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# **Navigating HRM practices in the Indian institutional context: Multinational vs. domestic enterprises in comparative perspective**

## **Abstract**

**Purpose:** *The role of distinct institutional context in shaping employment practices is particularly evident in emerging markets where institutional measures are often evolving and not yet fully established. This presents several challenges, particularly for multinational corporations (MNCs) operating in such contexts. This research aims to provide a comparative analysis of HRM practices, specifically recruitment and selection, internal career opportunities, and performance appraisals between domestic and multinational companies in a large emerging economy, that is India.*

**Design/Methodology/Approach:** *In this study, survey-based data was gathered from a diverse sample of 252 companies, comprising both domestic enterprises (DEs) and MNCs, to collect comprehensive data on HRM practices. The aim is to provide a nuanced understanding of the variations in HRM approaches between DEs and MNCs, taking into account the unique institutional context of the Indian market.*

**Findings:** *Contrary to initial expectations, the study's findings do not support the hypothesis that MNCs would prioritize more rigorous and effective HRM practices compared to DEs in the Indian context. Instead, the results reveal that DEs place a greater emphasis on effective HRM practices than their MNC counterparts, despite the latter's international reach and operational success. These findings shed light on the distinctive HRM strategies employed by MNCs and DEs when navigating the complexities of the Indian market.*

**Originality:** *This study contributes to the existing IB literature by providing a comparative perspective that emphasizes DEs proclivity for institutional entrepreneurship and change. Exploring the resource dynamics for both MNCs and DEs, the study showcases them as divergent adaptive navigators within (in)formal institutional logics, adept at navigating and influencing*

*institutional structures and shaping distinct HRM practices. The findings challenge traditional assumptions about HRM priorities of MNCs and DEs.*

**Keywords:** Recruitment; performance appraisals; institutions; MNCs; DEs; India

## **Introduction**

The business context in India is evolving rapidly, blending global best practices with deep-rooted indigenous traditions (Gupta, 2022). This unique combination of modern international approaches and age-old cultural values creates a rich and complex environment for businesses. Navigating the complexities of the Indian market presents both opportunities and challenges for companies (Darwish et al., 2020). It is a landscape where innovation meets tradition, and where the principles of global business coexist with the deep-rooted ethos of Indian entrepreneurship. The empirical studies, particularly those in the domain of multinational corporations (MNCs), predominantly revolve around evaluating HRM practices in the subsidiaries of MNCs, with a strong bias towards advanced economies (Pilz, & Ramasamy, 2022). Such exploration often extends to discerning how MNCs cultivate expatriates within their subsidiaries, shedding light on recruitment, training, and oversight of these personnel (see Som, 2008; Alanezi et al., 2020). However, these practices do not exist in isolation. They grapple with considerable human resource development challenges, debates concerning host country implications, and an intricate layer of HRM practices' sophistication (Azmi & Mushtaq, 2015; Brewster, Wood, & Brookes, 2008; Ferner, 1990). Moreover, these studies underscore the profound influence of the host countries' intrinsic values and national institutional arrangements (Brewster & Mayrhofer, 2018; Wood et al., 2020), which invariably shape the HRM strategies that corporations adopt. A salient observation here is the

propensity of MNCs to enforce a suite of globally vetted HRM policies, signaling a trend toward convergence.

Through the lens of institutional logics, this empirical study aims to fill the gaps in the existing literature; it offers an in-depth examination of HRM practices within both DEs and MNCs operating in the context of India. The objectives are manifold: Firstly, we aim to uncover the differences in philosophies and outcomes related to these practices between domestic and multinational enterprises. Secondly, we seek to shed light on how India's social and cultural fabric influences these HRM practices, especially when they are compared to the global standards set by MNCs. Lastly, our study addresses the existing gap in research by conducting a comprehensive comparative analysis of these two types of organizations in parallel.

This paper is structured as follows: We begin by identifying core theoretical frameworks in the realm of institutional logics, with a focus on pivotal HRM practices. From this exploration, we derive our hypotheses. We then detail our research approach, shedding light on the statistical techniques employed. We conclude with a discussion and highlighting the implications for both theory and practice.

### **Literature Review and Hypotheses Development**

For over two decades, international business (IB) scholars have been employing institutional perspectives to understand practice adoption and adaptation across various contexts, particularly focusing on economic and sociologically grounded neo-institutionalist approaches (Amirkhany & Pain, 2014). Such efforts placed more focus on traditional neo-institutionalist assumptions (DiMaggio and Powell, 1991) that downplayed the role of actors' active agency in responding to

institutional complexity. Such a view mostly conceptualizes companies as passive recipients of global or local institutional norms (Brewster et al., 2008). Nevertheless, the degree of institutionalization varies across contexts, with certain settings characterized by stable and mature fields, while others offer dynamic and fluid institutional setups that encourage efforts to resist or initiate institutional change (Hardy and Maguire, 2008; Tolbert and Zucker, 1996). This is particularly evident in emerging economies characterized by institutional fluidity. Such contexts require a more fitting and heterogeneous approach to institutions, exemplified by the institutional logics framework, that could better reflect the institutional reality on the ground.

Institutional logics refers to the existence of diverse, multiple, and plural field-level organizing principles that shape actors' sensemaking, actions, and social relations (Thornton et al., 2012). Institutional logics are essentially about the belief systems and associated practices that guide the behavior of individuals within an institution. Logics provide both formal and informal frames of reference that inform and constrain the cognitive processes and behaviors of actors (Bjerregaard and Jonasson, 2014). In contrast to the conventional perspective on institutionalism within the IB literature, which predominantly advocates for structural similarity and downplays the role of agency, the institutional logics' framework accentuates the presence of institutional incoherence, heterogeneity, and plurality (Glynn and Raffaelli, 2013), with multiple logics competing for primacy in the interinstitutional arena (Thornton et al., 2012). Consequently, it views actors and practices as inherently connected to multiple and contradictory logics concurrently, giving rise to institutional complexity (Thornton et al., 2012). The institutional logics' framework acknowledges the dual nature of actors' agency -its embeddedness in institutions, and its externality to it (ibid.). This perspective offers an intricate lens through which to comprehend the reciprocal influence

between actors' agency and the social construction of institutions (Friedland and Alford, 1991). Notably, contexts comprise varying institutions (Do et al., 2020; Thornton et al., 2012; Alvehus, 2018). For instance, while the U.S. accentuates individualistic and bureaucratic logics promoting meritocratic HRM practices, countries like Japan and South Korea with a collectivist logic might emphasize group harmony and seniority (Horak and Yang, 2019; Hofstede & Bond, 1984; Singh et al., 2013; Singh, 2003).

In this respect, emerging markets DEs tend to invoke informal logics connected to cultural, family, and religious values and norms whereas MNCs are more likely to invoke formal logics. However, the existence of informal logics poses challenges, high transaction costs (Peng et al., 2008), and uncertainties (Farashahi & Hafsi, 2009), for both MNCs and DEs during their efforts to adopt formalized employment practices or optimize the utilization of their resource in host contexts. Notably, the institutional complexity linked to informal logics offers MNCs fertile ground for engaging in institutional entrepreneurship, exploiting institutional contradictions and complementarities to instigate change (Amirkhany and Pain, 2014) and promoting their preferred logics (Bjerragaard and Jonasson, 2014). DEs in emerging markets, on the other hand, have limited power to engage in institutional entrepreneurship and drive institutional change since they are deeply entrenched in local institutional setups, taking them for granted (Amirkhany and Pain, 2014). However, being an insider in the local institutional setup is advantageous because it provides companies with invaluable cultural understanding, and institutional knowledge, and enhances their acceptance and legitimacy. Despite the potential liability of being an outsider to the institutional setup (Johanson and Vahlne, 2009), MNCs, derive substantial benefits. This position allows them to view institutional fields differently, question them, and access alternative ideas and

practices compared to their DE counterparts (Amirkhany and Pain, 2014). Furthermore, endowed with substantial resources, MNCs can leverage institutional complexity and informality to initiate and lobby for institutional change, circumvent challenges associated with it, and impose their preferred combination of logics. Consequently, through their techniques, technical knowledge, and enhanced business efficiency MNCs gained managerial and organizational legitimacy in emerging economies (Child and Tsai, 2005; Ruef and Scott, 1998).

The IB literature has long recognized institutional tensions and contradictions as prevalent characteristics in the institutional environment of MNCs operating in emerging markets (Kostova et al., 2008). In such settings, characterized by the dominance of informal logics where norms, values, and relationships are not rigidly defined (Maguire et al., 2004), MNCs benefit from their global reach and the experience they gained in navigating complex and conflicting institutional logics in multiple contexts (Amirkhany and Pain, 2014). This global presence equips MNCs with knowledge and alternative approaches, granting them a greater room for agency to mobilize resources, power, and local actors in responding to institutional complexity and advancing their preferred set of logics in host countries (Amirkhany and Pain, 2014). Conversely, DEs may lack these advantages, as their embeddedness in local institutions may limit their exposure and knowledge, hindering their ability to navigate institutional complexity or initiate change (Child and Tsai, 2005; Newman, 2000).

HRM is fundamentally the strategic and consistent approach to managing an organization's most valued assets: the people (Saini & Budhwar, 2013). Differences in HRM policies across countries can largely be attributed to various factors, primarily institutional differences. Institutional logic,



in this context, offers a unique and complex way to analyze these differences, bringing a fresh perspective to understand how MNCs and DEs respond to institutional complexity (Al Jawali et al., 2020; Malik, Pereira, & Tarba, 2019; Horwitz, 2017). Formal and informal logics, encompassing regulatory, normative, and cognitive elements are pivotal for HRM, especially for corporations that operate across diverse and fluid institutional landscapes (Hiltrop, 2002; Thornton et al., 2012). Interestingly, India, with its cultural, historical, and social influences, presents a blend of informal institutional logics (Datta et al., 2023; Sovanjeet, 2014) that accentuates on family ties, community, and loyalty, echoing collectivist values (Gupta, 2022; Darwish et al., 2020). Nevertheless, in today's perspective on HRM in India, businesses are blending traditional and modern approaches to reward their employees. Traditionally, Indian companies emphasized celebrating team successes, highlighting the importance of collaboration. However, since significant economic changes in the 1990s, there has been a greater emphasis on acknowledging individual achievements and encouraging personal excellence, associating such HRM outcomes with formal bureaucratic logics. It is essential to ensure that individuals are motivated by their personal successes and associated rewards while also maintaining team spirit by recognizing collective accomplishments. Striking this balance is crucial for fostering employee satisfaction and maximizing the benefits that both individual and team successes bring to the organization (Stumpf, Doh, & Tymon, 2010). Furthermore, pertaining its heterogeneity, institutional logics can provide insight into variations in employee rights and relations (Rao, 2015; Al Jawali et al., 2020). For example, Nordics countries (e.g., Denmark, Norway, Sweden, Finland, Iceland) emphasize extensive worker rights, differing significantly from some Asian economies where employer authority might be more pronounced (Budhwar & Debrah, 2013). India, in this respect, has been evolving with a mix of strong labor rights, influenced by its socialist past, and the increasing

flexibility demanded by its burgeoning service and tech sectors (Edwards et al., 2016). Due to their global footprint, MNCs often confront institutional logic contradictions. Through the framework of institutional logic, these firms assume the role of institutional entrepreneurs and use institutional logics as cultural toolkits (Swidler, 1986) to exploit contradictions in initiating institutional change to accommodate their practices (e.g., Child and Tsai, 2005) or simply hybridize HRM policies to local contexts to adapt to local contexts (Madhvapathy & Rajesh, 2018). For instance, in India, global firms might find success in compartmentalizing and pairing between global and local institutional norms, amalgamating global best practices with a nuanced understanding of local institutional and cultural logics (Ouyang et al., 2019). This blend ensures that recruitment, retention, and employee engagement strategies are both effective and culturally sensitive. However, multiple logics might coexist within a single institution, complicating HRM decisions (Al Jawali et al., 2020; Srinivasan & Chandwani, 2014; Mohamed et al., 2013; Thornton et al., 2012).

### **The Indian Context**

The landscape of HRM in India has always been deeply rooted in its diverse socio-cultural milieu. As Budhwar and Debrah (2013) highlighted, traditional HRM practices were largely influenced by extended family systems, religious doctrines, and caste dynamics. These factors led to informal employment decisions that were often based on trust, kinship, and societal affiliations rather than formal qualifications or merit. However, as India trod the path of industrialization post-independence, a transformation in HRM practices was evident. Bhatnagar and Sharma (2004) outlined how the establishment of public sector units introduced formal bureaucratic global logics through hierarchies, standardized procedures, and well-defined job roles, noting a significant

departure from the erstwhile informal work arrangements. The liberalization of the Indian economy in the 1990s marked another pivotal shift. Agrawal and Bansal (2022) elaborated on the profound impact of globalization on Indian businesses, necessitating a shift towards international HRM standards. In this era, characterized by India's integration with global markets, the formal bureaucratic global HRM logic became more salient and saw heightened initiatives in formalized training and development, a focus on performance-based rewards, and the adoption of modern HRM tools. Parallely, the exponential growth of the IT sector played a pivotal role in making formal HRM-related logics more salient by bringing forth its own set of challenges and innovations in HRM. Baral and Bhargava (2011) emphasized how cities like Bangalore and Hyderabad became hubs for IT and IT-enabled services, prompting HRM strategies to revolve around talent acquisition, retention, and catering to a global clientele. Another significant aspect of the modern Indian HRM narrative is the increased focus on diversity and inclusivity. Budhwar and Varma (2011) shed light on the evolving nature of the Indian workspace, moving from a predominantly male-dominated, community-specific workforce to an environment that promotes gender equality, inclusivity, and transcends caste and religious barriers. These modern HRM practices, focusing on creating diverse teams and ensuring equal opportunities, signify a notable association in formalizing HRM-related logics and progressing their journey in the Indian context. However, the journey is not without its challenges. Wu and Park (2019) discussed the complex task HR managers in India face: balancing age-old traditional values with the demands of a globalized business framework. This unique challenge stems from the need to integrate traditional values while also adhering to international HRM practices.

## **HRM practices in comparative perspective**

### **Recruitment and selection**

Recruitment and selection form the pillars of an organization's HRM strategy, particularly in determining the caliber of talent they attract and retain (Burhan et al., 2020). Budhwar and Varma (2011) articulated that while MNCs, buoyed by their international lineage, generally adopt structured recruitment processes, DEs, especially the more traditional ones, navigate towards more informal avenues, such as employee referrals or community-based networks. This distinction is based on several underlying assumptions about the operational, \strategic, and resource-based differences between MNCs and DEs in India. For instance, MNCs, operating on a global scale, are compelled to institute more rigorous and effective recruitment and selection practices to ensure compliance with diverse international labor laws, maintain a competitive edge by attracting top talent worldwide, and uphold a uniform corporate image across different cultures and geographies (Agrawal and Bansal 2022). These organizations have access to more significant resources, enabling them to be institutional entrepreneurs and drive institutional change to invest in advanced recruitment technologies and methodologies to uphold international HRM standards. Furthermore, the global nature of their operations necessitates a workforce that is not only highly skilled but also culturally diverse, to drive innovation and facilitate entry into new markets (Alvehus, 2018). The presence of MNCs in technological hubs like Bangalore and Hyderabad underscores another pivotal difference. Khan and Abdullah (2019) noted that MNCs in these regions lean heavily towards competency-based recruitment, integrating tools such as psychometric evaluations and exhaustive interview mechanisms. This ensures alignment with their global standards (Farndale and Paauwe, 2007). However, DEs, especially in cities with a more localized business footprint like Jaipur or Lucknow, might predicate their selection criteria more on educational backgrounds,

local experiences, or cultural compatibility. An institutional analysis, as presented by Geary and Aguzzoli (2016), delves deeper into the role played by local labor laws, educational institutions, and job markets. For instance, MNCs situated in Pune, recognized for its academic landscape, frequently engage with prominent local institutions for talent acquisition. This method, although globally less common for these MNCs, becomes quintessential within the Indian context. Contrastingly, DEs have an edge with their inherent understanding of regional intricacies and local cultural nuances. Kuruvilla (1996) highlighted this with the example of Kolkata, known for its influential trade unions. Here, DEs demonstrate a knack for seamlessly navigating these complex relationships during the recruitment process, a task that might prove daunting for many MNCs. The cultural perspective is another fascinating dimension in this discourse. Cooke and Saini (2015) argued that while MNCs, especially in cosmopolitan cities like Mumbai or Delhi, champion cultural diversity in their recruitment strategies, DEs prioritize ensuring that their hires resonate with the organizational and regional culture. This often leads DEs to place an amplified emphasis on factors like local language proficiency and understanding of local traditions. However, the lines dividing these recruitment strategies are gradually blurring. Mudambi and Navarra (2002) identified an emerging trend where DEs, especially in cities like Chennai and Bengaluru, are infusing more structured and globally benchmarked practices into their recruitment models. Concurrently, MNCs are pivoting towards a more localized approach to effectively engage with the nuanced Indian labor market. Based on the above arguments, the following hypotheses are developed:

*H1: Considering the global operations of MNCs, it is assumed that their recruitment and selection procedures manifest a greater rigor compared to DEs.*

### **Internal career opportunities**

Internal career opportunities are pivotal in understanding an organization's commitment to its employees' growth and development. In the Indian corporate landscape, the nuances of these opportunities take unique shapes, especially when contrasting the practices of MNCs with those of DEs (Misra, & Mohanty, 2021; Kostova & Zaheer, 1999). Budhwar and Khatri (2001) observed the structured and delineated career paths that MNCs typically offer. Their expansive reach and hierarchical setups often delineate clear ladders for employees. Such structures not only grant clarity but also enable employees to envision potential future roles, especially in cosmopolitan hubs like Bengaluru or Pune. These cities, which host numerous MNCs, often witness employees enjoying a harmonized alignment with global roles, coupled with opportunities for international rotations and transitions (Muduli et al., 2023). Shifting the lens to DEs, Dalton and Bingham (2017) painted a different picture. They highlighted the organic, flexible nature of career progressions in these entities. While a subset of larger DEs has indeed begun echoing MNC-like structured paths, a significant number still respond to emerging markets' institutional complexity with locally-derived actions, grounded in real-time business requirements, interpersonal relationships, and nuanced competency metrics. This dynamic is even more pronounced in cities such as Ahmedabad or Indore. Here, many family-run businesses mold career advancement more around the ethos of trust, employee tenure, and one's rapport with key organizational stakeholders. The dimension of training and skill advancement further complicates this dichotomy. As Wood and Demirbag (2015) posited, MNCs, backed by extensive resources, often pour significant investments into employee training, aligning them with global competencies. DEs, on the other hand, might tailor their training more towards specific job roles. For example, in a city like Hyderabad, it is not uncommon to find MNCs boasting dedicated training infrastructures, while

DEs might lean on collaborations with local academic or training institutions. Lakshman et al., (2022) discourse introduced another layer to this narrative by unraveling the cultural and institutional underpinnings. For MNCs, there's a dual challenge: maintaining global consistency while also adapting to local cultural imperatives. DEs, given their deep roots in local cultural fabric, might at times lean into metrics like loyalty or tenure when deliberating internal promotions, possibly sidelining globally accepted meritocratic benchmarks. However, as Verma et al., (2022) suggested, these lines of differentiation are blurring. With the winds of globalization touching all corners, DEs in urban centers like Mumbai are fast imbibing global best practices. In parallel, MNCs are increasingly embracing local insights, ensuring their career frameworks resonate with the Indian ethos. Based on the above arguments, the following hypotheses are developed:

*H2: Owing to the global reach and interconnectedness of their affiliates, MNCs are postulated to exhibit a stronger inclination toward internal recruitment for vacancy fulfillment as opposed to DEs.*

### **Performance appraisal**

Performance appraisal, a crucial component of HRM, gauges an employee's contributions, aids in development, and informs crucial decisions like promotions or remunerations. In India, a rapidly globalizing market, the nuances and intricacies of performance appraisal processes become even more pronounced, particularly when we compare the practices of MNCs against DEs (Alanezi et al., 2020; Jain, Mathew, & Bedi, 2012). Gomes et al. (2015) initiated the discussion by emphasizing the formalized and systematic appraisal systems that are often a hallmark of MNCs

operating in India. With their global presence, these corporations generally integrate standardized metrics, 360-degree feedback systems, and goal-driven evaluations, ensuring alignment with global benchmarks. MNCs in cities like Gurgaon or Pune, known for their burgeoning corporate hubs, often employ advanced technological tools to drive these appraisals, enabling consistency across global branches. In the realm of DEs, the landscape appears somewhat diverse. Wood et al. (2020) shed light on how traditional DEs, especially those in cities like Jaipur or Varanasi, might still lean towards more subjective and relationship-based appraisals. Here, the emphasis is often on an individual's interpersonal relationships, commitment to the organization, and alignment with its values. That said, modern DEs, influenced by global trends, are increasingly incorporating objective metrics into their appraisal systems. MNCs, given their expansive resources, tend to invest heavily in ensuring their managers are adequately trained to conduct unbiased, effective appraisals. Conversely, DEs might navigate this terrain relying more on the experiential wisdom of senior leaders, although this is gradually changing with increased awareness and the need for standardized practices. Another layer of complexity is introduced when we factor in cultural dynamics. Gooderham, Mayrhofer, and Brewster (2019) explored how MNCs, while aiming to maintain global consistency, often find themselves adapting their appraisal systems to resonate with local cultural nuances. Indian values, which sometimes prioritize harmony and consensus, can influence feedback dynamics. DEs, given their deeply ingrained roots in local culture, might place greater weight on aspects like loyalty, dedication, and seniority during appraisals. However, recent trends suggest a convergence in appraisal practices. Aust, Muller-Camen, and Poutsma (2018) noted that as DEs in cities like Mumbai or Bengaluru increasingly interface with global markets, they're rapidly imbibing and integrating best practices from MNCs. Simultaneously,



MNCs are tailoring their practices to ensure cultural and regional relevance, leading to a richer, more holistic appraisal process. Based on the argument, the following hypothesis is developed:

*H3: A significant divergence in performance appraisal methods is anticipated between domestic and multinational corporations, with the latter expected to use more reliable and transparent appraisal methods aligned with formal HRM practices.*

## **Methods**

### ***Data and measurement***

The absence of a single, comprehensive reference for obtaining the specific list of our targeted sample posed a significant challenge. Hence, we had to gather data from various sources, making this task complicated. The extensive geographical expanse of India added another layer of complexity to the challenge; it was not feasible to physically contact each potential entity. Hence, we decided to outsource the data collection process. Our vision was clear: to encompass a heterogeneous mix of companies spanning six different regions across the country —Delhi, Calcutta, Bombay, Chennai, Bangalore, Indore, and Ahmedabad. Incorporating diverse geographic locations like these areas in our study can provide a more comprehensive understanding of business practices, cultural influences, and economic dynamics across different regions of India.

Our chosen outsourcing company has compiled a rich dataset that featured 300 distinct enterprises, setting the stage for our initial sample. We had 252 validated responses; a noteworthy observation was the composition of our sample: while 36% represented DEs, a substantial 64% were drawn from MNCs. This diverse response matrix was instrumental in fulfilling the core objectives of our

research. For the purpose of this research, we crafted a comprehensive survey to measure a wide range of HRM practices. Yet, for the scope of this study, we only focus on recruitment and selection, internal career opportunities, and performance appraisals. The unit of analysis was the organization, with the targeted respondents being the HR managers. They were selected given their experience and knowledge of HRM policies and practices within their institutions. We obtained our HRM practices measures from prior work, which has consistently underscored their reliability and validity (see Darwish et al., 2023; Singh et al., 2017; Darwish et al., 2016; Singh et al., 2013). The subsequent sections explore the details of these measures.

### **Analytical approach**

Given the intended detailed comparative analysis in this work, our aim is to scrutinize the measures of our HRM practices at the item level, rather than dealing with them as constructs or composite variables. To achieve the aim of this work, we utilized ordinal and binary regression analysis. Acknowledging the possible advantages of employing additional methods, particularly in comparing HRM practices between MNCs and DEs, we also supported our main analyses with supplementary tests, notably proportions tests. These supplementary analyses enhanced our understanding, contributing to a more comprehensive perspective on HRM practices. In the following sections, we will provide a detailed explanation of the methods employed to test our research hypotheses.

### ***Results on Recruitment and Selection***

To conduct a multivariate analysis regarding recruitment and selection practices, specifically when selecting candidates for middle management positions, we established a set of 12 equations. These equations were divided into two groups: six focused on the significance of qualifications, and the remaining six concentrated on the significance of personal attributes/characteristics. The responses to these questions are detailed under the notes of Table 1. We also include the operation level of the firm (MNCs vs DEs) as our main independent variable. The model fitting statistics in Table 1 are within an acceptable range, indicating that each model fits well. This applies to the -2 Log Likelihood measures, which show how closely the model matches the data. Moreover, the Chi-Square test statistics confirm this by assessing the overall model fit. Additionally, the  $R^2$  values, including Cox & Snell and Nagelkerke, indicate how much of the variation in the dependent variables is explained by the independent variable for each model. As shown in Table 1, it may come as a surprise that the operation level of the firm (MNCs vs DEs) has no notable impact on the recruitment and selection activities of these firms. It's possible that, in the context of India, both DEs and MNCs have adopted similar HRM practices for middle management appointments. This could be due to industry norms, market competitiveness, or a shared recognition of the criteria needed for middle management roles.

### ***Additional analysis of hypothesis 1***

In this section, we delve deeper into the findings discussed in the previous section, with a particular emphasis on their implications for multinational and domestic enterprises in relation to the first hypothesis. In order to accomplish this, we evaluate each of the twelve traits by aggregating the

Table 1: Ordinal regression results on recruitment and selection practice

Independent↓ Dependent→	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12
MNE Vs. DE	-0.238 (0.464)	-0.034 (0.917)	-0.377 (0.229)	-0.082 (0.799)	-0.257 (0.366)	-0.131 (0.658)	-0.473* (0.091)	0.089 (0.772)	-0.221 (0.514)	0.200 (0.551)	0.057 (0.861)	0.239 (0.467)
<i>Model Fitting Statistics</i>												
-2 Log Likelihood	342.450	315.498	381.269	334.163	531.238	425.614	473.661	361.792	306.644	287.626	342.228	310.655
Chi-Square	76.32 (0.00)	33.85 (0.00)	60.54 (0.00)	32.13 (0.00)	52.10 (0.00)	37.68 (0.00)	44.56 (0.00)	73.39 (0.00)	82.48 (0.00)	42.20 (0.00)	64.08 (0.00)	44.10 (0.00)
R <sup>2</sup> : Cox & Snell	0.283	0.137	0.232	0.131	0.204	0.152	0.177	0.274	0.302	0.168	0.244	0.175
R <sup>2</sup> : Nagelkerke	0.337	0.175	0.272	0.164	0.221	0.175	0.197	0.322	0.370	0.220	0.294	0.222

NOTE: Variables 1-12 (Dependent Variables) are responses to question 'In appointing a candidate to a middle grade in general management, how do you rate the following' (Variables 1-12). The replies read as follows: 1. School and university qualifications; 2. Professional qualification other than (1); 3. Previous experience of a similar job; 4. A range of work experience; 5. Period of residence in other countries; 6. Command of languages; 7. Willingness to travel; 8. Single-minded dedication to each task; 9. Self-motivation; 10. Potential to grow with the job; 11. Independent judgement; 12. Commitment to the company; \*\*\* Significant at 0.01 level; \*\* Significant at 0.05 level; \* Significant at 0.10 level; ^ Significant at 0.15 level.

responses marked as 4 or 5, thereby classifying them as highly significant. The Z-values for all these traits are presented in Table 2.

Table 2: Comparative analysis of recruitment and selection practices (MNEs vs. DEs)

Sr.	Recruitment and selection practices	Calculated z value	Trait more important for MNEs or DEs
<b>Qualifications:</b>			
1	School and university qualifications	$Z_{7.0} > Z_{0.5}$	DEs
2	Professional qualifications other than 1	$Z_{10.0} > Z_{0.5}$	DEs
3	Previous experience in similar job	$Z_{9.33} > Z_{0.5}$	DEs
4	A range of work experience	$Z_{10.67} > Z_{0.5}$	DEs
5	Period of residence in other countries	$Z_{4.67} > Z_{0.5}$	DEs
6	Command of languages	$Z_{2.14} > Z_{0.5}$	DEs
<b>Personal Characteristics:</b>			
7	Willingness to travel	$Z_{4.38} > Z_{0.5}$	DEs
8	Single-minded dedication to each task	$Z_{6.26} > Z_{0.5}$	DEs
9	Self-motivation	$Z_{8.85} > Z_{0.5}$	DEs
10	Potential to grow with the job	$Z_{10.12} > Z_{0.5}$	DEs
11	Independent judgement	$Z_{9.49} > Z_{0.5}$	DEs
12	Commitment to the company	$Z_{9.49} > Z_{0.5}$	DEs

Note: ( $H_0: p_1 = p_2$  Vs.  $H_1: p_1 > p_2$ ; at  $\alpha = 0.05$ ; with the critical region  $Z > 1.96$ )

Our analysis, as displayed in the Table 2, underscores a curious trend: DEs seem to place a greater emphasis on recruitment and selection practices than their MNC counterparts. In contrast to our initial hypothesis, which suggested that, considering the global operations of MNCs, it is postulated that their recruitment procedures manifest a greater rigor compared to DEs. However, the findings show that DEs actually place a higher level of importance on such practices than MNCs. This outcome contradicts our initial expectations. Furthermore, the regression results support the proportions test, indicating that MNCs do not show a greater emphasis when selecting candidates for middle management positions.

### ***Results on internal career opportunities***

To conduct a multivariate analysis related to internal career opportunities, we established six equations to represent the primary dimensions of individual or group performance considered in the evaluation of promotion cases. These six variables correspond to the responses provided for the following question: "Please specify the key dimensions of individual or group performance that are utilized in the assessment of promotion cases" (variables 1-6). The responses to these questions are detailed under the notes of Table 3. We also include the operation level of the firm (MNCs vs DEs) as our main independent variable. As shown in Table 3, the model fitting statistics are within an acceptable range, indicating that each model fits well. Examining the primary results,

Table 3: Ordinal regression results on internal career opportunities practices

Independent↓ Dependent→	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
MNE Vs. DE	-0.042 (0.899)	0.169 (0.597)	-0.455 (0.166)	-0.107 (0.718)	0.431 (0.159)	-0.396 (0.248)
<i>Model Fitting Statistics</i>						
-2 Log Likelihood	336.514	340.497	351.259	427.863	354.213	312.762
Chi-Square	117.369 (0.00)	68.644 (0.00)	66.202 (0.00)	68.224 (0.00)	81.908 (0.00)	117.596 (0.00)
R <sup>2</sup> : Cox & Snell	0.401	0.259	0.251	0.258	0.301	0.402
R <sup>2</sup> : Nagelkerke	0.259	0.311	0.299	0.291	0.353	0.473

NOTE: Variables 1-6 (Dependent Variables) are responses to question 'Please indicate the main dimensions of individual or group performance used in assessing cases for promotion' (variables 1-6). The replies read as follows: 1. Contribution to profit; 2. Value of output (independent of profit margin); 3. Quality of output; 4. Keeping with budget; 5. Effort (independent of final result); 6. Overall professionalism. \*\*\* Significant at 0.01 level; \*\* Significant at 0.05 level; \* Significant at 0.10 level; ^ Significant at 0.15 level.

at the operational level, it appears that whether a company is an MNC or a DE, it does not have a significant impact on internal career opportunity practices. This outcome differs from our initial prediction, which suggested that MNCs might show a greater tendency towards internal recruitment to fill vacancies compared to DEs.

### ***Additional analysis of hypothesis 2***

In this section, we build upon the findings from the previous section, specifically focusing on their relevance to multinational and domestic enterprises in the context of the second hypothesis. To accomplish this, we aggregate responses marked as 4 or 5 for each of the six traits, categorizing them as highly significant. We apply this process to both MNCs and DEs, followed by a proportion test. The outcomes of these tests are presented in Table 4.

Table 4: Comparative analysis of internal career opportunities practices (MNEs vs. DEs)

Sr.	Internal career opportunities practices	Calculated z value	Trait more important for MNEs or DEs
1	Contribution to profit	$Z_{7.0} > Z_{0.5}$	DEs
2	Value of output (Independent of profit margin)	$Z_{8.34} > Z_{0.5}$	DEs
3	Quality of output	$Z_{8.31} > Z_{0.5}$	DEs
4	Keeping within budget	$Z_{6.31} > Z_{0.5}$	DEs
5	Effort (Independence of final result)	$Z_{8.34} > Z_{0.5}$	DEs
6	Overall professionalism	$Z_{6.26} > Z_{0.5}$	DEs

Note: (H0:  $p1=p2$  Vs. H1:  $p1>p2$ ; at  $\alpha = 0.05$ ; with the critical region  $Z > 1.96$ )

Based on the presented results and in light of our hypothesis, which proposed notable disparities in internal career opportunities and promotions between DEs and MNCs, it seems that the selected traits carry greater importance for DEs in comparison to MNCs. We initially postulated that MNCs would have a stronger inclination toward internal recruitment for filling vacancies. However, the

regression analysis indicates that there are no significant disparities between MNCs and DEs concerning internal career opportunities and the criteria for promotions. This observation aligns seamlessly with our proportions analysis findings.

### ***Results on performance appraisals***

In our multivariate analysis of performance appraisal practices, we defined five equations. These equations correspond to the responses obtained for the question, "How do you conduct the performance appraisal of the employee?" The details of these responses can be found in the notes section of Table 5.

Table 5: Binary regression results on the performance appraisal practice

Independent↓ Dependent→	Model 1	Model 2	Model 3
MNE Vs. DE	-0.393 (0.249)	0.310* (0.089)	0.112 (0.755)
<i>Model Fitting Statistics</i>			
-2 Log Likelihood	249.638	292.803	233.619
Chi-Square	50.266 (0.00)	15.758 (0.046)	21.147 (0.007)
R <sup>2</sup> : Cox & Snell	0.197	0.066	0.088
R <sup>2</sup> : Nagelkerke	0.270	0.090	0.131

NOTE: Variables 1-4 (Dependent Variables) are responses to question 'How do you conduct the performance appraisal to the employee?'. The replies read as follows: 1. By a formula relating actual performance to an individually negotiated performance norm; 2. By a formula involving a standardized performance norm known to the employee; 3. By management discretion. \*\*\* Significant at 0.01 level; \*\* Significant at 0.05 level; \* Significant at 0.10 level; ^ Significant at 0.15 level.

Following the same methodology as described earlier, we incorporated the operational level of the firm (MNCs vs. DEs) as our primary independent variable. When examining the main results



presented in Table 5, it becomes apparent that the operational level, whether it's an MNC or DE, appears to influence the performance appraisal process when it is conducted "by a formula involving a standardized performance norm known to the employee" ( $\beta=0.310$ ,  $p<0.10$ , Model 2). However, for the remaining methods of performance appraisal, the operational level does not seem to have a significant impact on how performance appraisals are conducted.

### ***Additional analysis of hypothesis 3***

We further explore the results obtained under Hypothesis 3, focusing on their implications for MNCs and DEs. We executed a proportions test to compare the preferences of the two groups. The findings of this test are presented in Table 6.

Table 6: Comparative analysis of performance appraisals (MNEs vs. DEs)

Sr.	Performance appraisals practices	Calculated z value	Trait more important for MNEs or DEs
1	By a formula relating actual performance to an individually negotiated performance norm	$Z_{3.43} > Z_{0.5}$	DEs
2	By a formula involving a standardized performance norm known to the employee	$Z_{6.61} > Z_{0.5}$	DEs
3	By management discretion	$Z_{6.30} > Z_{0.5}$	DEs

Note: ( $H_0: p1=p2$  Vs.  $H_1: p1>p2$ ; at  $\alpha = 0.05$ ; with the critical region  $Z > 1.96$ )

Based on the results and considering our initial hypothesis that significant differences would exist in the performance appraisal process between domestic and multinational enterprises, the regression findings reveal some intriguing patterns. In comparison to domestic enterprises, MNCs seem to wield a higher level of influence over the performance appraisal process when it is

conducted "by a formula involving a standardized performance norm known to the employee" ( $\beta=0.310$ ,  $p<0.10$ , Model 2). However, the operational level does not appear to have an impact on the other methods of conducting performance appraisals. It's worth noting that the calculated z-value indicates that this particular trait is actually more important to DEs than it is to MNCs, which again, contradicts our initial expectations.

## **Discussion and Conclusion**

We conducted an extensive analysis of HRM practices in the Indian context, with a focus on distinguishing between multinational and domestic enterprises. Initially, our expectations assumed that MNCs, given their global reach and ease of engaging in institutional entrepreneurship to drive institutional change, would uphold global HRM values and prioritize effective employment practices such as recruitment, internal career opportunities, and performance appraisals more than DEs. However, the empirical evidence from our investigation did not support our proposed hypotheses. Surprisingly, the data suggests that having a large organizational scale and an international presence does not necessarily lead to a higher emphasis on key HRM strategies. Contrary to our expectations, DEs appear to prioritize robust HRM practices more significantly. These findings challenge conventional assumptions and underscore the complex HRM dynamics present in India's diverse institutional landscape. Contrary to conventional assumptions regarding the engagement of MNCs in institutional entrepreneurship in the IB literature and their capacity to instigate institutional change (Amirkhany and Pain, 2014; Kostova et al., 2008), our emphasis is on DEs actively driving institutional change in the Indian context. This change is marked by the adoption of more efficient HRM practices aligned with salient formal global bureaucratic institutional logics. Despite our initial expectations leaning towards informal logics for DEs and

formal ones for MNCs, the evidence suggests a different reality. This study's findings indicate that, even though DEs are deeply entrenched in local institutional setups, they have the potential to engage in institutional entrepreneurship behaviors, instigating institutional change to promote their interests. Several factors could potentially explain these observations. For instance, our findings may be influenced by resource limitations; within local companies, informal logics frequently increase transaction costs and accentuate resource constraints (Amirkhany and Pain, 2014), impacting their optimized utilization. Consequently, DEs may shift to formal HRM bureaucratic logics to prioritize efficient and effective HRM practices, particularly in talent acquisition and retention and internal career opportunities within their local environment. Additionally, due to their inability to compete solely on salary, local firms may concentrate on alternative retention strategies, including providing well-defined career paths, fostering career development opportunities, and cultivating a positive workplace culture.

Alternatively, the rationale behind MNCs' response to institutional complexity may be rooted in resource exploitation rather than constraints. Possessing substantial resources, MNCs seem to exhibit a preference for informal logics in recruitment, selection, and internal career opportunities. Therefore, the findings in this study suggest that MNCs do not necessarily leverage contradictions between formal and informal institutional logics to uphold global HRM values by, for example, initiating institutional change. Instead, the evidence indicates a tendency for these companies to align with local informal logics, aiming to bolster their acceptance and legitimacy in the local context over upholding global HRM values.

Additionally, the results underscore a more complex nuanced nature to the fluid and dynamic institutional logics within the Indian context. The increased formal emphasis placed by DEs on recruitment and internal career opportunities highlights the prevalence of such companies to align with formal logics. In contrast, this emphasis was not mirrored in performance appraisal, where a greater focus on formal logics was not observed. This shift towards informal logics in performance appraisal can be attributed to establishing relationships and rapport between employees and the company, prompting a transition to the informal logic. The findings could also be potentially explained by domestic enterprises having a better understanding of the dynamics of the national institutional arrangements in India. Indigenous companies often have a better understanding of the local rules and customs, including cultural nuances and the country's legal requirements (Brandl, Bos-Nehles, and Aust, 2018; Darwish et al. 2020). Generally, accounts of institutional entrepreneurship are often accorded to MNCs due to their lobbying power and abundant resources (Amirkhany and Pain, 2014). However, in this study, we observe that these narratives are frequently shaped by local companies. This deep knowledge gives DEs a strategic advantage when it comes to HRM strategies. The evidence shows a transformation in nuanced HRM practices within DEs, transitioning from being primarily influenced by informal logics to embracing more formalized structures. DEs can use this ability to develop and implement HRM sub-practices that align perfectly with the unique values, traditions, and aspirations of the local workforce. In essence, their ability to interpret the complexities of the local institutional environment allows them to implement HRM practices that not only resonate strongly but also foster stronger employee loyalty and commitment.

A similar pattern emerged with MNCs, indicating that these companies often initially prioritize recruiting local talents and providing internal career opportunities informally to integrate into the local environment. However, this dynamic shifts in performance appraisals, where a transition to more formal approaches becomes evident. This emphasis suggests that MNCs initially build relationships and recruit employees by invoking informal logics, only to later adopt more formal logics in performance appraisals. This evidence not only underscores differences in how logics are invoked and how practices are adopted between MNCs and DEs but also demonstrates the nuanced and evolving nature of institutional logics in the Indian context, particularly across various HRM sub-practices within these firms.

Furthermore, our findings regarding the stronger emphasis placed by domestic enterprises on rigorous recruitment practices when appointing candidates to middle management positions can be attributed to cost-efficiency considerations. Multinational enterprises often opt for expatriates in leadership roles, which can be a costly endeavor. Conversely, DEs, who frequently operate within constrained budgets, may find it more economical to develop and elevate their current employees, thereby reducing expenses associated with recruitment and onboarding. This economic rationale underscores the significant emphasis placed on their recruitment and selection criteria.

### ***Implications for theory and practice***

Our research makes a notable contribution to actors' response to institutional complexity and contradictions in the IB literature (Kostova et al., 2008) by highlighting that DEs actively engage in institutional entrepreneurship behaviors, showcasing their ability to drive institutional change even with limited resources compared to their MNCs counterparts. Notably, DEs are displaying a

clear inclination toward formalized HRM approaches, signifying a strategic shift that enables them to competitively position their practices closer to MNCs espoused ones. Importantly, our findings dispel the notion that the deep entrenchment in local institutional setups hinders DEs; instead, it allows them to strategically integrate complementary norms from both local and global institutional arrangements, recognizing that aligning their HRM practices with formal logics provides them this strategic position and influences institutional change effectively. For instance, when we examine our findings related to recruitment and selection criteria, a conspicuous trend emerges. It becomes evident that Indian society places a pronounced emphasis on educational qualifications. This emphasis stems from a deeply ingrained social belief that higher education serves as a definitive pathway to success and social status. This societal norm significantly aids DEs to shift to more formal HRM-related logics and shapes employment and organizational practices. Hence, DEs, when aligning with these norms, may emphasize qualifications to maintain social legitimacy. They aim to project themselves as organizations that genuinely value and actively promote education, thereby aligning with the overarching HRM bureaucratic institutional logic and societal expectations simultaneously.

Furthermore, our study illuminates that amid varying resource availabilities for DEs and MNCs within the Indian context, diverse forces influence the institutional landscape and exacerbate its fluidity. Both MNCs and DEs exhibit the role of adaptive navigators to competing formal and informal institutional logics, showcasing their ability to navigate and influence institutional structures while aligning with the cultural nuances of the context. This not only highlights their adaptability within existing institutional setups but also reflects their simultaneous exertion of contrasting influences and driving divergent changes within the institutional fabric. By invoking informal logics, MNCs may be seen as aligning with local norms and practices, enhancing their

acceptance and legitimacy in the Indian context. On the other hand, DEs, embracing formal logics for global alignment, gain a strategic competitive advantage to compete on global and local scales. This insight highlights how the availability of resources shapes the overall institutional environment in India and adds a layer of complexity to global-local convergence of practices, creating a complex mosaic of global and local influences. Additionally, DEs' prioritization of HRM practices aligned with formal logics may stem from an earnest desire to attain legitimacy and carve out their identity as responsible corporate citizens within their local community without breaching local institutional norms (e.g., Alanezi, 2020; Wood et al., 2020). Their unwavering focus on these practices can also be viewed as a dynamic response to the exigencies of the local context. In this regard, they adapt their HRM strategies adeptly to navigate and thrive within the specific institutional landscape (Wood et al., 2020; Haak-Saheem et al., 2017). Overall, from the standpoint of institutional logic, the emphasis on HRM practices by DEs signifies their proactive effort to disentangle themselves from entrenched local institutional norms, elevating their practices to a global standard. DEs adeptly wield institutional logics as cultural toolkits, engaging in institutional change to shape and advocate for a well-suited bundle of HRM practices. This strategic adaptation enables them to adeptly navigate and respond to the intricate institutional complexity on the ground. This discerning approach highlights DEs' strategic alignment of their HRM strategies with the established institutional norms and pressures inherent to their immediate environment. Such strategic alignment carries profound implications for their legitimacy, competitiveness, and long-term viability within the intricate fabric of their operating context.

Conducted within the socio-economic framework of India—a prominent Southeast Asian emerging market—this study offers pivotal insights for both DEs in analogous markets and

multinationals intending to venture into such regions. Our findings underline the nuanced differences in HRM practices between DEs and MNCs, offering invaluable context for enterprises entering emerging markets. Despite their international expansion and sophisticated HRM models, the findings suggest a different reality for MNCs. Consequently, the recommended approach is for MNCs to acknowledge and perceive the distinctive institutional arrangements in India as logics, refraining from viewing them merely as challenges, barriers, or obstacles to be changed or overcome. The suggested strategy is for MNCs to adapt and cope with the local context, fostering a more successful and favorable outcome. This suggestion can also guide local businesses toward achieving a competitive edge by aligning their HRM strategies with proven practices. Our results underscore the continued reliance on traditional recruitment methods, where formal qualifications and work experience remain paramount, irrespective of enterprise size. For DEs aspiring for a global footprint, this signifies the viability of their standardized recruitment frameworks in a multinational environment. In conclusion, this research not only refines our understanding of the complex HRM landscape between MNCs and DEs but also bridges the theoretical propositions with actionable insights for the business community.

### ***Limitations and future work***

In our study, we did not differentiate between multinational corporations based on their country of origin. It is logical to assume that MNCs rooted in diverse cultural backgrounds may demonstrate distinct behaviors compared to companies anchored in different cultural contexts. This potential variation, influenced by the cultural origins of MNCs, presents an important avenue deserving of further exploration in future research endeavors. Moreover, our study did not account for certain important variables that could potentially influence the overall results. For instance, the potential



impact on of industry-specific dynamics is an aspect that requires more in-depth analysis. Additionally, factors such as firm size and age may have diverse implications, especially in relation to recruitment and internal career opportunities. Future work could explore these aspects more thoroughly, providing insights into nuanced dynamics and contributing to a more comprehensive understanding of how firm size, age, and sectoral differences impact HRM practices.

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