

Developing the concept of socially responsible international human resource management

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Integrating the literature on international human resource management (IHRM) with corporate social responsibility, this paper introduces the concept of socially responsible IHRM (SRIHRM) and develops its construct in key IHRM functions. This paper also discusses the complexities in the implementation of and the factors that may determine multinational enterprises' decisions regarding SRIHRM practices. Avenues for further research and discussions on the practical implications are suggested.

Keywords: corporate social responsibility; employee-oriented HRM; HRM ethics; international human resource management; multinational enterprises; socially responsible IHRM

Introduction

Over time, human resource management (HRM) concepts have evolved from originally having their focus on welfare and administration to an emphasis on employee motivation and job satisfaction. This is mainly in response to modern social concerns with employees' rights and their personal and development needs (Hartel, Fujimoto, Strybosh and Fitzpatrick 2007). Over the past few decades, this has resulted in the rise of human resource (HR) ethics (Greenwood 2002) and employee-oriented HRM, such as high involvement HRM (Guthrie 2001), flexible employment (Guest 2004), family–friendly HRM (Bagraim and Sader 2007) and work–life balance (Bardoel, De Cieri and Mayson 2008). These are the aspects of HR that are being published more widely than before (Winstanley and Woodall 2000). However, the international HRM (IHRM) literature that addresses 'HRM issues and problems arising from the internationalization of business, and the HRM strategies, policies and practices which firms pursue in response to the internationalization of business' (Scullion 1995, p. 352) has been left behind, in comparison to general HRM in this regard.

Since the 1960s, business activities have become increasingly international and global. IHRM has been widely recognized as an important source of organizational competitive advantage and the key to international business (IB) success of multinational enterprises (MNEs) (Black, Gregersen and Mendenhall 1992; Dowling, Festing and Engle 2008). The IHRM literature has developed significantly since the 1990s, the decade that marked the 'boom' in the global economy. One important development in the IHRM literature is the emergence of a number of conceptual IHRM frameworks that explain the rationale of MNEs' decisions regarding their IHRM systems. The major attempts to develop integrative IHRM models have included the following:

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- The Two Logics Approach (Evans and Lorange 1989)
- An Integrative Framework of Strategic IHRM (SIHRM) (Schuler, Dowling and De Cieri 1993)
- Two Dimensions of IHRM (Paauwe and Dewe 1995)
- An Integrative Model of SIHRM (Taylor, Beechler and Napier 1996)
- A Generic IHRM model (Shen 2005).

These IHRM models have identified a range of host-contextual and firm-specific factors, despite the variations in factor contents that need to be taken into account when MNEs formulate and implement IHRM policies and practices. The host-contextual factors include mainly political factors, for example political stability, legal factors (such as labour legislation and regulations), economic factors and socio-cultural factors (for instance employment traditions). The firm-specific factors include mainly international strategy, organizational structure, organizational culture, mode and stage of internationalization, industry, organization size, reliance on international markets, international experience and senior managers' attitudes regarding internationalization or their home country's HRM systems (Schuler et al. 1993; Taylor et al. 1996; Shen 2005; Dowling et al. 2008).

These IHRM models are of great help in assisting MNEs to build effective IHRM systems so that international strategies can be effectively implemented (Schuler, Budhwar and Florkowski 2002; Shen and Edwards 2006; Dowling et al. 2008). However, the main purpose of taking account of a range of host-contextual and firm-specific factors is for MNEs to achieve – simultaneously – global coordination, local responsiveness and strategic integration, the so-called 'best-fit' with their internal and external environments (Shen, Edwards and Lee 2005; Shen and Edwards 2006). Unfortunately, these IHRM models have yet not adequately considered the rights and interests of internal and external stakeholders, including employees, consumers, communities and business partners. This is because these models were mainly developed in the 1990s when corporate social responsibility (CSR) had not become a serious issue in what is now considered to be a global society. Two factors relating to employees in the prevailing IHRM models are the legal factors and the socio-cultural factors. The legal factors are host nations' labour-related legal regulations, regarding the use of expatriates, the ban on child labour and forced labour, equal opportunity, working hours, working environment and minimum wages (Dowling et al. 2008). Taking the labour-related legal factors into consideration helps MNEs comply with host labour laws and avoid legal sanctions (Parker 2002). According to those scholars who have shaped integrative IHRM models, such as Dowling et al. (2008), Shen (2005) and Schuler et al. (1993), the socio-cultural factors consist mainly of labour availability and costs, and employment traditions in host countries. Obviously, there is a strong emphasis in compliance with labour laws and regulations and employment traditions. However, the social concerns with employees' development and their personal needs, and with external stakeholders, are yet to be taken into account in the IHRM literature.

It is recognized that employees' perceptions of whether a HRM system is implemented out of a concern for organizational justice or only as a means to attract and retain qualified employees shape their attitudes, behaviours and performance at work in different ways (Bowen and Ostroff 2004; Nishii, Lepak and Schneider 2008). In a similar vein, IHRM policies and practices, if perceived as addressing the interests and rights of employees, will improve employees' attitudes, behaviours and performance, and vice versa. Therefore, a lack of consideration of the rights and interests of employees is a serious absence in the existing IHRM literature that needs to be addressed. Otherwise, the continuous application

of IHRM models in their current form results in MNEs' long-term sustainability being compromised.

Another important limitation of the existing IHRM literature is a lack of consideration of business ethics relating to ethical principles and moral or ethical problems that arise in a business environment. Business ethics addresses the interests of external stakeholders, including local communities, business partners, suppliers and consumers. Interest in business ethics accelerated dramatically, during the 1980s and the 1990s, in both the major corporations and the halls of academia. CSR is an umbrella term under which the ethical rights and duties existing between companies and society is debated. The engagement in CSR initiatives has been seen as an important means to treat the stakeholders in the wider community responsibly (Bowen 1953; Carroll 1998; Le Menestrel and de Bettignies 2002; Hopkins 2003; Walsh 2005; Lee 2008). The notion of CSR emerged in the 1950s (Bowen 1953) but has increasingly become a major concern of the global society during the past three decades (Carroll 1998; Porter and Karamer 2002; Husted and Allen 2006; Basu and Palazzo 2008; Matten and Moon 2008). MNEs, due to their global reach, are under growing pressure to engage in a range of CSR initiatives in order to gain social licence and long-term sustainability (Meyer 2004; Becchetti, di Giacomo and Pinnachio 2005). The major CSR initiatives are the following: reducing poverty (Jenkins 2005); AIDS awareness and prevention (Walsh 2005); and protecting the environment, which means a recognition of the damage caused by climate change and pollution (Le Menestrel and de Bettignies 2002). These initiatives are normally regarded as general CSR that involves the participation of a large number of external stakeholders. In addition, labour relations throughout the firm's global value chain are also considered to be the real concerns for external stakeholders (Aguilera, Rupp, Williams and Ganapathi 2007).

Most CSR initiatives belong to corporate citizenship behaviours that are beyond legal requirements, and their omission is usually not legally punishable. Nevertheless, the concern with CSR is having a major impact on business missions, operations, marketing and management in MNEs (Turban and Greening 1996; Crowther and Rayman-Bacchus 2004). Research shows that participating in CSR initiatives improves corporate reputation (Turban and Greening 1996; Fombrun 2005). Financial aspects of a business's activities are also enhanced, including organizational financial performance in terms of profitability (Aupperle, Carroll and Hartfield 1985), return on investment (Graves and Waddock 1994; Orlitzky, Schmidt and Rynes 2003) and non-financial performance, for instance pre-empting legal sanctions (Parker 2002), responding to non-government organization's (NGOs) action (Spar and La Mure 2003), customer loyalty (Bhattacharya and Sen 2001, 2004) and less employee turnover (Hickman, Walter and Kohls 1999). The key to effectively engaging the MNEs in CSR initiatives lies in adopting appropriate IHRM policies and practices, for example deploying adequate employees who are being responsible for CSR and appraisal of social performance. Given the positive relationship between CSR and organizational performance, it can be argued that IHRM policies and practices that facilitate engagement in CSR have a positive impact on employees' attitudes, behaviours and how they do their work. Eventually these will have a positive impact on organizational performance. Therefore, there is a pressing need for IHRM to incorporate CSR alongside taking account of a range of host-contextual and firm-specific factors.

This paper develops the concept of socially responsible IHRM (SRIHRM). By doing so, it adds to the body of knowledge base concerning IHRM. This new concept redresses the situation, whereby the existing IHRM literature does not consider adequately the rights and interests of internal and external stakeholders. The introduction of the concept of SRIHRM

will change an MNE's emphasis away from organizational short-term effectiveness to organizational long-term sustainability.

The construct of SRIHRM

Unlike IHRM or strategic IHRM, which focuses on internal and external fit in order to achieve simultaneously global integration, local responsiveness and strategic integration, the proposed concept of SRIHRM is concerned with the interests and rights of internal and external stakeholders in the international setting in order to achieve long-term sustainability. To effectively address the interests and rights of employees, the MNE needs to comply with labour laws or regulations and implement employee-oriented IHRM policies and practices that go beyond legal compliance. A number of investment funds such as the US-based Domini Social Equity Fund, screen labour relations regarding observance of International Labour Organization (ILO) conventions, include union recognition, profit distribution, employee involvement, work and family balance, health and safety, retirement benefit programme and workforce reduction. An evaluation of these factors will determine whether to either invest in companies that are deemed to have positive employee relations or exclude those with poor labour management practices (Waring and Lewer 2004). During his presidency in the USA, Bill Clinton's five criteria for the Ran Brown Award for 'good corporate citizenship' included family leave, good health and pension benefits, a safe workplace, training and advancement opportunities and avoiding layoffs.¹ These criteria still represent an example of integrating both legal compliance and employee-oriented HRM policies and practices.

In terms of legal compliance, HRM policies and practices involve both the local laws and the labour standards set by the ILO, recognized equality and affirmative actions (AA), health and safety regulations, working hours, wages, and evidence that there is no child labour and/or forced labour (Jennings 1996; Amestoy and Crosbie 2000; Rhoades and Eisenberger 2002; Rowan 2000; Shen, D'Netto and Tang 2010). Because they operate in diverse cultural and economic environments, it is important for MNEs to provide equal opportunity in all IHRM activities to employees, regardless of their gender, race, age and cultural background (Grover and Crooker 1995; Thomas and Ely 1996). If HR practices do not effectively reflect workplace equality, employees will develop a poor impression or perception of the whole process (Richard and Kirby 1999). Like Domini Social Equity Fund, to demonstrate that they are socially responsible, MNEs must develop more awareness of the labour relations in their global business partners, particularly suppliers, sub-contractors and major clients (Winstanley, Woodall and Heery 1996; Carroll 1998; Aguilera et al. 2007; Lee 2008). MNEs usually appoint adequate or experienced specialist ethics officers at their corporate offices and in overseas subsidiaries to monitor the labour standards of their global business partners and clients. They do this to ensure that their labour standards are acceptable (Purcell 1996) and equally, importantly, ethical and legal.

However, laws may not be at a level or standard that is truly needed to protect a range of stakeholder groups, or not address all social concerns, that need to be addressed (Carroll 1998). Since the 1960s, employee-oriented HRM practices have been developed and these include the following: work systems and job design to satisfy human motivational needs, especially the need for autonomy, equality, skill development and self-actualization, participation and involvement, power sharing and control, and flexible working hours and/or employment (Donaldson 1991; Winstanley and Woodall 2000; Waring and Lewer 2004). The stakeholder approach suggests that organizations develop a system of employee involvement and participation in decision-making through formal and informal

consultation methods (Winstanley et al. 1996; Legge 1998). Moreover, freedom of association and collective bargaining are the core ILO labour standards that exercise employees' autonomy (ILO 1998). Furthermore, training and development are positively associated with employee job satisfaction and organizational performance (Delaney and Huselid 1996). High investment in training and development and the use of appraisal result in training and career and management development help meet employees' development needs (Winstanley et al. 1996). These employee-oriented HRM practices provide employees with an organizational support to meet their career and managerial development needs (Veiga, Baldrige and Eddleston 2004). 'Family-friendly HRM' (Bagraim and Sader 2007) or 'work-life balanced HRM' (Bardoel et al. 2008) are popular employee-oriented HRM practices developed to meet an employee's personal needs through avoiding work/family conflict. These HRM practices allow employees time off and adopt flexible employment programmes and working hours in order for them to meet family responsibilities (Storey, Quintas, Taylor and Fowle 2002). Miller (1996) suggests that flexible employment practices cannot be used only for employers to shift economic risks onto the shoulders of their employees.

As mentioned earlier, the interests of external stakeholders including shareholders, suppliers, customers and the wider community are addressed mainly in general CSR initiatives. According to Lee (2008, p. 53), CSR 'has been transformed from an irrelevant and often frowned-upon idea to one of the most orthodox and widely accepted concepts in the business world (only) during the last twenty years or so'. HR plays a vital role in participating in general CSR (Fenwick and Bierema 2008). The key to such engagement in general CSR is for the MNE to deploy adequate staff to analyse, plan and implement the CSR programmes. The individual MNE's social performance, therefore, needs to be assessed, and the results be used for developing training programmes, management development and reward policies and practices.

Recently, IB researchers have increasingly paid attention to the spill-over effects of MNEs on host countries (Kostova and Zaheer 1999; Meyer 2004). Positive spill-over effects contribute to local community development and sustainability (Meyer 2004). Through the adoption of SRIHRM, e.g. employing and training host-country nationals (HCNs), MNEs generate positive spill-over effects on the host country. MNEs generally tend to adopt an ethnocentric approach in their overseas operations, and HCNs are used normally only when their use is more economical (Shen and Edwards 2006; Dowling et al. 2008). Such a staffing approach is inappropriate for a socially responsible MNE when it wants to achieve a balance between maximizing the employment of HCNs, on the one hand, and control and coordination, on the other hand.

The complexity of using SRIHRM

Each country has its own legislative and regulatory system regarding labour. Variations in national labour laws make it impossible for an MNE to construct and adopt a universal SRIHRM system for its multinational operations. There are also discrepancies in labour standards set by national labour laws and supranational organizations, such as the ILO, Greenpeace and the World Trade Organization (WTO). Hence, MNEs originating from developed economies localize IHRM practices in developing countries, where labour standards are low and often depicted as being socially irresponsible (Shen 2007). Similarly, due to national contextual differences, the interests and needs of employees vary significantly. This makes it a complex task for the MNE to formulate and implement locally responsive employee-oriented IHRM policies and practices. As mentioned earlier,

MNEs are always scrutinized in terms of who they do business with. However, obtaining accurate information about the labour relations of business partners, investors and major customers is not an easy thing for the MNE to control. This is due to geographic distance and cultural differences in how things are done or expected to be done. Furthermore, it is even more difficult for the MNE to influence the labour relations of business partners, investors and major customers.

The understanding and development of the CSR concept have not been synchronized, it is a concept that has emerged on a country-by-country basis involving an unequal process (Donaldson 1991). CSR originated in the USA. Many CSR initiatives such as the Foreign Corrupt Practices Act have been implemented by American firms since the 1950s. However, in Europe, the scenario is quite different, in that the debate on CSR is young and the implementation of CSR has begun only recently (Matten and Moon 2008). In many developing countries CSR has not gained prominence, resulting in little social responsibility-related laws or regulations that MNEs are required to comply with.

Another problem is that the demands for and acceptance of CSR vary significantly because countries have their own unique, long-standing and historical contexts and institutions (Matten and Moon 2008). Institutional environments in which MNEs operate are fragmented and are composed of different domains reflecting different institutions: regulatory, cognitive and normative, and vary significantly across host countries (Kostova and Zaheer 1999). Ethical relativism suggests that ethical behaviour in one country is determined not only by its own unique culture (Amestoy and Crosbie 2000) but also by the institutional systems, such as the existence, influence and roles of trade unions, industry associations and other collective actors. Matten and Moon (2008) point out that the absence of many employment-related issues in the European CSR, the so-called 'implicit CSR', has resulted from formal, mandatory and codified rules or laws defining the social responsibilities of corporations and other governmental and non-governmental actors. In contrast, corporations assume more 'explicit CSR' in countries like the USA, where their national institutional frameworks leave corporations more space for CSR, e.g. genetically manipulated organisms, global warming and climate change. Some serious social concerns in some countries may not be given the same weight in others. Consequently, what CSR means in practice is contingent on the national context (Matten and Moon 2008). Therefore, the expectations of stakeholders with regard to SRIHRM will differ from country to country.

MNEs need to respond to global CSR as well as to local CSR (Logsdon and Wood 2005). In contrast to differentiated local CSRs, global CSR is a set of standards that all societies are required to maintain (Husted and Allen 2006). There is a distinction between universal standards and local norms (Spicer, Dunfee and Bailey 2004). Greenpeace, ILO, the United Nations and WTO all act as guardians of global CSR; they are endeavouring to create and sustain legitimate environments in which MNEs can operate (Kostova and Zaheer 1999). Therefore, MNEs may not be regarded as socially responsible if they meet only local CSR requirements.

Factors that influence MNEs' decisions on SRIHRM practices

The MNE's management of human resources in its multinational operations involves the simultaneous activities of transferring its home country HRM system, adapting to local HRM system and creating a third HRM system process (Shen 2005). In these processes, the MNE chooses approaches to IHRM that best fit with its internal and external environments. According to Zadek (2004), companies almost invariably go through five

stages that are part of the organization's learning curve for managing CSR: defensive, compliance, managerial, strategic and civil. Similarly, the choice of approaches to SRIHRM includes the rejection of all allegations, or denial of any links between the company's practices and alleged injustices, compliance with the laws and regulations but not doing any 'extra' tasks beyond legal or statutory requirements, and promoting collective actions to address the wider society's concerns. How an MNE approaches and deals with SRIHRM is determined by the interaction of a range of home country factors, host country factors and firm-specific characteristics.

First, country of origin affects the MNE's decision regarding whether to implement SRIHRM initiatives or only specific ones. The home national contextual factors impact on SRIHRM through their influence on an MNE's firm-specific characteristics. Organizations in one country might thus share many similarities while being essentially different from those headquartered in other countries (Ferner 1997). The likelihood that MNEs will adopt SRIHRM decreases when their home countries have low labour standards, little governmental and legal institutions regulating CSR, or little concern with employees' personal needs or rights. Due to organizational inertia, these MNEs are unlikely to adopt adequate SRIHRM initiatives in their overseas subsidiaries. These MNEs are, furthermore, often unaware of this problem particularly during their early stage of internationalization. It is only in the long term, assuming that these MNEs will be in business for that long, that will move into practice more SRIHRM guidelines.

Second, an MNE's SRIHRM policies and practices may be shaped by the host-contextual factors in the form of localization. It is typical for MNEs originating from developing nations to engage in a range of SRIHRM initiatives, which are not implemented at home in order to gain social licence in the developed world. The opposite situation also occurs frequently when developed country MNEs localize their IHRM policies and practices and have little concern for social responsibility in developing nations. The most typical examples of these are notorious South Korean, Taiwanese, Japanese and Hong Kong invested MNEs; these businesses are often labelled 'sweatshops' in southern China (Chan 1997; Shen 2007). Typically, they are infamous for their poor working conditions such as low health and safety standards, physical and verbal abuses, forced overtime work, refusal to pay at overtime rates, restriction on break time for using toilets and eating meals, forcing workers to live in company dormitories, yet banning couples living together (Chan 1997; Shen 2007). These MNEs are opportunists and are not willing to take more SRIHRM initiatives if their actions are not legally punishable. Consequently, these MNEs cannot be sustainable in the long term, as is evident in the sudden withdrawal of those 'sweatshops' in southern China since the introduction of the Chinese new labour contract law on 1 January 2008 (Cafolla 2008).

Third, the MNE's decision whether to adopt SRIHRM will most likely be affected by its identity orientation. Basu and Palazzo (2008, p. 123) argue that CSR activities result 'not from external demands but, instead, from organizationally embedded cognitive and linguistic processes'. According to Basu and Palazzo, decisions regarding CSR activities and conformity with social norms and societal expectations are made by managers and stem from their mental models regarding their sense of who they are in their world. Organizations opt to undertake CSR initiatives depending on whether their identity orientations are individualistic, relational and collectivistic. An individualistic organization emphasizes individual liberty and self-interest (Brickson 2007), and tends to be involved in SRIHRM activities that are best showcased for their salience. A relational organization might selectively emphasize those CSR actions that have been designed to strengthen particular network relations with employees or other stakeholders (Basu and

Palazzo 2008). MNEs with this character may adopt SRIHRM, addressing the responses of employees and host communities. A collective organization takes a de-contextualized view of relationships with others (Basu and Palazzo 2008). MNEs in this category are likely to develop SRIHRM that is able to contribute to solving high-profile social or environmental issues or problems.

Fourth, variations in the ways that SRIHRM is adopted are also determined by the industry or sector in which the MNE operates. Since there are so many types of industries and occupations around the world, employees' personal and development needs will also inevitably vary. Therefore, they can only be met through the implementation of relevant and appropriate SRIHRM policies and practices. It has been noted that organizations in different sectors tend to engage in different CSRs (Husted and de Jesus Salazar 2006; McWilliams, Siegel and Wright 2006). For example, it is likely that natural resource-based and manufacturing MNEs tend to engage in environment protection-related CSR activities. The pharmaceutical industry tends to participate in AIDS awareness and prevention activities. MNEs that operate in the food processing and food machinery sectors tend to engage in natural disaster relief and poverty reduction-related activities. Consequently, the industry in which MNEs are involved in and have a stake will naturally result in different types of CSR activities that suit them best. This is a salient fact that determines MNEs' decisions concerning SRIHRM activities.

Finally, an MNE's commitment to adopting SRIHRM is shaped by the availability of resources. Small-and medium-sized enterprises may feel it is less urgent to establish a global reputation and, in any case, they may have only limited resources for having a range of SRIHRM practices. They may not be able to invest in training and developing a host country's employees. Contrasting with this, large MNEs are under greater pressure to have CSR policies in place and they are subjected to greater scrutiny concerning their responses to social demands and local development. This is indicated in the fact that all Fortune 500 MNEs engage in a range of CSR initiatives and publish reports on their social or community performance (Demos 2006).

Discussion and conclusions

MNEs are the most important agent of economic globalization. IHRM is the key to success in IB. Despite its rapid development, the IHRM literature is being left behind in comparison with the general HRM with regard to taking account of employees' rights, interests and personal or professional needs. Moreover, the IHRM literature has yet to acknowledge the interests of external stakeholders. Due to the growing concern with CSR, the extant IHRM literature has become inadequate in the way that IB policies and practices are currently developing. These shortcomings in the IHRM literature determine employees' workplace attitudes, behaviours and performance and whether they achieve a sense of social recognition for their efforts. These shortcomings will inevitably compromise and create problems for the long-term sustainability of MNEs.

This paper adds to the knowledge base of the IHRM literature by introducing the concept of SRIHRM, which redresses a number of limitations that are characteristic of the current IHRM models. These limitations include (1) a lack of concern with employees' interests and needs in global operations; (2) an ignorance of labour relations and labour standards in the global value chain; (3) lacking the ability to consider what host countries' local development and sustainability issues really are and (4) failure to utilize IHRM to engage MNEs in general CSR. Hence, four criteria have emerged to characterize SRIHRM. They are (1) legal compliance IHRM practices; (2) employee-oriented IHRM

Table 1. The construct of SRIHRM.

<i>Criteria</i>	<i>Addressed in the extant IHRM models</i>	<i>Not addressed in the extant IHRM models</i>
Legal compliance	EEO/AA, minimum wages, working hours, health and safety, ban on child and forced labour	Appointing ethical officers to monitor labour standards as practiced in business partners, investors, major clients and suppliers
General CSR facilitator		Employing workers to analyse, plan and implement general CSR initiatives, appraising social performance and using the appraisal results in training and development, reward and compensation
Employee-oriented practices		Provide adequate training and development to meet employees' development needs, giving feedback, recognizing and involving unions in determining labour terms, involving employees in decision-making, flexible working hours/employment
Local sustainability contributor		Employing HCNs on the maximum scale, involving HCNs in training and development

practices; (3) general CSR facilitator IHRM practices and (4) local sustainability contributor IHRM practices. To meet these criteria, MNEs need to adopt a range of IHRM policies and practices that comply with local and global labour regulations. Furthermore, they must extend beyond mere legal requirements. These IHRM policies and practices are not always consistent with the prevailing IHRM models. Table 1 summarizes the construct of SRIHRM.

The implementation of SRIHRM is complex for three reasons: (1) Understanding and developing the CSR concept are being done on a country-by-country basis and the process is unequal; (2) the demands for and acceptance of CSR vary significantly from country to country; (3) MNEs need to respond to global CSR as well as to local CSR. MNEs' decision to adopt the whole range of SRIHRM practices (or only specific ones) is dependent on a range of factors including these businesses' country of origin, host country, identity orientation, industry, availability of and access to resources (size of establishment/operation). A framework of SRIHRM is shown in Figure 1.

This paper opens some important avenues for further research. The SRIHRM construct and its adoption require further empirical testing in cross-cultural settings. Past studies reveal that employees' perceptions of the HRM policies and practices and whether they are useful or not impact on their behaviours and performance. Clearly, substantial empirical work is required to understand the possible links between the implementation of SRIHRM and how it affects: first, a range of employees' behaviours and performance, and second, an organization's financial and non-financial issues. It is also important to examine the moderating impact of employees' attitudes towards CSR, particularly regarding the relationship between the adoption of SRIHRM and those dependent variables.

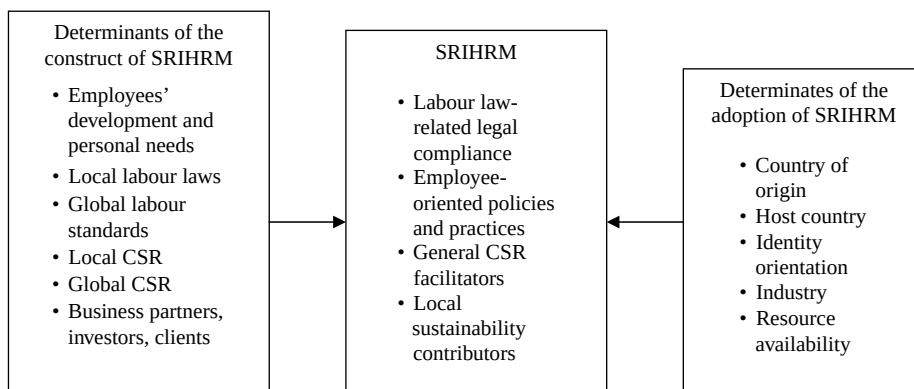


Figure 1. A framework of SRIHRM.

This study has significant implications for practitioners. The adoption of SRIHRM enables MNEs to gain social licence, legitimacy and long-term sustainability. Hence, as the attention being paid to global integration and local responsiveness, MNEs need to take account of the interests and needs of internal and external stakeholders in their IHRM systems. MNEs are able to effectively adopt SRIHRM only if they recognize the importance and benefits of SRIHRM to their IB success. The emphasis on the interests and needs of stakeholders may require change in terms of transforming the organizational culture. The senior management team or board of any MNE should take responsibility for all aspects of SRIHRM. There is scope for action at the level of professional practice in order to bring concerns with stakeholders more firmly within the ambit of IHRM. The construct of SRIHRM can be used as a tool to develop the desired IHRM system. However, as mentioned earlier, this construct may vary significantly across national borders. Therefore, MNEs should analyse the interests and needs of multinational stakeholders and identify key global and local CSR issues by consulting civil society and NGOs with regard to their concerns about the spill-over effect of outward investment. By doing so, MNEs can move beyond being simply reactive and defensive to making strategic opportunities out of social obligations.

Moreover, MNEs' social sustainability reports should incorporate evidence that they are implementing SRIHRM policies, particularly with regard to core labour standards. IHR managers should be well positioned to identify the focus and priority of SRIHRM activities, build dialogues between the employer and his/her business's stakeholders and help develop an understanding and implementation of SRIHRM initiatives. However, there is empirical evidence showing that HRM functions still continue to remain marginally involved or not very interested in their firm's CSR initiatives (Fenwick and Bierema 2008). Hence, while IHR specialists have the dual responsibilities for achieving both efficiency and justice in employment relations, they should also play an active role as a guardian of SRIHRM. To do so, the IHR specialists ought to be empowered to make high-level decisions regarding operational input into the development of SRIHRM and become much more involved in the implementation of SRIHRM practices.

Note

1. 'The Ron Brown Award for Corporate Leadership', *Business Week*, 2 February 1998, 118.

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