but may also help to pinpoint how theory might be enriched, improved and further developed. Thus, we urge further theory-driven quantitative studies to test available predictions. Further, as Ahlvik and Björkman (2015) argued, our understanding of practice transfer and diffusion would be enhanced by more precise definitions (e.g. diffusion) and more fine-grained operationalization of constructs (e.g. effectiveness of transfer that is based on adoption, internalization or organizational performance). Future studies using longitudinal methods may also help us to gain greater insight into what happens before, during and after a practice is transferred and diffused (i.e. provide a more comprehensive view of the HRM practice transfer and diffusion process from conceptualization to implementation).

Lastly, international business and HRM scholars need to investigate how changes in an MNC's overall business environment impact on the transfer and diffusion of HRM practices. For example, the emergence of new technologies (e.g. advancements in software and communication tools) have been shown to influence business routines and how people work. As Ross (2008) found in his study of HRM practices in the Czech telecom industry, the introduction of new

technologies resulted in changes to HRM practices. Indeed as history demonstrates, the introduction of new technologies or other changes in the business environment can make certain HRM practices and even job categories obsolete. Thus, future research exploring how changes or turbulence in an MNC's business environment affect the transfer and diffusion of HRM practices and their evolution is likely to be informative.

Conclusion

The transfer and diffusion of HRM practices within MNCs is a complex phenomenon. As this review reveals, although considerable work has been done, more work is needed if we are to more fully understand how, why, when, what and where HRM practice transfer and diffusion occurs. Overall, a general picture emerges from this review suggesting that although scholars have developed rich insights into the transfer and diffusion of HRM practices, further theoretical and empirical development is necessary to advance the literature and help provide more specific and actionable guidance to MNCs. Taken collectively, this review offers an integrated and holistic view of prior research on the transfer and diffusion of HRM practices in the context of MNCs and sheds new light on potential avenues for future research.

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