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Intermediate conformity of HRM practices in host countries: Why and how they work

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Abstract

The institutional theory suggests that multinational enterprises (MNEs) need to conform to institutional norms to gain legitimacy, thereby enhancing their survival in host countries. Conversely, from the perspective of business strategy, MNEs gain a competitive advantage by leveraging organizational capabilities worldwide. These two perspectives imply that MNEs face conflicting pressures when adopting HRM practices in their host country subsidiaries. This article discusses the rationale for why MNEs' subsidiaries should intermediately conform to both internal and external institutional forces and adopt a combination of home and host country HRM practices. Furthermore, it suggests that intermediate conformity contributes to a higher survival rate of MNE subsidiaries in host countries through improved operational efficiency and gained legitimacy. Additionally, this article discusses the moderating role of a subsidiary's resource dependency on the local environment, indicating that when the resource dependency is higher, the relationship between intermediate conformity, operation efficiency, legitimacy, and survival rate is weaker.

Keywords

MNEs, human resource management, legitimacy, resource dependence

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Intermediate Conformity of HRM Practices in Host Countries: Why and How They Work

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Abstract

The institutional theory suggests that multinational enterprises (MNEs) need to conform to institutional norms to gain legitimacy, thereby enhancing their survival in host countries. Conversely, from the perspective of business strategy, MNEs gain a competitive advantage by leveraging organizational capabilities worldwide. These two perspectives imply that MNEs face conflicting pressures when adopting HRM practices in their host country subsidiaries. This article discusses the rationale for why MNEs' subsidiaries should intermediately conform to both internal and external institutional forces and adopt a combination of home and host country HRM practices. Furthermore, it suggests that intermediate conformity contributes to a higher survival rate of MNE subsidiaries in host countries through improved operational efficiency and gained legitimacy. Additionally, this article discusses the moderating role of a subsidiary's resource dependency on the local environment, indicating that when the resource dependency is higher, the relationship between intermediate conformity, operation efficiency, legitimacy, and survival rate is weaker.

Keywords: MNEs, human resource management, legitimacy, resource dependence

Introduction

Multinational enterprises (MNEs) have received much attention from management researchers (Ghoshal & Bartlett, 1990; Rosenzweig & Singh, 1991) because of their global influences. A United Nations Conference on Trade and Development (2020) report shows that, in 2019, the value generated by MNEs accounted for about a quarter of global GDP, with foreign affiliates contributing 8,000 billion dollars in added value. 82 million individuals are employed in MNE foreign affiliates, which increased about 3% since 2018. However, MNE subsidiaries tend to have lower profitability and lower probability of survival than local companies due to the liability of foreignness (Zaheer, 1995). One of the causes of liability of foreignness is the lack of legitimacy in the host country (Zaheer, 1995). Similarly, Kostova and Zaheer (1999) argued that a crucial issue faced by MNEs is establishing and maintaining legitimacy in multiple operating countries.

It is well established that companies conform to social expectations to gain legitimacy (Deephouse & Carter, 2005; DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Suchman, 1995). For MNEs, mimicking successful local firms was identified as a way to gain legitimacy (Zaheer, 1995). However, it has also been argued that companies are not likely to completely conform to all social expectations (Bascle, 2016; Greenwood et al., 2011). Companies (Oliver, 1991), especially MNEs (Kostova & Roth, 2002; Kostova et al., 2008), play an important agency role in reacting to institutional pressures. Bascle (2016) argued that actors have different extents of conformity to

norms, and the relationships between conformity and legitimacy gaining vary for different norms (March, 1954). For example, the more a firm conforms to an unattainable-ideal norm, the more legitimacy they gain, while there is a ceiling of legitimacy gaining for preferred-value and attainable-deal norms, after which legitimacy starts to decrease or remain constant, respectively (March, 1954). Further, Bascle (2016) proposed the concept of intermediate conformity which suggests that when facing multiple norms, a firm rejects at least one norm and complies with at least one or complies with at least one norm but not with the highest approval. This view suggests that the conformity pattern is not bipolar –conform to all or conform to none, but is continuous, and firms can gain legitimacy with various levels of conformity.

The concept of intermediate conformity can be applied to explain MNEs' HRM practices adoption in host countries. HR practices are of concern to MNE scholars because they coordinate the international operations (Bartlett & Ghoshal, 1991) and are closely associated with the implementation of MNEs' global strategy (Adler & Bartholomew, 1992). MNEs often experience an *institutional duality*, which is the need to balance adopting globally standardized norms and gaining legitimacy in host countries (Kostova & Roth, 2002). Scholars (e.g., Björkman & Lu, 2001; Björkman et al., 2008; Lu & Xu, 2006) suggest that MNEs should adopt HRM practices with a combination of home and host country policies. However, more explanation is needed for the underlying reasons for the effectiveness of the adoption of both host and home country HRM practices.

The contributions of this paper are threefold. First, this article explains the rationales for MNEs to adopt HRM practices with the combination of home and host country practices using the concept of intermediate conformity. Second, this paper explains the impacts of HRM intermediate conformity on MNE subsidiary's operational efficiency, legitimacy, and survival. Although there have been a good number of studies about HRM practices adoption in host countries, many of them (e.g., Ayentimi et al., 2018; Björkman et al., 2007; Farndale et al., 2017; Mellahi et al., 2013) focused on discussing the HRM adoption itself or the reasons for different adoption strategy. Less is known about the influences of intermediate conformity. Third, this paper discusses the boundary condition of the impacts of internal and external institutional forces on HRM adoption and firm survival. Companies exist in a relational context (Kostova & Roth, 2002), and the external context constraints the organization's behavior (Pfeffer & Salancik, 1978). Hence, the third contribution of this article is to explain the impacts of resource dependency on HRM practices adoption in host countries.

Propositions Development

Institutional Forces and Intermediate Conformity

Institutional factors create pressures for organizations to become more similar through isomorphism (DiMaggio & Powell, 1983). Isomorphism has three sources, including coercive, mimetic, and normative forces (DiMaggio & Powell, 1983). Coercive isomorphism occurs when firms are formally or informally compelled by powerful authorities, such as government, regulation, or cultural expectations, to conform. Mimetic isomorphism arises from uncertainty. That is, firms mimic successful models when they face great uncertainty, such as when they are in a novel situation without clear solutions. The normative isomorphism primarily stems from

professionalization, which is developed and maintained via formal education and professional networks.

MNE subsidiaries face institutional factors in host countries, such as economic, legal, political systems, and cultural values, among which legal regulation and national culture have more powerful influences on HRM practices (Brookes et al., 2011; Đorđević, 2016). Labor law is an example of the formal coercive force (Scott, 1987), which restricts a firm's autonomy in adopting HRM practices, such that firms have less autonomy in HRM practice adoption when they face a higher degree of legislative pressure from labor law and collective agreements –e.g., Germany, Norway, and Denmark (Gooderham et al., 1999). When the host country has more restricted labor legislation, subsidiaries are less likely to adopt parent company HRM practices, even though they are widely considered effective in the home country (Lawler et al., 2011). Specifically, Mellahi et al. (2016) found that one of the major drivers of performance management practice localization is the legal factor, such as age discrimination law and collective bargaining.

Culture is the shared beliefs and values held by members of a society (Hofstede, 1984). It can also be considered as an institutional force because individuals' behaviors, ways of thinking, and preferences for policies are culturally constrained (Hofstede et al., 2010). Thus, management practices developed in one country may not be effective (e.g., fail to motivate employees) in another country. Hofstede (1984) found, using a sample of IBM employees in 40 countries, that countries vary in four cultural value dimensions: individualism-collectivism, masculinity-femininity, power distance, and uncertainty avoidance. Later, Hofstede and coauthors developed the fifth and sixth dimensions: long-term versus short-term orientation (Hofstede & Bond, 1988) and indulgence versus resistance (Hofstede et al., 2010).

Inspired by Hofstede's (1984) cultural value dimensions, numerous studies have been conducted to examine the influences of cultural values on the effectiveness of management practices (e.g., Chiang & Birtch, 2012). For example, Đorđević (2016) suggested that HRM systems in Japan emphasize teamwork, collective decision-making, lifetime (long-term) employment for regular core employees, etc. –because the country is characterized as high collectivism and high uncertainty avoidance. HRM systems in the U.S. reward employees based on performance instead of status or age and encourage employee participation in decision-making because the country is characterized by high individualism and low power distance. In addition, Gooderham et al. (2018) found that firms in countries with higher masculinity are more likely to adopt individual pay-for-performance systems.

When firms adopt similar practices with other entities in the same institutional context, their actions are considered as desirable, proper, and appropriate by stakeholders (Suchman, 1995), and thus have a survival advantage (Baum & Oliver, 1991). Consistent with the institutional theory (Meyer & Rowan, 1977), MNE subsidiaries are expected to conform to local institutional rules by adjusting organizational structure and practices (Li et al., 2018; London & Hart, 2004; Rosenzweig & Singh, 1991), particularly HRM practices (Björkman et al., 2007). Previous research (e.g., Björkman et al., 2007; Brewster et al., 2008; Ferner et al., 2005; Gooderham et al., 2018) has provided support for the impacts of institutional forces on MNEs' HRM practices adoption in host countries.

However, this view emphasizes the influences of external institutional forces and overlooks MNEs' needs for internal consistency and their agency role in making strategic choices (Farndale & Paauwe, 2007). The home country's institutional environment, such as laws, regulations, and culture, influences the practices that MNEs adopt and export to subsidiaries. For example, Wu et al. (2008) found that U.S. MNE subsidiaries in Taiwan and Thailand adopt anti-age and anti-gender discrimination employment practices even though local contexts lack those legislations, and the local culture supports some forms of discrimination. This is because the U.S., the MNEs' home country, has a culture featuring high individualism and low masculinity and has strong anti-discrimination laws. Moreover, MNEs attempt to maintain established organizational practices that reflect core values and business strategy across subsidiaries globally. HRM has been identified as a strategic patterner of business, aiming to facilitate a firm in achieving its goals (Wright & McMahan, 1992). Thus, HRM practices are determined by business strategy. For example, an MNE whose strategy is to produce globally standardized goods should standardize their HRM practices to monitor (Mellahi et al., 2016), while if an MNE's goal is to produce localized goods, they should adapt HRM practices to attract and hire locals who understand the market and customers. The strategic needs represent a form of internal institutional force faced by MNEs and greatly impact subsidiaries' HRM practice adoption (Mellahi et al., 2016; Rosenzweig & Nohria, 1994; Schotter et al., 2021).

As discussed above, MNE subsidiaries often simultaneously face the *pushing effects* from parent companies for global strategies or efficiency considerations and the *pulling effects* from the host country operation environment for gaining legitimacy (Farley et al., 2004; Rosenzweig & Singh, 1991). When MNEs face these conflicting pressures, they do not passively conform to all, but rather they strategize actions and are likely to conform intermediately (Bascle, 2016). That is, MNE subsidiaries adopt HRM practices considering both the internal and external institutional forces (Rosenzweig & Nohria, 1994). Edwards et al. (2016) found that institutional context does not fully explain the variances of performance management practice in MNEs across countries, and business strategy (e.g., standardization vs. localization) plays a critical role. They also found that there was no full standardization of performance management practices, indicating that institutional forces in the local context have a strong impact on MNEs' practices. As another example, Lau and Ngo (2001) found that both the institutional forces in the host country and the home country culture influence the usage of organization development practices in MNE subsidiaries in Hong Kong. Bascle (2016) suggested that if a norm conflicts with an actor's intrinsic personal features, the actor is more likely to engage in intermediate conformity. Thus, when MNEs transfer HRM practices to subsidiaries, they do not standardize the entire HRM system but focus on specific HR practices that are strategically meaningful (Festing & Eidems, 2011), and they will not adopt the HRM practice that reflects the core organizational value to the host country context. In line with this argument, Mellahi et al. (2013) found that competence-based appraisal, performance-based compensation systems, and employee empowerment are strategically oriented HRM practices, and thus were not adapted to the host country context in their study sample. Findings of Pudelko and Harzing's (2007) study also show that MNEs tend to export the practices that are considered their core competencies to subsidiaries and adopt the best practices in other areas.

Furthermore, Bascle (2016) argued that the importance of a norm influences the actor's conformity. The importance of a norm is "the degree to which second and third parties' expressed feelings of approval and disapproval diverge from the point of indifference" (Bascle, 2016, p. 137).

Actors are likely to conform to norms with higher importance, such as norms that can be quantified (e.g., quotas of diversity), are connected to other norms, and collectively agreed upon, because rejecting such norms will result in greater punishment (Bascle, 2016). Consistently, Fenton-O’Creevy et al. (2008) found that MNEs endeavor to retain control over the adoption of HRM practices by subsidiaries unless there is substantial pressure from the local institutional environment, such as in the coordinated market economies or those with well-organized labor unions. Accordingly, the proposition is that MNEs intermediately conform to internal and external institutional factors by adopting HRM practices from both parent companies and local contexts:

- Proposition 1: MNEs adopt the combination of local and home country HRM practices to intermediately conform to both internal and external institutional forces.

The Impacts of Intermediate Conformity on Operation Efficiency and Legitimacy

Since the pressures from the parent company stem from considerations of internal consistency and business strategy, intermediate conformity is expected to contribute to the operational efficiency of MNEs. Firstly, strategically designing the HRM integration across global units enables firms to transfer knowledge internally (Harzing et al., 2016) and builds capabilities (Meyer & Xin, 2018). Secondly, some management practices are universally valid and applicable regardless of the cultural or institutional environment (Pudelko & Harzing, 2007). For example, Ichniowski and Shaw (1999) found that Japanese manufacturers who have adopted an HRM system consist of problem-solving teams, thorough orientation, continuous training throughout employees’ careers, extensive information sharing, job rotation, employment security, and profit sharing, have higher productivity than the U.S. manufacturers. They also found that when U.S. manufacturers mimic the comprehensive Japanese HRM system, they achieve comparable productivity and quality as the Japanese firms. Finally, mimicking successful local companies may not be the best strategy for MNEs. For example, Zaheer (1995) examined MNEs’ strategies for overcoming the liability of foreignness and found that importing organizational practices is more effective than imitating local practices. Thus, it is argued that MNEs who intermediately conform to internal institutional forces are more likely to have higher operational efficiency than adopting HRM policies solely based on host country norms:

- Proposition 2a: MNEs who intermediately conform to internal institutional forces have better operation efficiency than those who fully conform to host country norms.

Legitimacy is defined as the “generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions” (Suchman, 1995, p. 574). Legitimacy has been conceptualized differently as property, process, and perception (Suddaby et al., 2017). Legitimacy is an outcome of isomorphism when viewed as a property. The legitimacy-as-process view focuses on the ongoing processes of creating, maintaining, and recreating legitimacy (Hallström & Boström, 2010; Suddaby et al., 2017). That is, legitimacy is actively and continually negotiated. Whereas the legitimacy-as-perception view considers it as a collective perception building upon diversified microlevel legitimacy judgments (Suddaby et al., 2017). In this view, individuals have their own judgments of an actor’s legitimacy, and the perceptions change through social interactions with others, which ultimately forms the collective level perception of legitimacy. In this paper,

following the dominant view of legitimacy (Suddaby et al., 2017), legitimacy is conceptualized as a property of a firm, which can be gained, increased, or lost.

A firm can gain legitimacy through conforming, decoupling, and performing (Suddaby et al., 2017). Conforming suggests that legitimacy is attained when there is a congruence between the firm and its operating environment. MNEs were argued to be a challenge to neo-institutional theory (Kostova & Zaheer, 1999; Kostova et al., 2008) because of the complex environment of their operation. The complexity is caused by physically being in a country where the cultural, economic, and social environment are different from the home country. However, this also provides an opportunity for MNEs to gain legitimacy by intermediately conforming to external institutional forces. MNEs face diverse but weaker institutional pressures to be isomorphic in host countries (Kostova et al., 2008); thus, isomorphism is not a necessary condition for MNEs to gain legitimacy. Bascle (2016) argued that intermediate conformity gains legitimacy because of the compensation effect. That is, rejecting one norm does not necessarily reduce a firm's legitimacy as long as the firm conforms sufficiently to another norm that outweighs the rejected one. MNEs can also gain legitimacy via decoupling, which is adopting institutionalized structures and practices, and at the same time using different structures and practices that are considered efficient (Kostova et al., 2008). Thus, if an MNE subsidiary adapts some HRM practices to fit in an external institutional environment and adopts some other HRM practices from a parent company that aligns with the business strategy, it should gain legitimacy (Bascle, 2016):

- Proposition 2b: MNEs who intermediately conform to external institutional forces gain legitimacy in host countries.

The third way to gain legitimacy is through performing, which is to demonstrate “the technical superiority of their innovative practices, characteristic, or form over extent alternatives” (Suddaby et al., 2017, p. 458). Meyer and Rowan (1977) suggested that firms can gain legitimacy through both technical efficiency and conformity to institutional norms. For example, Deephouse (1996) found that both conformity and efficiency contribute to banks' regulatory legitimacy. Furthermore, MNEs can gain legitimacy using *legitimacy spillover* (Kostova et al., 2008), which is adopting highly legitimated practices in other environments to gain legitimacy in host countries. Subsidiaries can create a positive image by building upon the reputation of the whole MNE. Therefore, when MNEs adopt practices that favor efficiency, they are likely to gain legitimacy in host countries.

From a strategic view, legitimacy is a resource of an organization (Suchman, 1995). Legitimated organizations are accepted by society, which gives them access to critical resources and markets, reduces the disruption from stakeholders, and enhances their ability to compete (Acheampong et al., 2022; Brown, 1998; Deephouse, 1996). The resource-based view (Barney, 1991) posits that firms can gain a competitive advantage and enhance firm performance by leveraging resources that are valuable, rare, difficult to imitate, and not substitutable. Arthur (2003) found that adopting work-family initiatives positively affects shareholder returns because of the legitimacy associated with these initiatives. The results of studies that adopted institutional or strategic perspectives have shown that legitimacy is positively related to organizations' survival (e.g., Baum & Oliver, 1991; Cohen & Dean, 2005; Ruef & Scott, 1998). Hence, it is proposed that by intermediately conforming to internal institutional forces, MNEs have higher operation efficiency, which helps them gain legitimacy in host countries. And, by intermediately conforming to external institutional

forces, MNEs gain legitimacy in the host country, leading to higher operation efficiency. With legitimacy and better operation efficiency, subsidiaries are more likely to survive:

- Proposition 2c: MNEs who have better operation efficiency will gain more legitimacy in host countries which further enhance their operation efficiency.
- Proposition 3: MNEs who have better operation efficiency and are considered legitimate in host countries are more likely to survive.

The Moderating Role of Resource Dependency

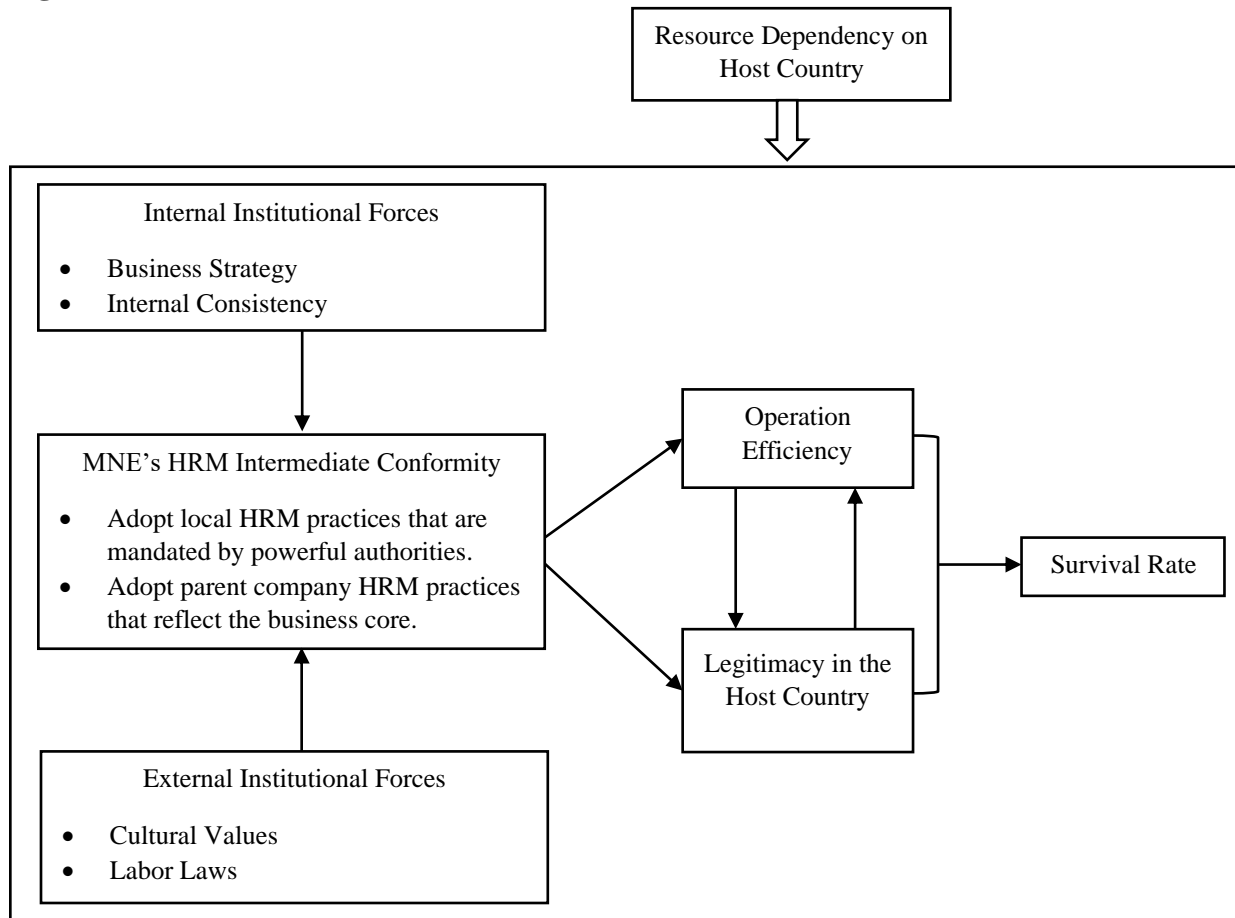
The resource dependence theory (Pfeffer & Salancik, 1978) suggests that organizations cannot be self-sufficient internally, and they are constrained by the external environment. Explaining the predictors of the isomorphic process, DiMaggio and Powell (1983) also argued that organizations will become similar to the organizations that they have a greater dependence on. The degree of dependency is determined by two factors. First, the availability of alternatives (Pfeffer & Salancik, 1978). Parent company resources may be an alternative to local resources. For example, MNEs in some host countries (e.g., China, Saudi Arabia) relied on expatriates for managerial positions due to the limited number of qualified local candidates with adequate business-related, managerial and people skills (Darwish et al., 2023; Kim & Bruehler, 2019). However, we also need to consider the impacts of national boundaries (Rosenzweig & Singh, 1991), due to which some resources are relatively immobile. For example, MNEs are increasingly hiring from host countries to fulfill their staffing needs (Scullion & Collings, 2005) to avoid the high costs associated with expatriation. In sum, when home country resources cannot be an alternative to host country resources, MNEs have a higher level of resource dependency on local contexts, which causes the HRM practices adoption to be more aligned with local institutional factors.

Second, the strategic importance of the resource (Pfeffer & Salancik, 1978). That is, if a firm has control over the critical resources of its partner, the firm has more power than the partner (Yan & Gray, 1994). Rosenzweig and Nohria (1994) found that MNE subsidiaries are more likely to adopt local HRM practices if they have a higher dependence on local inputs, such as raw materials. While, if subsidiaries depend on headquarters for capital investment, technology support, or managerial knowledge, headquarters have more impacts on their structure and practices than local institutions, thus HRM practices are more likely to be transferred from the parent company to subsidiaries (Martinez & Ricks, 1989). As another example, the success of using a high-performance work system depends on the skillful employees, thus whether a subsidy can successfully implement it is impacted by the readiness of local workers. In line with this argument, Lawler et al. (2011) found that host country per capita spending on education was positively related to high-performance work system implementation in U.S.-owned MNE subsidiaries.

If an MNE does not conform to the expectations of institutions that have control over critical resources for them, it is less likely to be accepted by the field and to survive than those who conform to the expectations (Goodstein, 1994; Oliver, 1991). On the other hand, if the MNE is relatively more powerful than the host environment, the impacts of the local institutional environment are weaker (Kostova & Roth, 2002; Oliver, 1991). Accordingly, it is proposed that when MNEs have higher resource dependency on local institutions, the relationship between intermediate conformity, operation efficiency, legitimacy, and survival is weaker. Figure 1 illustrates the theoretical framework:

- Proposition 4: The degree of MNEs’ resource dependency on local institutions moderates the relationship between intermediate conformity, operation efficiency, legitimacy, and survival.

Figure 1. Theoretical Framework



Conclusions

This paper proposed a conceptual model to explain the rationale behind the adoption of HRM practices by subsidiaries of MNE and the associated influences on their survival in host countries. Specifically, the paper discussed the important internal and external institutional forces faced by MNE subsidiaries in HRM adoption, and the unique characteristics of MNEs that enable them to intermediately conform to these forces by adopting HRM practices from both home and host countries. It is further explained that intermediate conformity has positive impacts on the firm’s operation efficiency and legitimacy, which then contributes to its survival in host countries. Additionally, a subsidiary’s resource dependency on local contexts was recognized as a moderator of the mediated relationships between intermediate conformity and firm survival.

Theoretical Contributions

This paper has aimed to create a conceptual framework for understanding why and how MNEs intermediately conform to HRM adoption in host countries, as well as the consequences of such

intermediate conformity. Hence, the first contribution of this paper is to explain the rationale for HRM adoption in host countries. Although international HRM scholars have put forth efforts to explain the transfer and diffusion of MNEs' HRM practices (e.g., Ahlvik & Björkman, 2015; Chiang et al., 2017; Ferner et al., 2012; Haddock-Millar et al., 2016) and have suggested that MNEs adopt both home and host country practices, there is still a need for a more theoretical driven model explaining the rationales for HRM adoption in host countries. Institutional theory suggests that MNEs should adapt their HRM practices to align with host country stakeholders' expectations to gain legitimacy (Rosenzweig, 2006). Conversely, the strategic management perspective suggests that HRM practice adoption should be consistent with MNEs' strategy, such as standardization versus localization (Pudelko & Harzing, 2008). Each of these views emphasizes some specific variables while overlooking others (Chiang et al., 2017). Thus, it is argued that intermediate conformity to the important norms (e.g., labor laws) in host countries, while simultaneously adopting practices from parent company that reflect the business strategies, helps MNEs gain legitimacy. This is because conforming to important norms compensates for the negative effects of rejecting some norms in host countries (Bascle, 2016), especially when the reason for rejection is to maintain consistency with the business strategy.

Second, this paper contributes to our understanding of the impacts of intermediate conformity. While conformity issues have garnered a lot of attention from scholars, intermediate conformity, which is a common behavior of organizations, received relatively little attention (Bascle, 2016). In the present article, it is argued that MNE subsidiaries that adopt parent company HRM practices reflecting business core have improved operation efficiency. Thus, the firm gains legitimacy through performing rather than conforming. In addition, MNEs face weaker institutional forces than local firms (Kostova et al., 2008), which provides them an opportunity to gain legitimacy by conforming to the important norms and rejecting others (Bascle, 2016). The gained legitimacy in host countries then provides firms access to critical resources, enabling them to compete in local context, which further enhances operation efficiency. The synergy of operation efficiency and legitimacy in host countries then results in survival advantages.

Third, this article contributes to our understanding of intermediate conformity by discussing the boundary condition of the relationship between intermediate conformity, operation efficiency, legitimacy, and firm survival. MNEs are more likely to gain legitimacy by intermediately conforming to social norms if they have a lower level of resource dependency on the host country. Firms do not react to the same institutional environment in the same way, their relative power position has an impact. For example, older and larger organizations that have adequate resources can dominate their environment instead of adjusting to it. One critical resource related to HRM functionality is a skilled labor force. Parent companies can provide an alternative resource to local context by sending home country employees to work overseas; however, expatriation usually entails higher costs than hiring locals. In sum, subsidiaries' resource dependency on local context influences their conformity strategy.

Practical Implications

Along with the three theoretical contributions, this paper also presents three practical implications. First, the proposed framework suggests MNEs adopt HRM practices considering both the internal and external institutional forces, such as labor laws and cultural values in home and host countries, as well as the business strategy and core values of the company. Second, MNEs are suggested to

weigh different norms and conform to the more important ones. In this way, MNEs are likely to gain legitimacy in host countries, which gives them access to critical resources and enhances their operation efficiency. Third, the framework suggests MNEs understand the relative power position of their subsidiaries and the local context for making more strategic decisions of HRM adoption. When subsidiaries have more dependence on local environments for critical resources, they should adopt HRM practices with greater emphasis on external institutional factors.

Limitations and Future Research

Although this study is developed based on sound theories and previous findings, it has some limitations, which provide future directions for researchers. First, the country of origin of MNEs was not specified in this paper, which may partially explain the company's conformity actions (Ferner, 1997). HRM practices in developed countries, such as the U.S., are often perceived as more advanced and are more wanting (Fainshmidt et al., 2018). Foreignness has been considered a disadvantage of a MNE operation; however, foreignness can also be an advantage, especially if the MNE was founded in developed countries. For example, Turban et al. (2001) found that employees in China are generally more attracted to foreign-owned firms than state-owned ones. In addition, MNEs whose headquarters are in developed countries may influence the local context, such as introducing innovative training methods in host countries (Fortwengel & Jackson, 2016). Therefore, HRM practices in subsidiaries of MNEs founded in developed countries may be less constrained by local institutional forces. Scholars are encouraged to incorporate the country-of-origin effects into discussions of MNE's intermediate conformity in future studies.

Second, following Bascle (2016), some institutional norms were argued to be more or less important than others, and MNEs should conform to the important ones to gain legitimacy. However, this paper did not further explain the importance of institutional norms, which can be tied to the strength of institutional factors. For example, countries vary in terms of cultural tightness-looseness, which is defined as the "the strength of social norms and the degree of sanctioning within societies" (Gelfand et al., 2006, p. 1226). Individuals in tighter societies are likely to expect the HRM practices to align with cultural norms, while individuals in looser societies have more flexibility to express their individual attributes and are more likely to accept HRM practices that do not align with cultural norms.

Third, a conceptual framework was proposed in this paper, but the model was not examined empirically. There have been some empirical studies about MNEs' HRM practices adoption in host countries. As discussed earlier, they generally support the argument that MNEs' HRM practice adoption reflects both the local institutional forces and the headquarters' business strategy or core values. However, less is known about the influences of HRM adoptions, such as their impact on operational efficiency, legitimacy gaining, and survival. Thus, scholars are encouraged to empirically examine the entire model with an emphasis on the impacts of intermediate conformity. The proposed framework indicates a causal relationship between intermediate conformity and a firm's survival rate. Additionally, it takes time to gain legitimacy and for that to have an impact on the survival rate; thus, scholars are encouraged to test the model using a longitudinal study design in future studies.

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