

# **HR Integration, HR Strategy, and HR Partnership – Comparing the ‘Strategic Partner’ between the USA and Germany**

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## **Abstract**

Previous research in HRM has repeatedly advocated for a stronger involvement of the HR function in strategy formulation processes and better cooperation with line managers because both promise positive organizational outcomes and competitive advantages. However, empirical evidence of a positive influence of stronger strategic involvement is still limited, especially for the contextual influence of HR strategy and the institutional environment in organizational processes. This study examines whether stronger strategic HR integration in strategy formulation and sharing responsibilities is beneficial for organizations that are located in two diverse institutional environments. Using the responses of 849 German and US-based organizations from the Cranet survey in 2008/2009, the results show that early HR integration into business strategy formulation facilitates the existence of a formal HR strategy. In turn, a formal HR strategy enhances the positive outcomes of sharing responsibilities between the HR function and line management (i.e., HR partnership), whereas HR strategy and business strategy do not appear to be complements for decreasing turnover. Finally, we find differences in the existence of a formal HR strategy and the relationship between HR partnership and turnover among German and US-based organizations.

**Keywords:** HR partnership, strategic partner, HR strategy, HR integration, employee turnover, new institutionalism

## Introduction

For nearly two decades, scholars in the field of human resources (HR) have argued for greater participation and involvement of HR functions in business decisions and processes to allow HR to become a strategic partner of company management (Ulrich 1997, Ulrich, Younger et al. 2008, Brandl and Pohler 2010). In this respect, the HR business partner model developed by Ulrich (1997) has become the predominant theoretical and practical applied concept for explaining how HR functions should focus on strategic issues in organizations. The most recognized element of the business partner model is the strategic partner, which calls for a proactive participation and integration of the HR function in the strategic decision-making processes of management (Allen and Wright 2006, Lawler and Boudreau 2009, Lengnick-Hall, Lengnick-Hall et al. 2009). The primary driver of the success of the business partner model inside and outside of the USA is that organizations recognize their need to professionalize their HR function because of increasing cost pressures (e.g., Ulrich, Younger et al. 2008), the war for talent (e.g., Michaels, Handfield-Jones et al. 2001), and the recognition of HR as a source of competitive advantage (e.g., Brewster 2007, Brewster, Wood et al. 2008). Furthermore, previous research has shown that the influence of strategic HR integration on organizational performance is moderated by HR devolvement, that is, whether line managers or HR specialists have the primary responsibility for HRM decisions (Dany, Guedri et al. 2008).

However, the strategic integration of the HR function in managerial decision making is heterogeneous across organizations and national institutional settings (Scullion and Starkey 2000, Becker and Huselid 2006). Boudreau and Lawler (2014) explain this heterogeneity and the slow progress of strategic HR integration by the common bureaucratic and cost-savings approach of management, whereas organizations appear to benefit most if they pursue high-involvement approaches. In this respect, the early integration of the HR function into the development of a business strategy represents a first step toward a more high-involvement ap-

proach on the part of management. Thus, the question arises whether stronger strategic HR integration in the strategy formation process and operative responsibilities is beneficial for organizations that are located in diverse institutional environments. To answer this question, we first examine whether early HR integration facilitates the existence of an HR strategy aligned with business needs that, in turn, enhances the positive outcomes of business strategy and the cooperation between the HR function and line management (i.e., HR partnership).

Second, we analyze whether these proposed relations differ among organizations located in diverse institutional environments in terms of culture and labor legislation. Regarding national institutional differences, we compare the strategic integration of the HR function and its related outcomes among Germany and the USA because a comparison of similar HR concepts across different countries with different legal systems and cultures might reveal different outcomes (Brewster 2007, Brewster, Wood et al. 2008). For example, HR responsibilities are more likely to be devolved to the line management in coordinated market economies, such as Germany, than in liberal market economies, such as the USA (Mesner-Andolšek and Štěbe 2005, Brewster, Brookes et al. 2015). The HR business partner concept originated in the USA at the end of the last century. A decade later, the concept reached Germany and became widespread among German organizations, despite operating in a different legal and cultural environment (Brewster, Mayrhofer et al. 2004, Gooderham and Nordhaug 2011). Germany is characterized by a highly regulated labor market and strong union influence (e.g., Brewster, Brookes et al. 2015). For example, the index of labor freedom, which is compiled by the Heritage Foundation and measures labor regulations worldwide, compares countries by their laws and institutional regulations regarding the labor market and employment, where less regulation yields positive ratings. Germany is ranked 149th out of 185 countries in this regard (Heritage-Foundation 2013). The high degree of labor regulation is also reflected in the staffing practices of German HR managers, among whom a university degree in jurisprudence is a common background (Björkman and Gooderham 2006). In contrast, the USA is ranked first

with respect to the labor freedom index and is historically characterized by a liberal labor market. That freedom coincides with the American focus on HR as a strategic asset based on economic considerations (Brewster 2007) and explains the focus of US companies on strategic HR participation (Hunter 2006, Lengnick-Hall, Lengnick-Hall et al. 2009).

This article focuses on the strategic foundation of organizations and their HR function by examining the contribution of strategic HR integration and comparing two different countries with different national institutional environments. To this end, we revisit the literature and summarize existing HR management (HRM) and performance research, allowing us to introduce our main dependent variable, employee turnover, as a considerable HR outcome. In addition, we introduce the business/HR strategy and the participation of the HR function in this process as a fundamental requirement for strategic HR integration. Furthermore, we develop a research model, illustrated in Figure 1, for our hypotheses based on institutional and resource-based theory. Finally, we test and discuss our hypotheses and findings that generally support the requirement of a more strategic role of the HR function.

## **Literature Review**

### **Strategic HR involvement and performance**

Previous studies have reported that strategic HR involvement, which we use as an expression for the participation of the HR function in strategic business processes, has a positive influence on firm performance (Bennett, Ketchen et al. 1998, Lawler and Mohrman 2000, Lawler and Mohrman 2003). For example, Bennett and colleagues (1998) found that the integration of the HR function into managerial decision-making enhances HR effectiveness. In addition, HR involvement was higher in organizations in which the executive management regarded employees as a strategic resource. Furthermore, Lawler and Mohrman (2000, 2003) demonstrated that the HR function's participation in the development and implementation of the business strategy positively influenced HR outcomes. Organizations in which HR was positioned as a strategic partner considered themselves stronger in the following areas: designing and planning organizational development, career planning, change management, and overall HR performance. In another study, Stavrou and Brewster (2005) revealed that HR integration into business planning processes had a positive influence on organizational performance, which was considered a result of a more effective coordination of HR practices. Other research by Guest et al. (2003) supported the notion that early strategic HR involvement increases financial performance in UK-based organizations.

In contrast, Martell and Carroll (1995) found no influence of strategic HR involvement on performance indicators. Wright and colleagues (1997) even observed a negative relationship between strategic HR involvement and HR effectiveness. Storey (2007) also raised the concern that expanding HR responsibilities might result in a reduced HR identity. Another critique is that a more strategic HR orientation might lead to conflict over the role of HR, driven by the different interests of employees and executive management (Caldwell 2003). Francis and Keegan (2006) assumed a lack of a strategic and operative mindset among HR specialists,

who work under a classic HR business partner model, and line management, which was observed to have a negative impact on firm performance.

Although the majority of previous research agrees that strategic HR involvement in business decisions and planning leads to improved alignment between HR practices and business requirements, the findings remain heterogeneous. Furthermore, there is no single and/or trivial explanation for the influence of strategic HR involvement on business outcomes, although Boudreau and Lawler (2014) attributed the slow progress of HR professionalization and strategic integration to the “stubborn traditionalism” in the area of HRM. Therefore, in the context of strategic HRM, it is necessary to extend the existing knowledge regarding the influence of different strategic HR aspects on important HR outcomes (i.e., early HR integration, HR strategy, and HR partnership).

In this study, we examine employee turnover as the main outcome of the strategic integration and shared responsibilities of the HR function. Previous research in the context of HRM has also used employee turnover because it is a key organizational outcome for the HR function (e.g. Allen, Bryant et al. 2010, Stavrou and Kilaniotis 2010, Peretz and Fried 2012). Moreover, employee turnover is particularly important because it is directly related to high recruitment costs, the loss of specific know-how, and inadequate human-resource allocation (Glebbeek and Bax 2004). For example, the average cost per hire is estimated to be between 25 and 100 % of the annual salary of the vacant position (Glebbeek and Bax 2004, Allen, Bryant et al. 2010). Demographic changes and increasing labor shortages further complicate this issue (Roth, Wegge et al. 2007, Verworn, Schwarz et al. 2009).

### **Strategic HR involvement in institutional context**

Cross-country comparisons of strategic HR involvement report various results, especially with respect to the different configurations of HR practices in coordinated market economies and liberal market economies (Mesner-Andolšek and Štebe 2005, Björkman, Fey et al. 2007,

Lazarova, Morley et al. 2008, Gooderham and Nordhaug 2011, Brewster, Brookes et al. 2015, Gooderham, Morley et al. 2015). Results reported by Brewster, Wood, and Brookes (2008) indicate that multinational companies are influenced by culture, market environment, and the HR policies implemented within a host country when they distribute HR policies from the home country to host countries. In addition, Goergen, Brewster, & Wood, (2013) found that institutional settings affect recruitment practices, whereas Goergen, Brewster, Wood, & Wilkinson (2012) reported that training practices are influenced by the institutional environment. Therefore, organizations must consider factors of the national and sub-national institutional environment, for example, legislation, financial systems cartels, business groups, sectors, and inter-firm relationships (Edwards, Edwards et al. 2010). Furthermore, organizations must adapt their respective management practice to a given national business system to gain a competitive advantage (Whitley 1992).

Regarding previous cross-country research, strategic HR involvement has been shown to have a positive influence on organizational performance, with the exception that a successful HR configuration cannot be easily transferred from one country to another without an adjustment process (Almond, Edwards et al. 2005, Lazarova, Morley et al. 2008). Moreover, Vaiman and Brewster (2014) found that HR practices exported from the USA to European countries are likely to be influenced by several institutional factors, for example, national legislation. Results reported by Mesner-Andolšek and Štěbe (2005) indicate that institutional differences between regulated and rather unregulated markets influence the degree to which the HR function devolves HR responsibilities to line management. In coordinated market economies, HR responsibilities are devolved to line management, whereas in liberal market economies, such as those in Anglo-Saxon environments, the HR function has more opportunities to create and establish employment conditions. These results are supported by Gooderham, Morley, Parry, and Stavrou (2015), who found that formal (i.e., employment legislation) and informal (e.g., national culture) institutions are related to the decision-making power of the HR function,

thereby showing that more stringent employment legislation diminishes HR power. In this regard, the recent study by Brewster, Brookes, and Gollan (2015) clustered 11 countries into coordinated and liberal market economies, and their results support the notion that HR responsibilities are more likely to be assigned to line management in coordinated market economies (e.g., Germany). In liberal market economies (e.g., USA), the authors attribute this relationship to less trust and more risk in assigning HR responsibilities to line management.

### **Business strategy and HR strategy**

HR strategy can be defined as an organization's long-term plan for how HR policies and practices should be involved in and oriented toward the business strategy (Dyer and Reeves 1995). The HR strategy consists of two elements: the strategic objective and a plan for achieving this strategic objective (Richardson and Thompson 1999). The literature reveals two ways for creating an HR strategy. The first approach is a reactive one; based on a given business strategy, the HR function creates an HR strategy. The second approach is proactive and requires the participation of the head of HR in the business planning process, which makes it possible to influence the business strategy with HR topics, as well as direct business input for the HR strategy (Sanz-Valle, Sabater-Sanchez et al. 1999, Wang and Shyu 2008). The business strategy is more broadly defined as the holistic orientation of the organization with respect to the market, and the business strategy determines the organization's long-term goals (Porter 1996). Therefore, the business strategy and HR strategy should partially overlap. In this regard, strategic HRM research has considered that the strategic fit between business strategy and HR strategy entails an efficient bundling of HR practices (Bird and Beechler 1995, Wang and Shyu 2008). The results reported by Wright, Snell, and Jacobsen (2003) confirm the need for the HR function to gain knowledge about the business strategy and deliver HR practices that are effective with respect to employee behavior to achieve an efficient fit of HR bundles.

## Theory and Hypotheses

The positive outcomes of an early integration of the HR function into business processes and operations have been widely acknowledged in the literature. For example, results reported by Bhaskar (2012) indicate that early integration of the HR function during a merger and acquisition process creates positive outcomes for the project and additional knowledge for the HR professionals involved. The reason is that the employees who are integrated immediately from the beginning are better aware of the risks and opportunities and, therefore, are better able to adapt their behavior. Antila and Kakkonen (2008) support this notion by showing that early HR integration in a merger and acquisition process facilitates the capabilities of the HR function. Finally, Lawler and Mohrman (2000, 2003) show that the integration of the HR function into the development of the business strategy leads to positive HR outcomes.

In this regard, early integration of the HR function should also be related to the existence of a formal HR strategy that, on the one hand, aligns the HR tasks and operations with business needs and, on the other hand, binds the HR function to the goals of this HR strategy. There are two main approaches to creating an HR strategy (Sanz-Valle, Sabater-Sanchez et al. 1999, Wang and Shyu 2008). In the reactive approach, the HR function does not participate in the business planning process. Hence, for a given business strategy, the HR function must create an HR strategy (often unwritten and informal) that supports the business goals, placing the HR function in the passive role of an “executive HRM” or “reactive HRM” for problem solving and passive adaptation (Buyens and De Vos 2001). Moreover, an HR strategy developed by this reactive approach is neither necessarily aligned with business needs nor established as a formal HR strategy. These disadvantages of the reactive approach are also reflected in the criticism that HR practitioners do not understand their business well enough to add value to the organization and to fulfill the role of a “strategic partner” (Francis and Keegan 2006, Storey 2007, Wright 2008, Wehner, Kabst et al. 2012).

In contrast, the proactive approach implies that HR strategy formulation originates in the participation of the HR function in business strategy formulation (Wright, Snell et al. 2003). The early integration of the HR function into the development of a business strategy delivers beneficial HR content for a written and formal HR strategy. Bamberger, Biron, & Meshoulam (2014) argued that strategic HR considerations are the basis of a subsequent HR strategy. Moreover, if the HR function is involved early in decision-making processes (including strategy formulation), the HR function becomes the role of a “value-driven HRM”, which anticipates problems in advance, supports line managers in decision making, and cooperates in creating new strategies (Buyens and De Vos 2001). Hence, early integration enables the HR function to craft a written and formal HR strategy that includes business needs, sets the necessary priorities for the HR function, and reinforces the business orientation of the entire HR department (Buyens and De Vos 2001, Brandl and Pohler 2010).

*Hypothesis 1: Early integration of the head of HR into the development of a business strategy is positively associated with the existence of a formal HR strategy.*

Drawing on the resource-based view (RBV) (Barney 1991, Barney 1995), previous research has shown that the relationship between business strategy and HR strategy affects firm performance and HRM outcomes (Wright, Dunford et al. 2001, Allen and Wright 2006). The RBV implies that firm resources deliver competitive advantages to organizations if these resources are valuable, rare, imperfectly imitable, and difficult to substitute (Barney 1991, Barney 1995). In this regard, retaining talents and well-educated employees and reducing employee turnover are necessary to secure competitive advantage for an organization (Abbott, De Cieri et al. 1998, Stavrou and Brewster 2005, Allen, Bryant et al. 2010). Thus, according to the RBV, the business strategy must include strategic aspects to reduce employee turnover. However, the business strategy, which defines the holistic orientation of the organization,

focuses on general business topics (Porter 1996). Without being transformed into HR goals and needs, the business strategy alone does not frame HR practices and initiatives to decrease employee turnover (Schuler and Jackson 1987).

An HR strategy, which is complementary to the business strategy, strongly affects the HR bundles and the design of HR practices (Richardson and Thompson 1999, Armstrong 2012). It is important for the HR function to decompose the holistic approach of the business strategy into minor and manageable components within an HR strategy (Bird and Beechler 1995, Michie and Sheehan 2005) to thereby develop appropriate initiatives for preventing employee turnover. For example, the HR strategy ideally includes initiatives that increase job satisfaction, ensure fair pay systems,(Cappelli 2000), and especially encourage high job commitment (Firth, Mellor et al. 2004), which in turn reduces employee turnover. Those HR procedures and initiatives, which are summarized in a written and formal HR strategy, must be aligned with business requirements. Guest (1997) indicated that companies that align their HR strategy with their business needs will exhibit superior performance because of a better alignment of HR practices with business requirements. For example, Gratton and Truss (2003) showed that a strong tie between business strategy and HR strategy increases the influence and power of the HR function in the organization and helps the HR function align HR policies and career plans, which is known to diminish employee turnover (Cappelli 2000, Rainlall 2004). Therefore, we argue that those organizations that have a formal HR strategy are better able to design HR practices and policies that are specifically tailored to their business goals and needs than their counterparts without a formal HR strategy, which in turn should reduce employee turnover.

*Hypothesis 2: HR strategy serves as a moderator for the business strategy to decrease employee turnover.*

Following the RBV, employees are regarded as a critical asset of a company; to exploit these valuable resources, it is also necessary to involve the HR function and HR specialists in HR-related decision-making processes (Dany, Guedri et al. 2008). Critical to the success of the HR specialist in decision-making processes is the alignment with line management and the clarity of HR responsibilities (Reichel and Lazarova 2013). “The degree to which HRM practices involve and give responsibility to line managers rather than personnel specialists” is defined as HR devolvement (Brewster, HoltLarsen et al. 1992). HR devolvement describes the distribution of decision-making between line management and the HR function in HR-related topics.

Results concerning the outcomes of HR devolvement between HR function and line managers are still heterogeneous in the literature depending on whether the devolvement is balanced. For example, Dany and colleagues (2008) emphasized that balancing decision-making processes between line managers and HR specialists has a positive influence on productivity, profitability, rate of innovation, and stock market performance. In contrast, a study of 618 Chinese organizations found no influence of devolvement on market performance and/or organizational effectiveness, except for the provision of formal training to line and middle managers (Jiuhua Zhu, Cooper et al. 2008). Admittedly, the authors found only little evidence of devolvement in their sample, which indicates unbalanced HR devolvement. Furthermore, a study of 99 Jordanian organizations also found no influence of devolvement on employee turnover and financial performance, whereas strategic HR involvement was positively related to these outcomes (Darwish and Singh 2013). The authors attribute the missing link between HR devolvement and performance to the ongoing low degree of empowerment of the HR

function. Again, this type of HR devolvement indicates a rather unbalanced HR devolvement that prevents the HR function from influencing organizational outcomes.

In this study, we define balanced HR devolvement as *HR partnership*, which requires that both HR specialists and line management be decisively involved in HR-related decisions (i.e., pay and benefits, recruitment and selection, training and development, and workforce expansion/reduction). The competences and the specific know-how of the HR specialists and the line management in these HR-related decisions are equally important in avoiding the risks of becoming inflexible and overly focused on HR processes if HR specialists are acting too autonomously (Boselie, Dietz et al. 2005, Watson 2006). In contrast, if line managers take over HR responsibilities to a great extent, they will struggle to balance their tasks, which would be counterproductive as well (Renwick 2003, Maxwell and Watson 2006).

Given the proposed positive outcomes of HR partnership (i.e., balanced HR devolvement) for other organizational performance indicators (Dany, Guedri et al. 2008), we argue that HR partnership should decrease employee turnover in particular. For example, Darwish and Singh (2013) argued that shared responsibilities between line management and HR specialists have two benefits. First, line managers will feel responsible for their subordinates and therefore try to retain them. Second, HR specialists who are also responsible for employee-related decisions will deliver HR practices aligned with HR policies to further decrease employee turnover. To achieve this goal, a bundle of complementary HR initiatives is necessary (Cappelli 2000, Firth, Mellor et al. 2004, Allen, Bryant et al. 2010).

In this regard, we propose that a formal HR strategy is the appropriate instrument for summarizing these initiatives for HR specialists for later implementation (Ulrich 1997, Teo and Rodwell 2007, Ulrich, Younger et al. 2008). A formal HR strategy serves as a strategic guide for HR specialists because it supports the alignment of the HR function with the needs of line management, and it binds both the HR function and line management to fulfill their role in

achieving business goals. In other words, a formal HR strategy reinforces the positive influence of HR partnership on employee turnover because the HR strategy translates business needs into operating tasks for the HR function and balances the responsibilities between line management and the HR function in decision-making processes.

*Hypothesis 3: HR strategy moderates the negative relationship between HR partnership and turnover such that if organizations have a formal HR strategy the negative relationship is stronger.*

Having outlined the specific processes of early HR integration, HR partnership, and HR strategy, we compare these relationships between Germany and the USA based on the mechanisms of the new institutionalism (Meyer and Rowan 1977, DiMaggio and Powell 1991). The new institutionalism implies that companies adopt new concepts or practices from the market leader to legitimize themselves in the market, regardless of whether the new concept or practice ensures a direct competitive advantage (Meyer and Rowan 1977, DiMaggio and Powell 1991). Concepts and practices that are accepted and established in the environment will increase their legitimization and usage by a firm. Legitimation is defined as entrepreneurial behavior that conforms to relevant social conventions and expectations (Suchman 1995). Over time, organizations become increasingly similar because they are exposed to the same environment, market, and expectations. This structural alignment is described as isomorphism (Meyer and Rowan 1977, DiMaggio and Powell 1991). Isomorphism is sub-divided into three pillars (forced, mimetic, and normative) that provide an explanatory approach for the distribution of management concepts.

Until the late 1990s, the HR function in Germany was thought to be less strategically oriented than HR functions in comparable countries, such as Great Britain and the USA (Sparrow and Hiltrop 1997, Ferner and Varul 2000, Giardini, Kabst et al. 2005). Nevertheless, after the turn

of the century, Claßen and Kern (2006) interviewed 17 most senior HR managers of large German organizations, and the results revealed that a more strategic HR focus has become increasingly widespread in Germany (i.e., at least for large organizations with more than 1,000 employees). For example, administrative tasks have shifted from the HR function to shared service centers. Additionally, strategic activities have been increasingly pronounced in the job descriptions of HR generalists, and the feedback of line managers confirmed the increase in strategic HR activities (Claßen and Kern 2006). One main driver of this development was the implementation of the more strategic HRM model by US-based MNEs in their German subsidiaries (Brewster, Wood et al. 2008, Gooderham and Nordhaug 2011).

Therefore, at the turn of the century, German organizations appeared to adopt the stronger strategic orientation of the HR function, as prescribed by the business partner model (Ulrich 1997, Ulrich 1998) . This change in the orientation of German HR functions can be explained by normative isomorphisms within the HR profession. Normative isomorphism primarily results from the increasing professionalization of occupational groups (professional associations and networks (Meyer and Rowan 1977, DiMaggio and Powell 1991). Professionalization exerts pressure on individuals to adapt their ways of thinking, behavior, and methods based on the predominant paradigm in the environment (Meyer and Rowan 1977, DiMaggio and Powell 1991).

However, because of the later implementation of a more strategic orientation among German organizations, the saturation of this management practice can be described as being in the pre-institutionalization stage, using the dimensions of institutional stages proposed by Tolbert and Zucker (1999). Thus, the legitimization of a strategic HR orientation had not reached the expected maximum in Germany at the turn of the century (Lawrence, Winn et al. 2001). This consideration is in line with previous empirical findings demonstrating that German organizations trailed behind other European organizations in terms of an existing formal HR strategy

(Brewster 2004, Kabst and Giardini 2009). For example, in 2004-2005, only one-third of 357 German organizations had a formal HR strategy, whereas this was the case for more than two-third of the organizations in Sweden (n=383), the USA (n=260) or the United Kingdom (n=1,101) (Kabst and Giardini 2009). This is a slight improvement compared to the findings from the late 1990es. At this time, just 18% out of 884 German organizations had a formal HR strategy (Brewster, Larsen et al. 1997), which underlines the historical administrative orientation of German HR functions. By considering the existence of a formal HR strategy as an indicator for a strategic HR orientation, we expect that US-based organizations have an advantage in comparison to German organizations.

*Hypothesis 4a: Organizations located in the USA are more likely to have a formal HR strategy than their German counterparts.*

The early integration of the HR function into the development of a business strategy delivers beneficial HR content (Wright, Snell et al. 2003), which is a valuable basis for subsequently establishing a written and formal HR strategy (Bamberger, Biron et al. 2014). As previously mentioned, we argued that early integration of the HR function enables the HR function to create a formal HR strategy (Buyens and De Vos 2001, Brandl and Pohler 2010). Now, comparing this mechanism between the USA and Germany, the HR functions in an Anglo-Saxon environment have historically been integrated earlier in the business planning process than in Germany (Budhwar 2000, Brewster 2007, Papalexandris and Poor 2011). The timely advantage of US-based organizations can be explained by the national business system approach (Whitley 1992), which takes various institutions into account (e.g., legislation and trade unions). Traditional liberal US legislation granted organizations flexibility in terms of employment (Ferner, Almond et al. 2005). This liberal labor legislation also facilitated the need for the earlier integration of the HR function into the business planning process (Lawler and Boudreau 2009) to cope autonomously with fewer specifications regarding employment and

working conditions from labor legislation (Vaiman and Brewster 2014). The implementation of those employment and working conditions is intended in the HR strategy (Wright, Snell et al. 2003), which provides an explanation for the historical need of US organizations to create an HR strategy.

Conversely, in Germany, HR functions are less strategically integrated into the business planning process because labor legislation and collective bargaining have strict requirements, which affect and regulate working and employment conditions (Giardini, Kabst et al. 2005, Brewster 2007) The German national business system regulates employment and working conditions, which restricts the need for the HR function to creating an own HR permission (Almond, Edwards et al. 2005). The rather reactive setting of German HR functions should diminish the link between strategic HR integration and HR strategy because an HR strategy more closely follows labor laws than business needs. Thus, we hypothesize:

*Hypothesis 4b: The positive relationship between HR integration and the existence of a formal HR strategy is stronger if the organizations are located in the USA.*

As previously mentioned, we argue that HR partnership decreases employee turnover because of the shared employee responsibilities between line management and HR specialists (Darwish and Singh 2013). Based on an earlier strategic orientation, the HR functions of US-based companies should have gained more experience in working with a stronger strategic focus and shared responsibilities (Lawler and Boudreau 2009). In this regard, studies by Lawler and Mohrman (2000) and Teo and Rodwell (2007) indicate that HR functions have a better reputation with line management when they behave as strategic partners (Friedman 2009). Thus, if HR functions act more strategically in the USA than in Germany, the experience, legitimization, and reputation of US-based HR functions should be greater compared to those of their German counterparts (Giardini, Kabst et al. 2005). We draw this conclusion epistemologically based on the more advanced legitimacy of HR organizations in the USA by

following the traditional institutionalization curve, which describes the degree of legitimization of a management practice over time (Lawrence, Winn et al. 2001).

Therefore, given that HR functions have more experience, legitimization, and reputation in the US, they should also be more closely involved in strategic decisions than in Germany, which encourages HR partnership (i.e., balanced HR devolvement; Reichel and Lazarova 2013). Furthermore, the labor market in the USA is highly competitive (Nickell 1997); thus, US-based organizations strive to hire and retain talented and well-educated employees as sustainable competitive advantages (Michie and Sheehan 2005, Aguinis and Kraiger 2009). HR specialists with extensive experience and legitimization are better able to decrease employee turnover in this environment, which should strengthen the benefits of HR partnership.

In contrast, the German labor market is less competitive (Brewster, Wood et al. 2008); indeed, the environment has traditionally been characterized by lower employee turnover rates compared to those of liberal labor markets (Peretz and Fried 2012). Thus, HR specialists within German organizations experience less pressure to decrease employee turnover. Moreover, in this environment, HR specialists have less experience in sharing responsibilities with line management and do not have the same legitimization for behaving as strategic partners like their counterparts in the USA do. Therefore, the benefits of HR partnership in terms of decreasing employee turnover should be weaker in Germany than in the USA. We hypothesize that this country difference is manifested as follows:

*Hypothesis 5: The negative relationship between HR partnership and employee turnover is stronger if the organizations are located in the USA.*

## METHODS

### *Sample*

We tested our five hypotheses using data from the Cranfield Network on International Strategic Human Resource Management (Cranet) survey in 2008/2009. The Cranet survey was created by an international team of researchers in HRM. Since its inception in 1989, the survey has been conducted every three to five years. The survey data in 2008/2009 were collected in 32 countries, 20 of which countries were part of the European Union (for further details regarding Cranet and its methodology, please see Brewster, Mayrhofer et al. 2000, Brewster, Mayrhofer et al. 2004, Steinmetz, Schwens et al. 2011). The questionnaire was sent to the most senior HR managers of organizations in the public and private sectors. Cranet received a total of  $N = 1,472$  responses in Germany and the USA. However, several responses and variables essential to our study were missing. Thus, the final sample was reduced to  $n = 849$  and consisted of  $n = 407$  responses for Germany and  $n = 442$  responses for the USA. In Germany, 83.7% of the participating organizations operate in the private sector (42.8% in the USA). The percentage of public and nonprofit organizations is 23.1% in Germany and 56.7% in the USA. The three main economic sectors for the German organizations are industrial manufacturing organizations (26.4%), financial industry and consultancy (15.8%) and mixed industrial organizations (10.1%). The remaining 52.3% are spread across another 12 sectors. Responding organizations in the USA primarily operate in industrial manufacturing (16.7%), public administration (17.4%) and the education sector (13.9%); the remaining 52% are distributed across 12 further sectors. The number of employees in the organizations in the sample ranges from 100 to 300,000 (median 4,683) in Germany and from 100 to 464,000 in the USA (median 7,088).

### ***Measurement***

***HR integration.*** Brewster et al. (1997) coined the term “HR integration” and we adapted this variable. Participants were asked the following: “If your organization has a business/service strategy, at what stage is the person responsible for HR involved in its development?” Responses were coded as follows: 0 = “Not consulted”, 1 = “On implementation”, 2 = “Through subsequent consultation”, 3 = “From the outset”.

***HR partnership.*** We adopted and modified this variable based on previous research in which the variable was defined as HR devolvement (Brewster, Larsen et al. 1997, Mesner-Andolšek and Štebe 2005, Dany, Guedri et al. 2008, Gooderham, Parry et al. 2008, Reichel and Lazarova 2013, Brewster, Brookes et al. 2015, Gooderham, Morley et al. 2015). Originally, five items measured who is primarily responsible for HRM decisions associated with fundamental HRM topics, specifically, industrial relations, pay and benefits, recruitment and selection, training and development, and workforce expansion/reduction. Responses were “line management alone”, “line management in consultation with the HR department”, the “HR department in consultation with the line management”, and the “HR department alone”. We measured HR partnership without the industrial relations item because of the legal differences between Germany and the USA regarding industrial relations (Brewster 2007). In contrast to previous research, our study focused on the strategic cooperation between line management and the HR function. Therefore, we recoded responses in line with the desired strategic partner behavior based on Ulrich’s conception (1997) and the results of Dany et al. (2008). The coding was as follows: line management alone = 0, line management in consultation with the HR department = 1, the HR department in consultation with line management = 1, and the HR department alone = 0. Thereafter, we summarized the four items to measure this variable.

***HR strategy.*** HR strategy is dichotomous. The participants were asked whether they have a HR strategy. Based on previous research, we considered that only a written HR strategy can

be measurably executed (Gooderham, Nordhaug et al. 1999). The HR function is more committed to strategy execution when the implementation of the HR function is measurable. This reasoning is in line with previous research (Brewster, HoltLarsen et al. 1992) demonstrating that 90% of German organizations execute their written HR strategy. Therefore, we assessed an unwritten HR strategy as no HR strategy. With respect to measurement, it is the standard procedure to accept only written HR strategies (e.g., Budhwar and Sparrow 1997, Budhwar 2000, Nikandrou and Papalexandris 2007, Dany, Guedri et al. 2008) (coding: 1 = “Yes, written”, 0 = “Yes, unwritten”, 0 = “No”).

**Business strategy.** Business strategy is dichotomous. The participants were asked whether they have a written business strategy. The response “Yes, we have an unwritten business strategy” was classified as no business strategy, as in our approach to HR strategy and in line with previous research (e.g., Budhwar and Sparrow 1997, Budhwar 2000, Gooderham, Parry et al. 2008) (coding: 1 = “Yes, written”, 0 = “Yes, unwritten”, 0 = “No”).

**USA (Ref. GER).** The country variable is dichotomous (coding: 1 = “USA”, 0 = “Germany”).

**Employee turnover.** This variable measures employee turnover as a percentage and was used in previous research based on Cranet data (e.g., Stavrou and Kilaniotis 2010, Peretz and Fried 2012).

**Control variables.** To control for other influences in our regression, we consider four variables as controls. The first is *growth in main market* (coding: 1 = “declining”, 2 = “same”, 3 = “growing”). *Size* is the natural logarithm of the number of employees. The dichotomous variable *industry* distinguishes companies that operate in manufacturing industries from those operating in other industries (coding: 1 = “manufacturing”, 0 = “other industries”). *Sector* is a dichotomous variable that distinguishes public from private organizations (coding: 1 = “private”, 0 = “public”). Several previous studies using Cranet data have applied and demon-

ed the validity of these control variables (e.g., Budhwar and Sparrow 1997, Budhwar 2000, Brewster, Brookes et al. 2013, Reichel and Lazarova 2013, Vanhala and Stavrou 2013).

To calculate the interaction terms (*HR integration x USA (Ref. GER)*, *Business strategy x HR strategy*, *HR partnership x HR strategy*, *HR partnership x USA (Ref. GER)*), we followed the procedure recommended by Aiken and West (1991) and Cohen, Cohen, West, and Aiken (2013). First, we mean-centered all variables, except the dichotomous variables. Then, we multiplied the mean-centered variables by one another to generate the desired interaction terms.

Additionally, we tested our variables using Harman's single-factor test to assess the influence of common method variance (Podsakoff and Organ 1986). Principle component analysis based on the ten variables in the model resulted in four factors with an eigenvalue above 1. These four factors exhibit a summed variance of 58% (1 factor: 21%, 2 factor: 16%, 3 factor 11%, 4 factor 10%). Following Podsakoff and Organ (1986), we assume that there is no threat of common method bias.

Finally, to examine possible multicollinearity in our regression analysis, we calculated the variance inflation factor (Hair 2009, Backhaus, Erichson et al. 2011). The highest variance inflation factor in our models was 1.58, which supports the assumption that there is no threat of multicollinearity.

## RESULTS

### ***Descriptive Results***

Table 1 reports the sample size, means, standard deviations, and the correlations of our variables. The variable *sector* has moderate correlations with *USA (Ref. GER)* ( $r = -.44$ ) and *industry* ( $r = .41$ ). Relative to the USA, more organizations from the private sector participate in Germany, which explains the negative correlation. There are only limited or no correlations

between the control variables and our hypothesized variables. A moderate correlation between *USA (Ref. GER)* and *employee turnover* ( $r = .37$ ) indicates a higher turnover rate in the USA than in Germany.

### ***Hypothesis Testing***

To test our first hypothesis, we calculated a binary logistic regression and the results are depicted in Table 2. *HR integration* is significantly related to the existence of a written *HR strategy* and confirms hypothesis 1. Additionally, the results indicate that the existence of an *HR strategy* is more common in the USA than in Germany which supports hypothesis 4a ( $B = .78$ ;  $p \leq .01$ ). However, we find no support for hypothesis 4b because the interaction term of *HR integration* and *USA (Ref. GER)* is not significant.

Table 3 reports the OLS regression results for the dependent variable *employee turnover*. The results indicate that *HR strategy* and *business strategy* have no direct effects on *employee turnover*; thus, we must reject hypothesis 2. Hypothesis 3 is supported by our results ( $B = -1.28$ ;  $p \leq .05$ ) because *HR strategy* moderates the relationship between *HR partnership* and *employee turnover*. We plotted the interaction effect between *HR strategy* and *HR partnership* on *employee turnover* in Figure 2 (we followed Dawson and Richter 2006). If an organization has a written *HR strategy*, a higher degree of *HR partnership* diminishes *employee turnover*. This is true for organizations in Germany and the USA. In contrast, if an organization has no written *HR strategy*, a greater degree of *HR partnership* either does not influence or even increases *employee turnover*.

Surprisingly, the results in Table 3 reveal a significant positive relationship ( $B = 1.69$ ;  $p \leq .05$ ) for the interaction between *HR partnership* and *USA (Ref. GER)* with respect to *employee turnover*. This outcome is contrary to the expectations of our hypothesis 5. We plotted the interaction effect of *HR partnership* and *USA (Ref. GER)* on *employee turnover* in Figure 3. If an organization is located in the USA, a more pronounced *HR partnership* increases *employee*

*turnover*. In contrast, if an organization is located in Germany, a greater degree of *HR part-nership* either does not influence or only slightly increases *employee turnover*.

## Discussion

This study examined whether an earlier and stronger involvement of the HR function in the strategy formulation process and operative responsibilities is beneficial for organizations. Furthermore, by linking the new institutionalism (DiMaggio and Powell 1991) and examining two legally and culturally diverse countries, our aim was to contribute to the ongoing discussion on whether and how this strategic HR integration is influenced by the institutional environment. First, the results support our hypothesis 1, which is in line with previous studies (Guest 1997, Teo and Rodwell 2007, Thompson 2007), and corroborates previous findings that early integration of the HR function into the development of the business strategy is the basis for developing a well-fitting HR strategy (Bird and Beechler 1995, Wright, Snell et al. 2003, Wang and Shyu 2008). Regarding the existence of a formal HR strategy, we can rule out the influence of third variables because we found no differences between public or private organizations and no differences in terms of industry. In addition, growth in the main market did not influence the existence of a formal HR strategy. Only size is positively associated with the existence of a formal HR strategy.

Second, although we found no direct relationship between HR partnership, HR strategy, or business strategy and employee turnover, which is partially in line with previous research (e.g., Darwish and Singh 2013), our results indicate that the existence of a formal HR strategy is rather a moderator than a predictor of these relationships. HR strategy, business strategy, and HR partnership alone are insufficient to decrease employee turnover if they are not embedded in the concept of a well-fitting HR strategy and a proactive, high-involvement approach by the management (Boudreau and Lawler 2014). Our results also indicate that all aspects of strategic HR integration (in this case, HR strategy and HR partnership) should be aligned with one another to be effective in decreasing employee turnover. This result represents an important contribution to existing knowledge because, to date, research findings

agree that HR practices such as career opportunities for young professionals, work satisfaction for middle-aged employees, and job security for late-career employees have strong effects on employee turnover (Armstrong 2012). However, HR partnership reduces employee turnover only if a formal HR strategy exists within an organization, which confirms the notion that the alignment of the HR function with business needs will guide HR specialists to fulfill their roles as strategic partners. In addition, the results corroborate previous findings by Dany and colleagues (2008) indicating that HR integration has a positive influence on organizational performance indicators, such as product quality, productivity, profitability, innovation rate, and stock market performance.

Third, the positive influence of early HR integration on the existence of an HR strategy appears to be equal between Germany and the USA because we did not observe differences in this relationship. These results indicate a generally positive relationship between early HR integration and HR strategy, which supports a universalistic rather than particularistic approach. In contrast, our results indicate that more US-based organizations have an HR strategy compared to German organizations, which can be explained by the timely advantage of US organizations regarding a more strategic HR orientation. The timely advantage in the creation of an HR strategy by US-based organizations is related to the national system approach (Whitley 1992). The more liberal US legislation (Ferner, Almond et al. 2005) requires that organizations establish several of their own employment procedures and regulations, which have their origin in the HR strategy. In contrast, the national business system in Germany is characterized by more restricted labor legislation and collective agreements with unions that regulate employment conditions (Brewster 2007).

Fourth, we observed differences between the USA and Germany in the relationship between HR partnership and employee turnover: We suggest that the RBV (i.e., HR is a source of competitive advantage) is more deeply rooted in US organizations than in their German coun-

terparts. One would assume that US organizations have enjoyed a first-mover advantage in implementing a more strategic HR function, which would strengthen the negative association between HR partnership and employee turnover in the USA (Faulkner, Pitkethly et al. 2002, Brewster 2007). However, our results indicate precisely the opposite: In the USA, the involvement of the HR department in HR-related boundary decisions leads to higher employee turnover. Three important factors might explain these findings: First, there are institutional and cultural differences between the USA and Germany (Gooderham and Nordhaug 2011, Peretz and Fried 2012, Vaiman and Brewster 2014). Whereas the USA is traditionally known as a shareholder economy that pursues short-term interests to maximize firm profitability, Germany is characterized as a highly coordinated economy that possesses substantial involvement of institutional stakeholders in business decisions (Hall and Soskice 2001, Gooderham and Nordhaug 2011). For example, in Germany, institutional pressure from strict labor legislation and strong union influences impede redundancies and layoffs (Nickell 1997, Brewster 2007). In contrast, liberal labor legislation and weak union influences diminish the barriers to compulsory (and voluntary) redundancies and layoffs in the USA. Therefore, cost savings and replacing human capital are relatively simpler in the USA than in Germany. US-based organizations might use their HR function to follow a hire-and-fire approach (Velasquez and Velazquez 2002) and to maintain competition within the internal workforce. Those organizations might assume that increased competitive pressure will lead to increasing productivity. This reasoning suggests that employee turnover increases because of a higher degree of HR involvement and is partially in line with previous research suggesting that a higher employee turnover rate might be useful (Glebbeek and Bax 2004).

Second, recalling that the Cranet survey was administered before the financial crisis in 2008/2009, it should be noted that the two countries' institutional systems might have influenced the strategic decisions within the participating organizations regarding how to best address the imminent consequences of the crisis. In the USA, strategic decisions between HR

functions and line management might have led to an immediate reduction in number of employees to lower costs. Job vacancies could also have been easily filled after the crisis in the same year. In Germany, organizations reacted with part-time work and employee pay-cuts instead of reducing the number of employees because the labor market had shifted to a buyer's market, especially for well-educated engineers (Dewettinck and Remue 2011). Thus, the best strategic solution to the financial crisis might differ between these two institutional environments.

Third, although most organizations implement HR architectures according to a more strategic HR concept, this alone is not a source of competitive advantage. Such an institutional effect is described by Lawrence and colleagues (2001) and is known as the deinstitutionalization phase. This phase is characterized by decreasing legitimization for a certain management practice, meaning that this practice loses efficiency and value in the environment and among the employees exposed to this practice. The concept of more strategic HR involvement in the USA might have reached this deinstitutionalization phase, and hence, incorporating a strategic HR partnership would have favored an increase in employee turnover. In contrast, the low effect of HR partnership on employee turnover in Germany might be an indicator that the HR business partner model is in its pre-institutionalization stage in German organizations.

Overall, the results of this study contribute to the body of strategic HRM literature by providing empirical evidence of the economic meaningfulness of the early integration of the HR function into the strategy formation process. Early HR integration favors the existence of an HR strategy, which enhances the beneficial outcomes of the business strategy and the cooperation between the HR function and line management (i.e., HR partnership). In particular, we contribute to the existing literature by showing that an HR strategy is more than simply a trigger for HR practices and policies. A well-fitting HR strategy oriented toward business needs and goals facilitates the positive effect of HR partnership on employee turnover. In addition,

the comparison of US-based and German organizations reveals differences regarding the co-operation between the HR function and line management and related outcomes, which can be explained by institutional theory.

## Managerial Implications

Our results imply that it is important for the HR function to be involved in the business planning process to develop a well-fitting HR strategy that matches the business goals and mission of an organization. This HR strategy also needs to balance the HR partnership with the needs of the business. In addition, the implementation of an HR architecture that meets the requirements for a strategic partnership between the HR function and line management is able to decrease employee turnover, especially in Germany.

Nevertheless, to decrease employee turnover, organizations need to balance the decision-making processes between the HR function and their line management. Our results suggest that the existence of an HR strategy can help balance this process and, in turn, decrease employee turnover. It is noteworthy that our descriptive results indicate that only half of the participating organizations have an HR strategy, which leaves room for improvement. Based on our results for US organizations, which indicate increasing employee turnover and a simultaneous increase in HR involvement, we would recommend evaluating the replacement and recruitment costs that might increase the savings of a high turnover rate.

For individual contributors who work in HR, our results emphasize the importance of accumulating business knowledge and understanding the organization's business case. Understanding the needs of the business is essential in legitimizing the individual contributor in an HR function as a strategic partner (Wright 2008). Participating in cross-functional meetings and projects is regarded as a suitable approach to extending business knowledge and establishing priorities that support the business agenda (Lawler and Mohrman 2003, Caldwell 2008, Lawler and Boudreau 2009). In addition, the HR function is well positioned to demonstrate and explain the advantages of integrating the HR perspective and mindset to line management.

## Implications for Future Research

First, future research is necessary to further explore the differences in strategic HR integration among diverse institutional environments in terms of formal (e.g., employment laws) and informal (e.g., culture) institutions. The new institutionalism, especially the different phases of an institutionalization, seems to be a fruitful research avenue for identifying differential effects of similar HR constructs in general and HR partnership between line management and HR function in particular.

Second, as in the case of strategic HR involvement, differences in the development and application of the HR business partner model (Ulrich 1997, Ulrich 1998) among diverse institutional environments may be a fruitful area of research based on our findings. In particular, the role of the “strategic partner” has found much attention in previous research and is closely related to our findings regarding HR partnership and strategic HR integration. Thus, future research could clarify whether the HR business partner model itself is influenced by formal and/or informal institutions or whether the outcomes of the HR business partner are influenced by different institutional environments.

Third, our results demonstrate the importance of an interaction between a formal HR strategy and HR partnership for organizational outcomes. Future research on strategic HRM should continue to focus on the interaction between the shared responsibilities between line management and the HR function and the alignment of the HR strategy with business needs. This might be a fruitful research avenue in explaining the success and failure of sharing responsibilities in HR decision making, HR devolvement, and strategic HR involvement beyond organizational outcomes such as employee turnover.

## Limitations

As is the case for many empirical studies, our work has several limitations. First, in this study, we assume that the development of a formal HR strategy and/or business strategy leads to an improved fit between business goals and the HR function or HR practices and to a well-balanced partnership between line management and the HR function. We admit that this is a novel contribution of our study and must be further examined in future studies. However, it is reasonable to assume that the written content of a formal HR strategy is strongly related to the behavior of the entire HR function and the implementation of associated HR practices.

Second, this study is based on the presumption that organizations with a formal HR strategy will implement this strategy, but we lack data to support this prediction. Therefore, we assumed that only a written HR strategy can be measurably executed (Gooderham, Nordhaug et al. 1999). In addition, the HR function is more committed to strategy execution when the implementation of the HR function is measurable, in line with previous research (Brewster, HoltLarsen et al. 1992) indicating that 90% of German organizations execute their written HR strategy. Further research on the empirical relation between strategy formulation and strategy implementation is necessary to clarify this presumption.

Third, the dataset used is based on the responses of the most senior HR manager within organizations. Thus, there is a possible threat of single-respondent bias (Podsakoff and Organ 1986, Gerhart, Wright et al. 2000, Wright, Gardner et al. 2001, Podsakoff, MacKenzie et al. 2003). The most common concern regarding single-respondent bias is the inflation of self-reported relationships, based on the assumption that self-reports are routinely upwardly biased (Conway and Lance 2010). We are aware of this concern; however, we assume that the most senior HR manager has the most relevant and extensive knowledge on the HR function, HR practices, and internal processes within the organization. Additionally, all of our measures are factual measures concerning a certain state (e.g., whether the organization has a written HR

strategy) rather than measures of attitude. We believe that such measures are highly reliable and valid for our theoretical constructs.

Fourth, comparing between companies located in the USA and Germany without considering the separate influence of culture or institutions is another limitation. We used the new institutionalism to explain the differences between the USA and Germany, but it is also reasonable to believe that our findings regarding the HR partnership variable are driven by cultural influences. However, we rely on the mechanisms of the new institutionalism to hypothesize country differences for the relationships between our variables. Future research and multilevel modeling across multiple national boundaries or several culturally different organizations are necessary to differentiate between institutional and cultural influences in the context of strategic HR involvement.

Finally, our study examines the degree of and framework for strategic integration and strategic partnership among the surveyed organizations from an ex-post perspective. All participants were surveyed at the same point in time, allowing us to draw conclusions regarding the degree of strategic HR integration at a certain time. Thus, it is not possible to predict the future development of strategic HR integration, which would require panel data. It is also conceivable that the global financial crisis influenced the results of the questionnaire in 2009 as a pre-anticipated effect.

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## Appendix

**Table 1**

**Correlations and Descriptive Statistics<sup>a</sup>**

Variables	N	M	SD	1	2	3	4	5	6	7	8	9
1. Employee turnover	680	8.61	8.81									
2. Business strategy	849	0.66	0.48	-.05								
3. HR integration	683	2.06	1.07	.04	.18							
4. HR strategy	846	0.50	0.50	.07	.33	.26						
5. HR partnership	839	3.09	1.14	-.08	.12	.10	.01					
6. USA (Ref. GER)	849	0.52	0.50	.37	-.10	.07	.20	-.21				
7. Growth in main market	741	2.25	0.73	.12	.05	.08	.07	-.06	.07			
8. Size	848	6.76	1.67	.15	.13	.14	.23	.09	.01	.01		
9. Industry	709	0.38	0.49	-.23	.07	-.05	-.07	.20	-.25	-.05	.00	
10. Sector	770	0.65	0.48	-.11	.04	-.07	-.08	.23	-.44	-.07	-.08	.41

<sup>a</sup> N = Sample size; M = Mean value; SD = Standard deviation. Correlations with absolute values above .07 are statistically significant at  $p < .05$ . Size is the natural logarithm of the number of employees.

**Table 2****Binary Logistic Regression<sup>a</sup>**

Variables	Dependent: HR strategy								
	Step 1			Step 2			Step 3		
	B	S.E.	Exp(B)	B	S.E.	Exp(B)	B	S.E.	Exp(B)
Growth in main market	.14	.12	1.15	.07	.13	1.07	.07	.13	1.07
Size	.30	.06	1.35 **	.30	.06	1.35 **	.30	.06	1.35 **
Industry	-.30	.19	.74	-.26	.20	.77	-.27	.20	.76
Sector	-.28	.22	.75	.16	.25	1.17	.18	.25	1.20
USA (Ref. GER)				.80	.22	2.20 **	.78	.22	2.18 **
HR integration				.51	.09	1.66 **	.59	.12	1.80 **
HR integration x USA (Ref. GER)							.23	.19	1.26
Chi-square			40.51 **			87.48 **			88.88 **
- 2 Log likelihood			724.66			677.69			676.2
Cox & Snell R Square			.07			.15			.15
Nagelkerke R Square			.09			.20			.20

<sup>a</sup> N = 552; B = Unstandardized estimator; SE = Standard error; Exp(B) = Expected Beta; An absolute term was estimated for each regression but omitted due to readability. \*\* = p ≤ .01; \* = ≤ .05

**Table 3****Results of OLS Analyses<sup>a</sup>**

<b>Variables</b>	<b>Dependent: Employee turnover</b>					
	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>	<b>B</b>	<b>S. E.</b>	<b>B</b>
Growth in main market	1.20 *	0.50	0.88 *	0.96 **	0.46	0.47
Size	1.08 ***	0.36	1.48 **	1.43 **	0.35	0.21
Industry	-3.90 **	0.78	-3.22 **	-3.17 **	0.74	0.74
Sector	0.10	0.85	3.30 **	3.36 **	0.87	0.87
HR strategy			-0.78	0.73	1.63	1.45
HR partnership			0.05	0.32	0.03	0.32
USA (Ref. GER)			7.10 **	0.78	6.99 **	0.78
Business strategy			-0.50	0.77	0.68	0.92
Business strategy x HR strategy					-3.20 *	1.67
HR partnership x HR strategy						
HR partnership x USA (Ref. GER)						
R <sup>2</sup>		0.07		0.20		0.21
Adjusted R <sup>2</sup>		0.07		0.19		0.19
Delta F		11.48 *		22.12 *		3.68 *

<sup>a</sup> N = 563; B = Unstandardized estimators; S.E. = Standard error. An absolute term (constant) was estimated

for each regression but omitted due to readability.

Significance levels are: \* = p ≤ .05; \*\* = p ≤ .01.

**Table 3 (continued)****Results of OLS Analyses<sup>a</sup>**

<b>Variables</b>	<b>Dependent: Employee turnover</b>					
	<b>Step 4</b>		<b>Step 5</b>		<b>Step 6</b>	
	B	S. E.	B	S. E.	B	S.E.
Growth in main market	1.04	**	0.47	0.98	**	0.46
Size	1.43	**	0.35	1.42	**	0.35
Industry	-3.20	**	0.74	-3.10	**	0.74
Sector	3.52	**	0.88	3.33	**	0.87
HR strategy	-0.61		0.74	-0.83		0.73
HR partnership	0.50		0.42	0.40		0.44
USA (Ref. GER)	7.14	**	0.77	6.98	**	0.77
Business strategy	-0.57		0.77	-0.43		0.77
Business strategy x HR strategy					-2.70	1.66
HR partnership x HR strategy	-1.07		0.63		-1.28	*
HR partnership x USA (Ref. GER)				1.50	*	0.62
					1.69	*
R <sup>2</sup>			0.21		0.21	0.22
Adjusted R <sup>2</sup>			0.19		0.20	0.21
Delta F			2.89		5.77	*
					4.42	*

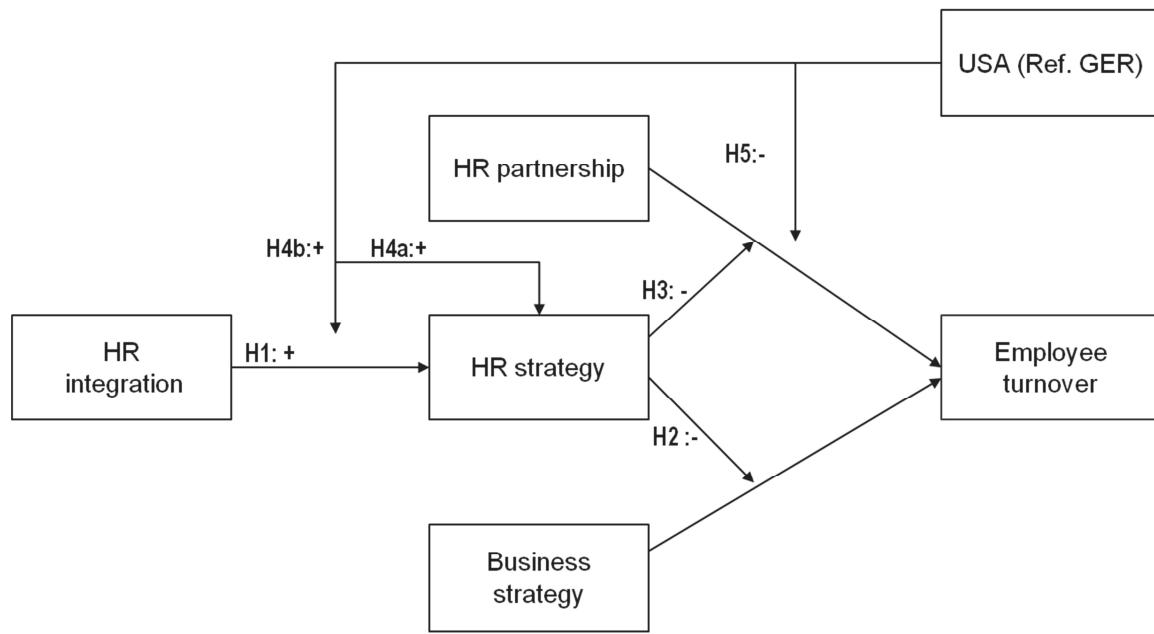
<sup>a</sup> N = 563; B = Unstandardized estimators; S.E. = Standard error. An absolute term (constant) was estimated for each regression but omitted due to readability. Delta F always refers to step 2 of the analysis.

Significance levels are: \* = p ≤ .05; \*\* = p ≤ .01

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**Figure 1**

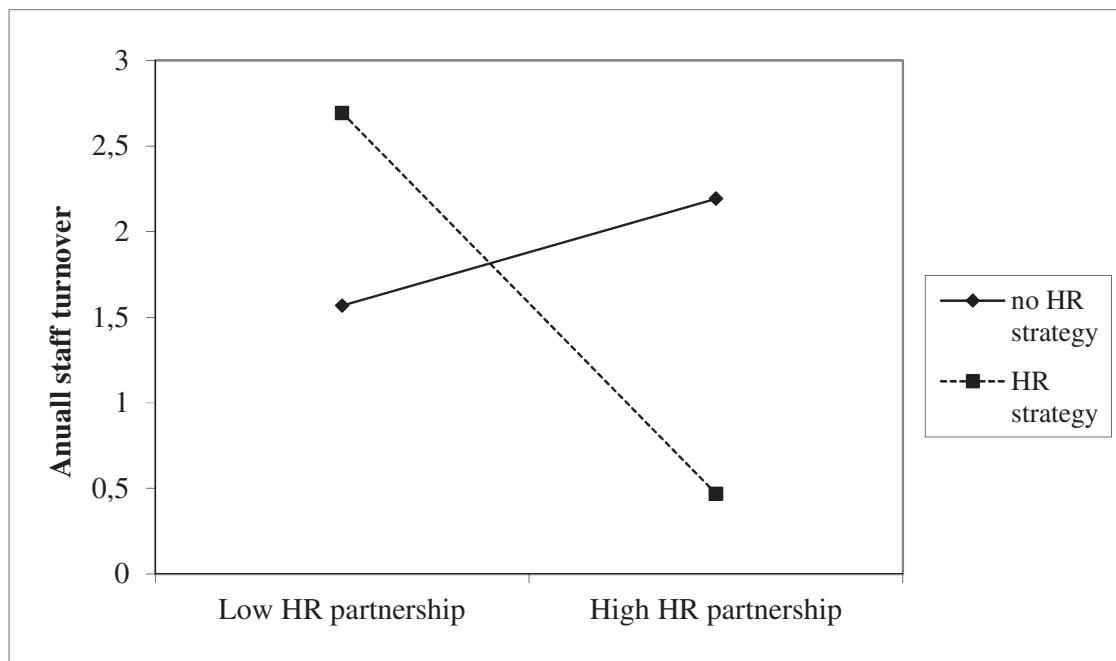
**Hypothesized Research Model**



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**Figure 2**

*Interaction between HR partnership and HR strategy*



**Figure 3**

*Interaction between HR partnership and USA (Ref. GER)*

