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ABSTRACT

The purpose of this study is to examine the relationship between HR practices and firm performance and the processes through which HR practices affect organizational outcomes. Using a sample of 53 Japanese MNC subsidiaries operating in the US and Russia, we examining the impact of HR practices on firm performance mediated by employee skills, attitudes, and motivation. Results of the mediated and direct relationships identified in this study support the notion that skills, attitudes and behaviors play a mediating role between HR practices and firm outcomes. These findings illustrate the varying impacts of HR practices and generalizability across different national contexts.

INTRODUCTION

For multinational firms that operate as a global business with global workforces, the challenge of managing businesses in multiple diverse environments has never been greater. Organizations are looking for new ways to exploit all the resources in their control in order to alleviate the business pressures they face. Recently the focus of management and researchers alike has shifted from external factors, such as suppliers and buyers, to internal factors, such as the organization's people, as a source of competitive advantage.

The realization that human resources can indeed be an organizational source of competitive advantage and firm performance has led to expanded research in the field of strategic human resource management (SHRM). Wright and McMahan define strategic human resource management as "the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals" (1992:298). Because firm performance stands out as a major organizational goal, much of the recent SHRM research has been directed at understanding the relationship between human resource practices and firm performance.

A similar phenomenon is occurring in the area of international human resource management (IHRM), namely, the linkage of international HRM with the strategic needs of the business (Schuler et al., 1992:365). The field of IHRM has begun to focus on macro-level issues, such as the strategic nature of international HRM and the implications for organizational performance. This has led to strategic IHRM (SIHRM) being defined as the "human resource management issues, functions, and policies and practices that result from strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises," expanding on the Wright and McMahan definition of SHRM (Schuler et al., 1993:422). For instance, research by Caligiuri and Stroh (1995) found that there is a close linkage between global HR practices such as recruitment, selection, socialization, global business strategies and a composite Multinational Corporation Success Index of economic variables (sales growth, profit margin). Though some pioneering empirical work has been conducted, relatively little empirical research exists that investigates the relationships between HRM practices and firm performance of multinational corporations (Ngo et al., 1998). Most research in international human resources to date has studied expatriate selection, compensation, training, or cross-cultural comparisons of HR practices (Laurent, 1986; Dowling et al., 1994). (One exception is Ngo et al. (1998) who found significant linkages between HR practices and organizational performance in MNCs operating in Hong Kong.)

Further, though some empirical research exists that provides evidence that HR practices are at least weakly related to firm performance, little empirical attention has been paid to exploring the processes through which this impact takes place. SHRM research, and by extension SIHRM research, has been criticized by numerous authors for its lack of theoretical and empirical work specifying the mediating processes by which HR policies and practices lead to firm outcomes (McMahan et al, 1998; Dyer & Reeves 1995; Delery 1998). Through which mechanisms do human resource practices effect firm performance? Thus the purpose of this study is to examine not only whether or not but also how HR practices influence firm performance in the context of subsidiaries of Japanese multinational corporations operating in two different countries, the U.S. and Russia.

THEORY AND HYPOTHESES

This section will present the theory behind a model of HR practice contribution to organizational performance that is partially mediated through investment in or development of human resources, the shaping of employee attitudes and employee motivation. The proposed types or bundles of HR practices lead to higher levels of employee skill, attitudes, and motivation leading to higher organizational performance. We present this model by first reviewing current SHRM literature to highlight the effects of HR practices on performance and then hypothesize the role of the three mediators in this relationship.

Firm Performance

Firms can establish a sustained competitive advantage through the implementation of a value or competitive advantage creating strategy not being carried out by any current or potential competitors, where competitors are unable to duplicate the benefits of this strategy. Under the resource-based view of the firm, successful firms are those that acquire and maintain valuable idiosyncratic resources which are rare, imperfectly imitable, and nonsubstitutable for achieving sustainable competitive advantage and a firm's human resources can be a source of this sustainable competitive advantage (Barney, 1991; Wright, et al., 1994).

Recent empirical research in strategic HRM suggests that a firm's HRM practices are positively related to its performance (Arthur, 1994; Delery & Huselid, 1996; Huselid, 1995; Huselid, et al., 1997). High performance HR practices or "bundles" of practices are related to higher firm performance in terms of sales, profitability and turnover. Huselid, Jackson, and Schuler (1997) found that a one-standard-deviation increase in overall HRM effectiveness corresponds to an estimated increase in sales per employee of 5.2%, valued at US$44,380. The impact of a one-standard-deviation increase in HRM effectiveness on profits yields an estimated increase in cash flow of 16.3%, valued at US$9,673 per employee. Similarly, Huselid (1995) found that a one-standard-deviation increase in high performance work practices is related to a 7.05% decrease in turnover, and US$27,044 increase in sales per employee, US$18,641 in market value, and US$3,814 in profits. Therefore the appropriate effective deployment of human resources can bring great financial gains for organizations.

Performance-Oriented Practices

Empirical evidence exists in the literature for the effectiveness of incentive systems that tie individual (Gerhart and Milkovich, 1990) and group rewards (Welbourne and Gomez-Mejia, 1995) to organizational performance. Gerhart and Milkovich found that systems that evaluated and rewarded top-managers using performance-contingent pay for top managers had higher financial performance relative to those that did not. Logically when one's pay is tied to some measure of individual or group performance, employees are more likely to work harder to increase their, the group's, or the firm's performance where an increase in performance in any of these areas will increase overall firm performance. Therefore practices such as compensation or appraisal, that focus on individual or group performance will positively effect firm performance.

Investment in Human Resources

Empirical evidence exists that practices whose aims are to develop the skills and human capital of employees, practices that we call "investment in human resources", also impact firm performance (Wright et al., 1999; Delaney & Huselid, 1996; Huselid, 1995; MacDuffie, 1995). Delery and Doty (1996) found that training programs increased the return on equity of firms. Youndt et al. (1996) found that "human capital enhancing" practices were positively related to employee productivity and customer alignment. Welbourne and Andrews (1996) found in a study of 136 IPO firms that "valuing HR", such as through investment in the skills of employees through training or viewing human resources as a source of competitive advantage, leads to better stock performance and the survival of the organization. Therefore practices, which emphasize the importance of human resources, build human capital and seek input from employees will increase firm performance.

Strategy-Oriented Practices

The concept of HR "fit" has widely been used in the SHRM literature. "Fit" or "congruence" is defined as the "degree to which the needs, demands, goals, objectives and/or structure of one component are consistent with the needs, demands, goals, objectives and/or structure of another component (Wright & Snell, 1998: 756)." Fit or congruence amongst these components leads to an increase in organizational efficiency.

In light of this need for fit or congruence, contingency theorists argue that, in order to be effective, an organization's HR policies must be consistent or congruent with other aspects of the organization. For example, the relationship between the use of specific HR practices and firm performance is contingent upon the organization's strategy. Therefore HR practices must "fit" with the organizational strategy, referred to in the SHRM literature as external or vertical fit. One set of best practices is not appropriate for all organizations as all firms do not follow the same organizational strategy and all organizations do not possess the same internal resources so that HR practices lead to different results in different organizations. Therefore HR must play an increased role in the development of business strategy and be seen as strategic partner to line managers, rather than just as a source of administrative overhead in the organization. Several studies have found that strategic fit and the increased role of HR as a business partner positively effects firm performance (e.g. Welbourne & Andrews, 1996). (Huselid et al. (1997), in a study of 293 line and HR managers, found that strategic HRM practices positively effect employee sales and firm performance as measured by Tobin's Q and return on assets.

In this study, practices that we consider to be strategy-oriented are those which attempt to align HR strategies with the organizational business strategy, those that promote the inclusion of the HR department in strategy formulation, and promote the view of HR as "business partners" to line managers. (See appendix for details.)

Information Flow

Many studies of human resource management have included the use of information sharing systems as a high performance work practice (Arthur, 1992; Pfeffer, 1994; Huselid, 1995). Delaney and his colleagues (1989) wrote of ten HR best practices of which performance appraisal, incentive compensation, information sharing and attitude assessment represented "sophistication" in human resource practices. It is reasonable to assume that increases in communication to employees and information sharing will positively affect firm outcomes as increased information sharing with employees will give employees a sense of participation and importance to the organization (Huselid, 1995). As employees receive more information about the state of their organization, are able to give feedback for organizational improvement, and see that the organization is working together and decreasing bureaucracy through the flow of communication between departments, they will be motivated and encouraged to work harder and smarter.

Therefore we hypothesize the following relationship between the above-mentioned four types of HR practices and firm performance such as operating efficiency and profitability:

H1: There will be a positive relationship between HRM practices which focus on investment in human resources, performance-orientated practices, strategy-oriented practices, information flow and firm performance.

Employee Skills

Human capital theory focuses on the effects of the variance in employee skills on performance (Becker, 1964). Human resource is defined as the pool of human capital under the firm's control in a direct employment relationship (Wright & McMahan, 1992). Applications of human capital theory focus directly on the skills or competencies (KSA) of human beings in organizations (Flamholtz and Lacey, 1981; McKelvey, 1983). Wright, et al. (1994) recognize that the characteristics of individuals do not provide value to the firm unless they are utilized through employee behavior but employees must have the competencies (KSAs) necessary to exhibit the desired behaviors. Although this point may seem obvious, much of the SHRM literature (Jackson, et al., 1989; Schuler and Jackson, 1987) has focused on employee behavior and ignored employee competencies.

Wright et al. (1994:315-6) propose that high levels of human capital leads to greater capabilities to develop more efficient means of accomplishing task requirements, and greater capability to respond to environmental changes leading to a sustained competitive advantage. HR practices are the levers through which human capital can be developed. Firms may do this by implementing practices which place an emphasis on investment in human resources to build the skills of employees. For instance, performance-oriented practices, such as performance-based compensation practices, encourage employees to gain skills that will enhance their job performance. Strategic human resource practices, which emphasize the alignment of human resource practices with the business strategy, determine which skills are necessary for the successful implementation of organizational strategies. Information flow to employees communicates which skills are necessary and desirable.

We propose that human is a key antecedent to firm performance. Thus, we propose, that one of the primary mediating process by which the effects of human resource practices are converted to firm performance is through changes in the human capital of employees.

H2: Increases in the human capital of employees will mediate the relationship between HRM practices which focus on investment in human resources, performance-orientated practices, strategy-oriented practices, information flow and firm performance.

Employee Attitudes

Wright, et al. (1994) state that the characteristics of individuals do not provide value to the firm unless they are utilized through the proper employee behavior. Therefore employees' attitudes are important factors to firm performance.

There are two main theories that explain the antecedents of job satisfaction. They include individual disposition/personality (Staw & Ross, 1985) and job characteristics (Hackman & Oldham, 1980). The dispositional theory of job satisfaction holds that such attitudes are a function of a person's long-term disposition or personality rather than a fluctuating mood-state influenced by work circumstances (Wright & Staw, 1999). Thus a HRM system with systematic procedures to identify the best talent may select employees with positive dispositions and thus higher job satisfaction. The Job Characteristics model of job satisfaction holds that the skill variety, task identity, task significance, autonomy, and feedback of the work process affect job satisfaction.

Organizational commitment represents identification with and affective attachment to the organization (Porter, Steers, Mowday, & Boulin, 1974). When commitment is high, it means that an employee's values are aligned with the organization and that he or she wants to do what is best for the organization (Mowday, Porter, & Steers, 1982).

A large body of literature supports the notion that the work practices of an organization influence perceptions of commitment and other attitudes about the organization (Konovski & Cropanzo, 1991; Meyer & Allen, 1997; Arthur, 1994). Gardner, et al. (2000) found positive results for an employee attitudes mediating model of firm performance.

Firms may influence employee attitudes by implementing practices which place an emphasis on investment in human resources which shows employees that firms care about building their skills and view employee capabilities as being important to the company. Performance-oriented practices show that the organization will evaluate employees objectively on performance criteria indicating fairness and indicating how employees can succeed in the organization. Strategy-orientated practices indicate that human resource practices are aligned with the business strategies of the organization so that employees can feel the organization is being managed well and has a great potential for success leading to positive attitudes about the organization.

Therefore we propose the following hypothesis:

H3: Increases in employees' attitudes will mediate the relationship between HRM practices which focus on investment in human resources, performance-orientated practices, strategy-oriented practices, information flow and firm performance.

Employee Motivation

Pinder (1998) describes work motivation as the set of internal and external forces that initiate work-related behavior and determine its form, direction, intensity, and duration (Ambrose & Kulik, 1999). This definition recognizes the impact of environmental factors such as organizational incentives, the nature of the work, etc. as influencing the motivation of employees.

HR practices are the means through which firms seek to motivate employees to engage in the discretionary behaviors that contributes to the achievement of the firm's goals. Firms may influence employee motivation by implementing practices which place an emphasis on investment in human resources such as through training programs which allows firms to communicate proper behaviors with employees and to socialize employees into the cultures and norms of the organization (Wright et al., 1999:533). Huselid (1995) found that motivational high performance work systems decreased turnover and increased productivity and sales. Knowing that the firm places an emphasis on building up employee skills may also motivate employees to work harder so that they will be able to receive training opportunities. Performance-oriented practices tie rewards to performance so that employees are encouraged to engage in behaviors that align with the interests of the organization. As indicated above with employee attitudes, strategy-orientated practices, which indicate to employees that human resource practices are aligned with the business strategies of the organization, may motivate employees to work harder and more efficiently since they know that the organization that they are working for is being managed well.

H4: increases in employee motivation will mediate the relationship between HRM practices which focus on investment in human resources, performance-orientated practices, strategy-oriented practices, information flow and firm performance.

RESEARCH METHODS

The survey was conducted during the Fall of 1999 and Spring 2000. A member of the human resource department of sixty-four subsidiaries of Japanese multinational companies listed in the Japanese-American Chamber of Commerce operating in the United States and eighty subsidiaries of Japanese multinational companies operating in Russia were contacted by telephone to invite their companies to participate in the study. Each company that agreed to participate in the study was faxed or mailed a copy of the survey and asked to mail or fax the completed surveys directly to the researchers either in the United States or in Russia. Reminder calls were made to companies that had not returned the surveys approximately one month after the initial surveys were distributed.

Of these we received completed surveys from 21 Japanese MNCs operating in the US and 32 MNCs operating in Russia resulting in a 28 per cent return rate in the US and a 40 per cent return rate in Russia. Of the respondents, 37 percent were in upper-level management (42 percent in the US sample and 34 percent in the Russian sample), and 92 percent were in human resource or general administration functions (90 percent in the US sample and 96 percent in the Russian sample). All of the Japanese subsidiaries operating in the US were wholly foreign owned. Ninety-five per cent of those operating in Russia were wholly foreign owned with the remained five percent formed as a joint venture with the Russian parent company owning sixty to eighty per cent of the company. The average number of employees in the Japanese parent firms of the subsidiaries worldwide was 98,440 and the average number of employees in the subsidiaries was 169.7 (372.1 employees in the US sample and 45.8 employees in the Russian sample). The average number of years of operation of the subsidiaries was 15.1 years (26.6 years in the US sample and 7.7 years in the Russian sample). Fifty-seven percent of the subsidiaries were in service-related industries (76 percent in the US sample and 43 percent in the Russian sample).

The survey consisted of both Likert type and non-range restricted questions. The first section of the survey solicited descriptive information about the company and the respondent. The second section of the survey asked the respondents the extent to which the subsidiary implemented a variety of training, appraisal, compensation, communication, and other human resource practices in the subsidiary in the local country. These items were used to determine the performance-orientation, strategy-orientation, the propensity for investment in human resources, and information flow within the subsidiaries. The third section of the survey asked questions about the skills and attitudes of the subsidiary's employees and the subsidiary's performance as compared to its competitors. Details of the variables and measures are available in Appendix 1. The measurements used in this study were adapted from Gardner et al. (2000), Huselid (1995), Wright et al. (1998) and Bjorkman and Xuicheng (2000).

Along with the independent variable of interest, control variables for organizational age and size were included in the analysis. Older firms may have an advantage over younger firms by having more information, resources, citations, and experience which may affect organizational performance. Age is measured as the number of years the subsidiary has operated in the local country. Larger organizations may benefit from economies of scale, experience, market power, and access to resources (Aldrich & Pfeffer, 1976; Pfeffer & Salancik, 1978; McBain & Krause, 1989) which can effect organizational performance. Size is measured as the number of employees in the subsidiary. Also the country in which the subsidiary is located is included to control for any differences that may occur as a result of location, national culture, etc.

RESULTS

Table 1 displays the means, standard deviations and correlations of the variables used. It was found that the variables used as mediators in our model are highly correlated with each other (ex. r (*Employee Skill*, *Attitudes*) = .62). In addition, the HR practices are also relatively highly correlated with each other (ex. r(*Investment in HR*, *Information Flow*) = .68). In order to alleviate the possible problem of multicolinearity, we conducted separate regression analyses for each of the predicted mediators.

Table 2 presents the results of regressions for testing the effects of the various HR practices on organizational performance and also the role of the mediators in this processes. The mediation effect is tested through the following procedures: (1) we ran separate regressions to test whether or not there exists statistically significant associations between each of the four HR practices and organizational performance (models A, E, I, and M); then (2) we added each mediator to these regression models (models A, E, I, and M). In order to claim the presence of the mediation effects, the following conditions must be simultaneously met: (1) coefficients of the HR practice variables must be significant in the models without the mediators (the nested models) and non-significant in the models including the mediators, and (2) the coefficients of the mediators must be significant when the mediators are included in the regression models of HR practices leading to firm performance. In principle, mediation effects exist when the significance of the main variables (i.e., HR practices) disappears due to the addition of the mediators (i.e., employee skills, attitudes, and motivation) to the nested models.

TABLE 2 ABOUT HERE

There are several interesting findings from Table 2:

1. Model A to D: *Employee Skill* and *Attitudes* moderate the effects of *Performance-Orientation* on *Firm Performance* ($p < .001$). We did not find the mediating effect of *Motivation*.
2. Model E to H: *Employee Skill*, *Attitudes*, and *Motivation* moderate the effects of *Strategy-Orientation* on *Firm Performance* ($p < .001$).
3. Model I to L: *Employee Skill* and *Motivation* moderate the effects of *Investment in HR* on *Firm Performance* ($p < .001$ and $p < .05$, respectively). In the model in which we examined the moderating

effect of *Attitudes*, both *Investment in HR* and *Attitudes* were found to significantly account for variations in *Firm Performance* ($p < .001$ and $p < .01$). This finding implies that the effects of *Investment in HR* are not mediated by *Attitudes*.

4. Model M to P: *Information Flow*, one of the HR practices, was not found to be significant. *Employee Skill*, *Attitudes*, and *Motivation* do not mediate the effects of *Information Flow* on *Firm Performance*, though we found that these three hypothesized mediators significantly account for variations in *Firm Performance* ($p < .001$).

Three items of interest appear in the results. First, all of the four nested models (Model A, E, I, and M) have relatively small F statistics, ranging from .74 in Model M to 2.17 in Model I. The low F-statistics spurs a fear that even though some coefficients of the HR practices were found to be significant, the findings should be considered with caution.

Second, these findings lend full or partial supports to our hypotheses. H1, stating the effects of HR practices on organizational performance, was partially supported (Model A, E, and I). We did not find a significant effect of information sharing practices on organizational performance (Model M). These findings are consistent with previous studies (e.g. Huselid, 1995). The consistency of our findings lends some credence to the quality of our data. While the number of observations in the sample is relatively limited, the subjects were not biased in any particular direction.

H2, which examined the partial mediation effect of employee skills on firm performance, was supported (Model B, F, and J). It was found that HR practices relating to the development of employee skills, knowledge, and capabilities contribute to organizational performance by increasing the level of human capital.

H3, which examined the partial mediation effect of employee attitudes on firm performance, received support. It was found that while the level of employee attitudes does not moderate the effects of information sharing and communication practices on organizational performance (Model O), HR practices that emphasize performance, fit with business strategies, and focus upon employee development contribute to organizational performance via the increased level of attitudes.

Two models (Model H and Model L) provide support for H4, stating the partial mediating effect of motivation. It was found that HR practices that fit with business strategies and emphasize investment in human capital increase organizational performance by increasing the level of employee motivation.

In general, the models that propose processes through which *Strategy-Orientation* and *Investment in HR* increase organizational performance by changing the level of employee skills, attitudes, and motivation received full support. Indeed, the R^2 for all of these models are above .50 and relatively high considering the number of parameters to be estimated.

Third, it is interesting to note that none of the coefficients of the variables that indicate the location of the subsidiaries (i.e., Russia or US) was significant across the different models. This surprising finding suggests the following two possibilities. The first possibility is that our findings are robust even after controlling for the effects of location. In other words, this is evidence that even after removing the effects of location of the subsidiaries, some of the models were significantly supported as we discussed above. The second possibility is that although location does not have any significant and direct effect, it may have interaction effects. For instance, both the significance and strength of the marginal effects of *Strategy-Orientation* on *Firm Performance* may be contingent on the location, *Country*. In order to speculate on these possibilities, we conducted an exploratory analysis in which we conducted 2-way ANOVA analysis and tested the interaction effects the locations.

The results of the 2-way ANOVA analysis are presented in Table 3. In this analysis, we used *Firm Performance* as the dependent variable and took the interactions of the location, *Country*, with all variables including both those of HR practices and the mediators indicated in Table 2 (ex. *Country* x *Employee Skill*). The results are straightforward: although the mediating variables including *Employee Skill*, *Attitudes*, and *Motivation* significantly accounted for the variations in organizational performance, neither the location variable nor the interaction variables were significant. In other words, differences in the dependent variable, *Firm Performance*, cannot be attributed to *Country* or the interaction variable. It seems that national boundaries and the location of the subsidiaries do not change the findings shown Table 2. It is also found that location does not change the marginal effect size of the variables examined above on organizational performance. The findings of the regression analyses above seem to be generalizable at least in the two country contexts, so that the national contexts in which the subsidiaries are embedded do not change the role of HR practices and the mediators in shaping organizational performance.

TABLE 3 ABOUT HERE

DISCUSSION

The recent growth in strategic human resource management literature and the focus on human resources as a source of competitive advantage points to the fact that a great deal of variance in rents can be attained by firms by focusing on the different sets of internal resources that the firm possesses. While past research has demonstrated a relationship between HR practices and firm performance (e.g. Huselid, 1995; MacDuffie, 1995), this research has not often been conducted in the context of international MNC subsidiaries. The existing research has also neglected to examine the intervening mechanisms through which practices are hypothesized to impact firm performance: employee skills, employee attitudes, and employee motivation. The results of this study indicate that performance-oriented, strategy-oriented HR practices and practices which focus on investing in the development of human resources positively affect the firm performance in Japanese subsidiaries located in the U.S. and Russia. In particular, these relationships are mediated through employee skills, attitudes, and motivation to various degrees shedding some light to the processes through which HR practices effect firm performance.

If should be noted that we did not find support for the relationship between information flow and firm performance or the mediators. This may be due to the fact that low variance exists in the information flow variable so that the variance is not high enough to explain the relationship with firm performance. The number of cases in this variable is only 41 which is relatively low. A study conducted on a larger sample may find a significant relationship between information flow and firm performance as in previous studies conducted on large US companies.

A particularly interesting result of this research is that no country effects of being located in the US or Russia were found. This result shows that the effectiveness of HR practices on firm performance is significant in subsidiaries of Japanese MNCs regardless of location. This can imply that Japanese MNCs to have similar HR practices wherever they are located and these practices always positively effect firm performance, lending support for the idea of HR "best practices". Japanese MNCs may be working with a loose framework of the types of HR practices which work well (i.e. investing in human resources, performance-based practices, strategy-oriented practices) in any context, but be adapting them for the various countries in which their businesses are located. This most certainly is the case as national culture and labor laws dedicate that some differences in practices must exist between countries. This also indicates that that coordination on HR practices between the parent headquarters and subsidiaries may exist so that these "best practices" are implemented in all units or subsidiaries of the MNC.

The results also validate the generalizability of the proposed framework to various settings as no differences were found between companies located in U.S. and Russia. Countries which are vastly different: one being a highly developed economy and the other being a developing economy. Future research should attempt to apply this model to companies operating in other cultures and countries as well as the MNC headquarters.

Figure 1: Summary of the Findings

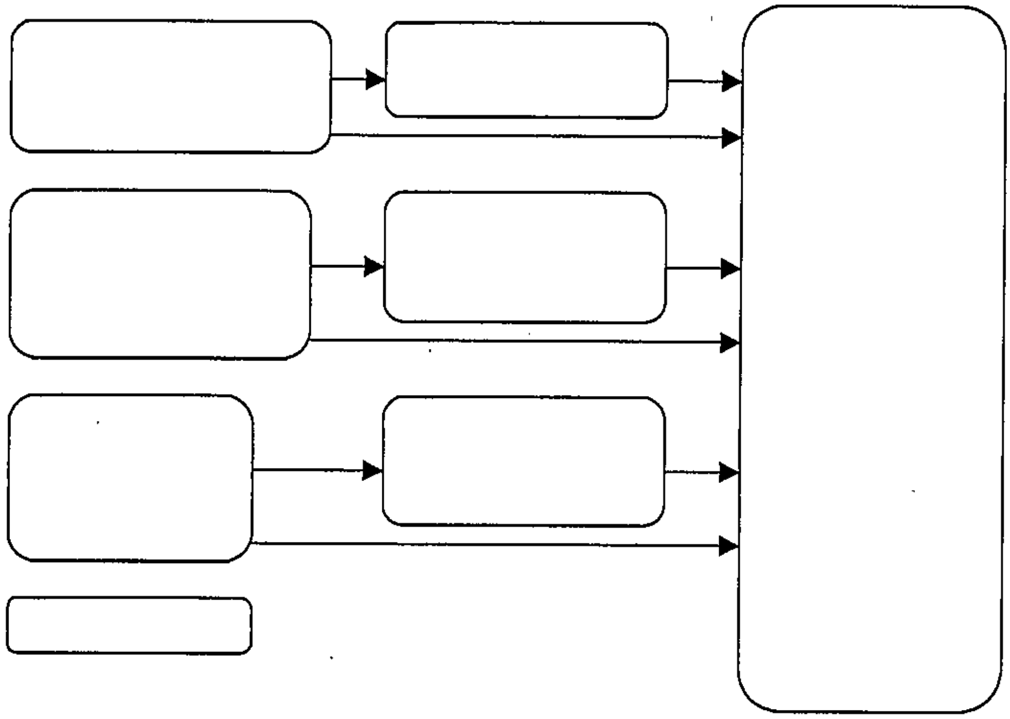

Table 1: Descriptive Statistics and Correlations

		N	Mean	S.D.	Min	Max	1	2	3
1	*Firm Performance*	52	6.13	1.23	3.25	9.00	1		
2	*Employee Skill*	43	4.74	0.80	3.00	6.33	0.59	1	
3	*Attitudes*	43	4.53	0.77	2.75	6.25	0.65	0.62	1
4	*Motivation*	53	3.58	0.60	2.25	5.00	0.21	0.61	0.56
5	*Performance-Orientation*	53	3.72	0.68	2.00	5.00	0.25	0.08	0.41
6	*Strategy-Orientation*	39	2.94	0.88	1.00	4.80	0.18	0.18	0.43
7	*Investment in HR*	52	-0.01	0.69	-1.56	1.56	0.27	0.43	0.62
8	*Information Flow*	41	-0.05	0.76	-2.10	1.04	-0.11	0.04	0.41
9	*Country*	54	0.61	0.49	0.00	1.00	-0.28	0.07	0.16
10	*Organizational Age*	54	2.40	0.77	1.13	3.91	0.31	-0.10	-0.27
11	*Organizational Size*	54	3.73	1.48	1.63	8.16	0.20	-0.22	-0.29

		4	5	6	7	8	9	10	11
1	*Organizational Performance*								
2	*Employee Skill*								
3	*Attitudes*								
4	*Motivation*	1							
5	*Performance-Orientation*	0.47	1						
6	*Strategy-Orientation*	0.54	0.55	1					
7	*Investment in HR*	0.73	0.62	0.57	1				
8	*Information Flow*	0.55	0.58	0.71	0.68	1			
9	*Country*	0.55	0.43	0.16	0.60	0.52	1		
10	*Organizational Age*	-0.50	-0.16	-0.29	-0.55	-0.68	-0.55	1	
11	*Organizational Size*	-0.52	0.25	0.07	-0.31	-0.19	-0.44	0.47	1

Table 2: Results of Regression Analysis

	A	B	C	D	E	F	G	H
Employee Skill		1.116 ***				0.963 ***		
		(0.185)				(0.229)		
Attitudes			1.040 ***				1.091 ***	
			(0.162)				(0.191)	
Motivation				0.747				1.300 ***
				(0.346)				(0.387)
Performance-Orientation	0.611 *	0.262	0.313	0.354				
	(0.285)	(0.288)	(0.190)	(0.304)				
Strategy-Orientation					0.434 +	0.241	0.010	0.028
					(0.227)	(0.208)	(0.184)	(0.232)
Investment in HR								
Information Flow								
Russia	-0.048	0.482	-0.122	-0.176	-0.035	0.324	-0.156	-0.527
	(0.454)	(0.431)	(0.302)	(0.492)	(0.510)	(0.445)	(0.350)	(0.469)
Organizational Age	0.388	0.477 *	0.690 ***	0.415	0.502	0.473 +	0.626 **	0.551 +
	(0.299)	(0.234)	(0.194)	(0.313)	(0.334)	(0.277)	(0.225)	(0.292)
Organizational Size	-0.011	0.174	0.086	0.102	0.083	0.163	0.126	0.177
	(0.141)	(0.123)	(0.094)	(0.150)	(0.136)	(0.119)	(0.095)	(0.122)
Constant	2.963 *	-2.205	-1.872 +	0.856	3.137 **	-1.172	-1.031	-0.501
	(1.228)	(1.420)	(1.094)	(1.630)	(1.269)	(1.458)	(1.220)	(1.549)
N	51	42	42	50	38	31	32	38
F	1.88	8.58 ***	11.85 ***	2.43 *	2.09 +	5.75 ***	9.14 ***	4.45 **
R^2	0.14	0.54	0.62	0.22	0.20	0.53	0.64	0.41
R^2 *Adjusted*	0.07	0.48	0.57	0.13	0.11	0.44	0.57	0.32

Note 1: + p < .10, * p < .05, ** p < .01, *** p < .001
Note 2: Standard deviations are in parentheses.

Table 2: Results of Regression Analysis (Continued)

	I	J	K	L	M	N	O	P
Employee Skill		1.080 ***				1.165 ***		
		(0.185)				(0.219)		
Attitudes			0.977 ***				1.146 ***	
			(0.160)				(0.192)	
Motivation				0.730 *				1.528 ***
				(0.341)				(0.406)
Performance-Orientation								
Strategy-Orientation								
Investment in HR	0.817 *	0.458	0.589 **	0.533				
	(0.339)	(0.277)	(0.230)	(0.356)				
Information Flow					0.453	0.407	-0.255	-0.084
					(0.416)	(0.343)	(0.287)	(0.386)
Russia	-0.365	0.275	-0.414	-0.355	0.055	0.366	-0.020	-0.419
	(0.508)	(0.437)	(0.329)	(0.526)	(0.588)	(0.480)	(0.391)	(0.568)
Organizational Age	0.408	0.497 *	0.724 ***	0.454	0.484	0.642 *	0.530 *	0.411
	(0.299)	(0.231)	(0.188)	(0.315)	(0.390)	(0.311)	(0.247)	(0.356)
Organizational Size	0.128	0.227 *	0.150 +	0.186	0.075	0.180	0.130	0.180
	(0.127)	(0.104)	(0.081)	(0.127)	(0.158)	(0.127)	(0.104)	(0.141)
Constant	4.872 ***	-1.178	-0.580	1.945	4.638 ***	-1.820	-1.152	-0.839
	(0.886)	(1.281)	(1.036)	(1.677)	(1.055)	(1.466)	(1.192)	(1.811)
N	50	41	41	49	40	32	32	39
F	2.17	9.07 ***	13.38 ***	2.64 *	0.74	6.69 ***	8.81 ***	3.52 **
R^2	0.16	0.56	0.66	0.23	0.08	0.56	0.63	0.35
R^2 *Adjusted*	0.09	0.50	0.61	0.15	-0.03	0.48	0.56	0.25

Note 1: + $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$
Note 2: Standard deviations are in parentheses.

Table 3: Results of 2-Way ANOVA

	Partial SS	MS	F
Model	26.134	8.711	8.50 ***
Employee Skill	8.694	8.694	8.48 **
Country	0.639	0.639	0.62
Interaction	0.751	0.751	0.73
Model	15.502	5.167	5.16 **
Attitude	11.459	11.459	11.44 ***
Country	0.128	0.128	0.13
Interaction	0.370	0.370	0.37
Model	10.979	3.660	2.63 +
Motivation	7.854	7.854	5.65 *
Country	0.576	0.576	0.41
Interaction	1.135	1.135	0.82
Model	8.764	2.921	2.16
Performance-Orientation	6.995	6.995	5.16 *
Country	0.655	0.655	0.48
Interaction	1.140	1.140	0.84
Model	6.512	2.171	1.54
Strategy-Orientation	1.394	1.394	0.99
Country	0.622	0.622	0.44
Interaction	0.069	0.069	0.05
Model	7.308	2.436	1.73
Investment in HR	6.269	6.269	4.45 *
Country	4.320	4.320	3.07 +
Interaction	1.506	1.506	1.07
Model	4.068	1.356	0.78
Information Flow	0.005	0.005	0.00
Country	2.068	2.068	1.19
Interaction	3.499	3.499	2.01

Appendix 1: Items and Variables

Firm Performance	4	.774	Relative to your competitors in your industry, how would you rate your subsidiary's performance on each of the following dimensions? (1) Operating efficiency, (2) Quality, (3) Service, and (4) Profitability (1-9 Scale)
Employee Skill	3	.766	Relative to the employees of your competitors in your industry, how would you rate the quality of your subsidiary's employees on each of the following dimensions? (1) Overall ability, (2) Job related skills, and (3) Educational level (1-7 Scale)
Attitudes	4	.834	Relative to the employees of your competitors in your industry, how would you rate the quality of your subsidiary's employees on each of the following dimensions? (1) Motivation, (2) Organizational commitment, (3) Job satisfaction, and (4) Work effort (1-7 Scale)
Motivation	4	.759	(1) Our employees are always behaving in ways that help our company's performance, (2) Our employees are always contributing in positive ways to the company's performance, (3) Compared to our parent company, our subsidiary has a highly motivated group of employees, and (4) Compared to our competitors, our parent company has a highly motivated group of employees (1-5 Scale).
Performance-Orientation	4	.711	(1) Our compensation system is closely connected with the financial results of the company, (2) Our company uses performance-based compensation to a large extent, (3) Qualified employees have the opportunity to be promoted to positions of greater pay and/or responsibility within the company, and (4) Our company places a great deal of importance on merit when making promotion decisions (1-5 Scale).
Strategy-Orientation	5	.845	(1) To what extent is communication between the HR department and the top management team effective?, (2) To what extent does your subsidiary make an explicit effort to align business and HR/personnel strategies?, (3) To what extent is the HR/personnel department involved in the strategic planning process?, (4) To what extent are HR/personnel managers viewed by those outside the function as partners in the management of the business and agents for change?, and (5) To what extent does your firm have a clear strategic mission that is well communicated and understood at every level throughout the firm? (1-5 Scale)
Investment in Human Resources	6	.775	(1) Days of formal training for managerial employees per year, (2) Days of training for non-managerial employees per year, (3) Our company places a great deal of importance on training, (4) Our employees' capabilities are viewed as our main source of competitive advantage, (5) Employee input and suggestion are highly encouraged, and (6) Employees input and suggestions are highly implemented (1-5 Scale for Item 3 to 6).
Information Flow	5	.780	(1) The percentage of employees who receive formal feedback on their job performance, (2) The percentage of employees who are part of a regular information sharing system, (3) The percentage of employees who take part in an attitude survey at least once per year, (4) Communication flows well between employees in different departments, and (5) Communication flows well between non-managerial employees and managerial employees (1-5 Scale for Item 4 and 5).

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