

Empirical Study on How Organizational Learning Mediate Hybridized Subsidiary-Human Resource Management Practices and Subsidiary Performance

Nana Weng

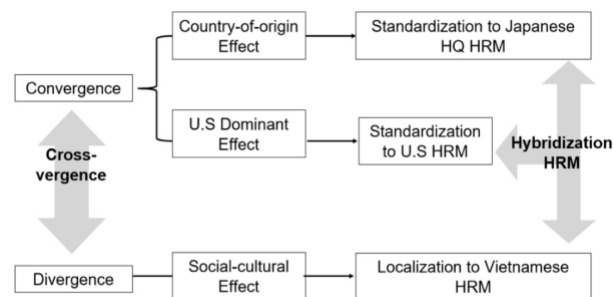
1. Introduction

Over the past two decades, research in domestic companies' Human Resource Management (HRM) has made considerable progress in exploring the relationship between HRM practices and firm performance. HRM practices results in good firm performance are often referred as the High Performance Work Practices and these practices has been utilized on a large scale (Becker & Gerhart, 1996; Guest, 1997; Saridakis, Lai, & Cooper, 2017). However, when it comes to multinational companies (MNCs), HRM practices in the overseas subsidiaries (in this paper, we call it subsidiary-HRM) will be more complicated, due to host-country's complicated institutional contexts and home-country's strong country-of-origin effect. Though it is clear from extant research that subsidiary-HRM practices express two way: one is standardization to headquarters, the other one is localization(Chen & Wilson, 2003; Gunnigle, Murphy, Cleveland, Heraty, & Morley, 2002). However, about how to understand globalization, some initial research argues that according with the global economic integration "standardization " itself has another possibility—standardization to "global best practices" due to the dominant effect(Pudelko & Harzing, 2007). Usually, this "global best practices" refers to managerial practices from United States companies. Following this logic, this article suggests that subsidiary-HRM practices is affected by at least three factors: headquarters' attitude, local institutional environment and dominant influence. However, an expanded debate has yet to discuss the likely hybridization among standardization toward headquarters, U.S. companies and localization, or even between the standardization toward both headquarters and U.S. companies. Therefore, this paper proposes all possible hybridization scenarios and utilizes data in the eastern context (from Japanese subsidiaries in Vietnam)to affirm how different hybridization types are actually distributed.

2. Literature review on and hybridized subsidiary-HRM practices

This paper extends the concept of convergence presented by Pudelko and Harzing (2007) and amends the framework in an eastern context. As previously mentioned, this research has expanded the debate from the standardization toward a company's headquarters, or localization, into a different kind of localization involving a standardization toward a company's headquarters or U.S. companies. Figure 1 illustrates that convergence in subsidiary-level HRM practices can be divided into the standardization to a Japanese headquarters and standardization to U.S. companies. Therefore, hybridization HRM (HHRM) is proposed as a "cross-vergence" approach to reflect country-of-origin, dominant, and social-cultural effects.

Figure 1. The hybridization of localization and standardization to a headquarters and U.S. HRM practices

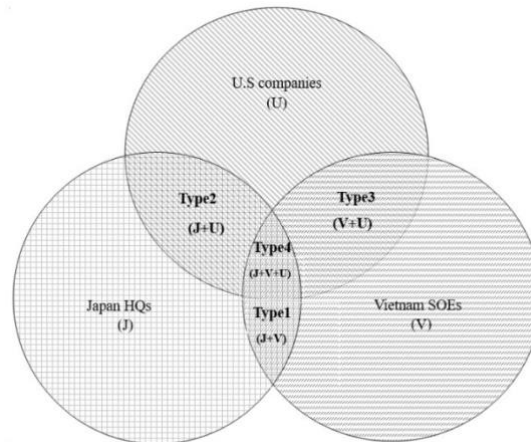


Based on M. Pudelko and A. W. Harzing (2007)

Accordingly, four types of hybridization HRM practices exist on the subsidiary level, as Figure 2 illustrates: Type 1 (J + V):

This is a combination of Vietnamese SOEs' practices with those in Japanese headquarters. Type 2 (J + U): This combines Japanese headquarters' practices with those in U.S. companies. Type 3 (V + U): This combines Vietnamese SOEs' practices with those in U.S. companies. Type 4 (J + V + U): This is a combination of R&S practices from Vietnamese SOEs, Japanese headquarters, and U.S. companies.

Figure 2. The four types of hybridization in HRM practices



3. Theoretical model and hypothesis development

3.1 Establishing the link between hybridized subsidiary-HRM and organizational learning

As Damanpour and Aravind (2012) defined, managerial innovation can be new organizational structures, administrative systems, management practices, processes, and techniques that could create value for the organization (Birkinshaw, Hamel, & Mol, 2008; Kimberly, 1981). For example, managerial innovation includes total quality management (TQM), just-in-time production, quality circle, cost accounting, 360 degree feedbacks, and divisional (M-form) structure (Damanpour & Aravind, 2012). In this article, different types of HHRM is recognized as a managerial innovation. This study focuses on the hybridization of HRM functional practices such as recruitment, employee performance appraisal and training practices. Originally, this article assumes that hybridizing different HRM practices and blending various HRM practical techniques from both Eastern and Western context, as a managerial innovating, would not only reflect an integrative learning orientation but also provoke exploit-learning and explore-learning respectively and simultaneously. Combining the different perspectives from which the extant literature has investigated hybridized HRM practices, one might see a consistent link with organizational learning. Accordingly, we advance the following hypothesis:

H1: Hybridized subsidiary-HRM practices has a positive impact on organizational learning which is divided into exploitation learning, exploration learning and ambidextrous learning.

H1-1: Hybridized subsidiary-HRM practices has a positive impact on Exploitation learning.

H1-2: Hybridized subsidiary-HRM practices has a positive impact on Exploration learning.

H1-3: Hybridized subsidiary-HRM practices has a positive impact on Ambidextrous learning.

3.2 Establishing the link between organizational learning and subsidiary performance

A company's dynamic capability to simultaneously pursue both an exploitation and exploration learning has been considered as having positive performance effect, little is currently known about the antecedents and consequences of such ambidexterity in Multinational Companies' (MNCs) subsidiaries. Accordingly, we advance the following hypothesis:

H2: Organizational learning is positively associated with non-financial performance including knowledge performance and organizational performance..

H2-1: Exploitation learning is negatively associated with non-financial performance

H2-2: Exploration learning is positively associated with non-financial performance

H2-3: Ambidextrous learning is positively associated with non-financial performance.

3.3 Establishing the link between hybridized subsidiary-HRM and subsidiary non-financial performance

Research on how exploitation learning and exploration learning affect performance separately and simultaneously has been increasingly discussed after March (1991)'s research. For example, an inverted U-shaped relationship between the relative share of explorative orientation and firms' market value, and moderated by the R&D intensity of the industry has been proved (Uotila, Maula, Keil, & Zahra, 2009). Besides, non-financial performance such as dynamic capabilities also require a balance of exploration learning and exploitation learning (Eisenhardt & Martin, 2000). March (1991) suggested that the balance between exploration and exploitation should be maintained for organization growth. Accordingly, we propose the following hypothesis:

H3: Hybridized subsidiary-HRM practices has a positive impact on non-financial performance.

H4: The relationship between Hybridized subsidiary-HRM practices and non-financial performance is mediated by organizational learning.

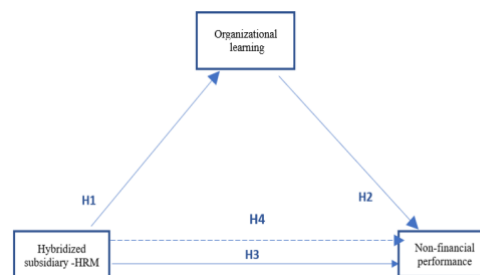
H4-1: The relationship between Hybridized subsidiary-HRM practices and non-financial performance is mediated by exploitation learning.

H4-2: The relationship between Hybridized subsidiary-HRM practices and non-financial performance is mediated by exploration learning.

H4-3: The relationship between Hybridized subsidiary-HRM practices and non-financial performance is mediated by ambidextrous learning.

4. Theoretical model

Figure3. Theoretical Model



Organizational learning was entered as a mediator of the relationship between HHRM and subsidiary non-financial performance. hybridized subsidiary -HRM practices was the independent variable and subsidiary performance was the dependent variable. As Figure 3 shows, the independent variable is hybridization of a subsidiary's HRM practices, and the dependent variable is subsidiary non-financial performance . The proposed hinge between the two sides is organizational learning.

5. Method

5.1 Data collection

The populations consisted of all Japanese subsidiaries that were on record with a survey company operating in Hanoi, Vietnam, as of the September of 2019, when the study was conducted. A total of 1,200 Japanese subsidiaries in Vietnam were studied. The data were gathered from online surveys administered to the HR department of the subsidiaries located in Vietnam. A response rate of 5.5 percent corresponded to 66 returned and completed questionnaires.

5.2 Measurement

Although there is no widely accepted measure of hybridized subsidiary-level HRM practices existing research provides a sound basis for developing one. This article adopted Prieto and Pilar Pérez Santana (2012)'s measurements to describe Hybridized Subsidiary-HRM practices (HHRM). To measure organizational learning, this article followed 6-item to reflect exploitation and 6-item to measure exploration learning developed by Lubatkin, Simsek, Ling, and Veiga (2006) , which was later used by researchers

such as Prieto and Pilar Pérez Santana (2012). Measurement items of Non-financial performance(NFP) are adopted from Marsick and Watkins (2003). Following Anderson and Gerbing (1988) procedure to ensure the adequacy of measurements, we ran a confirmatory factor analysis. The measurement model meets all relevant variabilities except two questions for inquiring HHRM. Regarding organization-level variables, both subsidiary size (the number of full-time employees) and subsidiary age (the number of years since the subsidiary was established) were controlled. Subsidiary size needed to be controlled as it has been associated with inertia, difficulty in processing information related to changing resource conditions (Tushman & O'Reilly, 1996). Subsidiary age was also controlled because it has been associated with the institutional routines and rules that create inertial behaviors(Tushman & Romanelli, 1985). Besides, we controlled industry influence (the subsidiary belongs to the same industry across time). Last, we controlled counterpart(s) in U.S (whether there is a subsidiary in U.S or not). A multiple moderated mediation analysis was run to test the theoretical model illustrated in Figure 3 using the PROCESS macro for SPSS with the mean composite scores on the items for each construct(Hayes, 2013). The analysis assessed the effects of HHRM on subsidiary NFP (both directly and indirectly, through organizational learning).

6. Results and conclusion

As Figure4-1, Figure 4-2 and Figure 4-3 shows, results provide support for H1 and H2. In terms of H4, (1) Exploitation learning partially mediates the relationship between HHRM and NFP. (2) Exploration learning fully mediates the relationship between HHRM and NFP. (3) Ambidextrous learning fully mediates the relationship between HHRM and NFP. The possible reason could be “Exploration and exploitation entail contradictory knowledge processes”. As Floyd and Lane (2000) explained, in the process of making the use of tacit knowledge bases, Exploitation learning is a top-down knowledge process and exploration learning is a bottom-up learning process. These two processes are contradictory because they needs different administrative routines and managerial experience. As a conclusion, oragnizational learning mediates the relationship between HHRM and NFP.

Figure4-1. Mediation model analysis (Exploitation learning)

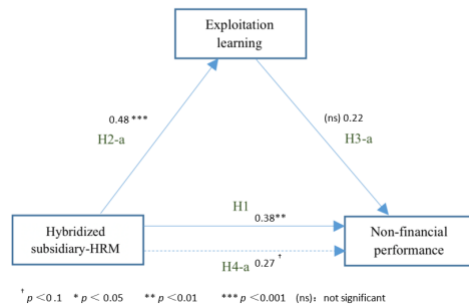


Figure4-2. Mediation model analysis (Exploration learning)

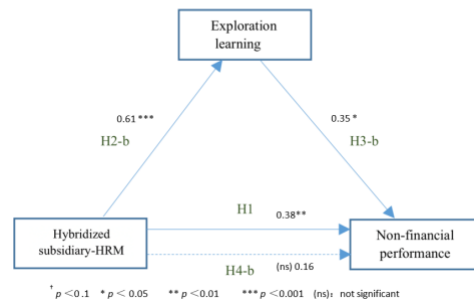
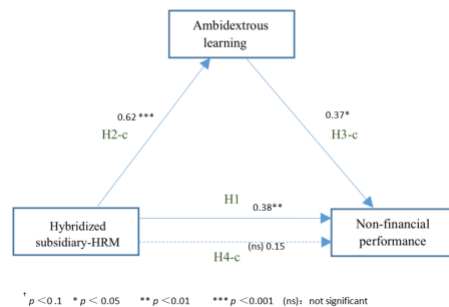


Figure4-3. Mediation model analysis (Ambidextrous learning)



(About the full reference list please contact author wengnana@keio.jp)