INTERNATIONAL HUMAN RESOURCE MANAGEMENT

A comparative analysis of HRM practices in subsidiaries of MNCs and local companies in Greece

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ABSTRACT

Human Resource Management is becoming more and more important for multinationals as it is believed to be an important mechanism for co-ordination and control of international operations. At the same time it has been acknowledged that HRM constitutes a major constraint when MNCs try to implement global strategies, mainly because of the different cultural and institutional framework of each county the MNC operates. The national context affects the way people are managed in different countries and MNCs are facing pressures to adapt HRM practices accordingly. The present paper constitutes an investigation into how HRM practices in subsidiaries of MNCs in Greece differ from those in local companies. The descriptive analysis reveals both differences and similarities. It indicates that Greek companies are highly embedded in their local regulatory framework and cultural environment, but there are also sings of change. At the some time, there is evidence that subsidiaries are using hybrid HRM practices, shaped by both local forces and their parent company's practice.

Key words: Human Resource Management, Multinational Companies, Greece, cultural and institutional environment.

Introduction

The present paper constitutes an investigation into how Human Resource Management (HRM) practices in subsidiaries of multinational companies (MNCs) in Greece differ from those in local companies. The study will provide a descriptive analysis of HRM practices used in foreign subsidiaries of MNCs from several European countries and the US, as well as Greek companies.

The first section gives an introductory discussion of the theoretical framework of the study. We briefly present why research in international human resource management is necessary, giving emphasis to the issue of distinctive approaches to HRM in MNCs from different countries. A presentation of the cultural and institutional environment of Greece, the host country of this research, follows next. After a description of the study's methodology and sample characteristics, we present the descriptive analysis and provide a discussion of the main findings. The paper concludes by presenting implications for both foreign subsidiaries and Greek companies.

Importance of International HRM (IHRM)

The growing competitiveness in the global arena has forced companies to seek to gain competitive advantage in any possible way. Moreover, according to Porter (1980) the more difficult it is for competitors to imitate quickly such sources of competitive advantage, the higher the value of that source is. For this reason, it is argued that the management of human resources constitutes one of the more innovative sources compared to the traditional and less significant ones such as capital, technology and location (Bartlett and Ghoshal, 1991; Sparrow et al., 1994; Schuler and Rogovsky, 1998). More and more business executives recognise the importance of an effective people management for both the short and the long-term competitiveness and survival of the firm. The ability to attract, develop and motivate people is even more crucial when companies globalise and set up overseas subsidiaries (Schuler and Jackson, 1996; Taylor et al., 1996). As Torrington (1994) puts it, international HRM consists of the same main dimensions as domestic HRM, but there is more complexity in strategically co-ordinating the different organisational units across national barriers. While there has to be some degree of strategic integration among the HRM practices of the parent company and the subsidiary, there is also the need for MNCs to be aware of the different national contexts and be flexible and responsive to the local needs and conditions (Bartlett and Ghoshal 1991).

HRM is evolving from being just a support function to one of strategic importance (Teagarden and Von Glinow, 1997). Bartlett and Ghosal (1991) have argued that HRM policies and practices are becoming crucial because they can act as mechanisms for co-ordination and control of international operations. Values and HR systems help to shape the organisational culture and the people who operate within and influence that culture. Moreover, the function of HRM is increasingly viewed as a basic component of the firm's overall corporate or business strategy (Schuler and Rogovsky, 1998). However, it has been argued that HRM constitutes a major constraint when MNCs try to implement global strategies (Adler and Bartholomew, 1992). This is mainly due to the complexities that operations in different countries involve, as well as to the employment of people with different national backgrounds (Morgan, 1986: p 44, as cited in Scullion, 1994).

For such reasons HRM has become more and more the focus of top management attention (Sparrow and Hiltrop, 1994). Managers need to know how people are managed in different parts of the world and how their counterparts perceive or react to similar concepts and pressures. This has resulted in an increase in the number of cross-national HRM studies (Brewster et al., 1996). Nevertheless, while it is recognised that the effective management of human resources is one major determinant of success or failure in international business, the area of international HRM is slowly developing as a field of academic study and much remain to be done in this direction (Tung and Punnett, 1993). Moreover, there is relatively little empirical research about the international HRM strategies and practices of MNCs that do not originate from the US (Scullion, 1994).

Several books have been written about the distinct ways that different countries do business (Hickson, 1993; Whitley, 1992; Brewster and Tyson, 1991; Brewster et al., 1992) while Ferner (1997) gives a summary of selected studies that point to systematic differences in the ways in which MNCs from different countries of origin manage their human resources. A number of researchers have specifically demonstrated the influence of national culture on HRM policies and practices (Vance et al., 1992; Hofstede, 1993; Yuen and Kee, 1993; Schuler and Rogovski, 1998). Some of them have focused on how human resources are managed in different parts of the world and which specific issues of HRM have to be taken into consideration within a specific country. This paper will focus on the host country environment and examine how HRM practices in MNC subsidiaries in Greece differ from those in local companies.

Despite the fact that Greece has been a full EU member since 1980, research in this area is still underdeveloped (Bourantas and Papadakis, 1996; Makridakis et al., 1997), as there is little empirical research in management in advancing countries in general. Such countries often face distinct problems and unique challenges that require specific attention and the development of their own body of knowledge. Napier and Vu (1998) also emphasise the importance of conducting research in IHRM in developing countries. Although Greece cannot be quite considered as a developing country, there are some common characteristics especially related to the socio-economic and cultural environment. Issues such as the clash between old and new cultural values, increased state intervention, unpredictable and sudden economic developments also characterise the Greek environment, as we will later discuss. Such events are of particular importance for MNCs that operate in these countries, as Napier and Vu (1998) rightly state. The next section will thus present a short introduction to the cultural and institutional environment of Greece and the way management is practiced in local firms.

Management in Greece

Several studies during the 1980s and early 1990s (Bourantas et al., 1990; Bourantas 1988; Papadakis, 1993) reveal that Greek management is characterised by concentration of power and control in the hands of top management, which in the majority of companies consists of the owners and their relatives, as well as by a lack of modern systems to support strategic decision-making. Compared to MNC subsidiaries located in Greece, local firms tend to follow less comprehensive or rational processes, rely less on formal rules and have less hierarchical decentralisation.

One of the main characteristics of Greek firms is their small size. Recent figures reveal that 95% of the firms employ less than 100 people and only 14% of the manufacturing companies have more than 100 employees (ICAP, 2001). Of this 14%, only 2% employ more than 500 people. These numbers indicate that Greece has the highest percentage of small businesses in comparison to other members of the EU. Furthermore, the majority of firms in Greece are family owned, where the manager – who is usually the owner – makes most of the decisions and is reluctant to delegate authority to his subordinates for fear of losing his power. Researchers believe that this identification of ownership and management in most Greek companies is one of the main reasons for their slow development (Makridakis et al., 1997; Bourantas and Papadakis, 1996). Another negative characteristic of Greek management is its inability for strategic long-term planning. Makridakis et al. (1997) argue that this is mainly due to the high uncertainty about the future and to frequent changes in legislation and unexpected events that force Greek managers to confine themselves to the short-term. Even in cases where they are willing to engage in long-term planning, the urgency to deal with the daily problems barely leaves them time to do so.

Industrialisation in Greece began just 50 years ago. Economic climate and political decisions enabled the establishment of few large industries - usually monopolies - but the great majority was small businesses, both of them family owned and run. State protectionism from foreign competition lasted too long for the large Greek companies, which according to Georgas (1993) did not give them any reason to change or modernise their management and organisation. During the 1980s, government continued to support unproductive industries and even nationalised some of them that went bankrupt, trying to avoid unemployment costs. Under such circumstances, competitive industries could not possibly develop (Georgas 1993). State monopolies in electricity supply and transport, as well as extensive government control in oil refining, banking and insurance still exist, despite recent attempts to privatise public companies. One-fifth of the 100 largest manufacturing companies in 1994 were controlled by the state (Kritsantonis, 1998). Bourantas and Papadakis (1996) claim that in such public companies top management is directly appointed by the government on the basis of loyalty and contributions to the political party, rather than managerial competence.

As we have already mentioned, there is a strong link between culture and management. In the case of Greece, strong family bonds have affected the way that companies are organised and managed (Georgas, 1993). The typical extended Greek family was a characteristic of society up until very recently. The father was the centre of the family, the one responsible for all its members and the one who made every decision. There was a strict hierarchy and everybody had to show respect to the older. According to an analysis by Triandis and Vassiliou (1972, quoted in Georgas, 1993), Greeks showed a high degree of protection, support and devotion to their ingroup, while being hostile and competitive with members outside of it. Similarly, Hofstede's (1980) study about cultural differences in societies revealed that Greeks are high in power distance and collectivism. Even now that especially in urban areas like Athens the majority of families are nuclear, relationships are not as individualistic as in Western Europe or Northern America. Hofstede (1980) also found that Greece scored high on the uncertainty avoidance and masculinity dimension. This indicates that security and status are very important for Greeks as well as the need for self-esteem, which originates from the traditional Greek value of *filotimo*, meaning love of honour (Bourantas and Papadakis, 1996). These cultural traits explain to an extent the "small, family-owned firm" phenomenon in Greece.

Nevertheless, a lot has changed during the last couple of decades. Several external environmental forces as well as socio-cultural, political and economic developments are likely to affect management and organisation in Greek companies (Bourantas and Papadakis, 1996). Recent empirical evidence provides some initial support for this argument (Koufopoulos and Morgan, 1994). At present, the 200 largest manufacturing companies and the 300 biggest commercial and service firms are managed in a professional way, which is distinctively different from that of family-owned firms. They make substantial investments and their sales account for 56% of the GNP, 10% of the total employment and around 90% of the total corporate profits. According to Makridakis et al. (1997), as Greece has become a full member of the EU, international competition coming from many foreign subsidiaries located in Greece as well as pressures for the small firms to grow make family management dysfunctional. More and more companies are increasing in size and try to take advantage of low-cost capital through the stock exchange. Moreover, there are signs that Greek society is undergoing some major changes; the economic development and educational level have increased and there is relative political stability (Bourantas and Papadakis, 1996). High quality management education in Greece as well as opportunities for studying business administration abroad give evidence that there are many well-equipped, competent young people. Furthermore, a large number of management training programmes funded by the EU, as well as international training companies operating in Greece have raised the opportunities for learning about new theories and methods.

Presently MNCs attract the best personnel and there are signs that large Greeks firms are following their example. As the older generation gives way to the young, resistance to change the traditional ways of management is getting less and less. According to a recent study of Greek companies and

MNCs subsidiaries in Greece (Makridakis et al., 1997), there are significant differences among owners-managers, professional managers in Greek firms and managers in MNCs subsidiaries. Owner-managers are much less willing to delegate authority, to pay employees according to their individual performance and believe more in the seniority system comparing to managers in subsidiaries. Additionally, they are less likely to fire their employees, who feel secure and show dedication to their boss. Professional managers in Greek firms lie somewhere in between. As for their performance, the productivity of family managed firms is lower than that of the professionally managed and the foreign subsidiaries and has remained stable during the first half of the 1990s.

In this section we discussed how the cultural environment had an impact on the management of organisations in the case of Greece and presented current developments and changes that may affect the way that management is practiced in Greek firms. In the following section we will focus on the institutional environment and industrial relations framework and the link with HRM.

Industrial Relations and HRM in Greece

Changes in the institutional environment and industrial relations framework in Greece may further influence Greek management, especially HRM. Industrial relations are characterised by a centralised collective bargaining system and regulated by a complex and extensive range of laws, covering the rights and obligations between the employer and the employee (Papalexandris, 1992). However, according to Kritsantonis (1998), there have been significant changes, which mainly aim at promoting flexibility in the labour market and decentralising collective bargaining. The former seems to be an issue of major importance and top priority for the economic and social policy in Greece, as well as an effective measure against unemployment and increasing international competition promoted by the EU (Gamvroudis, 2000; Karantinos et al., 2000). As for the latter, company-level bargaining became legal in 1990 (EIRR, 1990). Furthermore, the institution of free collective bargaining without any state intervention was introduced. Modernisation of employee relations and signs of social dialogue are also apparent through recent collective bargaining agreements, which not only set the minimum wage limits but also cover unemployment, training and health and safety issues. It has to be mentioned that although this nationally agreed minimum pay is legally binding, according to Kritsantonis (1998) employers' organisations put pressures for a more flexible application of the agreement according to individual cases. One thing that has not been regulated yet by collective agreements, although it has been practiced in many firms is performance related pay.

In relation to the trade unionism, many sources emphasise that it has been characterised by political disputes due to the significant intervention by political parties (Ball, 1992; Papalexandris, 1992; Kritsantonis, 1998; EIRR, 1998b). As a consequence, trade unions have dealt not only with labour matters but served political intentions as well, while they have often been established just to support and increase the popularity and influence of certain political parties (Karassavidou and Markovits, 1996). However, as Kritsantonis (1998) points out, the situation has gradually started to change. At present, the leaders of GSEE (Greek General Confederation of Labour) seem to be more autonomous and less influenced by government intervention, but unions are still financially dependent on the Ministry of Labour (EIRR, 1998b). Nevertheless, we have to mention that there has been a significant decline in the number of unions to almost half of those that were registered in the 1980s, currently being around 2,300. Union density was estimated at 25% in 1995, 12% lower since 1985, and unions are reported to have lost one-fourth of their membership. On the other hand, some sectors like public firms or banks are highly unionised, with density levels of around 80% (Kritsantonis, 1998).

As far as workplace employee representation is concerned, this is not a very common practice in Greek firms. Although legislation established the right for employees to have their own union representatives and to set up health and safety committees in 1982, many firms did not follow it (EIRR, 1997b). The introduction of works councils a few years later had the same luck, perhaps because according to EIRR (1998a) they may have been seen as invading the role of company union representatives. The establishment of European Works Councils is a positive step towards workplace employee representation, but their effectiveness in the case of Greece is yet to be seen.

Human Resource Management

HRM has had a very limited development in Greece. A 1986 survey revealed that only 9% of Greek companies with more than 100 employees had an HR department and only 11% had a detailed HR planning policy, as opposed to 52% of foreign subsidiaries located in Greece (Kritsantonis, 1998). Small size and family ownership have played an important role here as well. Traditionally in family-owned firms personnel practices were imposed by the patriarchal owner who treated employees on a subjective basis. According to Ball (1992), such practice was supported by the employees, who accepted the owner's right to decide even when the decision was not fair. Those responsible for personnel matters were usually inexperienced family members or, in the case of larger firms, retired military or police officers (Papalexandris, 1987). The latter was common especially during the 1970s when strikes were very frequent and employers were in need of "specialists" to deal with their unions. Ball (1992) argues that this resulted in an atmosphere of mistrust and confrontation, which can be still apparent in some cases. The preference for personnel managers with a legal background was also due to the frequent changes and complexities of labour legislation (Papalexandris, 1992).

The small size of the majority of Greek firms is also a significant limiting factor, since they are often not able or motivated to invest in the development of their human resources. Moreover, their small size does not allow them to attract and hire highly professional managers. In many cases, the person who deals with personnel matters is also responsible for finance and administration. According to Papalexandris (1991), personnel matters are usually limited to payment and employee legislation issues, which often change and are complex enough to take up most of the time at the expense of planning and development of human resources. Additionally there was a lack of managers with formal training in human and industrial relations until recently which, as Xirotiri-Kufidu (1993) states, is mainly because of the inadequacy of the educational system. University graduates from business courses were considered to have too much theoretical knowledge without practical application, while people who studied abroad were criticised as having qualifications with no relevance to the Greek reality (Papalexandris, 1987).

During the past 20 years, a few studies have revealed that the use of systematic HR practices is lower in Greek firms compared to foreign subsidiaries, which have more sophisticated practices, often implementing guidelines directed from their parent companies (Papalexandris 1987; 1991; 1992). However, they have also shown that HRM practices in Greek companies differ significantly according to the size and ownership type of the firm. Papalexandris (1992) has found that large firms with non-family ownership have already modernised their practices, which are now quite similar to those used in MNCs subsidiaries located in Greece.

It is believed that HRM policies of foreign subsidiaries have an important influence on the local practice and the development of professional HRM in Greece. Past research has shown that during the 1970s foreign subsidiaries were successfully using sophisticated HRM practices as opposed to Greek, usually family-owned, firms and that resulted in their more efficient operation (Georgoulis, 1978 quoted in Papalexandris, 1991). Moreover, there is evidence that during the 1980s some Greek firms started to implement HRM practices similar to those in MNCs subsidiaries (Papalexandris, 1992). Due to high job mobility, managers and staff have moved around between foreign subsidiaries and Greek companies, introducing new practices, methods and procedures (Ball, 1992). Nevertheless, foreign subsidiaries have been found to implement quite different HRM practices from traditional Greek firms (Papalexandris, 1991; 1992; Ball, 1992; Xirotiri-Kufidu, 1993). On the other hand, it has been reported that in some cases subsidiaries show a great degree of adopting local practices (Xirotiri-Kufidu, 1993).

In this section we used the cultural and institutional environment to give some explanation as to why management in general and HRM in particular is underdeveloped in Greece. This chapter also sets out the broader context of industrial relations in Greece. It clearly shows how things have changed, especially after the EU membership. The once heavy regulated environment has become more relaxed, there is less state intervention, free collective bargaining, and thus more flexibility and room for manoeuvre for foreign subsidiaries. Recent studies have also shown that HRM in Greece is in a state of rapid development and fundamental change. Our study constitutes a further attempt to capture recent developments in HRM in Greece. We used data collected in MNC subsidiaries and Greek firms in order to examine differences and similarities in the way they manage their human resources. The next section presents the methodology of the study and description of the sample.

Methodology

A questionnaire was developed to assess the various components of the company's HRM system. This was translated in Greek, back translated into English and pre-tested in a pilot study. The questions focused on HRM practices with respect only to managerial employees. Since HRM practices often differ between occupational groups, we chose to focus on a relatively narrow category of jobs to limit the need to repeat the questions for different categories, making the questionnaire too long and complicated. As a consequence, results may reveal fewer similarities at this level, since research indicates that HRM practices for lower hierarchical levels are more localised in MNC subsidiaries (Lu and Bjorkman, 1997). A total of 38 items were used to measure variables that capture aspects of most HRM practices, such as HR planning, selection and recruitment, compensation, performance appraisal and training and development. Respondents were asked to describe how closely these items matched their organizations' current HRM practices, in most cases on a 7-point Likert scale.

Questionnaires were either completed during interviews or sent by post. We decided to follow a mixed approach in order to ensure an acceptable number of replies, since mail surveys have a record of low response rates (Harzing, 1997). As for potential respondents, we decided that the HR manager would be the most appropriate person to give the relevant information. Most of the questions that make up the questionnaire concern HR issues that the HR manager would be most familiar with. Our data collection process of the interview and questionnaire administration took place over a three-month period, between March and May 2000. In total, from the 269 companies we approached, 150 MNCs subsidiaries and 119 Greek companies, 135 participated in our study, representing a total 50 % response rate. Of the 135 questionnaires, 83 were completed during the interviews representing a 70 % response rate, while 52 were mailed back corresponding to a 45 % response rate. Of the 52 questionnaires received by mail, 24 were actually fetched back by the researcher in person while 28 were delivered by mail.

Sample characteristics and non-response bias

The total number of questionnaires from foreign subsidiaries was 82, while data about HRM in Greek companies was collected from 53 local firms. With regard to the subsidiary parent country, five countries are present in reasonable numbers, that is the US, the UK, Germany, France and the Netherlands. Table 1 shows a more detailed picture of the parent countries involved. Unfortunately, there is not equal representation of all parent countries in the population and this is reflected in our sample. Greenfield sites represent 80 % of the sample, while the rest are acquisitions.

Table 1

There is an equal representation of both manufacturing and services sectors, in subsidiaries and local companies, with the most representative being the chemicals/ pharmaceuticals, electronics, food/beverages, banks and hotels (Tables 2 and 3). This is in line with the industry structure of the total population of companies in Greece (ICAP, 2001).

Tables 2 and 3

The majority of both subsidiaries and local companies have more than 200 employees, although Greek firms show a larger average size. Tests have shown that differences in size between the two samples are statistically significant. This is mainly due to the fact that almost half of the Greek firms have a production function[1] while only one third of the MNC subsidiaries do so. The majority of both subsidiaries and local firms have sales function, while research and development is much more limited in subsidiaries than Greek companies. In terms of the average size (based on sales) of the total population of MNCs subsidiaries, our sample includes slightly larger subsidiaries as around 40 % of

[1] Firms with production plants are generally larger than firms with just a sales function.

our companies are placed within the top 200 largest industrial and commercial firms (ICAP, 2001). The same applies to the Greek companies sample. However, this selection was made on purpose as we decided to target companies that were large enough to have an HRM department and developed HR strategy. Therefore, our sample is only representative of the large Greek firms and not the total population. Regarding the possibility of non-response bias, it can be said that there are no statistically significant differences between responding and non-responding companies in terms of parent country, industry and size.

The average year of foundation of MNC subsidiaries is 1963, with the older being established in 1850 while the most recent one was set up in 1997. The majority of subsidiaries were founded during 1960s to 1990s. Local companies follow a similar pattern, while the mean year of foundation for MNC headquarters is 1911 with minimum and maximum value of 1727 and 1991 respectively.

In relation to the presence of expatriates nearly 37 % of MNCs subsidiaries did not have any expatriates at all, while around 45% had from 1 to 3 expatriates. In most cases the top one position held by expatriates is that of the general manager. Interestingly nearly two thirds of the subsidiaries have a Greek national as their general manager. It is worth mentioning at this point that only two of the HR managers that completed our questionnaire were not Greek.

As we mentioned in the chapter about Greece, most of the companies are family owned. However, our sample shows a nice balance with just over half of the companies having family ownership. This is because quite a few of our local companies are large enough to have given up their traditional structure.

Descriptive analysis

In this section we will give a descriptive analysis of HRM practices that are used in Greek companies and MNCs subsidiaries, including a comparison between the two. We used both parametric (t-tests) and nonparametric tests in order to check for differences between the means in local firms and foreign subsidiaries, depending on the nature of variables. For nominal and dichotomous variables we used nonparametric tests (Mann-Whitney U), while for interval and ordinal variables parametric tests were chosen. There has been considerable argument as to whether parametric tests are appropriate for use with ordinal variables. However, they have been used extensively by researchers as these tests are applied to numbers and not to what these numbers represent (Bryman and Cramer, 1999). Since in our case most of the variables representing different HRM practices are ordinal, measured in 7-point Likert scales, we decided to use parametric tests. Nevertheless, we also checked variables for normality and homogeneity of variance, two important requirements before applying the tests. Normality was identified by checking the histogram and skewedness of each variable, while Levene's Test served as an indicator of equality of variances. In cases where there were major violations of the above assumptions, we used nonparametric tests instead. On the contrary, in cases of slight violations we performed both parametric and nonparametric tests, which gave similar results. This indicates that parametric tests seem to be quite robust (Bryman and Cramer, 1999) and therefore we decided to use them.

HRM Department

The existence of an HRM department is perhaps the most crucial in determining the degree of importance of HR practices for the specific company. In our sample, 13.2% of Greek companies reported that they did not have an HRM department in contrast to only 8.5% of subsidiaries. However, this difference was not significant. On the contrary, significant differences were found between Greek companies and subsidiaries as to whether there was a written or verbal HRM strategy or no strategy at all (Z: -1.733, $p = 0.083$, 2-tailed). Table 4 shows a more systematic approach on the part of foreign subsidiaries. Compared to them almost the double percentage of Greek companies do not have an HRM strategy at all, while they are nearly twice as likely to use just a verbal strategy.

Table 4

Companies did not show much difference in relation to the HR manager's involvement in the development of their corporate strategy. Nearly 10% of the managers replied that they were not consulted at all, while two thirds joined in from the outset and the rest got involved only during the implementation stage.

HR Planning

Table 5 presents how far ahead companies plan their staffing requirements. Subsidiaries use significantly more long term planning (t: -2.233, p = 0.027, 2-tailed) than Greek firms. Specifically, only 11.3% of Greek companies make 2-5 year plans compared to 23.5% of subsidiaries. In addition, none of the local companies used more than five years planning for staffing requirements. The type of link between human resources and corporate planning also differs significantly among companies, though the difference is only small (t: -1.681, p = 0.096, 2-tailed). HR was found to be less tightly linked with corporate planning in Greek companies than in foreign subsidiaries.

Local firms also reported less explicit planning procedures and activities than subsidiaries, although the difference between them was not significant. On the other hand, job descriptions are usually vague and general in subsidiaries as opposed to Greek companies where employees are given more specific and detailed descriptions (t: -1.721, p = 0.088, 2-tailed). Team working was also found to slightly differ between companies, with subsidiaries using it more extensively than local firms, while there were no differences in the extent to which jobs are designed to make use of all employee skills.

Table 5

Selection and Recruitment

Selection methods are still underdeveloped in Greek companies. Table 6 shows that interviews with potential recruits and CV data are the most used methods in both local firms and foreign subsidiaries, followed by references. However, the use of both interviews and CV data differ significantly between companies (Z: -1.894, p = 0.058, 2-tailed and Z: -2.029, p = 0.042, 2-tailed respectively).

Interestingly the use of references is quite high for both local companies and subsidiaries, which is in line with what we would expect according to our previous discussion of Greek HRM. Group interviews and psychometric tests are the least used, with the latter being significantly different between local firms and subsidiaries (Z: -1.782, p = 0.075, 2-tailed).

Table 6

Greek companies prefer to recruit more externally compared to foreign subsidiaries while significant differences were found in relation to the extent to which selection criteria are based on formal qualifications like academic record, working experience etc. (Z: -1.763, p= 0.078, 2-tailed). This shows that Greek companies tend to rely more on formal qualifications than subsidiaries. On the other hand, foreign subsidiaries prefer selection criteria that are based on personality characteristics like integrity, co-operation, sense of responsibility etc., though we did not find significant differences for this. As expected, the importance of recommendation and personal acquaintance with the potential candidate is statistically higher in Greek firms than subsidiaries (Z: -1.746, p = 0.081, 2-tailed).

Compensation

Various differences were found with regard to the level at which basic pay is determined (Table 7). Greek companies still rely heavily on national and/or industry collective agreements, although company level determination is the most common and individual basis has also grown quite popular. The picture is not the same for foreign subsidiaries, although differences are in numbers rather than in essence. Basic pay is determined mainly at company and individual level, although we did not find any significant differences with local firms, while national agreements are much less used comparing to local firms (Z: -2.098, p = 0.036, 2-tailed). The use of market level[2] as a basis for basic pay determination is still very limited for both categories of firms.

Table 7

[2] That is taking into account what the majority of similar companies do in terms of industry, size etc.

The amount of variable pay as part of the salary package shows a mixed picture (Table 8). Only 15% of the companies in total use profit sharing and one third of the subsidiaries offer share options to their employees. On the contrary, individual and group bonuses are more common since more than half of the companies make use of them. Even though there are no significant differences, subsidiaries have a slightly more pronounced tendency to use individual bonuses and share options.

Table 8

Achievement of group objectives and individual performance were found to be the two most important dimensions on deciding salary levels in both local companies and foreign subsidiaries, although their role is more important in the latter (Table 9). Employee age has a very low value in either of the cases, while traditional characteristics such as employee training level and experience, as well seniority are still of considerable importance for Greek companies. Specifically, the importance of employee training level and experience is significantly higher in local firms than subsidiaries (t: 2.053, $p = 0.042$, 2-tailed and t: 1.907, $p = 0.059$, 2-tailed). Interestingly, significance levels are even higher for seniority (t: 3.836, $p = 0.000$, 2-tailed).

Table 9

The majority of the companies, either local or subsidiaries comply with the national collective agreements when they determine salary levels, annual leave and working hours. In relation to salary levels, foreign subsidiaries provide significantly higher wages from what is agreed nationally compared to local firms (t: -2.899, $p = 0.005$, 2-tailed). Moreover, deviation between the highest and the lowest basic salary for managerial employees is larger in subsidiaries (usually more than ten times salary difference) than local firms (t: -1.694, $p = 0.093$, 2-tailed). We did not find any significant differences either for annual leave or for working hours.

Table 10

Table 10 presents the percentage of Greek companies and foreign subsidiaries that offer different kinds of benefits. In general, local firms are more likely to offer childcare allowances, maternity leave and career break schemes than subsidiaries, although the only significant difference was found for workplace childcare (Z: -2.236, p = 0.025, 2-tailed). However, there are striking differences in relation to the provision of insurance and pension to employees. Significantly more subsidiaries provide insurance packages (Z: -2.236, p = 0.025, 2-tailed) while only 24.5% of the Greek firms offer pension schemes, compared to 62.2% of subsidiaries (Z: -4.339, p: 0.000, 2-tailed). As far as temporary contracts are concerned, these account for less than 10% of the total workforce for the majority of companies (around 80%).

Performance Appraisal

The different methods for appraising employee performance used by Greek companies and foreign subsidiaries are presented in Table 11. As we can see the relative use of most of these methods is similar for both local firms and subsidiaries. However, written reports are much more used in subsidiaries than local firms (Z: -2.044, p = 0.041, 2-tailed). Similarly, personal interviews between superior and subordinate and checklist forms with grades for various traits are more frequent in subsidiaries, although the difference is non significant. Informal non-written feedback is not very common in either case.

Table 11

In relation to whose opinion is taken into account when it comes to appraising employees' performance, Table 11 shows a quite different picture for the two firm categories. The employee's superior is clearly the person responsible for appraisal in both cases, but there are significant differences on how important the employee's own view or their peers' or subordinates' views are for their appraisal (Table 12). Specifically, the employees' own opinion, as well as their peers' and subordinates' views are taken into account to a greater extent in foreign subsidiaries than in local firms (Z:-3.942, p = 0.000, 2-tailed, Z:-1.759, p = 0.079, 2-tailed and Z:-1.807, p = 0.071, 2-tailed respectively). However, it is worth pointing out that it is not so common for peers and subordinates to express their opinion about such issues even in subsidiaries and that percentages are rather low.

Table 12

Management by objectives is used in 60.4% of the Greek companies in contrast to 75.3% of subsidiaries (Z:-1.827, p = 0.068, 2-tailed), while the practice of quality circles is not at all common, with 13.2% and 18.5% respectively. Both Greek companies and foreign subsidiaries tend to evaluate employees more on the basis of the results (objectives) that they accomplish rather than the process, i.e. the way employees behave. Moreover, the primary objective of employee appraisal in Greek companies was found to be the improvement of their performance rather than their career development, which is slightly more important for foreign subsidiaries. The appraisal of individual versus group achievements showed a similar pattern for both firm categories, with a slight tendency towards individual accomplishments. None of these performance evaluation practices was found to be significantly different between local companies and subsidiaries, with the only exception of the extent to which favouritism influences performance appraisal, which was found to be significantly higher in Greek firms (t:-2.80, p = 0.006, 2-tailed).

Training and Development

The majority of companies (around 42%) spend around 1.1-2% of annual salaries on training. Table 13 shows us that relatively more subsidiaries chose to spend between 2.1 to 3% on training while a larger number of Greek companies spend over than 3%.

Table 13

Most of companies systematically analyse employee training needs, with subsidiaries going ahead of local firms (Table 14). Training inside and outside the company is equally popular though slightly more frequent in local firms, while the use of on-the-job training is significantly higher in subsidiaries (Z: -2.155, $p = 0.031$, 2-tailed). Off-the-job training is generally less popular.

Table 14

In relation to training content, job specific training is more common than general training and it is more preferred by local firms. The majority of companies are inclined towards long-term training rather than short term. There is not much difference between local firms and subsidiaries, apart from the fact that training in local firms is more focused on company needs than individual needs (t: -1.96, $p = 0.052$, 2-tailed). On the other hand, we found that in foreign subsidiaries there are more potential positions where employees could be promoted into in comparison with local firms, although even in subsidiaries opportunities are not that large.

Unions and employee relations

Generally trade union employee membership is higher in Greek companies than subsidiaries. However, Table 15 shows that in a high proportion of companies (almost half of subsidiaries) employees do not belong to any trade union at all.

Table 15

Only half of subsidiaries recognise trade unions for the purpose of collective bargaining, whereas two thirds of Greek companies do so (Z: -2.078, $p = 0.038$, 2-tailed – Table 16). The use of works councils and /or union representatives is still quite limited in both firm categories.

Table 16

When asked how the influence of trade unions has changed over the last three years, most of subsidiaries reported that it has decreased, while half of the Greek companies replied that it has remained the same (Table 17). Notably, there is a high percentage of non-response for both firm categories, while many HR managers referred to the question of trade union influence as non-applicable for their company.

Table 17

Discussion

The previous analysis points to several differences between foreign subsidiaries and Greek firms concerning the use of specific HRM practices. Table 18 presents those differences that were found statistically significant. From a total of 70 items that were tested, 27 items were found significantly different, that is around 40%.

Table 18

Moreover, the analysis shows that the majority of differences are in the expected direction: foreign subsidiaries use HRM practices in a more systematic way, while Greek firms seem to be less advanced in this area. Results also give evidence of the high level of embeddedness of Greek firms in their local regulatory framework and cultural environment. Practices such as the use of recommendations in recruiting employees, selection that depends more on formal qualifications than informal, importance of employee seniority, training and experience in deciding salary levels, as well as reduced use of several performance appraisal practices are still quite prominent even in larger Greek companies. Greek HR managers still want to reward seniority and devotion to the company, are less willing to fire or move people around in their firms, while they rely heavily on short-term planning due to environmental uncertainty. It is important to emphasise the fact that our Greek sample consists of larger size (in terms of total workforce) companies compared to foreign subsidiaries. We would therefore expect that larger firms use more sophisticated practices. Even so, differences still hold and we argue that there would have been even more and stronger differences had our sample included smaller local firms as well. Such differences also show indirectly that there is a considerable amount of transfer of HRM practices from MNC headquarters to their foreign subsidiaries in Greece (Myloni and Harzing, 2001).

Despite the differences between practices in subsidiaries and local firms, this study shows that there are also some similarities. This may suggest that MNC subsidiaries have adapted parent company HRM practices to the local environment up to a point. Specifically, performance appraisal practices are characterised by a less participative, more top-down approach, reflecting higher power distance and more respect for authority. Moreover, there was some evidence of host country environment influence in that the use of references and recommendations in selection was quite high for both local companies and subsidiaries. The limited use of share options and stock ownership plans is can be explained by the fact that these may be more appropriate for more individualistic cultures, with low level of uncertainty avoidance and power distance. There are also legal constrains on the use of such forms for compensation. These often stumble over the Greek institutional framework, financial and taxation systems. In addition, our data clearly showed a limited use of temporary contracts in MNCs subsidiaries, which is hindered by the legal framework.

On the other hand, similarities such as the increasing recognition of performance related pay or the use of systematic training give support to the argument (Makridakis et al., 1997) that Greek HRM is on its way towards modernisation and, as some HR managers pointed out, foreign subsidiaries and the cross-fertilisation of ideas due to high job mobility constitute very strong learning forces as well as mechanisms for the transfer of innovative practices. Makridakis et al. (1997) have found that professionally managed Greek firms, but not family-owned ones, were closer to MNC subsidiaries, which have raised the level of competition. The imitation of management practices by local firms, especially in cases where these practices come from MNCs that originate in dominant economies (Tempel, 2001) could even introduce changes into the host country's environment.

Conclusion

The descriptive analysis of our results and a comparison between the HRM practices used in Greek companies and foreign subsidiaries has revealed both differences and similarities. It has indicated that Greek companies are highly embedded in their local regulatory framework and cultural environment, but sings of change were also apparent. At the some time, there was some evidence that subsidiaries were using hybrid HRM practices, shaped by both local forces and their parent company's practice.

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Table 1

Subsidiaries' parent country of origin

	Frequency	Percent
Belgium	2	2.4
Canada	1	1.2
Denmark	1	1.2
Finland	1	1.2
France	8	9.8
Germany	10	12.2
Italy	3	3.7
Japan	1	1.2
Netherlands	10	12.2
Switzerland	3	3.7
UK	15	18.3
USA	25	30.5
Australia	1	1.2
Cyprus	1	1.2
Total	82	100.0

Table 2

main industry/services

		Frequency	Percent
MNCs subsidiaries	airlines	3	3.7
	banks	11	13.4
	chemicals	9	11.0
	clothing	1	1.2
	computer, office equipment	4	4.9
	electronics, electr. equipment	8	9.8
	food & beverages	9	11.0
	hotels	5	6.1
	insurance companies	3	3.7
	metals	2	2.4
	motor vehicles & parts	3	3.7
	petroleum & products	3	3.7
	pharmaceuticals	8	9.8
	supermarket	2	2.4
	consultancy	3	3.7
	telecommunication	3	3.7
	other	4	4.9
	paper	1	1.2
	Total	82	100.0

Table 3

main industry/services

		Frequency	Percent
Greek Firms	banks	5	9.4
	clothing	1	1.9
	computer, office equipment	1	1.9
	electronics, electr. equipment	1	1.9
	food & beverages	12	22.6
	hotels	4	7.5
	insurance companies	4	7.5
	metals	3	5.7
	motor vehicles & parts	1	1.9
	pharmaceuticals	5	9.4
	consultancy	4	7.5
	telecommunication	1	1.9
	other	8	15.1
	paper	3	5.7
	Total	53	100.0

Table 4

Existence of HRM strategy

subsidiary/local firm		Frequency	Percent
local firms	no strategy	4	7.5
	written	29	54.7
	verbal	20	37.7
	Total	53	100.0
subsidiaries	no strategy	3	3.7
	written	63	76.8
	verbal	16	19.5
	Total	82	100.0

Table 5

planning of staffing requirements

subsidiary/local firm	number of years	Frequency	Percent
local firms	no planning	5	9.4
	<1	22	41.5
	1-2	20	37.7
	2-5	6	11.3
	Total	53	100.0
subsidiaries	no planning	3	3.7
	<1	30	37.0
	1-2	26	32.1
	2-5	19	23.5
	>5	3	3.7
	Total	81	100.0

Table 6 Use of different selection methods in Greek firms and subsidiaries (%)

	Application forms	Assess. centres	Psychom. tests	Interviews	CV data	References	Group interviews
Local firms	34	26.4	18.9	92.5	84.9	54.7	11.3
Subsidiaries	42.7	34.1	32.9	98.8	95.1	52.4	22

Table 7 Level of determination of basic pay in Greek firms and subsidiaries (%)

	National/industry level	Company level	Individual level	Market level
Local firms	43.4	58.5	47.2	13.2
Subsidiaries	25.6	67.1	54.9	12.2

Table 8 Offer of monetary incentives in Greek firms and subsidiaries (%)

	Profit sharing	Share options	Individual bonus	Group bonus
Local firms	15.1	20.8	52.8	49.1
Subsidiaries	14.6	30.1	63.4	48.8

Table 9 Importance of several dimensions on deciding salary levels (mean values)

	Achievement of group objectives	Individual performance	Employee age	Employee training level	Employee experience	Seniority
Local firms	3.43	4.21	1.51	3.11	3.47	2.30
Subsidiaries	3.70	4.41	1.40	2.69	3.07	1.67

Table 10 Offer of benefits in Greek firms and subsidiaries (%)

	Childcare allowances	Insurance	Pension	Maternity leave	Workplace childcare	Career break schemes
Local firms	35.8	90.6	24.5	52.8	9.4	62.3
Subsidiaries	32.9	97.6	62.2	50.0	1.2	54.3

Table 11 The use of different performance appraisal methods in Greek firms and subsidiaries

	Personal interview between superior-subordinate	Checklist forms (grades for various traits)	Informal, non-written feedback	Written performance appraisal reports
Local Firms	73.6	30.2	17.0	58.5
Subsidiaries	84.0	35.4	14.6	75.3

Table 12 Importance of different people's opinion in employee performance appraisal (%)

	Employee's superior	Employee himself/herself	Employee's peers	Employee's subordinates
Local firms	98.1	49.1	9.4	5.7
Subsidiaries	100.0	81.5	21.0	16.0

Table 13 Training expenditure as a proportion of annual salaries (%)

	0-1%	1.1-2%	2.1-3%	>3%
Local firms	18.8	41.7	14.6	25.0
Subsidiaries	14.1	42.2	26.6	17.2

Table 14 Training needs analysis and the use of different types of employee training (%)

	Employee training needs analysis	Training inside the company	Training outside the company	On-the-job training	Off-the-job training
Local firms	79.2	94.3	94.3	62.3	37.7
Subsidiaries	88.9	89.0	89.0	79.3	31.7

Table 15 Trade union membership as a proportion of total employees (%)

	0%	1-10%	11-25%	26-50%	51-75%	>75%
Local Firms	40.4	21.2	3.8	7.7	7.7	19.2
Subsidiaries	48.7	11.5	7.7	11.5	14.1	6.4

Table 16 Collective bargaining recognition and union representation (%)

	Collective bargaining recognition	Works council	Union representatives
Local firms	67.3	25.5	31.4
Subsidiaries	48.7	28.2	32.1

Table 17 Change of trade union's influence on firms over the last 3 years (%)

	Increased	Decreased	Remained the same	Non-applicable
Local firms	3.9	15.7	49.0	31.4
Subsidiaries	2.6	30.8	23.1	43.6

Table 18 Significant differences between Greek Companies and MNC subsidiaries

	Greek firms	Subsidiaries	Sig. (p)
HRM Department			
Existence of HRM strategy	Less	More	.083
HR planning			
Planning of staffing requirements	Less long term	More long term	.027
Link between HR and corporate planning	Less tight	More tight	.096
Job descriptions	More specific	Less specific	.088
Selection/ Recruitment			
Use of Interviews	Less	More	.058
Use of CV data	Less	More	.042
Use of psychometric tests	Less	More	.075
Selection by formal qualifications	More important	Less important	.078
Importance of recommendations	More	Less	.081
Compensation			
National/industry level determines basic pay	More	Less	.036
Importance of employee training level on deciding salary levels	More	Less	.042
Importance of employee experience on deciding salary levels	More	Less	.059
Importance of employee seniority on deciding salary levels	More	Less	.000
Salary deviation	Less	More	.093
Offer of insurance	Less	More	.025
Offer of pension	Less	More	.000
Offer of workplace childcare	More	Less	.025
Performance Appraisal			
Written Performance appraisal reports	Less	More	.041
Goal setting	Less	More	.043
Performance appraisal by employee himself/herself	Less	More	.000
Performance appraisal by employee’s peers	Less	More	.079
Performance appraisal by employee’s subordinates	Less	More	.071
Management by Objectives	Less	More	.068
Performance appraisal favouritism	More	Less	.006
Training and development			
On-the-job training	Less	More	.031
Individual versus company needs training	More company	Less company	.052
Industrial Relations			
Collective bargaining recognition	More	Less	.038