

Convergence or Divergence between European HRM and American HRM^{*}

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Abstract: American HRM has shareholder perspective, and European HRM has stakeholder perspective. This creates divergence between HRM of both markets. This divergence makes social context important in European HRM. European HRM aims to protect interests of society; therefore, there is involvement of social partners in European HRM. American HRM aims to protect interests of shareholders in firms. Thus, American HRM is performance-oriented. Divergence may appear due to economic system difference between two markets. USA has liberal market economy view, and EU has coordinated market economy view, and EU is regulated economy. Thus, firms are autonomous in American HRM due to liberal market view. EU firms are restricted in HRM due to social awareness of regulated economy. However, firms are becoming deregulated in EU economy similar to USA economy. There is debate in academic literature, if there is European HRM or HRM in Europe. European firms apply European HRM recently. European HRM covers American HRM and social partners. Social variables make European HRM divergent from American HRM. European firms are adopting firm performance orientation in HRM. This makes European HRM convergent with American HRM.

Key words: European HRM; American HRM; social context; convergence; divergence issue

JEL codes: M12, M16, M21

1. Introduction

Firms in global economy apply of HRM practices in their organizations. Definition of HRM is, HRM is implement of HRM practices in firms. This is current stage of HRM in global firms to apply HRM practices. Practices of HRM are, for example, compensation, career planning, performance appraisal, reward, HR planning, staffing, etc. For example, reward is important practice in English HRM. They reward prominent employees in their organizations.

American HRM has two basic objectives: performance and behaviours. American HRM aims to increase performance of their employees; and they aim to have an impact on firm performance. Secondly, American HRM aim to develop positive organizational behaviours in employees. American HRM aims to obtain expected employee behaviours such as motivation, satisfaction, commitment, citizenship behaviour, not intention to leave behaviour. Because American HRM perceives their employees as human capital. And they don't want to lose out

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their human capital. Because human capital requires long time to possess. In addition, positive behaviours also have an impact on individual performance. It is expected that positive employee behaviours increase individual performance of employees. Because employees that have positive behaviours are expected to perform greater efforts at job.

So, this study discusses American HRM, and it argues convergence and divergence debate between American and European HRM.

2. American HRM: Performance Focus

American HRM is based on configurational perspective. It builds HR system in management of HR in firms. For example, Prof. Huselid advocates HPWS, HR systems and HR architecture in HRM theory. Secondly, American HRM has shareholder perspective. Because USA is shareholder economy. Therefore, American HRM has firm performance targets to provide more value to shareholders. Thirdly, American HRM considers employees as a resource. This is aligned with resource-based theory of Barney (1991).

In addition, American HRM has two priorities. They are resource-based view and positive organizational attitude and behaviours. American HRM aims to develop positive organizational attitude and behaviours in employees, and it perceives employees as resources. Secondly, American HRM aims to increase firm performance to provide more value to shareholders. Therefore, American HRM is involvement of HRM with corporate strategy. That is defined by Devanna et al. in 1981.

Stakeholders are important in European HRM. Therefore, European HRM has stakeholders perspective. Stakeholders are such as involvement of state, institutions, their regulations, trade unions and social partners. Therefore, European firms consider stakeholders in management of HR. Secondly, European HRM head for adopting American HRM but they have social context and environment. Therefore, European HRM can be formulated as $\text{European HRM} = (\text{American HRM}) + (\text{social context})$. American HRM is to apply individual HRM practices in firms. In addition, they also consider HR system notion. State regulations, social partners, institutions make up social context in European HRM.

Calculative HRM is in favor of performance variations in HR. Collaborative HRM is based on psychological contracts between employees and firm. And it aims to develop positive organizational attitude and behaviours. Collaborative model is called as Harvard model. Calculative model is called as Michigan model. Collaborative model is applied in European HRM.

HR is becoming strategic partner in American firms since 1990s. HR becomes strategic partner via employer of choice, high performance work systems, and a set of incentives.

American HRM is based on performance focus both individual and firm. European HRM is becoming more performance oriented. So, convergence between European and American HRM may appear with performance variables.

American firms are more autonomous than their European counterparts in HRM. European firms are restricted in HRM to protect stakeholders. However, European economies become market deregulations recently.

3. European HRM

First paper in HRM in Europe is published in 1987 in France. It questions that HRM is applied in Europe. European HRM has contextual perspective, Prof. Brewster disagrees with universalistic perspective of HRM in

European HRM. American HRM has configurational perspective. Therefore, this perspective variations may result in divergence between American and European HRM. But European HRM goes to deregulations in HRM that may decrease impact of contextual perspective on HRM.

HRM is developing field in Europe, and American MNCs deploy American HRM in European markets. European HRM is adopting firm performance target. Thirdly, European HRM is adopting firm performance target similar to American HRM. Major difference between American and European HRM is state deregulations such as regulations in staffing, dismissal, industrial relations. Fourthly, European HRM has contextual perspective. Role of state, institutions, trade unions, social partners, labor legislations build social environment in European HRM.

Chris Brewster, Paul Sparrow, A. Hegewisch, Wolfgang Mayrhofer, and Paul Gooderham are leading researchers in Europe in European HRM. Most citations are given to Prof. Chris Brewster in European HRM research. Chris Brewster claims that there is a European HRM. On the other hand, Paul Sparrow says that there is “HRM in Europe” notion. European HRM is between American HRM and social context. HRM in Europe concept adopts American HRM practices.

Major difference between American and European HRM is organizational autonomy. Free economy culture in USA economy results in organizational autonomy in American HRM. American HRM is more autonomous in management of HR. While European HRM is restricted by stakeholders and regulations in HRM. This difference may emerge with differences between economic systems in both markets. USA is liberal market economy, and firms are free in management of HRM. EU economy is coordinated market economy, and EU is regulated economy. Therefore, firms have restrictions in HRM by state and regulations. For example, institutional’s regulations in Europe reduce flexibility of firms in management of HR. Major disadvantage of social context in European HRM is reduced employment flexibility.

Firms are autonomous in American HRM to protect state. Americans aim to protect their state; therefore, firms are autonomous in HR. However, Europeans aim to protect their society and social rest. Therefore, firms have restrictions in HR. Involvement of state makes European HRM distinct from American HRM. However, European HRM goes to state deregulations in HRM recently, which is similar to American HRM.

A German practitioner stresses that major difference between American and European HRM is state regulations in staffing, dismissal, industrial relations. For example, French labor law strongly affects training practices in France. However, Germany recently adopts deregulations in HRM instead of strict employment rules. That may increase flexibility in HR in European HRM similar to American HRM.

4. Convergence or Divergence

Convergence between American and European HRM may be achieved through MNCs. Because American MNCs insist of applying headquarter’s HRM practices in local subsidiaries. This spread American HRM across European market. Divergence may be achieved through social context. Because there is economic system difference between two markets. USA is shareholder economy, and EU is stakeholder economy. EU aim to protect stakeholders in HRM. Therefore, they have state interventions, institutional impact and regulations in European HRM.

American HRM has greater centralization in HRM in MNCs’ subsidiaries. MNCs force subsidiaries to apply headquarter’s HRM practices. American HRM resists against institutional requirements in host countries. And this insist deploys American HRM worldwide.

5. Conclusion

To conclude, EU is coordinated market economy and regulated market economy. Regulated market economy considers social partners and legislative framework in market decisions. European HRM has restrictions in HRM due to coordinated market economy. Because firms have to consider stakeholders and social partners in HRM. American HRM has organizational autonomy due to liberal market economy.

Secondly, European HRM is becoming similar to American HRM. It is convergence between European and American HRM. There may be three effects for this convergence. European HRM apply of American HRM practices in firms. And secondly, European HRM adopts firm performance objective in management of HR. In addition, European firms apply American HRM practices. Because MNCs deploy HRM practices across Europe. Thirdly, Europe is becoming deregulated economy, and firms are becoming autonomous in HR.

In conclusion, MNCs lead to convergence in global HRM, and national institutions and their regulations lead to divergence in global HRM. Rising of MNCs in global economies unify HRM; therefore, it leads to convergence in HRM. MNCs force local subsidiaries to adopt their HRM practices. On the other hand, national institutions force firms to comply with their law obligations.

6. Discussion: Summary

To conclude, this paper argues convergence or divergence debate between American and European HRM.

Basically, American HRM has 4 priorities: First, American HRM is autonomous. American HRM has organizational autonomy in management of HR. It is based on liberal market economy view on USA economy.

Secondly, American HRM aims to increase individual performance of their employees. Thus, they apply HRM practices in their organizations to increase performance of their employees. Those practices are, for example, training, performance appraisal, career planning, HR planning, recruitment etc.

Thirdly, American HRM is based on configurational perspective. It is based on HR system. Most of American HRM scholars advocate advantage of HR system in management of HR. These scholars are, for example, J. B. Arthur, M. Huselid, and J. MacDuffie. HR system represents interrelationship of individual HRM practices, and it has greater impact on individual performance than individual HRM practices. Furthermore, English HRM is based on individual HRM. They apply individual HRM practices in their organizations.

Fourthly, American HRM perceives their employees as resources. Employees are resources in HRM. Therefore, HRM is not dismissal of employees. There should not be layoffs in firms in management of HR. Because employees are distinctive resources. Because American HRM considers this resource as a human capital. If firms fire out their employees, they fire out their human capital.

European HRM is becoming more performance oriented, and European HRM apply of HRM practices in firms. Therefore, European HRM is becoming similar to American HRM. In addition, European HRM adopts state deregulations in management of HR.

However, divergence exists between two markets due to social awareness in European market. European HRM has stakeholder perspective, and American HRM has shareholder perspective. Because Europeans consider social partners in management of HR. and so, European HRM has social context in management of HR. Thus, European HRM has contextual perspective in HRM, while American HRM has configurational perspective in HRM.

Finally, EU is regulated market economy. Therefore, European firms witness restrictions in management of HR. On the other hand, American firms have organizational autonomy in HR because of liberal market view of USA economy.

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