The Conceptualization of Global Integration and Local Responsiveness in International HRM Research: A Review and Directions for Future Research

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Abstract
This paper reviews the ways in which the notions of global integration (GI) and local responsiveness (LR) have been conceptualized in the international business and international HRM literature. The extensive review of the literature indicates that global integration and local responsiveness are much broader constructs which encompass multiple dimensions than what has been conventionally thought of, especially in international HRM research field. Emerging literature questions the particular way of conceptualizing the constructs in international HRM research: particularly, the single dimensionality, the limited level of analysis, and the dualistic assumption on the relationship between the constructs. It is evident that empirical research on various modes of global integration and local responsiveness and how these modes are actually put into practice in subsidiary HRM practices by corporate and subsidiary HR actors in MNEs would be necessary in order to address the research problems that were identified through the wide review of literature.

Keywords
global integration, local responsiveness, international HRM, multinational enterprise

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Introduction

Though the notions of global integration (GI) and local responsiveness (LR) have been used widely to explore international HRM strategy and practices of MNEs, there is lack of in-depth discussion regarding how those constructs have been conceptualized in international HRM research. The original conception of the two constructs in the international business strategy literature implied various domains and dimensions, different levels of analysis and the potential ‘duality’ of the two constructs, all of which has led to the issue of under-specification in conceptualizing the two constructs. Through the review of extant literature on international HRM strategy and practices, it will be argued that the constructs have been conceptualized in rather narrow ways in the literature in terms of the dimension involved, the level of analysis and the relationship between the two constructs. Emerging empirical findings have indicated that there might be profoundly different ways and complex patterns in enacting those constructs. Thus, the review of extant literature calls for further in-depth empirical research on how MNEs actually conceptualize and enact the dual demands of global integration and local responsiveness through their international HRM strategy and practices, as the lack of relevant conceptualization of key constructs could seriously limit our understanding of how best to manage the tensions between the dual demands in MNEs. The next sections outline and review the way that the GI-LR framework has been used in International Business research.

The origin and development of GI-LR framework

The notions of global integration and local responsiveness has its roots in the classic work of Lawrence and Lorsch (1969) who pointed out the integration-differentiation issue as a central management concern (Rosenzweig, 2006; Venaik et al., 2004). They argued that in order to achieve its goal effectively, any large organization needs to pursue differentiation by delegating groups of various activities into relevant actors in a manner that enables the actors to focus on a specialized area of activities (Lawrence & Lorsch, 1969). As each differentiated unit may endanger the effectiveness of an entire organization by pursuing its own goal, it is inevitable that some integration mechanisms are needed to coordinate the differentiated subunits. Thus, how to integrate subunits while allowing them necessary flexibility to respond to their unique situations is a key challenge for leaders of large organizations (Cray, 1984; Lawrence & Lorsch, 1969). In order to respond to the challenge, it is known that large organizations utilize a range of integration mechanisms simultaneously (Martinez & Jarillo, 1989; Lawrence & Lorsch, 1969).
Doz, Bartlett and Prahalad (1981) applied the integration-differentiation framework to MNE context, asserting that MNEs, as collective entities of subsidiary organizations operating in varied local conditions, must be differentiated enough to cope with local demands to compete against local rivals and simultaneously need to coordinate their dispersed overseas operations to exploit the benefits of scale and scope fully. The concepts of global integration and local responsiveness were initially developed by Prahalad and Doz (1987) to capture ‘environmental pressures’ that a business in an MNE face and have been used dominantly in the international business research as a basic framework to explore various international business strategies that MNEs might pursue.

Initially, the concept of global integration was developed as a combined concept of strategic coordination and operational integration at the global level (Prahalad & Doz, 1987). Even though the term ‘global integration’ might refer to a broad managerial approach within an MNE, the authors used it as a way to identify and classify environmental pressures that lead to the managerial approach by adding a word ‘pressures’ to it. They suggested seven factors as the pressures for global integration: (1) importance of multinational customers, (2) importance of multinational competitors, (3) investment intensity, (4) technology intensity, (5) pressure for cost reduction, (6) universal needs of customers, and (7) access to raw materials and energy (Prahalad & Doz, 1987: pp. 18-21). As indicated by the listed factors, the needs for global integration might be mainly related to the concerns of exploiting benefits of scale and scope across various units in an MNE.

Local responsiveness refers to the adaptation of a MNE’s operations to local conditions. It is mainly driven by the situational conditions at the subsidiary level as each subsidiary could face unique needs of local customers, supplier networks, local competitors and governmental regulations (Prahalad & Doz, 1987). Therefore, the need for local adaptation might vary according to specific local situations (Prahalad & Doz, 1987; Bartlett & Ghoshal, 1989). Prahalad and Doz (1987: pp. 20-21) proposed five factors as the pressures for local responsiveness: (1) differences in customer needs, (2) differences in distribution channels, (3) availability of substitutes, (4) market structure, and (5) local regulations.

Though the GI-LR framework was originally developed to capture environmental pressures in international business context, it has been extended to the different levels such as (1) industry/business, (2) function, and (3) task (Rosenzweig, 2006). For example, Bartlett and Ghoshal (1989) showed that the relative importance of the two sets of demands can be different according to a particular industry. Consumer electronics and auto industries have been suggested as examples of global industries in that the economy of scale in manufacturing and development is an important factor in gaining competitive advantage, but, extensive local
adaptation is not required (Porter, 1986). On the other hand, consumer packaged goods industry might require more attention to local customer needs than to the issue of global integration. The framework has also been used to illustrate the degree of pressures for integration or responsiveness can be different by business unit within an MNE, depending on the nature of environment of each business unit (Rosenzweig, 2006).

The framework was extended to a finer level within a business such as function to illustrate that the competing pressures can shape each function differently (Rosenzweig, 2006). For example, research and development function and manufacturing in auto industry might be subjected to more pressure for global integration than local responsiveness; on the other hand, sales and customer service function in the same business would face high degree of pressure for local responsiveness. Malnight (1995) claimed that it is especially important to examine the needs of integration or adaptation at the function level, as it might be difficult to integrate a business without integrating individual functions.

Even within a function, there could be differences in relative pressures for global integration and local responsiveness amongst various tasks (Bartlett & Ghoshal, 1989). For example, among a range of tasks such as product policy, advertising, pricing, distribution, promotion, and customer support within the marketing function, particular tasks may tend to face more forces for integration due to the needs of maintaining consistency across the nations and others needs local adaptation to support local customers.

Review of GI-LR concepts in IB research

Since the concepts of global integration and local responsiveness were introduced, many researchers in international business studies have utilized the framework in varied ways. To make sense of this, I outline the specific ways of conceptualization of those constructs by summarizing them in terms of (1) concept and dimensions, (2) level of analysis, and (3) relationship between the two constructs.

The concept and dimension

Venaik, Midgley and Devinney (2004) extensively reviewed and analyzed how the constructs of global integration and local responsiveness had been conceptualized in international business literature. They identified two broad categories in the ways of conceptualization:

- environmental pressures (e.g. Roth & Morrison, 1990; Ghoshal & Nohria, 1993; Johnson, 1995) and

As an example of the first approach, Roth and Morrison (1990) used fourteen industry variables to operationalize the two pressures of the GI-LR framework. For the pressures for global integration, the variables included were:

- customer needs are standardized worldwide; standardized purchasing practices exist worldwide; competitors exist with a presence in all key markets; international competition is intense; distribution channels are concentrated worldwide; business activities are susceptible to scale economies; product awareness exists worldwide; standardized product technology exists worldwide; competitors market a standardized product worldwide.

On the other hand, for the pressures for local responsiveness, such variables were included as:

- domestic competition is intense; international activities are restrained by governments; transportation cost is an important element in final cost; local customer service is required in all markets; factor costs differ from country to country.

From the list of variables, it is clearly noticeable that the concepts of the pressures for global integration and local responsiveness encompass various dimensions in terms of the nature of customers, the nature of competition, and the characteristics in operations.

In terms of the second way of conceptualizing GI-LR, as managerial responses, Harzing (2000), for example, define the global integration (labelled as interdependence) as the extent to which various units of a MNE are dependent on each other and so the level of integration within the MNE as a whole, and operationalize the term as three different levels of dependencies measured by the percentage of intra-company sales and purchases:

- independence (the subsidiary is barely dependent on headquarters or other subsidiaries);
- dependence (the subsidiary is mainly dependent on headquarters);
- interdependence (the subsidiary, headquarters and other subsidiaries all form part of an interdependent network).

Local responsiveness was defined as the extent to which subsidiaries respond to local differences in customer preference and operationalized as:

- product modification; adaptation of marketing; local production; local R&D
Another influential example of conceptualization of GI-LR as managerial responses can be found in Taggart’s work (1998). He operationalized the term of integration, adapted from Prahalad and Doz (1987), as:

- manufacturing decisions linked to local or worldwide market areas; product specification developed by subsidiary for its own or parent’s markets; the extent to which the subsidiary serves MNC customers worldwide market areas; sharing of technology development within the internal network; dependence of subsidiary on linkages within the internal network; centralization of production planning.

The responsiveness was measured on a 4-point scale (decided mainly by corporate headquarter without consulting the affiliate; decided mainly by the parent after consulting the affiliate; decided mainly by the affiliate after consulting corporate headquarter; decided mainly by the affiliate without consulting corporate headquarter) in such dimensions as:

- market area served; product range supplied; advertising and promotion; research and development; production capacity; manufacturing technology.

Again, even the concepts of GI-LR in the domain of managerial response include multiple dimensions underlying the broad constructs, though the specific dimensions were various according to authors.

The level of analysis

As Bartlett and Ghoshal (1989) asserted that through the GI-LR framework, the relative strength of the global integration and local responsiveness pressures could be analyzed at the level of:

- industries
- businesses
- functional or task level

The constructs have been utilized at all of these levels of analysis in empirical research in international business. For example, Ghoshal and Nohria (1993) operationalize the forces for global integration and local responsiveness at the industry level to examine the relationship between MNE environment and MNE structure in their study of 41 North American and European MNEs. Kobrin (1991) also used the concept of global integration to identify determinants of global integration at the industry level by analyzing 56 manufacturing industries containing US firms.
The concepts have also been used at the business unit level (e.g., Roth & Morrison, 1990; Kobrin, 1994; Johnson, 1995; Kim, Park & Prescott, 2003). For instance, Birkinshaw, Morrison and Hulland (1995) examined structural and competitive determinants of a global integration strategy and their effects on performance by studying 124 businesses of US MNEs. They defined business unit integration as the ‘rationalization that may entail standardization of product, centralization of technological development, or the vertical or horizontal integration of manufacturing’ by adopting Kobrin’s definition (Kobrin, 1991: 19) and used measurements which cover various integration methods: for example, international control of manufacturing; control within the organization of the international transfer of intangible assets; vertically integrate operations worldwide; horizontally integrate operations worldwide etc.

Although not specified by Bartlett and Ghoshal (1989), there have been studies which used the GI-LR concepts at the subsidiary level (e.g., Jarillo & Martinez, 1990; Martinez & Jarillo, 1991; Taggart, 1998; Harzing, 2000; Luo, 2002; Venaik, Midgley & Devinney, 2004). Jarillo and Martinez (1990) used the GI-LR framework to develop and test a framework that characterizes different roles of subsidiary in MNEs with 50 Spanish subsidiaries of MNEs. In their study, the integration of activities was defined as the level of integration of the subsidiary with the parent organisation and the localization of activities was conceptualized as the amount of localization in the strategy of subsidiary in terms of local production, local content in locally produced goods, amount of local R&D, and adaptation of products.

Finally, the constructs of GI-LR were also used at the function level. One of the rare studies at the function level was conducted by Kim, Park and Prescott (2003) and they examined the pattern of integrating modes that a firm uses to achieve effective global integration of its individual business functions and its impact on the performance of the firm. In their research, global integration refers to the degree of realizing control and coordination in a business function across borders. Control refers to aligning subsidiaries’ activities with corporate centre’s expectations, whereas coordination refers to establishing linkages between geographically dispersed units (Kim et al., 2003). More specifically, they operationalized the concept of global integration in two ways: the outcome and the modes of integration. In terms of the outcome, they used the term, integration effectiveness, and defined it as “the degree of effectiveness in general of the use of integrating modes in globally coordinating and controlling the chosen function” (pp. 335). Regarding the modes of integration, they distinguished four integration modes such as people-based, formalization-based, centralization-based, and information-based integrating mode and identified each function has a different combination of effective integrating modes.
The relationship between GI and LR

When the GI-LR framework was initially introduced to the international strategy research, the simultaneous attainment of global integration and local responsiveness, which is called ‘transnational solution’, was emphasized as an ideal strategic position (Bartlett & Ghoshal, 1989). Roth and Morrison (1990) asserted that the GI-LR framework has two important strengths: first, it is parsimonious yet account for significant variation across organizations; second, it allows international strategy to be conceptualized through alternate contextual settings, rather than a one-dimensional global industry. Most studies assumed that the two constructs are independent constructs rather than opposite ends of a single continuum. For example, Johnson (1995) tried to verify the utility of the GI-LR framework in international strategy and showed that three generic strategies suggested by the framework appear in a single industry context: globally integrated, locally responsive and multifocal. Jarillo and Martinez (1990) identified three roles of subsidiary, which is receptive, active, and autonomous subsidiaries based on the degree of integration and localization dimensions.

Through the extensive review of international business literature, which used the GI-LR framework, we can summarize the ways of conceptualizing those constructs as follows:

- There have been various ways in conceptualizing the global integration and local responsiveness in international business research.

- The concepts were used at the varied level of analysis such as industry, business, subsidiary, and function.

- One of the key contributions of the concepts is that it enables researchers to think of the global integration and local responsiveness as a duality which can be pursued simultaneously, rather than consider the two concepts as a trade-off.

These points indicate that the notions of global integration and local responsiveness are very broad concepts that can be defined in varied ways, potentially encompassing multiple dimensions and levels of analysis. In other words, the two constructs are not self-apparent concepts, but ones that need further specifications. Thus it is difficult to know how the constructs are conceptualized and enacted among various possibilities in the field of practices without in-depth empirical investigations.
The application of GI-LR framework in IHRM research

As far as the international HRM field is concerned, it is widely agreed that managing tensions between global integration and local responsiveness is a key issue in the management of HR function in MNEs (Brewster, Wood & Brookes 2008; Rosenzweig 2006; Edwards & Kuruvilla, 2005; Evans, Pucik & Barsoux 2002). A significant amount of research on the issue has examined the degree of global integration or local responsiveness in IHRM strategy and practices (e.g. Evans, Pucik & Barsoux, 2002; Rosenzweig, 2006; Björkman & Lervik, 2007; Farndale & Paauwe, 2007; Farndale, Brewster & Poutsma, 2008; Brewster, Wood & Brookes, 2008; Chung, Bozkurt & Sparrow, 2012). The literature on this issue can be divided into two broad categories, conceptual models and empirical studies of HRM in MNEs (Edwards & Kuruvilla, 2005).

One of the influential models of IHRM was developed by Taylor, Beechler and Napier (1996). They identified three generic IHRM orientations at the corporate-level of MNEs: exportive, whereby corporate HR actors attempt to transfer parent company's HRM system to subsidiaries (standardization); adaptive, whereby they attempt to adapt subsidiary HRM system as much as possible to the local context (localization); and integrative, in which "the best" approaches are sought from parent and subsidiary practices (hybridization). The model was refined later, based on ten-year empirical studies of MNE subsidiaries in the U.S., Europe and Asia, by revising the integrative orientation into the closed hybrid and open hybrid (Bird, Taylor & Beechler, 1998). In this model, the issue of managing the demands of global integration and local responsiveness is translated into the matter of global standardization versus localization of HRM practices.

In empirical studies on this issue, the terms of global integration and local responsiveness have been used to describe general context that MNE HR functions face, international HRM strategy (e.g. Hannon, Huang & Jaw, 1995), or subsidiary HRM practice orientation (e.g. Rosenzweig & Nohria, 1994). A significant amount of research on the HRM of MNEs has examined the degree of global integration or local responsiveness in subsidiary HRM practices by assessing whether a particular HRM practice resemble local practices or parent firm's practices. Again, it might be assumed that the similarity of subsidiary's practices with parent's indicates the global integration; whereas the resemblance of subsidiary HRM practices to local practices would be a proxy of local responsiveness.

For example, in their empirical research on the international HRM strategy of MNE subsidiaries in Taiwan, Hannon, Huang and Jaw (1995: pp. 542) operationalized the global integration as the degree of “importing HR strategies from headquarters” and the local responsiveness as the degree of “customizing HR strategies to respond to the needs of the local environment” and

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used several related survey items to measure the subsidiary’s current state of global integration and local responsiveness in six HRM practice areas such as promotion and career system, compensation and reward systems, staffing activities and so on. They identified three types of international HRM strategy such as autonomous, receptive and active strategy by using a two-by-two matrix of global integration and local responsiveness and showed that the global integration is related to subsidiary’s dependence on parent’s resources, while the local responsiveness is associated with the dependence on local resources.

Rosenzweig and Nohria (1994), in their research on HRM practices of 249 U.S. subsidiaries of MNEs, examined the resemblance of subsidiary HRM practices to local practices and to parent practices and identified contextual factors that influence the pattern of resemblance. They found that subsidiary HRM practices are generally similar to local practices with varying degrees according to the particular practices. It was identified that the degree of local responsiveness is high when a subsidiary is founded by acquisition and more dependent upon local input, while high frequency of communication and presence of expatriates in a subsidiary have negative influence on the local responsiveness. Tayeb (1998) also conducted research on the degree of standardization and localization by examining the extent of transferring parent policies to subsidiary HRM policies and practices such as recruitment, development, compensation and benefit, industrial relation, teamwork, flexible working, and quality control through a case study of Scottish subsidiary of a US MNE. It was found that some practices were successfully transferred, but other practices were significantly modified or rejected by the subsidiary.

Another type of empirical research is based on studies that measure indirectly the extent of standardization or localization by testing statistically the degree of similarity or differences in HRM practices among selected groups of organizations such as MNE subsidiaries from different home countries and indigenous firms in a same host country context (e.g. Turner, D’Art & Gunnigle, 1997; Ngo, Turban, Lau & Lui, 1998; Tregaskis, Heraty & Morley, 2001; Schmitt & Sadowski, 2003; Kim & Gray, 2005). For example, Turner et al. (1997) examined the extent of country of origin effect on HRM practices in a subsidiary by conducting a survey research with 101 subsidiaries of MNEs and local firms in Ireland and compare HRM practices such as the use of performance-related pay, human resource flow practices and employee involvement between indigenous and foreign companies in Ireland. Ngo et al. (1998) explored country of origin effect on HRM practices of subsidiaries through a survey with 253 local firms, US, UK, and Japanese MNEs in Hong Kong. They classified 25 HRM practices into 4 groups such as structured training, retention-oriented compensation, seniority-based compensation, and diversity by using factor
analysis and compared among four groups (US, UK, Japanese MNEs and local firms) across the four broad areas of practices.

As shown in these exemplar studies, most empirical research on the issue of global integration and local responsiveness in the HRM of MNEs tends to regard the degree of similarity of a particular HRM practice with parent or local practices as a main indicator of global integration and local responsiveness. The degree of similarity of a particular HRM practice has been measured directly through respondents' perceptions (e.g. Rosenzweig and Nohria, 1994; Hannon et al., 1995) or tested statistically by comparing particular dimensions of HRM practices among selected groups of organizations (e.g. Ngo et al., 1998; Kim & Gray, 2005; Tregaskis et al., 2001; Gunngle et al., 2002). However, it is questionable whether the degree of similarity of HRM practices with parent or local practices, a specific way of conceptualizing global integration and local responsiveness, is a comprehensive indicator which reflects reality in the field of practices.

In the next section, I review the way that the GI-LR construct has been picked up and applied within IHRM research. In so doing, I draw attention to some of the limitations that this “translation” of constructs across fields has resulted in.

**Review of GI-LR concepts in IHRM research**

Though this strand of research has contributed to our general understanding of the pattern of HRM practices in MNEs, several strong tendencies in conceptualizing the constructs of global integration and local responsiveness can be identified in the current literature. As with my previous summary of the treatment of GI-LR in the IB literature, I summarise the use of GI-LR concepts in the IHRM field against three categories: the dimension, the level of analysis, and the relationship between global integration and local responsiveness. I also begin to problematize the way in which the original thinking in international business literature about GI-LR has been adapted and applied within the IHRM field. In essence, I will argue that the original conceptions has been translated in a rather narrow way in IHRM research and this calls for further empirical investigations of the actual ways of conceptualization and enactment of the constructs in the field of practices.

**The concept and dimension**

Though a few studies explicitly use the labels of global integration and local responsiveness (see e.g. Hannon et al., 1995), these constructs have been narrowly conceptualized in international HRM field in that they have been operationalized mostly in the practice dimension. The degree
of standardization (versus localization) of subsidiary HRM practices, a particular mode of integration, has been considered as a key dimension underlying different orientations in IHRM strategy (Brewster et al., 2008; Pudelko & Harzing, 2007; Dickmann & Müller-Camen, 2006). In most empirical IHRM research, the degree of standardization has been examined through assessing the similarity between parent and subsidiary firm practices.

This confined conceptualization in international HRM research is contrasting to the original conception in the international business strategy research, as the terms global integration and local responsiveness in international business research have been defined broadly, encompassing diverse aspects of environment, industry, business, and function. Pudelko and Harzing (2007) identified that the issue of standardization vs. localization has been more concerned in functional area such as marketing and HRM. However, the standardization could be considered in essence as a particular mode of integration and other integration mechanism could be used at a function level (Kim et al., 2003).

It is also assumed that when an MNE tries to standardize their HRM practices across the globe, it is the parent’s HRM practices that are considered as the major source of the standardization, as shown in the aforementioned orientations of IHRM strategy (see e.g., Bartlett & Ghoshal, 1989; Rosenzweig, 2006; Björkman, 2006). This is evident in the tendency of using the similarity of practices between parent company and subsidiaries as a key indicator of global integration of HRM within IHRM research (Rosenzweig & Nohria, 1994; Hannon, Huang, & Jaw, 1995; Kim & Gray, 2005; Rosenzweig, 2006). The use of parent practices as a major source of standardization has been explained by a company’s taken-for-granted view on the kind of effective HRM practices due to the embeddedness of practices in its home country (Björkman, 2006) or the “administrative heritage” (Taylor et al., 1996; Bartlett & Ghoshal, 1989). However, there are few empirical studies which examine underlying logics of global standardization in international HRM context.

The level of analysis

There are different levels of analysis in HRM studies such as strategy, practice, or task, but, when the degree of global standardization and localization has been examined in international HRM research, the main focus has typically been on the individual HRM practice level (e.g. performance management, recruitment and selection, compensation etc.) or the overall aggregated level through the use of aggregate measures of subsidiaries’ HRM practices (Björkman, 2006). Few studies have been conducted at the strategy level or more micro-level below the practice.
In terms of organizational level, the GI-LR framework has been used at various levels including corporate as well as subsidiary level in international business strategy research, as mentioned earlier. In contrast, most empirical studies on international HRM using GI-LR framework explicitly or implicitly have been conducted at the subsidiary level (e.g. Hannon et al., 1995), even though conceptual models of international HRM strategy at the corporate level exist (e.g. Taylor et al., 1996). For example, a study on HRM practices of MNEs by Björkman and his colleagues (2007) examined determinants of HRM practices, such as employee training, performance-based compensation, competence/performance appraisal, merit-based promotion and internal communication, in subsidiaries of MNEs and test the impact of host country and subsidiary characteristics on the degree of using each HRM practice.

Bae et al. (1998) examined the determinants of subsidiary HRM practices in MNE by surveying 190 MNE subsidiaries and indigenous firms operating in Taiwan and South Korea. They measured tendencies of each HRM practices in terms of the company’s reliance on high performance, versus more traditional, HRM policies and practices and test the impact of host countries, and home countries on each of 12 HRM practices. In summary, IHRM research based on GI-LR framework has been focused on studies at the subsidiary HRM practice level.

The relationship between GI and LR

Unlike the original concept in international business field that global integration and local responsiveness are qualitatively different constructs, the constructs of global integration and local responsiveness tend to be considered implicitly as poles in a single scale of continuum in international HRM research. This might be related with the narrow conceptualization of the constructs at the practice dimension. If we consider the issue of managing the global integration and local responsiveness in a particular dimension such as practice, it might be natural that the issue is regarded as either-or-choice between standardization and localization (Evans et al., 2002).

It should be noted that though the main concern of the research was whether subsidiary HRM practices are similar to parent practices or local practices, actual findings were, in many cases, the hybrid of global and local tendencies (e.g. Hannon et al., 1995; Liberman & Torbiorn, 2000; Schmitt & Sadowski, 2003; Tayeb, 1998; Brewster et al., 2008). For example, Brewster et al. (2008) assessed variations in HRM practices in terms of host country effect, home country effect, global convergence, and duality with a survey of 6939 MNE subsidiaries and domestic firms in 20 countries subsidiary HRM practice. They tested the degree of similarity in the HRM practices such as employer-employee interdependence and delegation to employee amongst different
groups (domestic firm-foreign MNEs, domestic MNEs- foreign MNEs) and their findings support the duality perspective.

[Table 1 about here]

Through the extensive review of extant literature on the issue of global integration and local responsiveness in international business as well as more specific international HRM research (Table 1), it becomes clear that the notions of global integration and local responsiveness need to be revisited and developed further. In international business research, there was a critical review of the concepts, which raised several key issues in conceptualizing the constructs - such as lack of consensus as to definition, under-specification in domain and dimension - and called for conceptual clarification (Venaik et al., 2004), but it was not developed further. In international HRM research, there was no in-depth discussion of the concepts of global integration and local responsiveness though the constructs have been operationalized narrowly, in terms of the dimension and the level of analysis and the relationship between the two constructs.

Call for research: What is actually meant by GI-LR in practice?

From the review of literature, we could identify particular ways of conceptualization of global integration and local responsiveness in international HRM research. Arguably, the current conceptualization and operationalization of the global integration and local responsiveness is mostly speculative, based on take-for-granted assumptions, rather than based on a sound empirical foundation. Though it might be inevitable that the way in which a construct has been defined largely depends on a particular research objective, it is also important to conceptualize a construct in a way that has relevance to an empirical sphere based on a field study. To gain empirical relevance, especially in an era where IHRM researchers and IB researchers are beginning to pursue common research questions, we need to clarify research problems by identifying the taken-for-granted assumptions, which have never been validated empirically, or by examining under-explored gaps (Table 2).

[Table 2 about here]
The concept/dimension: Multi-dimensionality

As a result of reviewing the international HRM literature, it is evident that examining standardization versus localization on a single dimension of HRM practice has been a major concern in previous research. It seems to be assumed that global integration and local responsiveness can be achieved through standardization or localization of practices and thus other potential modes which are related to the two constructs have been largely ignored in the empirical research.

However, there is indication that global integration and local responsiveness are actually much broader constructs which encompass multiple modes than what has been conventionally thought of, especially in IHRM research field (e.g. Dickmann & Müller-Camen, 2009; Smale, 2008; Evans et al., 2002). In the earlier work of Prahalad and Doz (1987), global integration refers to “the centralized management of geographically dispersed activities on an ongoing basis”, and the local responsiveness refers to “resource commitment decisions taken autonomously by subsidiary in response to primarily local competitive or customer demands” (pp. 14-15). Under the broad definitions, they suggested a range of assessment items across multiple dimensions, to assess the extent of global integration and local responsiveness, which “capture aspects of a business, like the nature of competition, evolution of technology, scope for manufacturing economies, and so forth (pp.31-33).” Venaik et al. (2004) also claimed the potential multi-dimensionality of such broad constructs as global integration and local responsiveness on the basis of their empirical test.

As far as a research is concerned with global integration and local responsiveness in HR function, it might be questionable that the similarity with parent or local practices is a good and enough indicator to assess the degree of achieving the global integration and local responsiveness. Adopting parent’s practices (global standardization) or local practices (localization) might be only one particular way to achieve the global integration or local responsiveness. There is a range of control and coordination mechanisms that MNEs utilize to integrate their geographically dispersed operations. For example, Smale (2008) found several key modes of global HRM integration, following Kim and his colleagues’ typology (2003) on integration modes, such as people-based, formalization-based, information-based, and centralization-based mechanisms by examining 20 Finnish subsidiaries in China. Given that the breadth and diversity of integration and responsiveness mechanisms, it might be reasonable to assume that global integration and local responsiveness could be multi-dimensional constructs including multiple modes.
However, the ways of enacting global integration and local responsiveness in IHRM are largely under-examined through an empirical research. An exception to this was the study conducted by Sparrow, Brewster and Harris (2004; 2005). They identified five organizational drivers which lead to different patterns of international HRM practices, namely: efficiency orientation, global service provision, information exchange, core business processes and localization of decision-making. However, even this study is more concerned with the organizational drivers which are related to general patterns in globalizing HRM, rather than specifically focusing on the modes underlying global integration and local responsiveness in IHRM. It seems to be clear that actual modes that are utilized in the field can only be identified through further in-depth empirical investigations. A confirmatory mode of study with the pre-defined list of modes might prohibit the researcher from identifying modes that are actually conceived and enacted by actors in the field. Considering that only a few empirical studies have been conducted on this issue, an explorative study without a confined view would be desirable.

The level of analysis: Micro-component level, HQ strategy and subsidiary practices

In the IHRM literature, most research has been conducted at the level of HRM practices. It seems to be assumed that the decision on the issue of integration (standardization) and responsiveness (localization) would be made at the subsidiary HRM practice level, and thus a main focus has been on examining generic patterns of whether an HRM practice is standardized or localized in a particular context.

However, the issue of managing global integration and local responsiveness needs to be also examined at the broader HR function level, if we are to try to examine the multi-dimensionality of the two constructs, as aforementioned. Even though there was a call for the examination of the issue at the function level (e.g. Malnight, 1995), actual empirical works at this level have been very rare. As Smale (2008) have shown partially, studies of the issue of managing global integration and local responsiveness at the entire HR function level could reveal various modes underlying the two constructs.

Even when examining at the practice level, a researcher should be aware that decisions on the global-local issue could be made at the micro-component level of HRM practices. It was noted that while standardization may be implemented across a specific component of an individual HRM practice, the approach towards another component at the same time may be defined by localization (Brewster et al., 2005). In one example, an MNE in the energy sector mapped a set of generic HR processes by breaking these down into detailed components and revamping the
country role around each process to establish a new HR system architecture. In this instance decisions were made as to whether to allow local aberrations from the globally designed process on a detailed component by component basis in each HRM practice (Sparrow, Brewster & Harris, 2004).

This interest in global versus local decision at more detailed level is coincident with the argument of “fine-slicing” of activities in “Global Factory” in international business research. It is argued that MNEs might break down their activities and decide a location where each activity should be performed by comparison with the external alternative and an activity can be externalised if it is profitable to do so (outsourcing) or can be relocated if this reduces overall costs (offshoring) (Buckley, 2009). By the same token, global standardization and localization of each activity could be decided at the finer level of activities.

As evidenced by the review of IHRM literature, most empirical studies on global integration and local responsiveness have been conducted at the subsidiary level. There is a merit of studies at the subsidiary level, as subsidiary HR function is located in a critical position to implement corporate HRM strategies facing pressures for global integration from corporate headquarter as well as pressures for local responsiveness from distinctive local conditions. However, the studies at the subsidiary level do not fully encompass the corporate HR actors’ views and actions, which may be critical. To fully understand how a firm conceptualize and implement the notions of global integration and local responsiveness through IHRM strategy and practices, an examination of how contexts are interpreted and enacted by a variety of groups of actors promises to be highly important, as variations might still exist even in apparently similar notions due to different interpretations and logics of actions by different actors (Budhwar & Sparrow 2002).

The relationship between GI-LR: Duality

The original conception of the two constructs in international business strategy literature implied the potential ‘duality’ of the two constructs. However, it was argued that the constructs have been conceptualized largely in a dualistic ways in international HRM research, as attention has been given to the practice orientation towards either standardization or localization. Arguably, it might be assumed that the issue of global integration and local responsiveness is a matter of ‘either-or-choice’ between the two alternatives.

However, as the duality view suggested (Evans, 1999), the dualistic conceptualization of the two constructs might mislead researchers only to be constrained in a dilemma situation which does
not necessarily reflect the management reality. According to the duality perspective, responding to the dual pressures should not be regarded as an ‘either-or’ choice, but a duality which “must be reconciled or dynamically balanced” (Evans 1999, p. 328). In the literature, the duality view has been discussed in two ways:

- hybridization in practices
- multi-dimensional configuration

First, at the HRM practice level, actual empirical findings have indicated much more complex patterns of hybridization between global standardization and localization. Several studies show that the IHRM strategy and practices could be far more nuanced and complex than the rather simplistic framework based on the degree of standardization versus localization suggests.

For example, the work of Edwards and colleagues suggests that a number of complex patterns of transfer, negotiation and combination of practices actually exist in the process of globalizing HRM (Edwards & Rees, 2008; Edwards & Tempel, 2010; Edwards, 2011; Edwards, Jalette & Tregaskis, 2012). In a detailed case study of Japanese multinational retail firms in both their home country and their subsidiaries in China, Gamble (2010) found that transferring HRM practices in MNEs could be too complex phenomenon to be explained by traditional conceptions such as standardization or localization. He argued that previous theoretical approaches to the transfer of HRM practices in MNEs could provide only partial explanations. In order to capture the complexity of IHRM, he proposes the concept of ‘hybridization’, the complex patterns of creating new management practices out of highly selective adoption, transfer, and local adaptation. Similarly, in a study of HR globalization within western MNEs (Sparrow et al., 2004; Brewster, Sparrow & Harris, 2005) a distinction between standardization and optimization was made to capture more nuanced and detail approach in IHRM strategy.

Optimization refers to the discipline of adjusting a process based on multiple viewpoints so as to obtain a particular goal by setting or optimizing a specified set of parameters without violating some constraints, whereas standardization occurs when headquarter designed HRM processes are applied to country operations either formally or tacitly based on the expectation of performance benefits mostly from a view of corporate headquarter (Martin & Beaumont, 2001). Through the extensive review of literature on the issue, Edwards and Kuruvilla (2005) concludes that:

Arguably, most empirical studies acknowledge that both global and local factors are in evidence.... The theme of the ‘hybridization’ of global and local influences is sometimes picked up explicitly, with it being argued that HR practice in MNCs is a
balance of the two. For instance, Ding et al.’s (1997) study of foreign MNCs in China found that, while they had moved away from practices which have a long history in China, such as life-time employment and ‘egalitarian pay’, they are still influenced by what the authors term ‘Chinese socialist ideology’ in others, such as the limited differences in pay between managerial and non-managerial workers

Edwards & Kuruvilla, 2005: pp. 8

In essence, in the hybridization approach it is argued that even when parent practices are imposed to subsidiaries, they still have to be ‘negotiated’ with local norms which are shaped by specific institutional context of a host country (Morgan, 2005; Geppert, Williams & Matten, 2003).

Second, at the broader HR function level, the duality of global integration and local responsiveness could be achieved through a multi-dimensional configuration. As Bartlett and Ghoshal (1989) observed from nine MNEs in three industries and three regions, leading firms tend to be more locally responsive as well as more globally integrated than competitors. The notion of duality of global integration and local responsiveness was illustrated simply by quoting an executive’s comment: “organize one way, manage the other way” (Evans et al., 2002: pp. 83). For example, even when processes are standardized to integrate a function, local responsiveness can be pursued simultaneously by staffing local people in a key position of a subsidiary. Similarly, Johansson and Yip (1994) also claimed that:

global strategy is multidimensional setting strategy for a worldwide business requires choices along a number of strategic dimensions. Some of these dimensions determine whether the strategy lies towards the multi-local end of the continuum or the global end.

(pp.580)

Dickmann and Müller-Camen (2006) also identified knowledge-network dimension as well as standardization dimension and conceptualized international HRM strategy as various configurations on those two dimensions. In this way, it could be much easier to be free from the dualistic thinking, when global integration and local responsiveness are defined at a higher level as broad and multi-dimensional constructs rather than being narrowly operationalized only at the practice dimension.
Conclusion

This paper reviews the ways in which the notions of global integration (GI) and local responsiveness (LR) have been conceptualized in the international HRM literature. Through the extensive review of international business strategy as well as international HRM literature which have dealt with the issue of managing the dual demands of global integration and local responsiveness, it is identified that on the one hand, the constructs are under-specified in the international business research, and on the other hand, they are too narrowly conceptualized in the international HRM research. Specifically, it is argued that 1) global standardization and localization of HRM practices have been considered as a major way of global integration and local responsiveness, 2) few studies have been conducted at the firm-level or more micro-level below the practice and 3) the two constructs tend to be considered implicitly as poles in a single scale of continuum in international HRM research. Emerging literature questions the particular way of conceptualizing the constructs in international HRM research in terms of the single dimensionality, the limited level of analysis, and the dualistic assumption on the relationship between the constructs. It is evident that empirical research on various modes of global integration and local responsiveness and how these modes are actually put into practice in subsidiary HRM practices by corporate and subsidiary HR actors in MNEs would be necessary in order to address the research problems that were identified through the wider review of literature.
Reference


Table 1  Summary of review on conceptualizations of GI-LR in literature

<table>
<thead>
<tr>
<th>Area of concern</th>
<th>International business literature (Original conceptions &amp; applications)</th>
<th>International HRM literature (Applications to IHRM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept/dimension</td>
<td>Various concepts in terms of domain (environmental pressures, managerial response) and modes&lt;br&gt;Multi-dimensional: diverse aspects of environment, industry, business, and function</td>
<td>Focus on a particular mode: standardization versus localization in HRM practices&lt;br&gt;Single dimensional</td>
</tr>
<tr>
<td>Level of analysis</td>
<td>Industry&lt;br&gt;Firm/business&lt;br&gt;Function&lt;br&gt;Subsidiary</td>
<td>Subsidiary &amp; practice</td>
</tr>
<tr>
<td>Relationship between GI &amp; LR</td>
<td>Duality: attention to the dual accomplishment of integration and responsiveness</td>
<td>Dualistic: attention to the practice orientation towards either standardization or localization</td>
</tr>
<tr>
<td>Issues in conceptualization</td>
<td>Lack of consensus&lt;br&gt;Under-specification</td>
<td>Absence of review of constructs&lt;br&gt;Narrow operationalization</td>
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<tr>
<td>Area of concern</td>
<td>International HRM literature</td>
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<td>Focus on a particular mode: standardization versus localization in HRM practices</td>
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<td>Single dimensional</td>
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<td></td>
<td><strong>Concept/dimension</strong></td>
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<td></td>
<td><strong>Implicit assumption/ gap</strong></td>
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<td>GI/LR mainly occurs at the practice level</td>
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<td>Other modes not examined</td>
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<td></td>
<td><strong>Research problem</strong></td>
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<td></td>
<td>Possibility of multi-dimensionality/ multiple modes</td>
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<td><strong>Level of analysis</strong></td>
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<td></td>
<td>Subsidiary &amp; practice</td>
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<td></td>
<td>GI/LR mainly occurs at the subsidiary practice level</td>
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<td>Headquarter’s overall strategy examined less</td>
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<td><strong>Need to examine GI/LR at the broad HR function level</strong></td>
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<td>Need to examine GI/LR at the micro-component level of practices</td>
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<td>Need to examine at both headquarter &amp; subsidiary level</td>
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<td><strong>Relationship between GI &amp; LR</strong></td>
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<td><strong>Possibility of duality</strong></td>
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