GLOBAL HUMAN RESOURCE MANAGEMENT: BRIDGING STRATEGIC AND INSTITUTIONAL PERSPECTIVES

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ABSTRACT

The purpose of this paper is to bridge the boundaries separating strategic and comparative institutional perspectives on human resource systems and employment relations. Each research tradition has investigated the role and outcomes of corporations as they operate in an increasingly global economy. Researchers in these traditions, however, ask different research questions and draw on distinct social science disciplines, theoretical assumptions, and research methodologies. While they have pursued parallel but separate tracks, we argue that they have important lessons for each other. In this paper, we review the core characteristics and critiques of each research tradition, provide a series of examples of efforts to bridge their differences, and offer suggestions for future integration.

Over the last three decades, the strategic human resource literature has focused on the relationship between HR policies and practices and firm performance. Drawing predominantly on the experience of American

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corporations, this firm-centric approach assumes that executives have relatively wide discretion in the adoption and implementation of HR practices designed to create competitive advantage. It highlights strategy and agency. The international HRM literature also has taken this firm-centric approach to study the management of human resources in multinational corporations, while recognizing the fact that different national cultural and institutional forces may pose challenges for companies operating in the global arena. It has focused on examining the more micro-level practices designed to manage expatriate international assignments, and more recently, has incorporated insights from strategic HRM, shifting researchers' attention to the adoption of HRM practices and their relation to organizational performance across contexts.

During this same time period, institutional approaches to the study of economic activity and behavior have exploded across the social sciences (Djelic, 2010), yet they have had little influence on research in strategic HRM. In this paper, we focus specifically on comparative institutional research and the potential to integrate it with strategic and international human resource studies as a means to develop a more complete understanding of how firms manage employees in a global context. Institutional approaches are defined by their attention to the formal and informal rules and regulations that govern economic activity. They are informed by a historical understanding that firms are deeply embedded in industries and institutional contexts that provide resources and constrain managerial choices, leading to divergent approaches for competing effectively in the global economy. They privilege these institutions rather than organizations as the starting point of analysis and focus on explaining why different national systems encourage or induce different approaches to firm strategy, and in turn, associated outcomes for employees and other stakeholders. Much of this literature, however, stays at a macro or institutional level of analysis and treats firms themselves as a black box – with relatively little empirical investigation of relationships within the firm or the factors that shape firm performance. This paper examines the parallel tracks of these two approaches to the study of human resource management and employment relations. We argue that the lack of cross-fertilization has weakened the explanatory power of both research traditions. Drawing on the two traditions would allow researchers to develop richer theories and evidence to explain multinational behavior within and across different national borders. In order to develop this argument, we begin by highlighting the main characteristics of strategic human resource management and its extension into international HRM – its research questions, conceptual frameworks, research methodology, and strengths and weaknesses. We then turn to comparative institutional approaches and similarly review their characteristics, strengths, and weaknesses. In the final section, we discuss the challenges of bridging these two very distinct traditions and provide suggestions for cross-disciplinary learning, using examples of the most promising studies that have attempted to bridge this divide.

The purpose of this paper is not to provide a comprehensive review of the literature or the findings of empirical research, as many writers have done this in the past. Rather, it is to outline the characteristics of each research tradition in order to identify where they are complementary and how we can learn from both traditions in order to advance a more powerful approach to understanding firm behavior in the context of global markets. This is a challenging task because, as we point on in the following sections, the fields have substantial differences in the disciplinary backgrounds, central research questions, and theoretical and methodological assumptions. Nonetheless, organizations operating in the global arena have the task of integrating an understanding of internal and external forces that shape their activities and effectiveness. Academic scholarship should do the same. Although we focus explicitly on issues for comparative and international research, many of the ideas apply equally to comparative organizational research within the same country, where regional, industry, occupational, and other institutional frames influence firm behavior.

STRATEGIC AND INTERNATIONAL HR MANAGEMENT

The strategic human resource field focuses on the relationship between how a firm manages its employees and under what conditions that contributes to better firm performance. The emphasis on the HR function making a "strategic" contribution to the firm differentiates the field from its predecessor, "personnel administration," which focused on employee well-being and HR functions such as payroll and benefits administration or training (e.g., Dyer, 1985; Schuler & Jackson, 1987). This shift in focus reflects the view that the primary goal of strategic HRM, as a field of scientific research, is to improve shareholder value, rather than, for example, the quality of jobs or working conditions of employees. Several reviews have noted that the field successfully shifted from a focus on personnel to strategic HRM (Ferris, Hochwarter, Buckley, Harrell-Cook, & Frink, 1999), and a recent review of over 1,000 HR journal articles confirmed that idea (Batt & Banerjee, 2012). Among the US outlets, the majority of studies at both the micro level (employee or group level) and the macro level (organizational level) examined the HR-performance link – together comprising over 70 percent of articles reviewed.

The subfield of international HRM has had a similar trajectory, but one that has moved at a much slower pace. The field historically focused on managing individual employees in their transfers to foreign assignments and repatriation. More recently, it has embraced a more strategic and macro-level orientation to examine how multinational corporations manage their employees across international operations.

Conceptual Frameworks

Given the central research goal of explaining the relationship between HR practices and firm financial performance, the field has drawn on three social science disciplines: economics, psychology, and strategy. The characterization of people as "human resources" relies on human capital theory (Becker, 1964) and the assumption that labor is not simply a variable cost to be minimized, but an asset that can be used to enhance firm performance (Oi, 1962). This justifies firm investments in selection and training, under the assumption that the payoff will exceed the cost of the investment, especially if employees develop valuable firm-specific skills. Skilled employees will be valuable to the firm, however, only if they are motivated to perform well. For this reason, a large portion of HR research draws on theories of psychology and motivation and the impact of variation in reward systems – performance management, pay level and structure, pay-for-performance systems, and benefits – on employee attitudes and behavior.

The incorporation of strategy research has led to another core idea – that effective HR strategies must be linked to the business strategy of the firm. Skilled and motivated employees can contribute to firm performance particularly where the strategic goals of the corporation are clear and are linked to an HR system that supports the business strategy. This concept of "vertical fit" (Baird & Meshoulam, 1988; Delery, 1998; Wright & McMahan, 1992) allows HR research to integrate micro-level psychological theories to macro-level strategic ones.

A third core idea is that the HR practices of a firm form an employment "system" and that effective HR systems comprise a set of coherent practices that reinforce one another – hence the idea of "horizontal fit" among practices such as selection, training, work design, and reward systems. In this context, research that focuses only on one practice – such as training – has "omitted variable problems" because one may attribute to training the effects of other dimensions of the system that covary with training investments. This core idea is at the heart of research that went on to define the types of HR systems that might lead to better employee performance. Research in the 1990s and 2000s focused considerably on the concept of high-involvement or high-performance work systems (Appelbaum & Batt, 1994; Kochan & Osterman, 1994), which include investments in skills and training; work designed to allow employee discretion and group problem solving, so workers can use their skills effectively; and reward systems to induce effort (Appelbaum, Bailey, Berg, & Kalleberg, 2000; Bailey, 1993).

Because the central research question in the field is the causal link between HR management and performance, the firm is the key conceptual frame. The literature assumes that top managers have wide discretion and ability to plan and execute strategy independently. The theory of an HR-performance link is predicated on the assumption that policy formulation and execution must be rational to be effective. While there has been some discussion about whether strategy is "planned" or "emergent," the dominant assumption is that managers develop HR strategies in a rational and systematic manner based on their business strategy.

Related to this idea, most strategic HR research treats the firm as a closed system, and hence, has paid little attention to market or institutional contexts that may shape, constrain, or alter managerial prerogative. Surprisingly, early iterations of the strategic HR field did view firms as embedded in their business environment and developed HR models in which contextual variables and stakeholders codetermined HR strategies (e.g., Beer, Spector, Lawrence, Quinn Mills, & Walton, 1984; Hendry & Pettigrew, 1990). Over time, however, those models were replaced by conceptualizations of HRM that stressed the importance of firm discretion and alignment with business strategies (Fombrun, Tichy, & Devanna, 1984; Guest, 1987). Indeed, a review of leading HR journals in the period ranging from 1996 to 2008 showed that researchers, especially those who published not only in North American outlets but also British outlets, paid little attention to the context in which HR studies were conducted (Batt & Banerjee, 2012).

Instead, authors might provide a brief description of the specific company – often chosen based on convenience – or the type of companies contained in the sample, and then acknowledge limited generalizability and the need for further research. A few notable exceptions included studies of the effects of interfirm competition for human resources in the software industry (Gardner, 2005); the relationships between hiring patterns, firm network ties, and firm imitation (Williamson & Cable, 2003); and top management team social networks and firm performance (Collins & Clark, 2003). However, few studies have grappled with how firms interact with institutions and their environment to produce unique strategies or ways of behaving.

To the extent that HR researchers have examined "organizational context" or contingent conditions, they have focused on whether the effectiveness of an HR strategy depends on its "fit" with business strategy – the vertical fit hypothesis. This has spawned an ongoing debate over whether, for example, the effectiveness of high-involvement work systems is contingent on alignment with strategy or whether they are "universally" effective (Becker & Gerhart, 1996). Empirical support for a positive relationship between high involvement systems and performance has been considerable – across a wide range of industries (Combs, Liu, Hall, & Ketchen, 2006; Wright, Gardner, Moynihan, & Allen, 2005), while that for contingency arguments has been weak or unconvincing (Gerhart, 2007; Wright & Sherman, 1998).

The debate over contingent versus universal interpretations has occupied considerable space in HRM literature, but the debate focuses on a false dichotomy. It is theoretically plausible that at one level of abstraction, there are certain characteristics of organizations that generally prove more effective than others, while at the same time they are more (or less) effective contingent upon the presence of other characteristics (social structures, technologies, institutions) that complement the HR practices.

More importantly, the debate over universal HR practices has taken the idea of "high involvement work systems' out of its historical and institutional contexts – and in the process shows the limitations of a firm-centric view of economic activity. The evidence regarding the "universal effectiveness" of high involvement systems comes from studying complex industries at a particular historical moment – in the 1980s through 2000s – when the demand characteristics for these industries in the global economy had changed. Piore and Sabel's (1984) classic study of *The Second Industrial Divide* explains how and why the competitiveness of high volume mass production approaches was declining, while the competitiveness of batch production approaches based on flexible technologies and customization was on the rise. As consumer demand emphasized cost, quality, innovation, and time to market, firms had to shift their production strategies and in turn their HR strategies. Thus, high involvement systems "fit" the new demand characteristics for industries that needed to compete on quality and innovation. The so-called ''universal'' story of the HR-performance link is in fact a contingency or ''strategic'' fit story about the relationship between production capabilities, HR capabilities, and fit with new consumer demand. But because the HR view of the world is firm-center and closed-system, rather than institutional and open-system, it has misinterpreted the ''universality'' of the high involvement system findings.

Also related to the firm-centric orientation of the field is the fact that the subject of research is typically a large corporation (Huselid & Becker, 2000). This focus is probably due to the fact that these are more likely to have well-developed HR departments, are likely to take the lead in trying new or more sophisticated approaches because they have the resources to do so; and are likely to have an impact on other organizations who may seek to mimic them. Few studies, by contrast, have focused on public sector or nonprofit organizations, unionized firms, or small and medium-sized enterprises; even fewer have examined networked forms of organization, such as integrated value chains, joint-ventures, franchises, or business process outsourcing (Batt & Banerjee, 2012).

Another tendency in the literature is its reliance on a core set of theories. Wright and McMahan (1992) identified several theoretical perspectives as relevant to strategic HRM research – including transaction cost economics, resource dependency, institutional theory, and behavioral approaches. Notwithstanding this variety of approaches, strategic HRM researchers have typically drawn on either micro-level theories of organizational behavior (individual motivation, cognition, or affect) or macro-level theories of human capital, contingency theory, and the resource-based view (RBV). In particular, the RBV (Barney, 1991; Wernerfelt, 1984) has become the dominant framework (Delery, 1998; Wright, Dunford, & Snell, 2001). It posits that HR management is a source of competitive advantage when it creates practices and employee behaviors that are valuable to the firm, rare, hard-to-imitate, and not easily substituted for (Barney, 1991). Recent research has sought to develop these ideas by identifying the specific employee attitudes and behaviors that mediate, or explain, the relationship between HRM and performance, including the retention of human capital by lowering turnover (Batt, 2002; Batt & Colvin, 2011; Huselid, 1995), increased organizational citizenship behaviors (Sun, Aryee, & Law, 2007), networking abilities (Collins & Clark, 2003), organizational commitment (Wright, Gardner, & Moynihan, 2003), knowledge exchange (Collins & Smith, 2006), and job satisfaction (Takeuchi, Chen, & Lepak, 2009). These effects refer to individual-level outcomes that, aggregated to the unit-level, affect organizational performance.

Research Methodology

Reflecting its US origin, research in the strategic HR field is characterized by a deductive approach, in which hypotheses are derived from theory and statistically tested. Since the 1990s, efforts to improve methodological rigor have included better survey design, variable measurement, data collection, and data analytic techniques. For example, early studies used single-respondent survey designs to test the relationship between HR practices and outcomes, resulting in single-source bias. Recent studies make greater use of surveys matched to objective or company archival data on turnover, quality, productivity, or financial performance, although longitudinal studies are few.

The reliability of survey respondents also has been the subject of debate. Corporate-level surveys, such as those used by Huselid (1995), have come to be viewed as unreliable because corporate actors may have knowledge of HR policies, but not their actual implementation. Moreover, large corporations are complex, with high levels of variation in practices across different divisions, business units, and occupational groups. Agreement has emerged that establishment-level surveys are more appropriate because they tap the knowledge of a general manager about a relatively small worksite about which he or she should have sufficient knowledge. Research also has shown that HR managers tend to be more optimistic about HR practices than line managers, which may upwardly bias the responses of HR managers. This has led researchers to debate the need for survey designs that rely on multiple respondents (Gerhart, Wright, & McMahan, 2000b; Gerhart, Wright, McMahan, & Snell, 2000a; Huselid & Becker, 2000), a method that dramatically increases research costs and may decrease the survey response rate.

In addition, the field has been criticized for its reliance on cross-sectional designs and the implicit assumption that HR practices affect firm performance. One study examined correlations between HR practices and performance measured ex-ante, contemporaneously, and ex-post (Wright et al., 2005). While it found a stronger relationship between HR practices and ex-post performance, the relationship became insignificant when the authors controlled for previous performance. Another study found that better organizational performance led to higher employee perceptions of job autonomy and the link between rewards and performance, with HRM practices mediating the link (Tsai, Edwards, & Sengupta, 2010). This has led scholars to call for the use of longitudinal panel data, although only a few studies have done so (Batt & Colvin, 2011).

Nonetheless, from an institutional theory perspective, these findings are not surprising as institutional theory recognizes that employment systems and organizational behavior are relatively stable, built on continuous feedback loops. Thus, ''causality'' may be reciprocal and based on complex institutional relationships that are not easily amenable to causal hypothesis testing.

Beyond the sources of data, the field has sought to use psychometrics to improve construct validity and reliability (Becker & Gerhart, 1996; Gerhart et al., 2000a, 2000b). For example, an unresolved issue concerns the definition of what practices should be part of a high involvement HR index (Becker & Gerhart, 1996; Becker & Huselid, 2006; Combs et al., 2006; Guest, 1997). In a meta-analysis of 92 studies, Combs et al. (2006) identified 22 practices that researchers had used to define high involvement systems. In the 38 studies that reported measures of high involvement systems, the number of practices used as indicators ranged from 2 to 13, with an average of 6.2 practices. From an HR perspective, researchers worry that this level of disagreement undermines the scientific validity of the high involvement system construct. From an institutional or industrial relations perspective, however, attempts to find one set of HR practices that form a universally applicable high involvement index are, in itself, problematic because they fail to take into account the fact that different organizational, occupational, and institutional contexts may have functionally equivalent practices that differ in name or form (such as different types of group or team formations that achieve similar goals of collaboration). Institutional studies make greater use of context-specific measures because they are viewed as having greater reliability and internal validity.

Disagreement also exists over whether high involvement scales should be measured as an additive indices or multiplicative ones – given the assumption in the literature that HR ''systems'' should produce synergies, with the whole greater than the sum of its parts (Delery & Doty, 1996). However, with few exceptions (MacDuffie, 1995), researchers have failed to find significant interactive effects, and so have tended to rely on additive scales, which provide a ''conservative estimate that may understate the synergies or multiplicative effects of combining practices'' (Batt, 2002, p. 591). Multiplying quantitative scales to get interactive results, however, may simply fail to capture the complexity of HR systems, as critical realists such as Hesketh and Fleetwood (2006) have argued.

More recently, the field has moved to developing more sophisticated models and statistical techniques to account for variance at different levels of analysis. Multilevel models assume that individuals are nested in work groups, and in turn, in higher level organizational units. HR practices affect individual employees' skills, motivation, and behavior, which should, when aggregated, affect performance at higher organizational levels. In this context, HR practices function as communication mechanisms that signal to employees what behaviors are expected from them (Bowen & Ostroff, 2004). Research suggests that variance, relevant to HR-performance linkages, can be found across work group units (Wright et al., 2003), leaders of organizational units (Purcell & Hutchinson, 2007), and individuals (Chuang & Liao, 2010; Nishii, Lepak, & Schneider, 2008). Other scholars have used multilevel analysis as an opportunity to include extra-organizational sources of variance. For example, Sun et al.'s (2007) study of the effects of high performance work systems on turnover and productivity in the Chinese hotel sector accounted for variance at the individual and establishment levels of analysis and for variance due to local labor market characteristics (city's unemployment rate). Such approaches are still rare, but seem promising for future research.

The predominance of quantitative research designs suggests that the strategic HR field has reached a mature stage of theory development (Edmonson & McManus, 2007). However, the changing nature of product, labor, and capital markets and organizational structures suggests that this view is too sanguine and that HR research needs to engage in more inductive designs and qualitative research to explore new ideas and theory-building. In addition, as we discuss in greater detail below, institutional and critical realist perspectives suggest that regardless of the level of change in the external environment, theory development in this field requires the greater use of qualitative and mixed-method approaches.

Critiques of Strategic HRM

A main critique of the strategic HRM literature is its failure to take into account organizational or institutional context – a point particularly noted by European scholars (Brewster, 2007; Guest, 1997; Paauwe, 2004; Paauwe & Boselie, 2003; Pieper, 1990). They have attributed the firm-centric and closed-system perspectives in strategic HRM to the fact that the US academics have largely defined the field (Brewster, 1995); and in the US environment, firms face low state intervention, low union membership rates, and little employee involvement [or] consultation in firms' strategic decision making (Brewster, 2007). However, scholars in the United States have also called on the field to embrace more contextually embedded approaches (Rousseau, 1985), without much effect. HRM researchers largely have ignored business conditions as well as the role of broader institutions and regulations governing product, labor, and capital markets.

A second critique is the field's narrow focus on firm performance outcomes – especially financial outcomes for maximizing shareholder value – to the exclusion of other interested actors, such as employees and their representatives, suppliers, customers, or communities. Employee perceptions and behaviors are viewed as relevant only as mediators in the HRM-performance link. While some scholars have tried to justify a focus on economic outcomes arguing that the goal of the firm is to create value for shareholders (e.g., Becker & Huselid, 1998), others have called for a wider interpretation of stakeholder outcomes as the dependent variable in strategic HR research (Batt & Banerjee, 2012; Kochan & Rubenstein, 2000).

Third, strategic HRM research has not kept pace with changes in the world of work. By focusing predominantly on full-time knowledge and managerial employees in large corporations in advanced economies, it ignores large portions of the working population who are contingent, free-lance, part-time, independent contractors, or immigrants. It also has ignored the growing population of firms that are small and medium-sized producers and entrepreneurs as well as firms in emerging markets (Batt & Banerjee, 2012).

Similarly, the firm-centric and closed-system view of strategic HRM research does not address the organization of work between organizations – as in networked firms or supply chains – which have become a central feature in globally competitive markets. Ascribing performance benefits from HRM practices in a closed system omits the relative contribution of HRM in supplier organizations.

In sum, these critiques suggest that for the field of strategic HRM to remain current, it needs to embrace a broader research agenda, a more complex theoretical perspective informed by institutional theory, and a richer research methodology that includes inductive and qualitative as well as quantitative approaches.

International HR Management

Critiques of the strategic HRM literature are relevant to the subfield of international HRM because it shares many of the characteristics of strategic HRM. International HR studies emerged from the same disciplinary traditions, with a focus on specific HR functions designed to manage individual employees. However, international HRM has paid far less attention to theoretical and empirical research on the links between HR strategy and performance.

Early international HRM research focused specifically on the management of expatriates and their contribution to the integration of internationally dispersed operations (e.g., Ivancevich, 1969; Mendenhall & Oddou, 1985; Torbiorn, 1982; Tung, 1981). Issues related to expatriate management continue to be important (e.g., Chen, Kirkman, Kim, Farh, & Tangirala, 2010; Tharenau & Caulfield, 2010), although the emphasis has shifted toward more individual-level outcomes, such as spouse adaptation or re-location decisions.

Complementing micro-level cross-cultural approaches, IHRM scholars have begun to develop a more strategic perspective linking HRM practices to organizational strategy (e.g., Milliman, Von Glinow, & Nathan, 1991; Schuler, Dowling, & De Cieri, 1993). Proposed frameworks, however, typically mimick strategic HRM models developed for national contexts, and then add factors relevant to operating at a larger scale and in different contexts – and the corresponding intrafirm control and coordination mechanisms needed (Brewster, 2005). For example, Schuler et al.'s (1993) integrative model includes five factors: (a) an intra-organizational focus on the links between MNC subsidiaries and the operation of each subsidiary in its context (components); (b) MNC control versus local subsidiary autonomy and sensitivity to local contexts (issues); (c) the orientation of the MNC HR function, its resources, and location (function); (d) the HR policies and practices adopted by subsidiaries (policies and practices); and (e) the MNC's goals to which HR should contribute. Over time, this model has incorporated additional factors, such as issues related to international alliances, globalization as a social phenomenon, management of the global workforce, and changes in the criteria that assess MNC effectiveness (Schuler & Tarique, 2007).

While presenting an exhaustive inventory of factors, these types of models provide limited theorizing about their relevance to firm strategy or behavior. Similar to strategic HRM, most international HRM models (Dowling, Festing, & Engle, 2008; Schuler & Tarique, 2007; Schuler et al., 1993; Stahl & Björkman, 2006) take a firm-centric perspective, with contextual characteristics viewed more as background than as fundamental to explaining firms' strategy and structure. Compared to the institutional frameworks that we review below, international HRM models do not attempt to theorize about how or why national institutions affect firm behavior or vice versa. Nor do they try to explain the roots or complexity of historical embeddedness of institutions. Rather they provide a menu or itemized list of ''contextual factors that managers should monitor'' (Schuler & Tarique, 2007, p. 722). In addition, the actual empirical research in international HRM provides few if any examples of studies that integrate firm and institutional explanations of MNC behavior. Most empirical studies continue to focus on micro-level issues of the management of expatriates, diffusion of a particular HRM practice, or the effects related to the adoption of an HR practice (Batt & Banerjee, 2012).

In keeping with the psychological roots of the HRM field, researchers have largely embraced a cross-cultural perspective over a cross-national institutional focus. While the cross-cultural approach has witnessed a proliferation of definitions and operationalizations of the concept of culture, a certain level of consistency exists (Tsui, Nifadkar, & Ou, 2007); and studies generally attribute differences in HR practices and their outcomes to a particular country's societal culture. Hofstede's typology (1980) of cultural differences (power distance, uncertainty avoidance, collectivism versus individualism, and masculinity versus femininity) remains particularly influential. Hofstede's (1980) framework was derived from statistical analysis of survey data from 117,000 IBM employees, who worked at subsidiaries distributed across 40 countries between 1967 and 1973. Kogut and Singh (1988) developed a composite index of cultural distance based on the deviation of a particular country from the cultural profile of the United States. Introducing minor adaptations, this index has been used to study outward investment preferences (e.g., Barkema, Bell, & Pennings, 1996), cross-border collaboration (e.g., Lee, Shenkar, & Li, 2008), technology transfer (e.g., Gomez-Mejia & Palich, 1997), and the management of human resources across national contexts (e.g., Dowling, Festing, & Engle, 2008). More recently, the Global Leadership and Organizational Behavior Effectiveness (GLOBE) research program assessed culture and implicit leadership theories in 61 countries (House, Hanges, Javidan, & Dorfman, 2002). Since its launch in 1993, over 170 researchers have participated in scale development and collection and analysis of data on cultural values, cultural practices, and leadership attributes. Drawing on a sample of more than 17,000 managers from the telecommunications, food, and financial services sectors, the GLOBE team identified nine dimensions of culture that determine the effectiveness of managers' leadership style across contexts (Javidan, Dorfman, Sully de Luque, & House, 2006).

Notwithstanding the wide acceptance of cross-cultural approaches by international HRM scholars, several researchers have criticized the methodologies applied and the importance attributed to national culture to explain variation in HR management across firms in different countries. Hofstede's work, for example, draws on data collected at a single MNC (Gerhart & Fang, 2005), proposes a limited number of dimensions of culture (McSweeney, 2002) – although new dimensions were added later (Hofstede, Hofstede, & Minkov, 2010) – and used a value-neutral questionnaire (Ailon, 2008). Gerhart and Fang (2005) statistically reexamined the empirical support for Hofstede's claims and observed that at the individual level of analysis, nationality accounts for at best four percent of variance in work values; and that organization-level differences are more important than national differences in explaining such variance. Likewise, other large-scale cross-cultural research initiatives, such as the GLOBE project described above, have been criticized for claiming too much cross-cultural ecological and construct validity and generalizability of findings (Graen, 2006). More generally, Gelfand, Nishii, and Raver (2006) argued that cross-cultural research tends to lack sensitivity to within-country variation. Finally, cultural characteristics are difficult to measure, difficult to translate into tangible management practices, and may be simply a response to deeper national institutions and laws (Edwards & Kuruvilla, 2005).

Finally, similar to strategic HRM, international HRM research primarily focuses on large MNCs, which foregoes the growing importance of small and medium-sized firms in international business. For illustration purposes, one of the most widely used international HR textbooks, *International Human Resource Management: Managing People in a multinational context* by Dowling et al. (2008), included only one chapter on international HRM in small and medium-sized firms in its fifth and the most recent edition. Finally, firm-centrality becomes evident in the lack of attention to the implications of outsourcing and networked forms of organization. By using the firm as the level of analysis, international HRM research is unable to provide explanations for effects on firm performance derived from global subcontractors operating across widely different contexts, oftentimes with limited MNC control (Edwards & Kuruvilla, 2005).

COMPARATIVE INSTITUTIONAL RESEARCH

In contrast to the strategic HRM tradition, comparative institutional research begins with the question of how and why national institutions shape and constrain economic activity and lead firms to develop distinct organizational capabilities, and in turn, sources of advantage for competing in the global economy. It also seeks to explain why the HR systems and welfare outcomes for employees vary markedly across these contexts. This holds for companies whose origins are in a particular home country, as well as foreign firms that do business in the "host" country.

In a recent Oxford handbook on the topic, Morgan, Campbell, Crouch, Pedersen, and Whitley (2010, p. 2) describe comparative institutional analysis as focusing on, "… how the forms, outcomes, and dynamics of economic organization (firms, networks, markets) are influenced and shaped by other social institutions (e.g., training systems, legal systems, political systems, educational systems, etc.) and with what consequences for economic growth, innovation, employment, and inequality. Institutions are usually defined by our contributors as being formal and informal rules, regulations, norms, and understandings that constrain and enable behavior (e.g., Campbell, 2004; Scott, 2008)."

Conceptual Frameworks

The comparative institutional literature builds on an accumulated body of research since the 1970s that brings together different traditions of scholarship. Some present a historical and political interpretation, others a sociological view, and still others a rational choice view – the latter of which dovetails more closely with the assumptions found in the strategic HR and management literature (Hall & Taylor, 1996).

Despite its strong multidisciplinary and multinational origins, it has developed an increasing level of coherence around a set of research questions and conceptual framework. Several core ideas, based on prior accumulated research, have become widely accepted. The first is the idea that firms are embedded in sets of institutions that govern product, labor, and financial markets and that profoundly influence firm strategies and behaviors. In contrast to the strategic HRM literature, this suggests a certain level of national endogeneity in the range of options available to firms. Scholars vary in the extent to which they view institutions and firms as tightly or loosely coupled, but agree on the importance of firms' institutional embeddedness. Second is the concept of equifinality – that there are many ways to compete effectively in the global economy and that there is no "one best way" or set of "best practices" that firms should adopt because they are drawing on different sets of institutional resources. Third, many view these sets of institutions as having emerged historically out of interest-group conflicts and accommodations, and as such, they have a level of "path dependence" or inertia that is not easily overturned. Fourth, these institutions are complementary in their orientation, thereby forming interlocking sets of resources and constraints on firms. These complementarities reinforce the stability of national systems and provide a source of competitive institutional advantage for firms and for countries.

Comparative institutional research owes a substantial part of its heritage to the comparative study of labor market institutions because they have a direct impact on the relationship between labor and capital – on how firms manage labor to compete effectively and extract value. Of particular importance is research in industrial relations and education and training institutions, which builds on the *societal effects* school (Maurice, Sellier, & Silvestre, 1986) discussed below.

Comparative industrial relations research has shown how the level of centralization and coordination in collective bargaining is dramatically different across countries and why this is important (Blau & Kahn, 1999; Calmfors & Driffil, 2000; OECD, 2004; Traxler, 2003). Continental European and Nordic countries have more centralized systems, while Anglo-American countries (the UK, United States, Canada) have more decentralized ones. Centralized systems include relatively high levels of union density, collective bargaining by employers' associations and unions at the national or industry level, and voluntary or mandatory mechanisms of coordination to extend negotiated agreements to all or most employers in a given sector or the nation as a whole. These systems constrain employer discretion in wage setting by limiting growth at the top of the distribution and raising it at the bottom, leading to compressed wage structures.

In decentralized systems, by contrast, union density is lower, wage bargaining occurs at the firm or establishment level, and coordination via employers' associations is weak or nonexistent. While unions try to raise wages at the bottom, employers have more ability to set wages, with the result that wage variation among union members and between union and nonunion workers is considerable.

Another important difference is the existence of firm and establishment-level works councils in most centralized systems, which provide important vehicles for employees to influence HR practices. While unions negotiate wages at the industry level, workplace issues regarding the use of technology, new work processes, or restructuring and redundancies are discussed, and in some cases negotiated, by management and works councils. This "dual system' enables the potentially conflictual wage distribution issues to be settled at a higher level, while workplace issues are settled separately – a feature believed to contribute to more cooperative labor relations in countries with centralized bargaining compared to those with decentralized systems. While deunionization and decentralization of IR systems have occurred in most advanced economies since the 1990s, national differences in training and industrial relations systems still persist (Katz & Darbishire, 2000).

Research on education and training, or ‘‘skill formation systems’’ (Crouch, Finegold, & Sako, 1999; Estevez-Abe, Iversen, & Soskice, 2001), also has been central to identifying how nations vary substantially in the kinds and levels of workforce skills that firms are able to draw on. This research has focused particularly on vocational education and training systems, which prepare sixty to 70 percent of the workforce for nonmanagement positions in core manufacturing and service industries. Crouch et al. (1999) reviewed the national vocational systems in several advanced economies, highlighting the differences in national investment in workforce general skills. Thelen (2005) traced the historical roots of vocational education systems and their survival despite political contestation over time. Japan, Germany, the Netherlands, and Nordic countries, for example, had early political movements to preserve craft-based skills via strong and widespread vocational training systems. These became embedded in dispersed local communities and have been the source of a highly skilled workforce that employers can draw on. The United States, the UK, and other more liberal market economies, by contrast, have mass education systems that provide a low level of general skills, but vocational education is undeveloped and stigmatized. In response, employers often ‘‘dummy-down’’ jobs and provide limited on-the-job training for new hires.

National differences in these systems, in turn, have created different sets of resources and constraints on employers. For example, the German system of industrial relations and vocational training has limited the ability of employers to compete based on a low-skilled, low-wage employment system. As a result, they tended to adopt a ‘‘diversified high-quality’’ approach to manufacturing production (Streeck, 1991; Turner, 1991), which has undergirded Germany’s export-led and middle-class economy even in the face of challenges from low-wage countries.

Since the late 1990s, a number of scholars have created overarching frameworks that synthesize the contributions of prior research regarding the role of labor, financial, and product market institutions in shaping ‘‘the rules of the game’’ for economic actors. The simplest framework, referred to as ‘‘Varieties of Capitalism’’ (Hall & Soskice, 2001), categorizes national systems into two ideal types – a liberal market and a coordinated market economy – although they recognize national variation in these models. The United States typifies liberal market economies such as Canada, the UK, Ireland, and Australia, while Germany is representative of coordinate economies in continental Europe. Hall and Soskice emphasize differences among three institutions: those governing labor markets (training and industrial relations institutions), capital markets (bank-firm relations), and product markets (interfirm relations or how firms cooperate and compete).

In the United States, economic activity is coordinated through the market mechanism and price signals. Institutional regulation of markets is thin, so actor mobility is high. Firms can enter and exit product markets quickly, and interfirm relations are arms-length; investors can buy and sell stock instantaneously; and workers can quit or be dismissed without notice. This "thin" institutional environment allows firms to commercialize new innovations quickly or shift into and out of product markets as product life cycles evolve. Equity-based financing and lax capital market rules allow the rapid availability of investment capital – or private pools such as venture capital, hedge funds, or private equity – to target new enterprises. "Employment at will" labor market practices create relatively short-term employment relations and provide flexibility for firms to scale up and down in response to changing market demand. Institutional complementarities support first-mover advantages in innovative enterprises but put enterprise and employment stability at risk as investor mobility is high.

By contrast, the German system emphasizes coordination of economic activity via consensus and negotiation. Historically, bank-based financing and interlocking corporate directorships created stable and long-term investments that sustained firms through economic downturns (Zysman, 1983). Interfirm relationships are long term, and the role of employers' associations and long-term relations supplier relations is central to economic coordination. The publicly subsidized vocational education system, organized by employers' associations and unions, provides ongoing training and retraining for new technologies and process changes, making it worthwhile for firms to invest in long-term employment relations (Crouch et al., 1999). The industrial relations system ensures industry-level bargaining that reduces competition based on wages, and provides incentives to unions to moderate wage demands to ensure high levels of employment. Works councils at the workplace and firm level negotiate with management over new work processes and restructuring so that employees are retrained and replaced to the extent possible. This system supports the competitive advantage of German firms to excel in incremental and process innovations.

Although product and capital market liberalization and European Union integration have challenged this system, it still holds for a disproportionate set of firms and industries (Vitols, 2001).

These different ideal types represent fundamentally different logics of coordination rather than points along a continuum (Thelen, 2001), leading institutionalists to argue that globalization has not led to a "convergence" toward one model but a reconfiguration of institutions within each system (Morgan et al., 2010). Thelen (2001) particularly argues that employers' associations in coordinated economies recognize and value the benefits of cooperative labor relations that ensure stable, high-quality production. Hancke, Rhodes, and Thatcher note that capitalist diversity is likely to continue because "positive feedbacks" create "different incentives" for adjustments in each institutional environment. Stakeholders in coordinated economies "… will not demand a wholesale adoption of Anglo-American management practices if it would endanger their comparative institutional advantage" (2007, p. 6).

The Hall and Soskice interpretation has been criticized as far too simplistic and static. Some scholars have sought to critique but further develop this framework (Hancke, Rhodes, & Thatcher, 2007), while others have provided alternatives with more nuanced accounts of national differences among capitalist economies (Amable, 2003; Crouch, 2005; Whitley, 1999). Nonetheless, a growing consensus around a set of theoretical assumptions has emerged. These include the definition of institutions as multidimensional, including formal and informal rules; the idea that institutions emerge from the historical accumulation of human actions and interactions, which at any point in time, pose external constraints to agency; and the idea that institutional change can be brought about by exogenous and endogenous mechanisms, in which incremental changes may lead to fundamental transformations (Djelic, 2010).

Methodological Approaches

Several common methodological characteristics of this tradition also are noteworthy. First, most researchers start at the level of national institutions and nation states as key analytic categories, based on the assumption that states still represent the most powerful actors for setting and enforcing the rules of the game for economic activity – despite the growth of regional governance structures and the impact of globalization (Hall, 1986, 1994; Mann, 1986, 1993; Morgan et al., 2010). A second feature is its interdisciplinary methodology, which draws on the assumption that one cannot explain economic activity without considering the role of history, social relations, and political power in shaping or penetrating that activity. The whole is larger than the sum of its parts. A third feature is its primary reliance on qualitative field research, and a fourth, its strong preference for comparative methodology. Comparisons allow researchers to identify what a system or organization is, and by reference to a counterpart, what it is not. Understanding, for example, what strategic options a firm has eschewed allows one to define the firm's choices more clearly and place them in a broad context of the range of options available. In addition, as Morgan et al. notes, "through comparisons, our understanding of processes of diffusion, learning, and emulation between societies become more sophisticated and complex" (2010, p. 3).

The comparative institutional methodology is well illustrated in the classic study of French and German firms by Maurice, Sellier, and Silvestre (1986). They observed that national wage data showed that Germany had a more egalitarian wage structure than did France. Their search for an explanation led them to examine the "micro-foundations" of macro-phenomenon. Through a multiyear study of matched pairs of French and German manufacturing plants in the same industry, they found that the corporate structure, skills of workers, organization of work, and reward systems were profoundly different. German employers were able to draw on the extensive vocational education system to hire highly skilled workers, who were able to make autonomous operational decisions and needed little supervision, leading to high-quality production as well as a flat hierarchical structure. Employment relations were long term, managers were promoted from within, and status and pay differentials were relatively low. The skilled workforce with high bargaining power and a strong industrial relations system ensured ongoing worker voice and a fair distribution in pay. The French state, by contrast, had created an elite education system for engineers and managers, but weak general education for workers; and the French industrial relations system provided strong industry collective bargaining but weak union presence at the organizational level. Firms reflected these institutional arrangements with a more hierarchical corporate structure, high status and pay differentials, low worker voice, and a low-skilled, Taylorized organization of work. Maurice et al. traced the differences in the German and French systems to class struggles in the 19th century, when the more powerful German working class was able to lock into place labor market institutions that protected them through higher skills, autonomy, and bargaining power.

This approach, known as the *societal effects* school, forms a critical building block in comparative institutional analysis. It captures the historical embeddedness of institutions and firm behavior and exemplifies how what we normally conceptualize as "macro" (higher) and "micro" (lower) level phenomena, in fact, are interdependent and intersect at the organizational level. The macro does not "cause" the micro. The educational and industrial relations systems, while constructed at the "national" level, operate at the level of local schools and workplaces. Failure to take into account the institutional differences in the French and German cases would be, in the parlance of HR studies, a serious omitted variable problem because the differences in outcomes of the plants would be attributed to managerial strategy rather than to the different sets of external resources that shaped firm behavior in the first place.

The matched-case comparative approach has been effectively used in many studies of firms and workplaces to explain how, despite similar competitive conditions, institutional differences lead to quite different employer or union behavior and outcomes across countries (Dore, 1973) as well as within countries (Locke, 1992). A more sophisticated development of this research design is one referred to as contextualized matched comparisons. Building on the insights of Maurice, Francois, and Silvestre (1986), Locke and Thelen (1995) noted that the *meaning* of events or issues is likely to vary across national contexts. This suggests that researchers may need to search for comparisons across countries which, while on the surface do not appear equivalent, are in fact comparable in function or *actual meaning*. They provide the example of labor – management conflict in the 1980s and 1990s over employer demands for increased labor flexibility. They found that the actual focal point of conflict – the "sticking point" – varied across different countries – wage flexibility in Italy and Sweden, working time flexibility in Germany, and work organization flexibility in the United States.

What accounts for these differences? They explain that the sticking points represent issues at the heart of union identity and institutional security in each case. The identity and political legitimacy for Italian and Swedish unions depended on wage solidarity so that employer demands to diverge from this principle resulted in major union resistance. The US unions, by contrasts, had negotiated "job control' unionism – the clear definition of jobs and seniority-based job ladders – as a source of employment security in the context of American employment laws that offered no security. They fought the introduction of "team-based" systems that would wipe out job differentiation and eliminate jobs. In Germany, by contrast, employers relied on highly skilled workers who were multiskilled and moved across job demarcations. They sought flexibility in working time and workforce reductions – issues that hit core German union issues. Thus, a study of matched-case comparisons of one issue – for example, of German and US resistance to teams – might have reached the wrong conclusion – that the US unions were more militant and uncooperative than the German unions.

Critiques of Institutional Research

There are several critiques of the comparative institutional literature in general, and the Varieties of Capitalism framework in particular. The most important is the inability of institutional theory to explain change or introduce agency into its analyses – a relative strength of strategic HRM. Institutional theory has generally relied on the idea of "punctuated equilibrium" – a change caused by a crisis or exogenous shock (a war, financial crisis) – to explain sudden changes in institutions, but this is insufficient to explain the types of changes in the current global economy (Streeck, 2009). Another critique is that the relationship between institutions and firms appears to be a one-way street in which institutions are the rule-makers and firms, the rule-takers. Finally, apart from research by industrial relations scholars, most of the literature stays at the level of macro institutions and treats the firm as a black box – again in contrast to the strategic HRM literature. For example, while the Varieties of Capitalism literature focuses attention on how institutions shape firm strategy, it does not pursue the organizational and HR implications of that strategy. In addition, like the strategic HRM literature, the comparative institutional literature has not extended its frameworks to include newly industrialized and emerging market economies (with a few notable exceptions, Mahoney & Thelen, 2010; Orru, Biggart, & Hamilton, 1997; Schneider, 2008; Schneider & Soskice, 2009; Whitley, 1999).

Several scholars have attempted to overcome the difficulty that institutionalist theory has in explaining change. For example, some have embraced "constructivist" approaches to theory to "bring actors back in." They argue that institutions must be understood as socially constructed in the first place, and they have attempted to incorporate the concept of managerial strategic choice (Child, 1972) into institutional theory as a way of explaining the extensive change that has occurred in recent years – despite the path dependence and complementarities among national institutions that militate against change. Scholars vary in the degree to which they view actors and institutions as tightly coupled, with some assuming that institutions serve more as guidelines within which actors have considerable discretion. Others note that it is possible to introduce new or "alien" management practices into an existing system, but that it's difficult to implement or sustain them given the array of entrenched interests that may oppose their adoption (Sharpe & Hibino, in Kristensen & Zeitlin, 2005). Teipen (2008) provides an example from the video game industry in Germany and Sweden, where the Varieties of Capitalism perspective would argue that the countries' institutional rules militate against creative industries. Yet, she found that start-up companies and entrepreneurs were successful in their enterprises because they developed creative ways – often negotiating with unions – to provide sufficient labor flexibility to support innovative activity.

Another attempt to integrate the frameworks of strategic choice and institutional theory is the work of Katz and Darbishire (2000). They examined the changing nature of work and employment systems in seven countries – four coordinated economies (Germany, Italy, Japan, and Sweden) and three liberal market systems (Australia, Britain, and the United States). Like Maurice et al. (1986), their initial question was to explain the variation in wage inequality across countries and how it had changed, and they focused on labor market institutions as the main source of explanation. Their analysis assumes that actors are relatively loosely tied to institutional frames. Beginning in 1980, for example, each country had a distinct set of institutional arrangements – a "starting point" – that supported a dominant approach to management and employment relations. Germany, for example, had developed a system known as diversified quality production; Sweden, an autonomous team-based system; Japan, lean production; and the United States, mass production and a growing model of nonunion HR management (Appelbaum & Batt, 1994). Variation in union strategy and union power played a critical role in shaping these systems.

With the growth of market liberalization, union decline, and multinational activity in foreign countries, the relative power of employers increased in each country, and they adopted new or "imported" HR practices – such as the use of teams or performance-based pay – which in some cases supplanted prior practices. By 2000, for example, one could find similar practices – the use of Japanese style lean production or American-style nonunion HR systems – in all of the countries studied. This trend produced higher variation in employment and pay systems within each country. However, the extent of adoption of these imported practices depended on the institutional configurations in each country – and explicitly the power and strategies of unions. In some countries, by the time management negotiated with unions over new practices, they developed a very different meaning than they had in their ‘‘home-country’’ environment. In sum, while one could find ‘‘convergence’’ in the existence of common employment systems across countries, the differences in institutional starting points led to divergence in the meaning of various work practices, their extent of adoption, and the outcomes for workers (Katz & Darbishire, 2000).

Other research has documented the activities of European employers who have successfully by-passed or evaded the institutional rules of the game, for example, by restructuring operations, creating subsidiaries, or outsourcing to subcontractors – thereby weakening unions or evading requirements to negotiate collective bargaining agreements (Doellgast & Greer, 2007). By setting up nonunion counterparts, companies create a model for evading industrial relations rules, which may become a template for the future.

Other research has gained leverage on the question of institutional change by comparing the developments in management and employment relations across industries in the same country. In a multi-industry study of strategic management in five European countries (Denmark, France, Germany, Netherlands, and the UK), researchers first identified the key differences in labor market institutions across those countries. At the national level, they found that Denmark and France (for different reasons) were the most robust, or inclusive, in terms of providing employment protection and representation for workers across all industries. Germany and the Netherlands represented intermediate cases, while the UK had the weakest institutional supports. Nonetheless, even in the most inclusive systems, employers in low-wage service industries have been able to circumvent the standards set by the national industrial relations systems because unions in these sectors are weak and often unable to enforce the rules of the industrial relations system (Appelbaum, 2010; Gautie & Schmitt, 2010). Employers in the retail and hotel sectors in all countries, for example, relied on a Taylorized form of organizing work and offered low pay that resembled practices typically found in liberal market economies.

Another illustration is the work of Sako and Jackson (2005), who provide a striking example of actors who do the opposite of what their ‘‘institutional constraints’’ should induce them to do. They used a matched-case comparison of the legacy telecommunications giants in Germany and Japan (Deutsche Telecom, DT, and Nippon Telecom and Telegraph, NTT). In the 1990s and 2000s, both companies sought to reduce costs and restructure operations by setting up diversified business units with decentralized HR systems and bargaining – a change that in theory would reduce union power. In Germany, the industrial relations system gave the union leverage to insist on a centralized approach, while in Japan, the IR system was structurally more decentralized, leaving the union with less leverage. Nonetheless, the German unions did not oppose the management strategy and allowed the decentralization to proceed, whereas the Japanese unions fought management and succeeded in winning a more centralized HR system in which their collective bargaining rights were extended to diversified companies in NTT. In these cases, union strategy trumped institutional structure.

These studies show how employer and union strategic choices can undermine existing institutional rules and produce unexpected outcomes. However, the deeper question is whether these examples are idiosyncratic or whether they signify meaningful changes in overall institutional rules. Djelic and Quack (2003) and Streeck and Thelen (2005) note that these types of "incremental" changes may become consequential or substantial over time, leading to fundamental changes in the institutional rules of the game. First, they can occur because actors identify loopholes or gaps in formal institutions that they can exploit to their own advantage. Second, despite the fact that a dominant logic of economic organization may exist, alternative forms with conflicting or contradictory "logics" may also exist and be rediscovered, leading to a process of "displacement" of the dominant approach over time. Piore and Sabel (1984), for example, showed that in Europe, small firm clusters of craft production continued to exist along with the dominant model of mass production manufacturing. When the introduction of computer-aided manufacturing allowed for the re-introduction of "batch manufacturing," the small firm clusters became viable and sustainable enterprises in the global economy.

Third, a process of "layering" may occur in which new employment models emerge on a voluntary basis, but over time become more popular and widespread than the traditional models. Fourth, institutions may lapse because they fail to keep pace with changes in their environments, leading to what Streeck and Thelen call institutional "drift." Institutions may also be "converted" by actors who redefine or redirect their goals. Finally, some institutions may wither or "exhaust" themselves because they are no longer relevant (Streeck & Thelen, 2005).

BRIDGING STRATEGIC AND INSTITUTIONAL PERSPECTIVES

Our comparison of the strategic and international HRM literature and comparative institutional analysis shows the large substantive differences that exist between the two – in terms of research questions, theory, epistemological assumptions, and methodology. Table 1 summarizes these differences. One might argue that they represent a healthy division of labor and two separate approaches to scholarship that should be left to go their separate ways. The problem with this solution, however, is that it leads to incomplete, and sometimes, erroneous conclusions. Moreover, real world organizations confront the dilemmas of managing their internal and external environments simultaneously. They need to effectively build

Table 1. Comparison of Strategic HRM and Comparative Institutional Approaches.

Dimension	Strategic HRM	Comparative Institutional
Disciplinary tradition	Psychology, economics, strategy	Political science, sociology, history, economics
Central research questions	What explains the relationship between HRM and firm performance?	How do national institutions shape firm behavior and related outcomes?
Focal point of research	Firms as closed systems	Intersection of national institutions and economic actors
Outcomes of interest	Firm financial performance	Multiple stakeholder outcomes, employee welfare, institutional stability
Framework of multilevel analysis	Individuals nested in work groups or units, nested in firms	Firms nested in local institutions, nested in national institutions
Central theories	Motivation, human capital, resource-based view of the firm	Historical, political, and sociological institutional theory
Research strategy	Primarily quantitative	Primarily qualitative
Research methods	Focus on construct reliability and validity, standardized measurement of variables, measurement error; samples typically based on convenience	Focus on comparisons of comparable units of analysis, matched-case comparisons, careful attention to sample selection, detailed case studies

organizations and manage employment relationships across their dispersed operations to compete effectively, and that entails a sophisticated engagement with the people in the organization and institutional actors in their external environment. The increasing complexity of the global competitive arena and the emergence of transnational actors such as corporate social responsibility movements have only heightened those managerial dilemmas.

Thus, it is reasonable to demand that academic researchers respond to real world problems and develop theoretical and empirical work that explains how and why the global economy and its institutions are changing and provides models of effective global management. Bridging strategic and institutional perspectives offers a useful approach to advancing our understanding of how corporations compete effectively in the global economy, under what conditions, and why. Jackson and Deeg (2008) have made similar arguments regarding the potential for cross-fertilization of international business and comparative institutional research.

Strategic HRM and organization researchers bring to the table a set of skills and methodological tools to do the kind of in-depth organizational studies needed to understand how differences in institutional environments and specific institutions affect HR practices, organizational processes, and related outcomes. They also are well positioned to examine how corporations, in turn, introduce change and influence the institutional environments in which they operate. But they have not developed the kind of theoretical frameworks needed to undertake this work.

Comparative institutional theory offers organizational researchers a wider set of research questions to address a broader stakeholder view of relevant outcomes and richer theoretical landscape for identifying the key factors that influence firm strategies and economic outcomes. It offers a more complex view of how institutions and organizations interact to produce distinct approaches to economic activity. It offers a historical lens to help explain how and why firms in different industries and contexts behave differently and a qualitative approach that allows interpretation of quantitative patterns. The national business systems and varieties of capitalism frameworks are good starting points because they take both institutions and firms seriously. However, most of this research has stayed at a macro level of analysis and has not penetrated organizational activities. Recent empirical studies that have incorporated strategic and institutional analyses, which we discuss below, have often drawn on industrial relations traditions. Recent compilations that have attempted to bring these traditions together include those of Brewster and Mayrhofer (2012) and Edwards and Rees (2011).

It is important to emphasize that the lessons from integrating these research traditions do not apply to international research alone. The types of research questions, theoretical frameworks, and methodologies that we highlight here are equally applicable to studies of companies within one country – for example, where industry, occupational, or regional boundaries have created distinct institutional rules or legacies that are influential for how firms behave.

Broadening the HRM Research Agenda and Theoretical Frames

At the very minimum, strategic HRM research would benefit from gaining literacy in comparative institutional analysis. For example, HR studies that rely on a sample or research site of convenience need to develop a full analysis of how the organizational and institutional environment of that firm influences the study findings. If the focus is on explaining the importance of HR practices for firm performance, do the characteristics of the firm and its environment represent a best case scenario, a worst case scenario, or some unique features that bias the results in important ways? Does the firm have access to public or unique external resources that in effect subsidize its investment in human capital? Does its performance depend importantly on the interfirm networks in which it is embedded? Even if these questions are beyond the scope of the study, researchers need to persuasively deal with alternative hypotheses that may undermine the study's conclusions. In addition, HR studies that focus on internal management practices should at the very least incorporate measures of the external labor market (unemployment rates, the local median occupational wage) as control measures (Batt, 2002; Trevor & Nyberg, 2008).

Similarly, comparative institutional analysis would benefit from literacy in strategic HRM research. For example, and as we detail below, as institutional researchers undertake qualitative analyses of workplace practices, they can utilize the categories of management practices that have been developed in the HR literature so that they can offer an interpretation of why these practices are adopted and how and why they are effective or not. This provides a stronger explanatory basis for confirming or disconfirming quantitative findings.

Beyond these minimalist approaches, HRM research would benefit from a broader, integrated framework that first examines why firms adopt different strategies to begin with, rather than taking these strategies as given. That question opens up the space to consider the relative importance of institutional rules and norms, industry characteristics, market pressures, and business strategy in shaping the adoption of HR practices.

An example of this approach is recent research on the relative importance of institutions in shaping the HR strategy of firms in the international low-cost airline sector by Bamber, Gittell, Kochan, and von Nordenflycht (2009a, 2009b). By holding constant the market segment, and hence the low-cost business strategy of firms, they were able to assess the conditions under which labor market institutions influenced the adoption of a control versus high-commitment HR strategy and the adoption of an IR strategy of union avoidance, accommodation, or partnership. Their results were surprising. In keeping with institutional predictions for liberal market economies, they found that Ryan Air and Asia/Air adopted high control HR strategies and union avoidance IR strategies. But other airlines from liberal market economies (Jet Blue and Southwest, United States; WestJet, Canada; easyJet, UK; and Virgin Blue, Australia) adopted a more high-commitment approach to HR. They also varied in their approach to unions – from that of avoidance (Jet Blue, WestJet) to accommodation (Virgin Blue, easyJet) to partnership (Southwest). Consistent with the predictions for coordinated market economies, Lufthansa, Scandinavian Airlines, and Germanwings all adopted a partnership approach with their unions; but not as predicted, they took a high control approach to the HR systems. This type of research design effectively allowed the researchers to tease out the relative importance of institutions and market segment/business strategy in shaping HR and IR policies. It suggests that institutions offer a relatively porous set of guidelines for firm behavior.

Integrating an understanding of institutional and organizational factors also allows researchers to develop more fine-grained explanations of the relationship between HR practices and performance outcomes. For example, an important, unanswered question in the strategic HRM literature is the issue of contingency – under what conditions do particular practices yield better results. At a minimum, HRM researchers can incorporate institutional, sectoral, market, and other external factors as moderators of the HR-performance link (e.g., Batt, 2002; Datta, Guthrie, & Wright, 2005; Sun et al., 2007). More importantly, they need to incorporate a richer understanding of the organizational context in which firms operate by incorporating qualitative methods and site visits into their research design as in the rich tradition of industry studies and industrial relations research.

A broader research agenda also would expand the types of management practices that are viewed as relevant to economic outcomes. Empirical studies of the HR-performance link have relied heavily on the high involvement/high-commitment paradigm, which emphasizes the traditional HR functional areas of skills (selection, training) and rewards (performance management, compensation), as well as the design and organization of work (task discretion, individualized versus group work) (for a review, see Combs et al., 2006). Only a small number of studies have examined other facets of management that are likely to influence performance outcomes – such as conflict management and dispute resolution (Arthur, 1994; Colvin, 2006; Katz, Kochan, & Gobeille, 1983), work–family balance (Berg), or employment security. Few studies (Shaw, Delery, Jenkins, & Gupta, 1998) have considered the importance of onerous working conditions or longer work hours. The impact of variation in scheduling and working time arrangements (Berg, Appelbaum, Bailey, & Kalleberg, 2004) and the provision of health and pension benefits offer other rich opportunities to learn from cross-national variation in these practices and their impact on economic and social outcomes.

A fourth expansion of research would embrace a larger set of outcomes to examine. Current strategic HR research focuses disproportionately on firm financial performance or employee attitudes and behaviors that are theorized to affect performance (commitment, citizenship behaviors, voluntary turnover). A broader set of stakeholder outcomes (for employees, suppliers, consumers, communities) needs to be examined because they are important in their own right and allow us to understand which practices lead to mutual gains versus zero-sum conflicts.

For example, industrial relations and comparative institutional research have traditionally focused on the impact of management practices on labor and employment relations. In the last decade, particular attention has focused on the concept of "decent work," developed by the International Labor Organization (ILO) to set guidelines for adequate labor standards. While initially developed to provide standards for emerging market economies, many soon realized that the standards were not necessarily maintained in advanced economies. Corporate strategies of restructuring, downsizing, and cost-cutting, designed to compete in the global economy, have led researchers to investigate the changing "quality of jobs" for employees in advanced economies. This multidimensional concept is similar to that of decent work and often includes the skill-level of jobs and opportunity for skill development; employment security; compatibility with work–family balance; and level of compensation (Gallie, 2007; Kalleberg, 2011; Osterman & Shulman, 2011).

Methodological Issues

Integrating the methodological strengths of strategic HRM and institutional research offers opportunities for more rigorous research design. Strategic HRM draws on standards from the psychological and organizational behavior literature and has developed careful approaches to variable measurement and quantitative analysis. The use of scales that have been previously tested in the literature and that pass accepted norms of factor analysis and scale reliability provides a basis for comparing findings across different contexts. HR research has developed methods that improve reliability via multiple respondents to surveys or via tests (such as intraclass correlations) to examine whether aggregation of multiple respondents' answers is warranted. By contrast, the HR research tradition pays little attention to sample selection. Most studies appear to be based on samples of convenience – the ability of a researcher to gain access to a company – any company – in order to administer a survey to employees, to examine how teams work or how employees react to pay systems or the like. In other words, sample selection is not a significant part of the research strategy – and not viewed as contributing to the quality of the research. Because research questions focus on what is occurring inside the firm, the external context is downplayed or considered irrelevant. This, in turn, leads to the write-up and publication of studies in which the authors fail to identify the industry, product or labor market context, location, or other salient features of the organizational and institutional context. From the viewpoint of institutional research, the study is of low quality because of serious omitted variable bias. While researchers often need to rely on samples of convenience, there is more onus on researchers to then investigate the context of the case in order to better interpret the results.

In comparative institutional research, by contrast, sample or case selection is a defining feature of quality research – if not *the* critical feature. This is true for a couple of reasons. Answering the research question depends on choosing an appropriate case or cases in order to rule out alternative explanations of a given phenomenon, thereby strengthening the rigor of the methodology. In addition, as noted above, this research tradition relies on points of comparison to help understand what is and is not true about each case. In the classic study by Maurice, Sellier, and Silvestre discussed above, for example, one only comes to understand the unique relationship between firm strategies and structures and their institutional environments by counterposing one system against another.

A study of one French firm alone would have failed to yield the level of insights gained from the comparison of opposites.

A second and related part of comparative institutional analysis is the frequent use of industry or sector as a framework for analysis. This is important for several reasons. From an economic and management perspective, it allows researchers to rule out alternative explanations for performance outcomes, such as variation in product markets, technologies, labor costs, or competitive conditions. The strategy literature developed an appreciation of industry frames over two decades ago (Porter, 1990), so it is surprising that the HR strategy literature has not yet adopted that perspective.

Industrial relations scholars have used industry as a boundary or field for research, not only because it frames the competitive and technological arena in which firms operate, but also because industries contain the accumulated history of relationships that form institutional legacies. Industries became the central analytical framework for most industrial relations and collective bargaining systems because they defined the arena in which labor–management conflict and cooperation occurred. Many (but not all) unions in advanced economies became organized around particular sectors, and the collectively bargained rules for those sectors created institutional legacies and norms of behavior in the workplace. These often spilled over into nonunion workplaces in the same industry. Despite the extent of de-unionization that has occurred, this history suggests that studies of the HR-performance link need to take into account the specific industry norms or legacies that influence, or moderate, that relationship. By using industry-specific norms for measuring work processes, technologies, HR practices, and quality and productivity outcomes, researchers also may obtain more reliable results. Organizational performance studies based on this approach have yielded significant findings of an HR-performance relationship in apparel (Appelbaum et al., 2000), international auto assembly (MacDuffie, 1995), international call centers (Holman, Frenkel, Sørensen, & Wood, 2009), hospitals (Gittell, Seidner, & Wimbush, 2010), steel processing (Appelbaum et al., 2000; Arthur, 1992, 1994; Ichniowski, Shaw, & Prennushi, 1997), and telecommunications services (Batt, 2002; Batt & Colvin, 2011).

Comparative institutional researchers also have used the industry lens to answer a central question in institutional theory – whether different national systems provide better institutional resources or better conditions for some industries to thrive and compete in the global economy, compared to others (Hollingsworth, Schmitter, & Streeck, 1994). This has led, for example, to the observation that the United States and other liberal market systems are more supportive of innovation and entrepreneurship than are coordinated economies with more institutional hurdles that limit flexibility (Hall & Soskice, 2001).

A recent study that leverages an industry focus is the multinational study of the emerging call center sector (Batt, Holman, & Holtgrewe, 2009). By focusing on service production units that are known to have routinized, low-skilled operations, the research teams were able to assess the convergence–divergence hypothesis: Does the availability of off-the-shelf technologies and cost-focused HR strategies drive homogeneity in HR practices in centers across countries or are national institutions instrumental in shaping these employment systems? The study integrates several features from strategic HR and institutional research. On the one hand, research teams conducted extensive field research in their respective countries to understand the institutional conditions in the emerging sector and how they were influencing employer strategies. On the other hand, with this interpretive framework in mind, they administered an identical survey (modified to fit different national conditions and norms) to the general managers of call centers in 17 countries, leading to an international database of some 2,600 establishments covering over 500,000 employees.

One set of outputs was a series of quantitative analyses that tested the varieties of capitalism framework: Whether coordinated and liberal market economies adopted significantly different HR practices, on average, and how those differences affected important outcomes such as skill development and training, the use of contingent labor, wages, and turnover (Batt et al., 2009). This study was able to tease out a multilayered set of outcomes. While there were few significant differences in the adoption of technology, definition of service markets, or flat organizational structures, significant differences appeared in relation to work design, staffing, training, compensation practices, union coverage, and union influence on HR practices – those dimensions of employment systems most closely influenced by labor market institutions. Call centers in coordinated economies were significantly more likely to adopt high involvement work systems, to have collective (union and works council) representation, and also make greater use of short-term contracts as a source of labor flexibility. The research also was able to tease out the relative importance of economic system effects (coordinated versus liberal market) as well as national institutional differences; and within countries, the significant impact on HR adoption of business strategies of market segmentation and outsourcing to subcontractors.

A third and related difference in methodological approach is the definition of a "case," or unit of analysis. In strategic HR, a "case" is typically an organizational unit – a worksite, business unit, or a firm. Multilevel analysis includes the examination of links between individual employees, work groups, establishments, and/or firms. In institutional analysis, the "case" is a unit in a firm or a firm, nested in an industry, and nested again in an institutional setting.

The work of Virginia Doellgast provides a good example of this approach. Her research methodology combines the strengths of comparative institutional analysis and strategic HRM research. Her sample selection – call center operations – represents a "critical case approach": One would least likely expect to find a relationship between HR practices and performance in this highly routinized and technology-driven environment. If the relationships hold here, they are likely to hold in workplaces offering managers much greater discretion. The research design includes an industry and occupational focus; carefully matched-case comparison design; extensive field research with onsite visits and interviews with workers, supervisor, trade unionists, and managers; and survey and archival data collection. The structured comparisons eliminate competing hypotheses.

She compares the national deregulation and restructuring of telecommunications services in the United States and Germany to explain how national differences frame the direction of change, with repercussions at the firm and workplace level (Doellgast, 2009). In both countries, firms faced intense pressures to cut costs and restructuring operations. To compare employer responses, Doellgast used an identical survey of call centers in both countries to test whether significant differences existed in HR practices and outcomes and the extent to which these were due to country effects, and/or business strategy and union effects (2008a).

Having identified significant differences at each level, she used qualitative field research to develop a fine-grained explanation for why these differences exist, based on matched cases of call centers in legacy carriers, subsidiaries, and subcontractors. Through this work, "institutional change" comes alive in the day-to-day actions, conflicts, and accommodations of managers, employees, works councils, and unions. In some cases, German employers were able to by-pass institutional rules, reduce the power of unions, and restructure organizations in ways that eliminate union representation. Nonetheless, Doellgast also shows how and why German managers, unions, and works councils were able to negotiate jobs with more discretion, more group collaboration, less performance monitoring, and less disciplinary focus – yielding lower turnover and higher quality. By contrast, the US unions also influenced management strategies, but the unintended outcomes have more work intensification and conflict (2008b). The multilevel analysis reveals how and why the United States and German employers – both of whom sought to compete on cost and labor flexibility in this tough environment – nonetheless arrived at quite different approaches to HR strategy, with different performance outcomes. The full, nested comparative analysis shows the complexity of institutional change and how different national institutions intersect with firm and union strategies to produce significant differences at the level of the daily work lives of managers and employees (Doellgast, 2011).

Comparative HR Management and Multinational Studies

The examples we have highlighted so far show how researchers have tried to incorporate strategic and institutional factors into cross-national comparisons of firms operating in their home-country base. A more complicated question is how to conceptualize the management of multinational firms operating in multiple locations around the world. A growing body of work has sought to sort out the extent to which MNCs are able to use their preferred or centralized approaches to HR across their foreign operations (''home-country effects'') versus whether they adopt HR practices that reflect the norms in the foreign country (''host'' country effects).

A particularly strong methodology for examining this question is to compare the operations of the same multinational(s) operating in several countries. One study of this kind provides an example of how the Swedish multinational ABB successfully competed in the global economy through the use of highly decentralized management and employment systems (Belanger, Berggren, Bjorkman, & Kohler, 1999). By contrast, a similar study of McDonalds in Europe (Royle, 2000, 2004) found the opposite. McDonalds successfully grew and developed its operations throughout Europe based on a US model of low-wage, low-skilled work, and union avoidance. The power of this approach is that it holds the company constant in order to examine whether variation in the density or configuration of national institutions matters.

A particularly ambitious research effort to integrate strategic and comparative institutional perspectives is the Cranet project, initiated by Brewster, Tregaskis, Hegewisch, and Mayne (1996). Brewster began the survey in 1988 to address the issues of homogenization in HR management resulting from European political and economic integration and to develop a better understanding of the changing role of HR departments from "personnel administration" to "strategic business partner" (Lazarova, Morley, & Tyson, 2008). The Cranet survey covers such issues as the organization's characteristics, activities of the HR department, staffing practices, employee development and careers, compensation and benefits, and employee relations and communication (for a detailed description, see Brewster, Hegewisch, & Lockhart, 1991; Brewster, Hegewisch, Mayne, & Tregaskis, 1994). The Cranet survey has been administered six times since 1990, has included more than 40 countries, and has been the source of data for a large volume of published work (See the 2011 special issue of *Human Resource Management Review*, Vol. 21, devoted to Cranet). This type of data has allowed researchers to address the question of the extent of convergence versus divergence in HRM practices over time; and a recent analysis showed, surprisingly, that while there have been "parallel" developments in the adoption of HRM practices across countries, there is also considerable institutional stability in the extent to which corporations in different countries remain distinctive in their practices (Mayrhofer, Brewster, Morley, & Ledolter, 2011).

An exemplary study using the Cranet data from 1999 and 2000 assesses the extent to which firms' embeddedness in a national context influences the HR activities of MNCs (Farndale, Brewster, & Poutsma, 2008). Drawing on Hall and Soskice's (2001) varieties of capitalism framework, the authors tested whether differences in HR practices were related to a country's institutional density. Comparing the liberal market system of the UK to coordinated systems of Germany, the Netherlands, and Sweden, the authors found that the differences between MNCs and domestic firms in the types of HR practices adopted were significantly smaller in coordinated economics than in liberal market economies. This finding suggests that both firm and host context characteristics are relevant to decisions regarding the adoption of HR practices.

Like any project of this scale and scope, the Cranet survey has many methodological challenges that may affect the validity of its findings, including translation of the meaning of survey questions, low or variable response rates, and missing data; respondents at headquarters or subsidiaries answering questions about HR practices for very large and diverse organizational units; treatment of companies as stand-alone units, and difficulty in distinguishing the origin of HR practices. Nonetheless, the Cranet project has contributed to the comparative international literature by producing a large-scale, multicountry, and multiyear survey dedicated to capturing variation in HR practices across different institutional contexts, including Asian and emerging market economies. It has developed an important network of scholars and research dedicated to integrating strategic and institutional analysis of MNCs and encouraged a generation of scholars to pursue this line of research.

Another large-scale, multiyear effort to examine MNC strategies and HR practices is the work by researchers at the University of Warwick and their colleagues (Almond & Ferner, 2006; Almond et al., 2005; Edwards, Edwards, Ferner, Marginson, & Tregaskis, 2007). Their approach is explicitly comparative and institutional, informed by industrial relations traditions, and relies on extensive field research rather than survey data alone. In early work, they took US MNCs operating across different national contexts in Europe as a focal point. With this research design, they could tease out home-host country effects. While they found some variation in the US practices across countries due to host country effects, overall, the US MNCs were more able to implement US-style HR practices across most countries in which they operated, despite national institutional differences (Almond & Ferner, 2006; Almond et al., 2005; Edwards & Ferner, 2002). Because these studies are based on extensive field research, these authors are able to describe in detail the types of practices that firms have adopted and why.

In a more sophisticated study, this research team has examined MNCs from multiple countries operating in one host country (Edwards et al., 2007). In this methodologically careful study of a nationally representative sample of MNCs, researchers conducted 302 face-to-face interviews with senior HR managers responsible for UK operations of MNCs. They compared foreign and UK-based MNCs along three dimensions: (a) the strategy, structure, and control mechanisms of companies; (b) the structure and role of the HR function; and (c) HR practices of performance management and reward systems, learning and international diffusion, employee involvement and teamwork, and employee representation and consultation. They found clear national differences in HR management practices. US MNCs were the least likely to offer their subsidiaries discretion over strategic and operational decisions, were least likely to recognize trade unions, and were more likely to use international HR structures. Japanese MNCs, by contrast, allowed local discretion and made little use of international HR structures or intra-organizational learning mechanisms. German MNCs behaved in expected ways, with little use of performance-based pay, substantial investment in training, and extensive engagement with trade unions. Nordic firms were the least likely to have formal HR structures, while French MNCs appeared to be a hybrid between US practices of use of HR committees and formal organizational learning and a European decentralized approach offering local managers considerable discretion. This study has since been expanded to include 1,200 firms in four countries (Ireland, Canada, Spain, and Mexico) (see Edwards, Edwards, Ferner, & Marginson, forthcoming). In this line of work, the researchers also are going beyond the conventional or ''neo-institutionalist'' view of simply comparing home and host country influences (Kostova, 1999) to theorize more directly about how relationships of power and control influence the adoption of practices and related outcomes (Ferner, Edwards, & Tempel, 2012).

These examples of large-scale, multinational studies represent an important expansion in comparative strategic and institutional research and pose significant methodological challenges. The first challenge is in the creation of a team of researchers able to cover the countries of interest and to engage into productive collaboration. Different disciplinary backgrounds, personalities, research interests, and expectations regarding the output of the collaborative effort condition its success. Additionally, the design and execution of surveys across countries are challenging (Steinmetz, Schwens, Wehner, & Kabst, 2011). National norms differ in the acceptability of telephone versus in-person or mail surveys. The meaning of measures may differ, despite the use of translation-back-translation procedures (Brislin, 1980). Different sampling strategies across countries can also bias results. The availability of information on firms and the adequacy of such information vary by country, and the sources may vary. For example, researchers may recur to information available at Chambers of Commerce, trade organizations, subscription lists of industry-specific magazines, personal contacts, yellow pages, or commercial databases. Finally, timing of large-scale surveys may affect findings. For instance, surveys that are administered at distant points in time may not be comparable, a country may find itself in some kind of crisis that affects responses directly or response rates, and – more trivially – participation in a study may be affected by different summer holiday periods in the northern and southern hemispheres. Taken together, these issues make large-scale, survey-based comparative HR studies challenging enterprises, and require substantial effort to reach agreement among research team members and to justify choices made.

Despite these methodological challenges, research on HR management and employment relations needs to continue to enlarge its scale and scope in order to comprehend the complexities of managing across borders in the current global economy. These and other recent studies provide examples for moving forward in an agenda that bridges HR strategic and institutional research.

There are also new areas of research that would benefit from integrating strategic HRM and institutional approaches. The first concerns the ways in which financial institutions and corporate governance – and the array of new financial intermediaries such as hedge funds and private equity – affect the adoption of management practices and their outcomes. While institutional researchers have paid considerable attention to the phenomenon of financialization at the macro level (Froud, Leaver, & Williams, 2007), only a handful of studies have begun to make the links between financial models of the firm and HR management and employment relations (Appelbaum, Batt, & Clark, 2011; Clark, 2009; Gospel, Pendelton, & Vitols, forthcoming). Studies that leverage cross-national variation in financial institutions and corporate governance offer a useful lens for addressing their impact on business and HR strategy (Gospel & Pendleton, 2003; Goyer, 2006). One theoretical framework by Aguilera and Jackson (2003) attempts to incorporate agency into institutional theory to explain how variation in national institutional systems shapes the corporate governance and decision-making processes in firms.

Most strategic and institutional research, however, continues to be premised on the idea that top and middle managers have considerable discretion to make strategic and operational decisions – regardless of whether they operate in a coordinated or liberal market environment. This assumption – often referred to as managerial capitalism – may be outdated, as a growing body of literature shows that shareholders have become more concentrated and more powerful in influencing management decisions in nonfinancial companies (Davis, 2009). The close alignment of executive compensation with the stock market also makes top managers more likely to favor strategies that maximize investor wealth.

This is an opportune time to examine the relative importance of new strategic actors and the power of institutional relationships in shaping firm behavior and stakeholder outcomes. New shareholder activists may, for example, urge the adoption of innovative investments in human capital to support value-added strategies (Deakin, Hobbs, Konzelmann, & Wilkinson, 2006; Jackson, Höpner, & Kurdelbusch, 2005); or they may insist on short-term profits and push for cost-cutting and flexibility that come at the expense of employee welfare (Black, Gospel, & Pendleton, 2007). Understanding the interplay between powerful actors and institutions is central to explaining the course of action that firms pursue.

Similarly, integrating strategic and institutional research would help advance our understanding of the uncharted subject of HR practices and related outcomes across networked organizations (Marchington, Grimshaw, Rubery, & Willmott, 2005) or global supply chains (Gereffi & Korzeniewicz, 1994; Locke, Amengual, & Mangla, 2009). Few researchers – whether from management or comparative institutional traditions – have grappled with this difficult question. This omission is important because HR-performance studies that take the firm or establishment as the unit of analysis may attribute to the focal organization performance outcomes that depend substantially on the resources and inputs from organizations across the value chain. We know little about the extent to which the focal or client firm influences the adoption of HR and employment systems in subcontractors or suppliers and how that influences outcomes. Some exemplary work on this question comes from the industrial relations and performance literature on Japanese lean production, where lead firms develop long-term relations with suppliers and play a large role in shaping their technologies and work processes. US auto manufacturers, by contrast, have maintained arms-length relations with suppliers (MacDuffie & Helper, 2007). However, even here, we have little empirical research on how Japanese or other lead firms specifically influence the employment practices of their suppliers. A forthcoming special issue of the *British Journal of Industrial* Relations (Doellgast, Erickson, & Kuruvilla, forthcoming) begins to tackle this issue.

An even more complex question is to understand how global value chains intersect with their institutional environments (Gereffi, 2005). To what extent do home-country institutional effects ‘‘spillover’’ into the management practices of subcontractors? Lane (2003) and Lane and Probert (2009) are one of the few research teams that has tackled this question. In order to examine host country effects, they chose MNCs from three very different national systems: the United States, Germany, and the UK. They compared these MNCs in two radically different industries – apparel and pharmaceuticals – in order to tease out industry versus host country effects. Then, they traced the management and employment practices of the lead firms throughout their supply chains – a process requiring multiyear field research across several countries and continents. Their efforts yielded provocative results – with significant differences in the importance of home versus host country effects on the supply chain that varied by industry. Lead firms in apparel showed significant home-country effects. The consumer demand for high-quality apparel in Germany led its companies to adopt that strategy and insist on high quality along the value chain, which created space for suppliers to offer relatively decent work and pay. The US apparel demand, by contrast, disproportionately favors the low-cost, mass market, leading firms to take a cost-focused approach and outsource and offshore all but the most highly value-added operations. As a result, labor standards along the value chain were squeezed. In pharmaceuticals, a different dynamic was at play. German and UK firms relocated their research and development labs to the United States in order to take advantage of the thin institutional rules that provide flexibility for innovation (Lane, 2003).

CONCLUSION

Our goal in this paper was to provide a roadmap for how two parallel literatures that focus on firm behavior in the global economy – but with radically different disciplinary and national roots – can learn from one another. The field of strategic and international human resource management draws its inspiration from psychology, economics, and strategic management. Over the last twenty years, researchers have sought to define the field with a very focused agenda – one designed to inform top managers of how to utilize employees to improve firm performance and competitive advantage. This agenda has guided theory-building and hypothesis-testing research designed to capture best practice approaches to human resource management. Researchers have sought to develop increasingly sophisticated data collection and analytic techniques to test these relationships. Its firm-centric and closed-system focus and assumptions regarding the autonomous decision-making capacity of managers have allowed it to specialize in a narrow set of research questions. The downside of this approach is its failure to incorporate new actors and research subjects that have emerged in the global economy, to develop new theories based on more inductive methods, and to include the external market and institutional variation into its analysis.

The comparative institutional literature, by contrast, begins with an analysis of national institutions and their impact on firm behavior, but treats organizational processes as more or less of a black box. It relies heavily on historical and qualitative research in order to map out the relationships between different institutional and organizational actors. While institutional theory provides predictions for how different national regimes should affect the competitive advantage of firms within their boundaries, few studies have gathered firm-level data to examine these propositions. There has been more attention to outcomes for employees and industrial relations institutions.

While these two research traditions might continue to provide parallel sources of distinct observations about firms in the global economy, we believe a more productive avenue is for greater cross-fertilization among researchers. A first step is for scholars in each tradition to become literate in the other and to incorporate each other's findings into their research as appropriate. The second is for researchers to undertake studies by forming multidisciplinary research teams that span strategic and institutional traditions. This would "embed" each of the perspectives in the definition of research questions, theories, methodologies, and analyses. A more ambitious agenda would be the incorporation of the frameworks and qualitative and quantitative methodologies of strategic HRM and institutional research into a holistic project. We have provided some promising examples of this approach. More generally, then, there are a range of ways that researchers can begin to broaden their frames of reference – all of which, we believe, will lead to more interesting research questions, stronger overall research design, and more enlightened analyses.

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