

Thesis summary

Determinant factors in the transfer of the workforce Diversity policy: An analysis of the foreign subsidiaries in Spain

Introduction

One of the main academic and practitioner issues in international management is the transfer of the policies and practices in multinational companies (MNCs) across different national business systems in which they operate (Hall and Soskice, 2001; Jain *et al.*, 1998; Quintanilla and Ferner, 2003). The current debate is focused on the tension experienced by these companies in the transfer of policies and practices (Ferner 1997; Harzing and Sorge 2003; Edwards, 2004; Liu, 2004; Brewster *et al.*, 2008; Fenton-O’Creevy *et al.*, 2008; Tempel and Walgenbach, 2007). On one hand, there is an increase in the centralization and homogenization of the policies and practices, due to globalization forces (Guillén, 2001a; Held and McGrew, 2003; Almond *et al.*, 2005), and on the other hand, the tendency to local adaptation for the different national idiosyncrasies, caused by the persistent varieties of capitalism (Hall and Soskice, 2001) with a continued pushiness of dissimilarities in organizational forms and management practices in different countries which can be observed in practice (Djelic, 1998; Djelic and Quack, 2003; Guillén, 2001a, 2001b; Kogut, 1991; Kogut and Singh, 1988; Smith and Meiksins, 1995). Recent literature is focusing this debate on the challenge of the cross-national transfer of WDP (Ferner, Almond and Colling, 2005; Nishii and Özbilgin 2007) and on highlighting the hard of the applicability of WDP in different business contexts. The key challenge rests in leveraging the diversity of a global workforce whilst maintaining consistency throughout the organization (Rosenzweig, 1998; Mor Barak, 2000). Why MNCs that are pursuing a global or local business strategy in the WFP transfer, therefore, remains such as an under-researched question (Sippola, and Smale, 2007).

Research objectives

We focus our analysis on the foreign subsidiaries operating in Spain as unit of analysis. The aims of the paper are both: First, we will make an effort to develop a theoretical model to explain the transfer of the workforce diversity policy and secondly we we’ll test empirically the hypotheses derived from the model. We will try to identify which are the determinants in the process of transfer of workforce diversity policy (WDP) in MNC companies, understanding transfer as the degree of centralization vs. local adaptation that take place in the transfer process.

We have chosen these research objectives because of the gap existing in the literature theoretically and in terms of quantitative studies in this subject. The reality shows that only some academics study these questions of analysis outside of Spain and using a qualitative methodology (Nishii and Özbilgin 2007; Ferner *et al.*, 2005). In this

sense, our study is a pioneer study in Spain, because it analyzes these diversity issues from a quantitative perspective.

CHAPTER 1. Diversity: Conceptualization and strategic management parameters

We conceptualize what is known as diversity and then we try to justify the need to the implementation of WDP in the MNCs. In this sense, we understand WDP as the management actions orientated to achieve an efficient management of diversity in the workplace, as a reflection of the society on which the company operates (Triandis, 2003). This policy tries to avoid any discrimination of gender, race, age, country of origin, culture, religion, and disability, in order to promote the potential positive effects of the diversity within the companies and to reduce the negative effects (Cox, 1994; Williams and O'Reilly, 1997; Harrison, Price and Bell, 1998; Rijamampianina y Carmichael, 2005).

There is not agreement in the literature about the positive relationship between diversity and performance (Jehn *et al.*, 1999; Kochan *et al.*, 2003). On one hand, there are theories that support diversity is positive for the organization (Wright, Ferris and Kroll, 1995; Hartenian and Gudmundson, 2000), but on the other hand, there are theories which argue that diversity is a negative factor for organizations (Sacco and Schmitt, 2003; Kochan *et al.*, 2003). Some companies understand the diversity concept as a corporate value, which recognizes diversity as a no discrimination value. This value about equal opportunities is a mix between a legal duties and social commitments, so the content of the diversity value is different in each country (Özbilgin, 2005). We argue, based on the literature, that diversity improves the company's performance, if the companies develop and manage a diversity policy (Egan and Bendick, 2001; Wentling and Palma-Rivas, 2000). It means that policy constituted a source of competitive advantage (Jayne y Dipboye, 2004).

CHAPTER 2: Theoretical framework to explain the transfer of WDP in the multinational companies

In this chapter, after a review of the literature, we develop our theoretical framework. We propose four theoretical approaches which explain the transfer of WDP in the MNCs and explore the contribution of each of these approaches. In addition, we identify the determinant factors in the transfer of this policy. The identification of these approaches is based on the fact that MNCs operate in a double context: external context and internal context and at the same time, the need for MNCs to obtain legitimacy in both (Kostova and Zaheer, 1999).

First of all, we analyze the influence of the external environment (home and host country) in the transfer of WDP, following the comparative business system institutionalist strand (Kostova and Roth, 2002; Ferner and Tempel, 2006). The more explicitly "comparative business system" strand of institutionalism has also been utilised to provide a convincing explanation of country of origin effect (Watcher *et al.*, 2003). Most MNCs are deeply embedded in the country where they originated, so their strategies are shaped for their national business, system (Ferner, 1997). However, at the same time the foreign operations occur within a distinct institutional domain, that on the host country (Almond and Ferner, 2006). The paper uses the concept of the institutional

distance (ID) developed for the comparative institutionalism strand (Kostova, 1997; 1999; Xu and Shenkar, 2002) to analyze the influence of ID between the home and the host country in relationship with diversity, with the aim to explore the influence of ID in the degree of centralization *versus* local adaptation of the WDP.¹ Following this argument our study addressed the first hypothesis:

H1: High Institutional distance is negatively related to transfer degree of the WDP

Secondly, we study the effect of the internal context of the MNC in the transfer of the WDP, using two theories. The first one is the structuralism approach and a second one the resource-based approach.

The structuralism approach examines the inter-relationship between the different units of the structure (Ferner and Edwards, 1995). Furthermore, the hierarchical authority of the parent company influences on the way on which the transfer of the practices occurs (Morgan, 1986). A key question in understanding the nature of HR/IR governance within national systems is the degree to which local operations of MNCs act independently of headquarters (Ferner *et al.*, 2007). We analyze with what extent the subsidiaries, rather than higher organisational levels located within other business systems, have discretion or ‘decision-making authority’ (Garnier, 1982: 893-4) over HR/IR issues. The more that subsidiaries are subject to control of higher-level HQs located elsewhere, the more complex and heterogeneous governance structures within a given national territory are likely to become. Based on structuralism approach, we tried to identify the structural factors that shaped the autonomy level that the subsidiary has to implement the WDP, and following this argument our study addressed the second hypothesis:

H2: High subsidiary autonomy is negatively related to transfer degree of the WDP

The resource dependence strand (e.g., in the work of Martinez and Ricks, 1991; Taylor *et al.*, 1996; Pfeffer and Salancik, 1978), note that headquarters ‘will attempt to exert high levels of control over their global innovators, but these affiliates will simultaneously have the power to resist these central efforts’ (p: 975). At the same time, the subsidiary has an active role as agent in the transfer of the different policies in the MNCs (Ghoshal and Nohria, 1993; Ambos and Schlegelmilch, 2007). Here, the focus is on how actors look to protect or advance their own interests, the resources they use, and the resolution of conflicts. Transfer can be conceived as a process of negotiation between actors at different levels of the MNC with differential access to a range of power resources. Several authors argue that the power based on critical resources of the subsidiary is a key factor in the analysis of the process of transferring HR policies (Cutcher-Gershenfeld, 1998; Edwards *et al.*, 1999; Ferner *et al.*, 2005). Following this argument our study addressed the third hypothesis:

H3: High critical resourced power in the subsidiary is negatively related to transfer degree of the WDP

¹ Institutional distance is the difference between the ‘country institutional profile’ (CIP) of the country of origin and the country of operation, respectively. The CIP construct provides indices of the regulatory, normative and cognitive institutions of a country (borrowing from Scott’s (1995) institutional ‘three pillars’)

Finally, the resource based view (RBV) of the firm, studies some factors intrinsically linked to the specific characteristics of the practices. In general, as Taylor et al. (1996) argue, drawing on the resource-based view of the firm, MNCs will tend to transfer practices where they see an international competitive advantage in doing so. Whether or not MNCs have the ‘opportunity’ or capability to transfer practices abroad depends on the extent to which a practice is viable outside its original setting; or ‘context-generalisability’ as Taylor et al. (1996) label it. The academics which follow the RBV perspective argue that the transfer takes place merely when the policy is perceived as a source of international competitive advantage not only for the Headquarter agents but also for the subsidiary managers (Cox, Lobel and McLeod, 1991; Florkowski, 1996; Watson, Kumar and Michaelsen, 1993). Following this argument our study addressed the fourth hypothesis:

H4: Subsidiary manager’s perception of WDP as a source of competitive advantage is positively related to transfer degree of the WDP

The theoretical contribution of the paper is the proposal of an integration model which tries to find cross-fertilization between the four theories such as a framework to explain the HR policy transfer. The methodological comparison of different theories is a difficult area (Parkhe, 1991; Foss, 1997). Pragmatically, we aim to combine those key insights of the relevant theories that can be usefully aligned and side-step the more troublesome aspects (Elfring and Volberda, 1997).

Based on the *institutionalism approach* we analyze the effects of the wider context as related to the embeddedness of MNCs in a distinctive national-institutional business environment. The study of the context as Cappelli and Seher argue (1991:56) help to illuminate the phenomena (sic), and to find the factors typically associated with the unit of analysis. As Johns defined (2006:36), the study of the context presents “the situational opportunities and constraints that affect the occurrence and meaning of organizational behaviour as well as functional relationship between variables.

Nevertheless the cross-national transfer of HR policies and practices within multinationals is seen as the movement of practices across institutional domains by actors with divergent interests in the transfer, and with differential power resources with which to effect or inhibit it. *The resource-dependence approach* stresses the importance of non-formal mechanisms of control and dependence reduction and to the flexibility advantages that this might offer. This analysis is pertinent to the issue of policy transfer, since it throws light on the resources available to subsidiaries to negotiate the ‘terms of transfer’ (Birkinshaw and Fry, 1998; Birkinshaw and Hood, 1998; Birkinshaw, 2000).

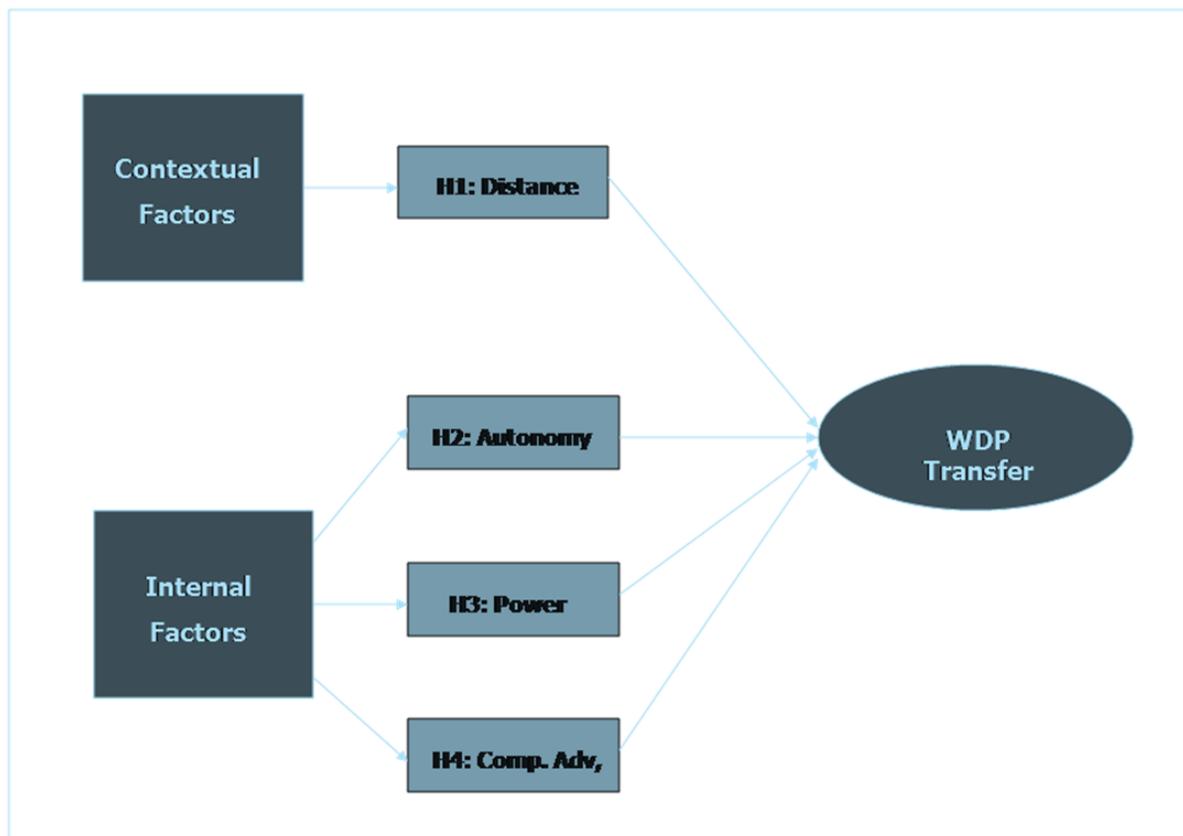
However, the subsidiary is a part of the MNC structure and it doesn’t have absolute decision power, because it is embedded in the corporate organisation with a hierarchy which has a particular strategy and coordination mechanisms. Organisational MNC issues also depend on corporate organisation. This is an obvious link, because the corporate MCS and the subsidiaries conforms the larger organisation (Littkemann 2001: 1295). In this sense, we analyze on based of *structuralism approach* the degree of autonomy or central control of the subsidiary. Firms pursue a ‘multidomestic’ strategy (Porter 1990) in which each national subsidiary focuses on serving its specific national

market and has few linkages with the MNC's operations in other countries, there may be little perceived advantage in diffusing policies from one country to another, compared with situations where operations are highly integrated internationally (Edwards and Rees 2006; Ferner, 2008).

Finally, we need to complete our framework asking about the impact of the specific issue in the transfer, since that is a lack that presents the other theories. In general, as Taylor et al. (1996) argue, drawing on the *resource-based view of the firm*, MNCs will tend to transfer practices where they see an international competitive advantage in doing so. The transfer of a well-tried recipe might have competitive advantage as a mode of global operation, even if individual elements might not be advantageous (Ferner *et al.*, 2005).

In conclusion, via the complementarities of these approaches we propose a model that might have benefits for the researchers to explain the factors that facilitate or constraint the transfer of policies and practices in the MNC across the borders. In this paper we find this theoretical model helpful in explaining the transfer of diversity policies. The figure 1 represents our Conceptual Model:

Figure 1: Conceptual model



CHAPTER 3: Methodology and Research Design

In this chapter we explain firstly the methodology used to construct the population and to obtain the sample. Secondly, we make clear the variables and the specific model to measure them. Finally, we describe the process to conduct the survey through a questionnaire

The empirical analysis is based on a large scale survey, conducted in Spain from September, 2006 to December; 2007. We constructed the list of the population, which is composed of 895 subsidiaries of MNCs which operate in Spain. The size is the unique criteria to select the companies. We measure this size through the number of worldwide employees (firms which have more than 500 total employees) and employees in Spain (firms which have more than 100 employees in the Spanish operations). We use these criteria to guarantee an enough critical mass for the viability of the study. Thirdly, we obtain a random sample integrated by 215 subsidiaries. We stratify and correct the representativeness of this sample.

We have carried out a descriptive analysis in order to study the firms which consider diversity as a policy and the content of its. We classify these companies by the population features. Then, we create a sub-sample WDP which is consisted of the companies that have transferred the WDP from de Headquarter. This sub-sample has 114 firms (59, 69% of the original sample).

Variables

Dependent variable

The dependent variable is the Transferability of WDP (TWDP), understanding transfer as the degree of centralization in the transfer process. In order to develop the measurement of “TWDP” construct, we distinguished between the two main modes through which the companies implement the WDP: Specific WDP and transversal WDP. Specific WDP as an HR policy implemented per se. Transversal WDP as the influence of diversity as a corporate value in each one of the other HR practices.

Independent Variables

We identify four explanatory variables:

1) Institutional distance: Institutional distance is the difference between the ‘country institutional profile’ (CIP) of the country of origin and the country of operation, respectively. The CIP construct provides indices of the regulatory, normative and cognitive institutions of a country (borrowing from Scott’s (1995) institutional ‘three pillars’). In based to the previous research of Kostova (1999) we identified the correspondent items for each pillar with the aid of an expert’s team. We created a questionnaire items that used Likert-type scale

2) Autonomy; Power and Competitive Advantage. We created three new constructs in based of literature and identified the correspondent items which we measure with questionnaire items that used Likert-type scale.

Control variables

Other observed variables of the model are the sector, MNC and subsidiary size in function of number of employees, subsidiary age, the country of origin and mode of entry.

Questionnaire

We conducted the questionnaire as a part of a large-scale survey about the HR practices in MNCs operating in Spain. We added a new part of the questionnaire specifically dedicated to the transfer of diversity policy to study our specific question of analysis.

We chose scales based on reviews of the literature, refined by discussions during the preliminary interviews. Most items used five-point scales (Fowler, 1995).

CHAPTER FOUR: RESULTS

The structure of this chapter show two distinctive ways. Firstly, the descriptive information, provide an idea of what is happening with the diversity policy management in the Spanish subsidiaries in terms of its implementation. Secondly, the most relevant part of this chapter presents the results of the measurement and structural model. We carried out the analysis through the software AMOS 16.

Descriptive analysis

The first part of the descriptive analysis shows that an 81, 28% of the companies of our sample recognize the diversity only as a corporate value. The content of this corporate value changes from some companies to others. A 45, 5% of the sample take this corporate value at a first level, these companies recognize discrimination as an unfair situation and understand diversity as a promotion of equal opportunities. A 54, 45% recognize diversity at a second level, diversity as a positive value and a 43,3% of our sample promote diversity for its potential. The second descriptive analysis shows that a 59, 69% of the companies have implemented a specific corporate diversity policy and transferred the WPD from the Headquarter to the Spanish subsidiary. These descriptive analyses are focus on the different features of the population, such as country of origin, sector of operations or worldwide employment. A total of 114 firms (59, 69%) have transferred the WPD, developing several practices. A relevant result is that US subsidiaries constitute the first country in relation to the transfer of this policy: a 45, 6% of the WPD sub-sample. We could find the reason in the fact that USA is the pioneer country in taking in grant the diversity issue and developing these kinds of policies (Kurowsky, 2002).

In relation to the WPD content, first of all, retention WPD practices take a relevant importance, the more developed practices in this area are “Work and family balance” programmes represented by a 75%. Second, WPD communication is one of the most important issues, diversity website into the corporate website and corporate Intranet is represented by a 59, 6% of the sub-sample. WPD Development such as “Leadership in multi-cultural groups” programmes (57%) is the most significance practice in this HR field. Other practices have been developed by the subsidiaries, such as “Diversity for customer and suppliers” (21, 9%) and Diversity Staff (16, 7%).

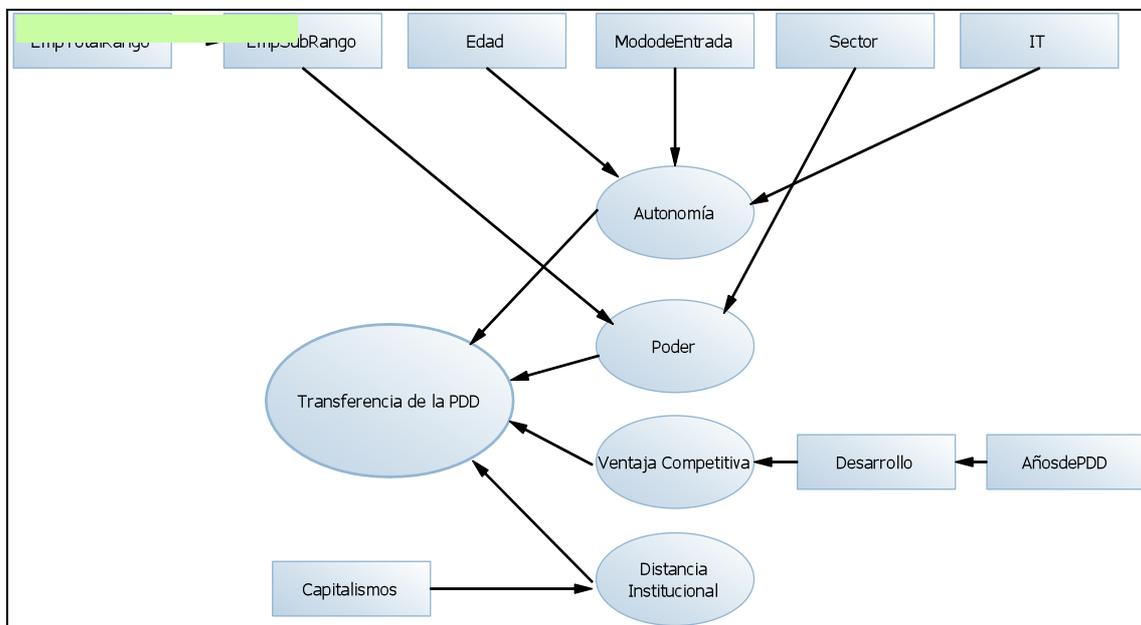
Structural equation model (SEM)

In order to study the objective of this research, the resulting sub-sample is used for analysis based on a general structural equation model (SEM) fitting our theoretical

model (Hair *et al.*, 1999). SEM helps us to know the factors which determinate the transfer of WPD, as we argued previously, taking “transfer” as the degree of centralization vs. local adaptation that take place in the transfer process.

As it is common in general structural equation models such as the peer-influences model we distinguish between two sub-models (Kline, 2005; Byrne, 2001): a structural model that applies path analysis and a measurement model that utilizes confirmatory factor analysis. The structural model estimates the presumed causal relations among latent factors (also called constructs) and observed variables. In this thesis, the structural model defines the relationships among WDP, institutional distance, subsidiary autonomy, subsidiary power based on resources and subjective perception of subsidiary managers of WDP as source of competitive advantage. Other observed variables of the model are the sector, MNC and subsidiary size in function of number of employees, subsidiary age, the country of origin and mode of entry (figure 2: Structural model)

Figure 2. Structural model



The measurement model identifies five constructs (ID, power, autonomy and competitive advantage) and their correspondence to the observed indicators used to measure them. We use a factor analysis as a data reduction method, (see Nolan and Whelan, 1996 and Whelan *et al.*, 2002), to obtain new variables to do the constructs.

Since the variables used multiple items, we used exploratory factor analysis (EFA) and then confirmatory factor analysis (CFA) to investigate the relationships between the items and the variables (Anderson and Gerbing, 1988). The EFA results indicated that each of the variables were one-dimensional and distinct. We created CFA submodels for each individual variable and then aggregated a final, full model. All of the CFA models used full information maximum likelihood, with evaluation based on six indices (Hu and Bentler, 1998).

The final model sufficiently fit the data in reference to the Absolute Goodness-fit (Chi-square = 80,319, Degrees of freedom = 71, p-value < 0,210, GFI = 0,909, RMSEA = 0,034) (Hair et al., 1999), Incremental Goodness-fit (AGFI = 0,865, TLI = 0,874, NFI = 0,568) and a Parsimonius Goodness-fit (PNFI = 0,443, PGFI = 0,615, Adjusted Chi-square = 1,131). All parameter estimates were significant (p < 0.02), supporting convergent validity, and none of the covariances were significantly close to one, supporting divergent validity (Bollen, 1989; Bagozzi, 1994).

We are carrying out the last stage of this study: checking the goodness fit of the base model. It is important to obtain the chi-square goodness-of-fit test from these analyses to be used in constructing goodness-of-fit indexes for every hypothesis. As Mulaik, S.A. and Millsap, R.E. (2000) argued, one goes forward after this step only if one still gets acceptable fit (e.g., CFI > .95, root mean squared error of approximation [RMSEA] < .05). After this step, we will contrast not only the hypothesis and relationships among them, which were suggested in the theoretical model, but also the new relationships that appear in testing the model and get it stronger.

Results

The Model results (See Table 3) strongly support both, Hypothesis 2 and Hypothesis 4. As expected, a high level of subsidiary autonomy is negatively related to transfer degree of the WDP, it means that the increasing of the subsidiary autonomy provide a lower degree of centralization of the policy. However, the perception of subsidiary manager's of the WDP as a source of competitive advantage increase the degree of centralization of the policy. Several control variables from model in Table 1 provide useful results concerning the transfer of the WDP.

Table 1. Estimation of coefficients: Maximum likelihood (ML) in Amos 6.0

Hypothesis and Causal Relations				P-value	Standardized Coefficients
WDP (Y1)	β	Institucional Distance (Y2)	H1	0,513	-0,059
WDP (Y1)	β	Autonomy (Y3)	H2	0,028*	0,203
WDP (Y1)	β	Power (Y4)	H3	0,760	-0,028
WDP (Y1)	β	Competitive advantage (Y4)	H4	0,049*	-0,170
Autonomy (Y2)	β	Time in Spain (X4)	RC1	0,048*	0,168
Autonomy (Y2)	β	Mode de Entry (X2)	RC2	0,509	0,061
Autonomy (Y2)	β	IT (X7)	RC3	0,192	-0,117
Power (Y3)	β	Sector (X6)	RC4	0,000***	0,325
Power (Y3)	β	Spain Employees (Y7)	RC5	0,010**	0,219
Competitive advantage (Y4)	β	WDP Development (Y6)	RC6	0,000***	0,354
WDP Development (Y6)	β	Time of PDD (X5)	RC7	0,013**	0,228
Institucional Distance (Y2)	β	Capitalisms (X3)	RC8	0,023*	0,209
Spain Employees (Y7)	β	Worldwide Employee (X1)	RC9	0,005**	0,252

CHAPTER 5

CONCLUSION

This study investigates the determinant factors of the workforce diversity transfer. The aim of this chapter is synthesise the main contributions of he thesis both theoretically and empirically.

From the theoretical point of view, the thesis reviewed the concept of diversity and workforce diversity. The concept of diversity has been profusely study by the literature. However, it is almost confuse. We highlight the diversity aspects respect the variety and the differentiation, which is diversity, is why an individual is different to other and at the same time why the individual is unique.

We differentiated in the concept of management diversity policy or workforce diversity policy: the transversal policy and the specific policy: The transversal policy is the influence of the assumption of diversity as a corporate value in each one of the HR policies. The specific policy is configured by certain practices (Jayne and Dipboye, (2004: 412).

The thesis enters in the arena of the literature debate of centralization versus decentralization of the transfer of HR policies in the policies in MNCs companies. We suggest a conceptual framework to study the question of analysis. The eclectic framework that we proposed is base in four theoretical approaches (Institutional theory, Structural Approach, Resource dependence approach and resourced based view theory). We tried to find the complementarities between them, in order to identify the contextual and the internal factors that are relevant in the study of the transference.

Empirically we find that the determinant factors of WDP transfer are a balance between the Structural Autonomy and the Competitive Advantage Subsidiary perception. We could anticipate that the subsidiary managers use the power base in resources to negotiate other policies more critical for them, as the reason of not obtain a support for H3. However, we consider the not support of the ID hypothesis (H1) as a limitation of the thesis, because we cannot obtained a refine measure for this variable. We will continue this work with the developing of the model and the variables measures.

