

Human resource management in Greece Have the colours of culture faded away?

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HUMAN RESOURCE MANAGEMENT IN GREECE

Have the colours of culture faded away?

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Abstract

This article investigates whether Human Resource Management in Greece is maintaining its national character or whether it is converging towards a model that potentially clashes with the country's traditional societal values. This issue fits in the wider convergence-divergence debate that has been the concern of many cross-cultural researchers. Using data collected from Greek firms and subsidiaries of multinationals located in Greece, we compare the two groups on specific HRM practices. The aim is to show how HRM practices of Greek firms differ from those of MNCs subsidiaries and examine the extent and the way these HRM practices reflect Greek national culture. Our empirical results indicate that HR practices in Greek firms reflect national culture to a great extent. Moreover, they imply that in some areas MNC subsidiaries have realised a considerable degree of adaptation, embracing practices that are in line with the Greek cultural environment.

Key words: Human Resource Management, Greece, Multinational Companies, national culture.

Introduction

This article investigates whether Human Resource Management (HRM) in Greece is maintaining its national character or whether it is converging towards an international model that potentially clashes with traditional societal values. We are addressing a critical issue in the convergence-divergence debate that has been the concern of many cross-cultural researchers, mainly in the area of human resource management, since, of all management processes, HRM practices seem to be the most susceptible to cultural differences (Gooderham & Brewster, 2003). The impact of national culture on the way HRM practices are developed and implemented within firms from different countries has been widely acknowledged (Ferner, 1997; Gooderham, Nordhaug & Ringdal, 1999; Khilji, 2003; Newman & Nollen, 1996; Rozenweig & Nohria 1994; Schuler & Rogovsky, 1998; Yuen & Kee, 1993). On the other hand, some authors believe the logic of technology and markets to be a stronger force on organisations than societal values. This logic could eventually lead to the adoption of universally applicable management practices (Kidger, 1991). Using data collected from Greek firms and subsidiaries of multinationals (MNCs) located in Greece, we compare the two groups on specific HRM practices. The aim of this article is to show how HRM practices of Greek firms differ from those of MNC subsidiaries and examine the extent and way these HRM practices reflect Greek national culture.

Starting from the convergence-divergence debate, we focus on previous research that has established strong links between HRM and the cultural environment. This is followed by an analysis of Greek national culture, based on the empirical findings of the GLOBE project (Papalexandris, Chalikias, & Panayotopoulou, 2002),

and the development of specific hypotheses to test the extent to which current HRM in Greece is compatible with the nation's values and culture. After a description of the study's methodology and sample characteristics, we present our comparative results and provide a discussion of the main findings. The article concludes by presenting the limitations of the study, as well as implications for cross-cultural management research and practice.

Theoretical Framework

The convergence-divergence debate in HRM

The convergence-divergence debate has been an ongoing issue in international management for some time (Fenton-O'Creevy & Gooderham, 2003). During the 1950s and 1960s, when the internationalisation of business led researchers to study the management of organisations in different countries, there was a belief that the principles of management hold universally (Gooderham & Brewster, 2003). The basic idea, which is known as the "convergence hypothesis", was that the "best management practices" could be applied everywhere, irrespective of the national environment. The principal logic behind this hypothesis is the notion that increasing industrialism affects business organisations in a homogenising way, regardless of their country location (Kerr, Dunlop, Harbison & Myers, 1960). Progress in the sciences, as well as increasingly advanced technological systems and production methods, will eventually lead all industrial societies towards similar structures. Convergence is based on the concept of "competitive isomorphism", which means that firms will eventually adopt similar, "best" management practices since they face increasingly similar globally competitive environments (Fenton-O'Creevy & Gooderham, 2003). Moreover, according to Locke, Piore and Kochan (1995), best

management practices internationally were believed to derive from the US model.

However, the convergence hypothesis began to lose ground during the 1970s, giving way to a growing interest in national differences, stemming from cultural factors, among organisations. This shift of approach towards the concept of culture is recorded by Adler and Bartholomew (1996) in a survey of academic and professional journals. Of all international organisational behaviour and HRM articles published between 1985 and 1990, 71 percent included the concept of culture. Almost all these articles (94%) concluded that culture makes a difference to the issues studied. Hence, this research showed that by the second half of the 1980's there was general agreement, both inside and outside North America, that culture does matter. Indeed, as Adler and Bartholomew (1996, p. 20) suggest, “the verdict now appears to be cast in favour of divergence”, that is to say, organisational and managerial behaviour is maintaining its distinctiveness across cultures.

Central to this cultural approach is that societies/countries are conspicuously different from each other and that this distinctiveness is reflected in the way that organisations are managed (Olie, 1995). Management and organisation cannot be isolated from their particular cultural environment. According to some researchers, issues that relate to the types of interactions and behaviours, as well as the most appropriate relationships among people in organisations, stem from cultural assumptions and values. “This determines the information that managers notice, interpret and retain and therefore leads to different ways of seeing the same event and to different approaches to problem resolution and solution” (Sparrow & Wu, 1998, p. 27). As Hofstede (1980) and Schneider (1989) have shown, national culture can

impact on the culture of an organisation by selecting and framing the particular sets of organisational values, behaviours and norms that managers perceive as being consistent with their own basic assumptions that have been developed in their particular cultural context. In this way, cultural assumptions also influence the process of organisational decision-making.

Within the context of HRM, the debate has been stimulated by the recent internationalisation of trade legislation and the formation of supranational institutions such as the European Union. In the latter case, it is believed that the introduction of common legislation and agreements between countries of the EU will eventually lead to harmonisation of IR and HRM systems across different national contexts (Brewster, 1994). Therefore, there are two versions of the convergence thesis in the context of this article: the traditional, market-technology driven convergence of management practices towards a US model, as well as the more specific convergence driven by institutional forces within the EU (Gooderham & Brewster, 2003). However, there is still a persistent belief that social, political and cultural differences between countries will continue to supersede the forces of globalisation emanating from technologically driven markets or supranational agreements (Sparrow & Hiltrop, 1997). Furthermore, those in favour of the divergence thesis would even oppose the possibility of delayed convergence, since "...they argue that national, and in some cases regional, institutional contexts are not only slow to change, partly because they derive from deep-seated beliefs and value-systems and partly because major re-distributions of power are involved, but, more importantly [...] even when change does occur this can only be understood in relation to the specific social context in which it occurs" (Gooderham & Brewster, 2003, p. 8).

The previous discussion may suggest that convergence or divergence happen over time; indeed, this debate tends to view HRM as a singularity that will either converge or diverge (Sparrow, Harris. & Brewster, 2003). Several studies have found evidence that both convergence and divergence are happening at the same time, but at different levels and rates (Clark, 1996; Smith & Meiksins, 1995; Tayeb, 1994). This might support Child's (1981) argument that convergence is occurring at the macro-level of the organisation, such as functional and technological structures, while micro aspects, such as people's behaviour patterns tend to diverge across countries. Even a single HR function operates at many levels, in terms of philosophy, policy, programme, practice and process (Schuler, Dowling & De Cieri., 1993). Therefore according to this argument, even if there are common elements of HRM at the macro-level, there will still be divergence at the level of interpretation and application of these elements in different countries (Clark, 1996).

Cross-cultural comparisons of HRM

According to Laurent (1986) and Schneider (1988), of all management practices HRM practices seem to be the most vulnerable to cultural differences and hence the least likely to travel from one country to another. This is because they are often designed by members of one culture to handle members of that particular culture. As with most management practices, HRM practices are grounded in cultural beliefs that reflect the basic assumptions and values of the national culture in which organisations are embedded. Therefore, an HRM system may be meaningful and effective in one culture, but ineffective in another (Laurent, 1986).

A number of researchers have demonstrated the influence of national culture on HRM policies and practices (Easterby-Smith, Malina & Yuan, 1995; Gooderham et al., 1999; Hofstede, 1993; Khilji, 2003; Newman & Nollen, 1996; Rozenweig & Nohria 1994; Schuler & Rogovsky, 1998; Sparrow & Hiltrop, 1994; Yuen & Kee, 1993). 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. Others have been engaged in investigating the transfer of HRM practices in MNCs.

Past research has successfully attempted to explain some of the variance in HRM practices across cultures, using Hofstede's cultural dimensions (Erten-Buch & Mayrhofer, 1998; Newman & Nollen, 1996; Schuler & Rogovski, 1998). However, the degree of cultural impact on HRM practices differs according to the specific practice, with some practices being more culture-bound than others (Easterby-Smith et al., 1995; Myloni 2002; Sparrow & Wu, 1998; Vance, McClaine, Boje & Stage, 1992; Weber, Kabst & Gramley, 1998; Yuen & Kee, 1993), although research has produced contradictory results. For example, in a comparative study of HRM practices in matched Chinese and UK companies, most differences were observed in the “softer” areas of HRM where relationships are important, such as performance appraisal, reward systems, selection criteria and unions-management relations (Easterby-Smith et al., 1995). Most of these differences could be linked clearly to strong cultural factors, such as the great concern that Chinese have for relationships and harmony and their fear of “losing face”. On the other hand, practices that were found to be similar for the two samples (e.g. planning) were not considered culture sensitive and it was argued that other factors such as company size, industry, strategy

etc. had a greater effect on them. In contrast, Sparrow and Wu (1998), who tried to link particular cultural beliefs and values with specific HRM preferences, could not identify a closer relationship between cultural values and “soft” areas of HRM. They found that the hard and more quantifiable practices such as planning, staffing and training are more culture-bound than the soft, behaviour/relationship-related ones like career development, performance appraisal, work design and pay and rewards systems. Lastly, Weber et al. (1998) found that training and development and pay/benefits were best explained by organisational factors, such as sector, size and corporate strategy, while selection and recruitment were strongly affected by cultural factors.

This discussion is of particular relevance to MNCs. Firms that operate in an international environment have to deal with different institutional frameworks and cultural diversity. Research evidence indicates that MNC subsidiaries are facing competing pressures for standardisation and conformity to parent company practices on the one hand, and adaptation to local norms on the other (Jain, Lawler & Morishima 1998; Milliman, Von Glinow & Nathan, 1991; Rozenweig & Nohria 1994). With regard to HRM, a variety of factors have been found critical in shaping practices in MNC subsidiaries (Bae et al., 1998; Beechler & Yang, 1994; Janssens, Brett & Smith, 1995; Newman & Nollen, 1996; Ngo, Turban, Lau & Lui, 1998; Rosenzweig & Nohria, 1994). These include the home and host country institutional and cultural environment, MNC strategy, organisational culture and control, subsidiary embeddedness and dependence, as well as contingency factors such as sector, size, age, ownership type etc. MNC responses to such pressures has resulted in the emergence of various hybrid forms of HRM practices (Fenton-O’Creevy &

Gooderham, 2003; Myloni, 2002; Tayeb, 1998). In consequence, MNCs are considered an important vessel for the transfer of management practices between countries. At the same time, indigenous companies, through mimetic isomorphism, attempt to emulate management practices, especially in cases where such practices come from MNCs that originate from dominant economies (Tempel, 2001) and are considered as more efficient or competitive than local practices (Ball, 1992; Papalexandris, 1992).

In the context of the previous discussion, and given the possibility that convergence and divergence can happen simultaneously at different levels, this article examines how the strength of the link between national culture and the way HRM is practiced in Greek firms; and how this differs from practices used in foreign MNC subsidiaries in Greece. Based on an analysis of the Greek cultural environment, we formulate specific hypotheses that link HR practices such as HR planning, recruitment and performance appraisalⁱ, to specific cultural values.

Greek culture and HRM practices

Very few studies have dealt with HRM in Greece (Papalexandris, 1987, 1991, 1992; Papalexandris et al., 2002). Among these, only Papalexandris (1987) has compared HRM in Greek firms and MNC subsidiaries. She found significant differences between the two samples and concluded 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. However, there was no systematic attempt to link cultural values with HR practices in Greek firms. A further step towards this end was made in terms of the

GLOBE project (House et al., 1999). The principal aim of the GLOBE (Global Leadership and Organisational Behaviour Effectiveness) project is to develop measures of societal and organisational culture and establish their links with leadership attributes across cultures. The project involves 62 countries, including most of the EU member states. The study has identified nine dimensions of societal culture, which reflect perceptions of middle managers about society as it is now, as well as their preferences of how they would like it to be. Four of the dimensions, that were found to be most relevant to HR practices (Papalexandris et al., 2002), will be used for the purpose of this study, namely performance orientation, future orientation, family/in-group collectivism and power distance. Specifically, according to House et al. (1999, p. 192):

- *Performance orientation* refers to the extent to which an organisation or society encourages and rewards group members for performance improvement and excellence. It has its roots in McClelland's (1985) work.
- *Future orientation* is the degree to which individuals in organisations or societies engage in future-oriented behaviours such as planning, investing in the future and delaying gratification. This dimension was derived from Kluckhohn and Strodtbeck (1961).
- *Family/in-group collectivism* reflects the degree to which individuals express pride, loyalty and cohesiveness in their families or organisations and was adopted from Triandis (1995).
- *Power distance* is defined as the degree to which members of an organisation or society expect and agree that power should be unequally shared and has its origins in Hofstede's (1980) work.

The GLOBE project dimensions' mean scores for Greece and for the MNC's parent countries included in this study (taken from Ashkanasy, Trevor-Roberts & Earnshaw, 2002; Papalexandris et al. 2002; Szabo, Brodbeck, Den Hartog, Reber, Weibler & Wunderer, 2002) are given in Table 1. A comparison between the mean scores of Greece and the home countries of MNCs in the study reveals that in all dimensions Greece consistently scores either lower or higher than all other countriesⁱⁱ.

Table 1 about here

Furthermore, according to Koopman, Den Hartog and Konrad (1999), Greece (together with France and Italy) belongs to a separate cultural cluster in Europe, the South/East cluster as opposed to the North/West. They also suggest that the North/West cluster displays significantly higher scores on the dimensions of performance and future orientation, while the South/East cluster scored higher on family/in-group collectivism and power distance.

The GLOBE results are supported by other authors. Papalexandris et al. (2002) indicate that one of the main characteristics of Greek culture is strong family bonds. Even though in big cities there might have been a recent change in this respect, the extended family is still the norm in Greece. The father is the centre of the family, he is responsible for all its members and the one who makes the final decision. There is a strict hierarchy and younger members are expected to show respect to the older. Power is concentrated in a few hands, which is usually accepted although it does not go unquestioned. This is clearly reflected in the relatively high power distance score for Greece. Moreover, Greeks are generally characterised by a low level of trust

towards people unless they belong to one's extended family, which sometimes could include close friends as well as relatives. According to an analysis by Triandis and Vassiliou (1972, cited in Georgas, 1993), Greeks showed a high degree of protection, support and devotion to their in-group, while being hostile and competitive with members outside of it. Georgas (1993) argues that family/in-group collectivism has critically affected the way Greek firms are organised and managed.

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. Even in circumstances where the firm grows in size and scope, the owner-manager will prefer to hire people from the in-group, who may be inefficient, rather than to trust highly skilled professionals who are strangers (Makridakis, Caloghirou, Papagiannakis & Trivellas, 1997). According to Papalexandris (1992), the value of *filotimo* (meaning the love of honour) helps employers to secure loyalty in their business. This may be also related to the low score in performance orientation in Greek society. The GLOBE results show that Greek society does not encourage high performance results and that there is mistrust towards those achieving individual goals. Regarding the future orientation dimension, Greece scores lower than most countries in our sample, except Italy. This reluctance for long-term planning is often attributed to continuous political and economic instability, war, as well as frequent changes in legislation (Makridakis et al., 1997). Arguably, this explains the short-term programming orientation of many Greek firms (Bourantas & Papadakis, 1996).

The above discussion leads us to expect that HR practices in Greek firms will

remain in line with the cultural environment and thus will diverge from those practiced in MNC subsidiaries. As previously mentioned, HRM is composed of a range of practices, some of which may converge while others remain divergent. For this reason, a variety of HR practices including HR strategy and planning, selection and recruitment, and performance appraisal were included in the study; and a set of hypotheses linking such practices with the four dimensions of societal culture were developed.

HR strategy and Planning. Due to the low levels of future orientation, we expect that HR planning in Greek firms will be less systematic and structured than MNC subsidiaries, so we hypothesise that:

Hypothesis 1a: Greek firms will be less likely to have a written HR strategy than MNC subsidiaries.

Hypothesis 1b: Greek firms will be less likely to have long-term planning of staffing requirements than MNC subsidiaries.

Hypothesis 1c: Greek firms will be less likely to have tight links between HR and corporate planning than MNC subsidiaries.

Hypothesis 1d: Greek firms will be less likely to have explicit planning procedures than MNC subsidiaries.

Selection and recruitment. Due to the high levels of family/in-group orientation, we expect that Greek firms will show a preference for recruiting people they already know and trust and will base their selection on less objective criteria than MNC subsidiaries, so we hypothesise that:

Hypothesis 2a: Greek firms will be more likely to recruit internally than MNC

subsidiaries.

Hypothesis 2b: Greek firms will be less likely to use standardised selection methods and make more use of references and recommendations than MNC subsidiaries.

Performance appraisal. Due to a combination of high levels of family/in-group orientation and low levels of performance and future orientation, we expect that performance appraisal will be underdeveloped in Greek firms and will be based on subjective criteria. According to Papalexandris et al. (2002), appraisal is often used to justify promotion decisions that have already been taken. Moreover, we expect that the high levels of power distance will lead to less direct communication between supervisor and employee and that the supervisor's opinion will be more important in appraisal than that of the employee, peers or subordinates compared to MNC subsidiaries. Therefore, we hypothesise that:

Hypothesis 3a: Favouritism in performance appraisal will be more likely in Greek firms than in MNC subsidiaries.

Hypothesis 3b: Greek firms will be more likely to use performance appraisal for promotion purposes than career development compared to MNC subsidiaries.

Hypothesis 3c: Greek firms will be less likely to have written performance appraisal reports than MNC subsidiaries.

Hypothesis 3d: Interviews between supervisor and employee for the purpose of performance appraisal will be less likely in Greek firms than in MNC subsidiaries.

Hypothesis 3e: Employees, their peers or their subordinates will be less likely to participate in performance appraisal in Greek firms than in MNC subsidiaries.

In order to test these hypotheses, we conducted a comparative analysis between Greek firms and MNC subsidiaries, to which we will return after the methodology section.

Methodology

Using the survey method, we collected data from HR managers of Greek firms and MNC subsidiaries. A questionnaire, based on previous work by Schuler and Jackson (1987), as well as the Price Waterhouse/Cranfield project (Brewster & Hegewisch, 1994), was developed to assess the various components of a firm's HRM system. This was translated into Greek, back-translated into English and pre-tested in a pilot study. The questions focused on HRM practices with respect to managerial employees only. Since HRM practices often differ between occupational groups (Bae et al., 1998), we chose to focus on a relatively narrow category of jobs to limit the need to repeat the questions for different categories, which would have made the questionnaire too long and complicated. As a consequence, our results may reveal larger differences between Greek firms and MNC subsidiaries, since research indicates that HRM practices for lower hierarchical levels are more localised in MNC subsidiaries (Lu & Bjorkman, 1997). For the purpose of this article, only questions that relate to HR strategy and planning, selection and performance appraisal practices were analysed.

Questionnaires were either completed during interviews or sent by post and completed in the absence of the researcher. We followed this mixed approach in order to ensure an acceptable number of replies, since mail surveys have a record of low response rates (Harzing, 1997). Our data collection process 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 50% response rate. Of the 135 questionnaires, 83 were completed during the interviews while 52 were completed in the absence of the researcherⁱⁱⁱ.

Sample

The total number of responses from foreign subsidiaries was 82, while data about HRM in Greek companies were 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 2 shows a more detailed picture of the parent countries involved. Unfortunately, there is no 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 remainder are acquisitions.

Table 2 about here

In both MNC subsidiaries and Greek firms, there was an equal representation of manufacturing and services sectors, with the largest number of responses coming from firms operating in chemicals/pharmaceuticals, electronics, food/beverages, banks and hotels (Table 2). This is in line with the industry structure of the total population of companies in Greece (ICAP, 2001). The majority of both MNC subsidiaries and Greek firms have more than 200 employees, although Greek firms show a larger average size. 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^{iv} while only one third of the MNC subsidiaries have one. In terms of the average size (based on sales) of the total population of MNCs subsidiaries, our sample frame includes slightly larger subsidiaries as around 40% of our firms are placed within the top 200 largest industrial and commercial firms (ICAP, 2001). The same applies to the Greek firms 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 large Greek firms and not the entire population of firms. There are no statistically significant differences between responding and non-responding companies in terms of parent country, industry and size.

Measures

The questionnaire assessed the independent variables with questions about firm nationality (Greek firm or MNC subsidiary), industry (manufacturing or services), and size (total workforce)^v. From a list of several items, which capture aspects of most HRM practices, 11 questions were used to measure the constructs included in the hypotheses. A sample of key measures of HR planning, selection and recruitment, and performance appraisal, is provided in Appendix 1.

Results and Discussion

In order to test the hypotheses, we compared the HRM practices in Greek firms and MNCs subsidiaries. Chi-square tests were used for dichotomous variables, while t-tests were used for Likert-type variables^{vi}. Percentages, means and significance levels of the use of HR practices between Greek firms and MNC

subsidiaries are presented in Table 3. We also conducted post-hoc analyses to test whether there were significant differences among manufacturing and services firms or large and small firms, since sector and size have been found to have considerable effects on HRM (Gooderham et al., 1999; Papalexandris, 1992). As can be seen in Table 3, these analyses revealed very few significant differences and only concerned specific selection and performance appraisal methods.

Table 3 about here

HR Strategy and planning. In line with *Hypothesis 1a*, significant differences were found between Greek firms and MNC subsidiaries as to whether there is a written or verbal HRM strategy or no strategy at all ($\chi^2 = 6.581$, $p = 0.018$). Our results show a more systematic approach on the part of foreign subsidiaries. Greek firms are nearly twice as likely to either have no strategy or only a verbal strategy. Table 3 presents information on how far ahead companies plan their staffing requirements. MNC subsidiaries use significantly more long term planning than Greek firms ($\chi^2 = 4.624$, $p = 0.016$). Specifically, only 11.3 % of Greek firms make 2-5 year plans compared to 23.5 % of subsidiaries. In addition, none of the Greek firms used more than five years planning for staffing requirements. Thus *Hypothesis 1b* is also confirmed.

The type of link between human resources and corporate planning also differs significantly among companies ($t = -1.681$, $p = 0.048$). HR planning was found to be less tightly linked with corporate planning in Greek firms than in MNC subsidiaries. Greek firms also reported less explicit planning procedures and activities than

subsidiaries, though the difference is only marginally significant ($t = -1.354$, $p = 0.089$). Although *Hypothesis 1c* and *Hypothesis 1d* were supported, we observe that quite a large number of Greek firms do use explicit planning procedures and show a tight link between HR and corporate planning. This could be the sign of a Greek HRM transition towards a more structured and planned system.

Selection and Recruitment. Contrary to our expectations (*Hypothesis 2a*), Greek firms were not found to recruit more internally compared to MNC subsidiaries ($t = -0.865$, $p = 0.194$). Although the majority of Greek firms preferred internal recruitment, MNC subsidiaries were also found to follow the same pattern. Here we could speculate that factors other than culture play a more important role, such as labour market conditions or firm size, although we did not find statistically significant differences for the latter. MNC subsidiaries' preference for internal recruitment may also imply an adaptation to the local practice^{vii}. On the other hand, as expected, selection methods are still underdeveloped in Greek companies. Table 3 shows that interviews with potential recruits and CV data are the most commonly used methods in both Greek firms and MNC subsidiaries, followed by references. However, the use of both interviews and CV data are significantly higher in subsidiaries ($\chi^2 = 3.462$, $p = 0.031$ and $\chi^2 = 3.902$, $p = 0.024$ respectively). Group interviews and psychometric tests are the least used, with the latter being marginally significantly different between the two firm categories ($\chi^2 = 2.240$, $p = 0.067$). Interestingly, the use of references is quite high for both Greek firms and subsidiaries, while the importance of recommendation and personal acquaintance with the potential candidate is significantly higher in Greek firms ($t = -1.530$, $p = 0.040$). These results support *Hypothesis 2b*. At the same time, the low percentage of MNC subsidiaries that use

standardised methods such as assessment centres and psychometric tests, as opposed to their considerable use of references and recommendations, might indicate a host country influence on MNC's selection methods.

Performance Appraisal. Supporting *Hypothesis 3a*, the extent to which favouritism influences performance appraisal was found to be significantly higher in Greek firms than subsidiaries ($t = -2.80$, $p = 0.003$). However, the mean value for Greek firms is not very large. On the other hand, although the primary objective of employee appraisal in Greek firms was found to be promotion rather than career development, which is slightly more important for MNC subsidiaries, differences were not significant ($t = 1.126$, $p = 0.131$). Although *Hypothesis 3b* is not supported, the effects of culture might be argued to be quite strong in this case, since subsidiaries appear to follow the way performance appraisal is traditionally implemented in Greek firms.

The different methods for appraising employee performance used by Greek firms and MNC subsidiaries are presented in Table 3. As we can see, written reports are used more in MNC subsidiaries than Greek firms ($\chi^2 = 3.712$, $p = 0.026$), while personal interviews between supervisor and employee are marginally significantly more frequent in MNC subsidiaries ($\chi^2 = 1.876$, $p = 0.085$), thus supporting *Hypothesis 3c* and *Hypothesis 3d*. In relation to different actors' participation appraising employees' performance, Table 3 shows a quite different picture for the two categories of firms. The employee's supervisor 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. In

line with *Hypothesis 3e*, employees, their peers or their subordinates are less likely to participate in performance appraisal in Greek firms than in MNC subsidiaries ($\chi^2 = 17.679$, $p = 0.000$; $\chi^2 = 1.856$, $p = 0.086$ and $\chi^2 = 3.507$, $p = 0.030$ 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 MNC subsidiaries, where percentages are rather low. Our empirical results show that performance appraisal practices in Greek firms reflect national culture to a great extent. Moreover, they indicate that MNC subsidiaries might have adapted their practices to be more in line with the Greek cultural environment.

Conclusions and Implications

The previous analysis points to several differences between Greek firms and MNC subsidiaries concerning the use of specific HRM practices. The majority of differences are in the expected direction. Only one of the hypotheses we put forward (*Hypothesis 2a*) was not supported, while the relationship proposed in *Hypothesis 3b* was not significant. Therefore, the results indicate that the effect of national culture on HRM in Greece is quite prominent. HR practices, such as planning, recruitment and performance appraisal are to a great extent in accordance with the cultural values of Greek society, as identified by project GLOBE. It is evident that Greek firms show a high level of embeddedness in their cultural environment. Practices such as the use of recommendations in recruiting employees, the limited long-term HR planning, as well as a reduced use of several performance appraisal practices are still quite widespread even in larger Greek companies. Such findings are partly in line with other recent research that examines the link between societal culture and HRM in Greece (Papalexandris et al., 2002). However, our study takes a step further by studying the

cultural embeddedness of Greek firms in terms of their HRM practices vis-à-vis foreign subsidiaries. It is important to emphasise the fact that our Greek sample consists of larger companies (in terms of employment) compared to MNC subsidiaries; and we might expect such firms to be more convergent towards MNC subsidiaries' practices. Even so, differences still hold, and it can be argued that these differences would have been even stronger if we had included smaller Greek firms in our sample as well.

Despite the differences between practices in Greek firms and MNC subsidiaries, this study also shows certain similarities. Performance appraisal practices in both groups of companies are characterised by a less participative, more top-down approach, reflecting the high power distance and respect for authority in Greek society. Moreover the relatively high use of references and recommendations in selection and the preference for internal recruitment in both groups probably reflects the high level of in-group/family collectivism in Greece. This may suggest that MNC subsidiaries have adapted parent company HRM practices to the local environment up to a point. These practices might be characterised by high levels of cultural susceptibility and/or sensitivity to cultural differences.

In terms of the convergence - divergence debate, it is interesting to note that, for the range of HR practices examined, the primary tendency we find is for MNCs to adapt to local practices in some areas. However, there seems to be little adaptation by Greek firms. Therefore, in this particular context, we observe that the signs of divergence are more prominent than the signs of convergence. We could argue that this tendency can be explained by strong and persistent national cultural norms and

values, although other reasons might explain the lack of convergence. For instance, timing might be a factor: it is possible that Greek firms still have some way to go in terms of facing direct global competition or that they are not consciously looking for "best practices" internationally. Nevertheless, the fact that some MNCs might have adapted to local norms does suggest that "divergence" can be an important factor.

Overall, it is apparent that some practices are more common in MNC subsidiaries, while others show limited applicability to the particular host country context and hence have to be adapted. These results could be helpful to MNC decision makers in deciding which practices are more easily transferred into the Greek socio-cultural context and which practices have to be adapted to a degree. Such considerations might be especially pertinent in cases of MNC acquisitions of Greek firms, joint ventures or other types of strategic alliance. Apart from these managerial implications, this article has contributed to the field of IHRM from both a comparative and international perspective. It has included subsidiaries from MNCs located in many different countries, both from Europe and the US, and constitutes a further step in exploring the under-explored area of HRM practices in Greece.

In terms of its limitations, the present research suffers from using HR managers as the sole respondent for companies in the sample. Although the "key-informant approach" is widely used (De Cieri & Dowling, 1999), it runs the risk of common method variance (Philips, 1981). The use of multiple respondents (other managers and employees at both headquarters and subsidiary level) would serve to validate the reports of HR managers, but such an approach was not practically feasible. However, the statistical tests that we undertook to assess the presence of

common method variance in our results indicated that this issue is not likely to be a major concern in our study^{viii}. A further limitation is that we focused on HRM practices used only for white-collar employees; hence blue-collar workers were not included. Our decision in this respect was driven by the fact that it was impossible to collect information about all employees. However, as already mentioned, we would expect that HRM differences between Greek firms and MNC subsidiaries would be less prominent at blue-collar levels.

In conclusion, our comparison between the HRM practices used in Greek firms and MNC subsidiaries has revealed both differences and similarities. It has indicated that Greek companies are still embedded in their cultural environment to a considerable extent. At the same time, there is some evidence that MNC subsidiaries have adapted to the host country, embracing practices that are in line with the Greek cultural environment.

ⁱ Given the paper length limitations, we have chosen to focus on only three groups of HR practices. We made sure to include practices from both hard (HR planning) and soft (selection, performance appraisal) areas of HRM (Easterby-Smith et al., 1995).

ⁱⁱ With the exception of Italy that scores lower in future orientation and higher in power distance. However, since there were only 3 Italian subsidiaries included in our sample, we can safely disregard this exception.

ⁱⁱⁱ Since our questionnaires were completed in two different ways, we tested whether this had any systematic impact on responses. T-tests were performed separately for subsidiaries and local companies, and showed very few significant differences, indicating that responses did not differ substantially between the two research methods.

^{iv} Firms with production plants are generally larger than firms with just a sales function.

^v We created four size groups: <100, 100-200, 201-500 and >500.

^{vi} Although there are large number of comparisons conducted through t-tests, we did not administer Bonferroni correction to adjust the alpha levels. There were three reasons for that. First, this type of correction is usually applied to multiple comparisons of 'independent' variables, and much less frequently to multiple comparisons of 'dependent' variables. With regard to Bonferroni correction, this would normally only be applied if the dependent variables are conceptually linked or refer to the same construct. At a very high level of abstraction all our variables refer to HR transfer. At a lower level of abstraction, we have several variables referring to specific HR practices. However, we do not see our variables as different measures of the exact **same** construct. Moreover, it is also important to note that we have constructed very specific hypotheses, firmly grounded in the literature. As such, these comparisons are planned rather than *post hoc*.

^{vii} HR managers in MNC subsidiaries might also have interpreted internal as internal to the MNC as a whole, not internal to the subsidiary. In this case, it might be quite logical that MNC subsidiaries have more internal recruitment, since they have a larger source of potential employees to draw on. However,

we doubt this would have affected the answer to the internal recruitment question much, since expatriate presence in the sample subsidiaries is quite low and none of the HR managers interviewed mentioned international recruitment.

^{viii} Such as t-tests, Harman's one-factor test (Podsakoff and Organ, 1986) etc.

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Table 1 GLOBE project: mean scores of Greece and the MNCs' country of origin included in this study

Country	Performance Orientation	Future Orientation	Family/in-Group Collectivism	Power Distance
Australia	4.36	4.09	4.17	4.74
Belgium**	n/a	n/a	n/a	n/a
Canada	4.49	4.44	4.26	4.82
Denmark	4.22	4.44	3.53	3.89
Finland	3.81	4.24	4.07	4.89
France	4.11	3.48	4.37	5.28
Germany *	4.25	4.27	4.02	5.25
Italy	3.58	3.25	4.94	5.43
Japan**	n/a	n/a	4.63	n/a
Netherlands	4.32	4.61	3.70	4.11
Switzerland	4.94	4.73	3.97	4.90
UK	4.08	4.28	4.08	5.15
USA	4.49	4.15	4.25	4.88
Greece	3.20	3.40	5.27	5.40

* Former West Germany

** Published Globe data not available for these countries

Table 2 SEQARABIC Sample Characteristics

Subsidiary country	Responses (%)	Industry/services	Subsidiaries (%)	Greek firms (%)
Australia	1.2	Airlines	3.7	---
Belgium	2.4	Banks	13.4	9.4
Canada	1.2	Chemicals	11.0	---
Cyprus	1.2	Clothing	1.2	1.9
Denmark	1.2	Computer, office equipment	3.7	1.9
Finland	1.2	Consultancy	4.9	7.5
France	9.8	Electrical equipment	9.8	1.9
Germany	12.2	Food & beverages	11.0	22.6
Italy	3.7	Hotels	6.1	7.5
Japan	1.2	Insurance	3.7	7.5
Netherlands	12.2	Metals	2.4	5.7
Switzerland	3.7	Motor vehicles & parts	3.7	1.9
UK	18.3	Paper	1.2	5.7
USA	30.5	Petroleum & products	3.7	---
		Pharmaceuticals	9.8	9.4
		Supermarkets	2.4	---
		Telecommunications	3.7	1.9
		Other	4.9	15.1

Table 3 Percentages, mean values and significance of the differences in the use of HR practices between Greek firms and MNC subsidiaries, and significant differences according to sector and size

HR practice		MNC Subs %	Greek firms %	Sig.	Sector		Sig.	Size (number of employees)				Sig.	
					man	serv		< 100	100-200	201-500	>500		
HR Planning													
HRM strategy	Lack of strategy	3.7	7.5	0.018									
	Verbal strategy	19.5	37.7										
	Written strategy	76.8	54.7										
Planning of staffing requirements	No planning	3.7	9.4	0.016									
	<1 year	37.0	41.5										
	1-2 years	32.1	37.7										
	2-5 years	23.5	11.3										
	>5 years	3.7	---										
Link between HR and corporate planning*	Loose / tight	5.06*	4.60*	0.048									
Planning procedures*	Implicit / explicit	4.83*	4.47*	0.089									
Recruitment and Selection													
Recruitment*	Internal / external	3.52*	3.74*	0.194									
Selection methods	Application forms	43.2	33.3	0.125	50.0	22.6	0.000	5.9	47.8	48.8	39.1	0.009	
	Assessment centres	34.6	25.9	0.144									
	Psychometric tests	32.1	20.4	0.067									
	Interviews	98.8	92.6	0.031									
	CV data	95.1	85.2	0.024									
	References	51.9	55.6	0.336	47.6	62.3		0.046					
	Group Interviews	21.0	13.0	0.116									
Importance of recommendations*	Low / high	3.54*	4.00*	0.040									
Performance Appraisal													
Performance appraisal favouritism*	Low / high	2.08*	2.63*	0.003									
Performance appraisal objective*	Promotion / career development	3.96*	3.69*	0.131									
Performance appraisal methods	Super-employ. interview	83.8	74.1	0.085				94.1	78.3	90.2	68.9	0.018	
	Checklist forms	36.3	29.6	0.213									
	Non-written feedback	13.8	18.5	0.228									
	Written appraisal reports	75.0	59.3	0.026	63.0	77.4	0.040	64.7	47.8	80.5	68.9		
Opinion importance in performance appraisal	Employee supervisor	100.0	98.1	0.111									
	Employee's own	82.5	48.1	0.000									
	Employee's peers	20.0	11.1	0.086									
	Employee's subordinate	16.3	5.6	0.030									

* Indicates variables measured in 7 point Likert type scales and mean values **SEQARABIC**

Appendix 1 Sample of key measures for HR practices

HR strategy and planning

1. HRM strategy existence (written, verbal or no HRM strategy)
2. Planning of staffing requirements (<1 year, 1-2, 2-5, >5 years)
3. Loose / tight link between human resource planning and corporate planning (7-point Likert scale; loose - tight)

Selection and recruitment

1. Internal / external recruitment (7-point Likert scale; largely internally – largely externally)
2. Selection methods used (application forms, assessment centres, psychometric tests, interviews, CV data, references, group interviews)
3. Low / high importance of recommendation and/or personal acquaintance with the potential candidate (7-point Likert scale; not important – very important)

Performance Appraisal

1. Method(s) used in appraising employee performance (personal interview between supervisor-subordinate, checklist forms, grades for various traits, informal/non-written feedback, written reports)
2. People that participate in employee performance appraisal (supervisor, employee himself/herself, peers, subordinates)