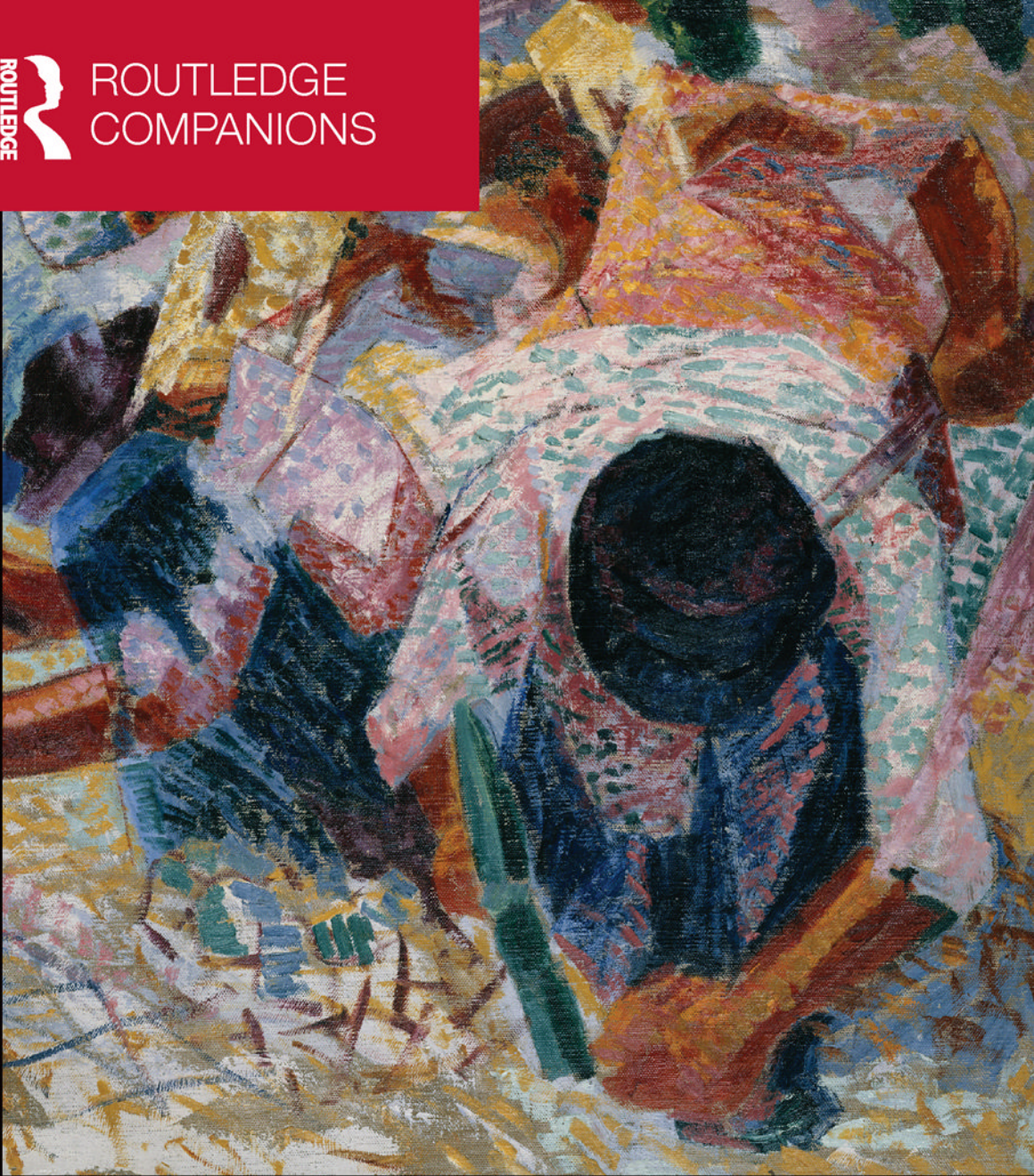# The Routledge Companion to International Human Resource Management

Edited by David G. Collings, Geoffrey T. Wood and Paula M. Caligiuri

This page intentionally left blank

The Routledge Companion to International Human Resource Management

International human resource management (IHRM) is a key area of research in the sphere of international business and management. Described as a field in its infancy in the 1980s, IHRM has quickly advanced through adolescence and into maturity. Today, it is a vibrant and diverse discipline that boasts a large and active body of researchers across the globe.

With input from both established and emerging scholars, *The Routledge Companion to International Human Resource Management* gives a state-of-the-art overview of the key themes, topics, and debates in the discipline, as well as valuable insights into directions for future research.

Drawing on a large and respected international contributor base, and with a focus on mature and emerging markets, this book is an essential resource for researchers, students, and IHRM professionals alike.

David G. Collings is Professor of Human Resource Management at Dublin City University, Ireland. He has published widely in the field of international HRM with a focus on global talent management and global staffing issues.

Geoffrey T. Wood is Professor of International Business at Warwick Business School, UK. His research interests centre on the relationship between national institutional setting, corporate governance, firm finance, and firm-level work and employment relations and he has published widely on these issues.

Paula M. Caligiuri is a D'Amore-McKim Distinguished Professor of International Business and Strategy at Northeastern University, USA, where she researches and teaches in the area of cultural agility and global leadership development.

Routledge Companions in Business, Management and Accounting

Routledge Companions in Business, Management and Accounting are prestige reference works providing an overview of a whole subject area or sub-discipline. These books survey the state of the discipline including emerging and cutting-edge areas. Providing a comprehensive, up-to-date, definitive work of reference, Routledge Companions can be cited as an authoritative source on the subject.

A key aspect of these Routledge Companions is their international scope and relevance. Edited by an array of highly regarded scholars, these volumes also benefit from teams of contributors that reflect an international range of perspectives.

Individually, Routledge Companions in Business, Management and Accounting provide an impactful one-stop-shop resource for each theme covered. Collectively, they represent a comprehensive learning and research resource for researchers, postgraduate students and practitioners.

Published titles in this series include:

This page intentionally left blank

The Routledge Companion to International Human Resource Management

Edited by
David G. Collings, Geoffrey T. Wood
and Paula M. Caligiuri

Routledge
Taylor & Francis Group

LONDON AND NEW YORK

Contents

Contents

Figures

Tables

Notes on contributors

Phil Almond is chair of Comparative Employment Relations and leader of the Contemporary Research on Organizations, Work and Employment group at De Montfort University, UK. He researches, and has published widely, on multinationals and employment policies/practices, largely from an institutional embeddedness perspective. He edited, with Anthony Ferner, *American Multinationals in Europe* (Oxford University Press, 2006). His current research is on the relations between multinationals and sub-national institutions. He also has published research on comparative HRM and the varieties of capitalism debate.

Ingmar Björkman is professor and dean of Aalto University School of Business in Finland. His research interests focus on international human resource management, knowledge creation and transfer in multinational corporations, and integration of international mergers and acquisitions. He is a winner of the Journal of International Business Studies Decade Award (together with Dana Minbaeva, Torben Pedersen, Carl Fey, and H.-J. Park). His latest books are *Global Challenge: International Human Resource Management* (McGraw-Hill, 2011), co-authored with Paul Evans (INSEAD) and Vladimir Pucik (IMD) and *Handbook of Research in International Human Resource Management* (Edward Elgar, 2012, second edition), co-edited with Günter Stahl (INSEAD and WU) and Shad Morris (Brigham Young University).

Maggie Boyraz is a doctoral candidate in the School of Communication and Information at Rutgers University. Before joining Rutgers, she earned an MA in Industrial and Organizational Psychology from the City University of New York and worked for several private and non-profit organizations. Most recently she worked for a Human Resource Information System (HRIS) company managing client relations, training and development for multinational client companies. Her research interests lie in the areas of global virtual teams, social implications of technology use in organizations and intercultural communication.

Mary Yoko Brannen is the Jarislowsky East Asia (Japan) Chair in Cross-Cultural Management at the Centre for Asia Pacific Initiatives and Professor of International Business at the Gustavson Business School at the University of Victoria and visiting professor of Strategy and Management at INSEAD, Fontainebleau and deputy editor of the *Journal of International Business Studies*. Her research focuses on ethnographic approaches to understanding the effects of changing cultural contexts on technology and knowledge transfer, leveraging cultural identity in the global work organization, and multinational mergers and acquisitions.

Chris Brewster is professor of International Human Resource Management at Henley Business School, University of Reading, UK and visiting professor at the University of Nijmegen, Netherlands and Vaasa University, Finland. He researches international and comparative HRM

and has published over 25 books and nearly 200 articles. He has a doctorate from the LSE and an honorary doctorate from Vaasa University, Finland.

Mick Brookes is a reader in Work and Employment at Middlesex University as well as director of the Khanyisa Project, a non-profit partnership seeking to address employability issues in the Eastern Cape of South Africa. His research interests include labour market discrimination, industrial relations and comparative HRM, with the central strand connecting all aspects of this research being exploring the relationship between national institutional configurations and firm level work and employment practices.

Joost J. L. E. Bücker is senior lecturer of strategic human resource management in the Institute for Management Research at the Radboud University Nijmegen, the Netherlands. He studied sociology (MA) at the University of Tilburg. His research interests are in the area of cross-cultural management and international human resource management, more specifically in the topic of "global leadership competencies." He finished his PhD in 2013 on the topic of "cultural intelligence measurement and development." Joost Bücker is an expert in training and consultancy on global leadership and cross-cultural management.

Pawan S. Budhwar is a professor of international HRM at Aston Business School, UK. Pawan has published over 80 articles in a number of leading journals such as *HRM*, *OBHDP*, *JIBS*, *JOB*, *Human Relations, Organization Studies*, *Journal of World Business* on international HRM/OB-related topics with a specific focus on India. He has also written and/or co-edited 10 books on HRM related topics. He is the joint-editor in chief of *British Journal of Management*. Pawan is also a fellow of the Higher Education Academy and British Academy of Management. He has been a visiting professor to leading schools in countries like India, Germany and France.

Paula M. Caligiuri is a D'Amore-McKim distinguished professor of International Business and Strategy at Northeastern University where she researches and teaches in the areas of cultural agility and global leadership development. She works extensively with leading organizations across a wide range of industries, including private sector, military, and non-profit organizations. She has written several articles and books including, *Cultural Agility: Building a Pipeline of Successful Global Professionals* (2012). She is the current HR area editor for the *Journal of International Business Studies*, is a research fellow with the E&Y Institute for Emerging Market Studies. She holds a PhD from Penn State University in industrial and organizational psychology.

Yu-Ping Chen is currently an assistant professor of Human Resource Management at Concordia University, Canada. He received his PhD from the University of Wisconsin, Milwaukee. His research focuses on global work experiences, interpersonal relationships at work, work motivation, and work–family interface. His work has been published in peer-reviewed journals, including *Journal of Management*, *Applied Psychology: An International Review*, and *International Journal of Human Resource Management*.

David G. Collings is professor of HRM at Dublin City University Business School. He is also a visiting professor of HRM at King's College London. He has formerly held faculty positions at the University of Sheffield and the Natonal University of Ireland, Galway. His research interests focus on management in multinational corporations with a particular emphasis on staffing and talent management issues. His work in these areas has been published in outlets such as the *Journal of Vocational Behavior*, *Human Relations*, *Human Resource Management* and *The Industrial*

and Labor Relations Review. He has edited six books, most recently *Global Talent Management* with Hugh Scullion (Routledge, 2012). He sits on a number of editorial boards including the *British Jounal of Management*, *Journal of World Business*, *International Journal of Human Resource Management* and *Human Resource Development Quarterly*. He is editor of the *Human Resource Management Journal* and senior editor at *Journal of World Business* and former editor of the *Irish Journal of Management*.

Fang Lee Cooke (PhD, University of Manchester, UK) is professor of Human Resource Management (HRM) and Asia Studies at the Department of Management, Faculty of Business and Economics, Monash University. Previously, she was a chaired professor (since 2005) at Manchester Business School, University of Manchester, UK. Her research interests are in the area of employment relations, gender studies, diversity management, strategic HRM, knowledge management and innovation, outsourcing, Chinese outward FDI and employment of Chinese migrants. Fang is the author of *HRM, Work and Employment in China* (Routledge, 2005), *Competition, Strategy and Management in China* (Palgrave Macmillan, 2008), and *Human Resource Management in China: New Trends and Practices* (Routledge, 2012). She is a co-author (with Nankervis, Chatterjee and Warner) of *New Horizons of Human Resource Management: Models from China and India* (Routledge, 2013). Fang's current research projects include: Chinese construction and mining firms in Africa and their employment practices and labour relations; employee resilience, HRM practices and engagement in the finance sector in the Asian region; the evolution of industrial relations and implications for foreign firms in South Asia; organizational practices and management models in the care sector; and HRM in healthcare organizations.

Helen De Cieri is a professor in the Department of Management at Monash University, Australia and a member of the Australian Centre for Research in Employment and Work (ACREW). Her prior appointments include universities in Australia, China, Hong Kong, Malaysia and the USA. Helen has published widely on topics related to the strategic and international dimensions of human resource management. Her current research interests are in the areas of international HRM, employee wellbeing, organizational health and performance. Helen is also actively engaged in activities to promote social inclusion, particularly gender equality in higher education.

Michael Dickmann is professor of International Human Resource Management at Cranfield University. He is dean of the Faculty of Management, director of the Cranfield Executive MSc in International Human Resource Management and the editor of the *International Journal of Human Resource Management*. Michael lectures in the areas of international and strategic HRM. His research focuses on human resource strategies, structures and processes of multinational organisations, international mobility and global careers. Michael has published in key academic and professional journals and he is the lead author of two recent books on International HRM and global careers.

Lisa Dragoni is an assistant professor in the Human Studies Department in the ILR School at Cornell University. She earned her PhD from the University of Maryland. Her research primarily focuses on leadership development and has appeared in some of the management field's most prestigious journals: the *Academy of Management Journal*, the *Journal of Applied Psychology*, and *Personnel Psychology*. Her research results from partnerships with large organizations who strive to improve their approach to developing and retaining world-class leaders. She has been invited to speak on the topic of leadership development at various national conferences, and she serves on the advisory board of Aetna University, the corporate university charged with developing leaders within Aetna, which is a Fortune 100 firm that specializes in health care.

Wolfgang Elsik is professor of Human Resource Management at Vienna University of Economics and Business (WU). He has been head of the Institute for Human Resource Management at WU since 2006. He has been a visiting scholar to the University of Illinois at Urbana-Champaign (USA), University of South Australia, University of Otago (New Zealand) and University of Bamberg (Germany). His main fields of interests are strategic human resource management, organizational politics, and institutional theory.

Elaine Farndale is associate professor in Human Resource Management at the School of Labor and Employment Relations, Pennsylvania State University (USA), and is affiliated with the Department of Human Resource Studies at Tilburg University (Netherlands). Her widely published research encompasses the broad field of (international) human resource management. Elaine completed her PhD at Cranfield School of Management (UK) and worked previously as an HR specialist for several years.

Marion Festing (PhD, University of Paderborn, Germany) is professor of Human Resource Management and Intercultural Leadership and the rector of ESCP Europe's Berlin Campus. She has gained educational, research and work experience in France, Australia, Tunisia, Taiwan and the USA. She serves as an associate editor of the *International Journal of Human Resource Management* and as a co-editor of the *German Journal of Research in HRM*. Her current research and teaching interests are concerned with international human resource management with a special emphasis on strategies, careers, compensation, performance and talent management in differing institutional and cultural contexts.

Jennifer L. Gibbs (PhD, University of Southern California) is an associate professor of Communication at Rutgers University's School of Communication and Information. Her research interests include the use of new communication technologies for online self-presentation and relationship formation as well as collaboration and knowledge sharing in virtual, multicultural work contexts such as global teams. She is currently studying the role of social media in knowledge sharing and collaboration in distributed organizations. Her work has been published in leading journals such as *Administrative Science Quarterly*, *American Behavioral Scientist*, *Communication Research*, *Human Relations*, *Journal of Computer-Mediated Communication*, *Journal of Social and Personal Relationships*, *Management Communication Quarterly* and *Organization Science*, as well as handbooks of organizational communication and international human resource management.

María C. Gonzalez Menendez is tenured associate professor of Sociology at the University of Oviedo (Spain). Her research interests are in comparative employment relations, and particularly in job quality. She recently led a three-year project researching regional networks for the attraction and retention of foreign multinational firms in Spain. She co-leads the work package "Policy transfer and comparative frameworks" in the FP7-funded project "Strategic Transitions for Youth Labour in Europe". Among other publications she is co-editor of the book *Women on Corporate Boards and in Top Management* (Palgrave, 2012).

Patrick (Paddy) Gunnigle, is professor of Business Studies at the Kemmy Business School, University of Limerick and honorary visiting professor at Rhodes University, South Africa. A graduate of University College Dublin (BCom, 1977; MBS, 1978) and Cranfield School of Management (PhD, 1995), he has authored, co-authored or edited 18 books and over 100 refereed journal papers and book chapters. His research has been published in the leading journals in his field such as the *Journal of International Business Studies*, the *British Journal of Industrial Relations*, *Industrial and Labor Relations Review*, *Industrial Relations* and the *Journal of World Business*. A former

Fulbright Scholar and Marie Curie Exchange Scholar, Paddy is member of the editorial boards of the *Human Resource Management Journal*, *Asia Pacific Journal of Human Resources* and the *South African Journal of Human Resource Management*. He holds visiting professor appointments at Sorbonne Université Paris II (Pantheon-Assas) and Nelson Mandela Metropolitan University (South Africa) and has delivered distinguished lectures and invited presentations at several leading universities and business schools in Australia, Canada, China, South Africa and the USA. His research interests include international business/multinational companies, human resource management (HRM), trade union membership and recognition, management strategies in industrial relations, and the role of HRM specialists. His research has attracted financial support from the European Union's Framework 7 programme, the Irish Research Council for the Humanities and Social Sciences, the Irish Research Council and the Economic and Social Research Council (UK). He previously worked as a senior executive in the semi-state sector in Ireland and lectured for some years in Zambia.

Nigel Haworth is professor of Human Resource Development and head of the Department of Management and International Business at the University of Auckland. Nigel trained as an economist at the University of Liverpool and became a specialist in Latin American Studies and the international labour market. He has also written for many years on various aspects of the international labour movement and is a regular commentator on the political economy of New Zealand and the Asia Pacific.

Thomas Hippler is a senior lecturer in International Management at the University of Essex (UK). His research interests are in the area of global mobility management, with his current research activities focusing on international assignments and expatriate adjustment. Questions relating to conceptual and methodological considerations in expatriate adjustment research are at the core of his present work. Other interests relate to the motives for seeking or accepting global mobility opportunities. Prior to joining the University of Essex, Thomas held faculty positions in human resource management and international business at Swansea University (UK) and Queen's University Belfast (UK). His work has been published in *Human Resource Management* (US), the *International Journal of Human Resource Management*, and others. His book (with Arno Haslberger and Chris Brewster) *Managing Performance Abroad: A New Model for Understanding Expatriate Adjustment* (Routledge Studies in Human Resource Development) was published in 2014. Thomas is a member of the Academy of Management, Academy of International Business and the International Academy of Intercultural Research. He serves on the editorial review boards of the *Journal of International Business Studies* and the *Journal of Managerial Psychology*. Thomas holds a PhD in International Human Resource Management from the University of Limerick (Ireland).

Nigel Holden has been a visiting research fellow at the Centre for International Business at Leeds University Business School in the UK since 2011, having held professorships in cross-cultural management at business schools in the UK, Germany and Denmark and visiting professorships in Austria and Thailand. His fields of publication embrace cross-cultural management, knowledge management, international marketing, international HRM, management change in Russia and East/Central Europe, marketing in Japan, management terminology in various languages, and intercultural business communication. Best known for his pioneering book *Cross-cultural Management: A Knowledge Management Perspective*, published in 2002, he is an associate editor and co-founder of the *European Journal of International Management*. In August 2012 he was appointed consultant editor of the *Routledge Companion to Cross-Cultural Management*, due to be published in 2015.

Stephen Hughes is professor of International Organisations at Newcastle University. He publishes regularly in international journals, has contributed commentary on global issues to newspapers, radio and television, and co-authored two books, including with Nigel Haworth, *The International Labour Organisation: Coming in from the Cold* (Routledge, 2011).

Terence Jackson is professor of Cross-cultural Management at Middlesex University Business School, London. He has published extensively on management in Africa and on cross-cultural management in journals including *Journal of Management Studies*, *Human Relations*, *Human Resource Management*, *Journal of World Business*, *Organization*, *International Journal of Human Resource Management* and *Management International Review*. He has written eight books including *Management Ethics: A Critical, Cross-cultural Perspective* (Cambridge University Press, 2011), and *International HRM: A Cross-cultural Approach* (Sage, 2002), which he is currently revising for a second edition. He is working on two research projects concerning the management implications of China's engagement in Africa, and indigenous management and the informal economy in Africa. He is editor-in-chief of *International Journal of Cross Cultural Management* (Sage).

Gilton Klerck is an associate professor in Industrial and Economic Sociology at Rhodes University. He has published widely on the labour market, workplace restructuring, employee relations, trade unions and human resource management.

J. Ryan Lamare is an assistant professor of Labor and Employment Relations at Penn State University. He held academic positions at the University of Limerick and the University of Manchester prior to joining Penn State. Professor Lamare's research interests include: labour and employment arbitration, ADR in the securities industry, the development of ADR systems in organizations, the role of unions in politics, employment relations and HR at multinational companies, and quantitative research methods.

Mila Lazarova is an associate professor of International Management at SFU Beedie School of Business and the Canada Research Chair in Global Workforce Strategy. Her research interests include expatriate management, with a focus on repatriation and the career impact of international assignments; work/life balance issues related to assignments; global careers; the role of organizational career development and work/life balance practices on employee retention; and the changing role of the HR department in organizations. She also conducts research in comparative human resource management and is the Canadian counterpart to CRANET. Mila has published in journals such as the *Academy of Management Review*, *Organization Science*, *Journal of International Business Studies* and *Journal of Organizational Behavior* and has contributed numerous book chapters in edited volumes. Most recently, together with Dave Thomas, she is the author of *Essentials of International Human Resource Management: Managing People Globally*, published by Sage.

Yih-teen Lee (PhD in Management, HEC, University of Lausanne) is an associate professor in the Department of Managing People in Organizations at IESE Business School in Barcelona, Spain. His research interests include person–environment fit in specific cultural contexts, cultural identities and cultural competences, and leadership in multicultural teams. His works appeared in journals such as *Journal of Management*, *Personnel Psychology*, *Personality and Individual Difference*, *European Journal of International Management* and *International Journal of Cross-Cultural Management*.

Amy McCarter is a doctoral researcher within the discipline of Management at the National University of Ireland, Galway. Her research interests focus on International Management with a specific emphasis MNEs, expatriation issues and careers.

Christopher McCusker is Colleen and George McCullough Professor of Business and professor of Practice of Management at A. B. School of Business at Tulane University. His research and teaching interests include cross-cultural management, globalization of business, leadership, ethics and conflict management. He also consults to businesses about leadership, teamwork and cross-cultural issues.

Anthony McDonnell is reader in Management at Queen's University Belfast and senior adjunct research fellow at the University of South Australia. His research interests are primarily focused on how multinational companies manage their workforces across different host environments and how organizations are engaging in talent management. He has published widely in journals such as *Human Resource Management*, *Human Relations*, *Journal of Business and Psychology*, *Journal of World Business* and *Human Resource Management Journal.*

Yvonne McNulty is associate faculty at Singapore Institute of Management University, Singapore. She has published on expatriation in journals such as *Management International Review*, *Journal of World Business*, *Cross Cultural Management: An International Journal*, and *International Journal of Human Resource Management*. Her research has been extensively cited in *The New York Times*, *International Herald Tribune*, *Financial Times*, BBC Radio, and Economist Intelligence Unit, among others. Following a successful career in the Royal Australian Navy, she has subsequently lived and worked in her native Australia, the USA, Singapore, and China. She serves on the Editorial Board of *Journal of Global Mobility* and *Global Business and Organizational Excellence*. Yvonne is the recipient of eight academic awards including the prestigious Personnel Review/ANZAM Best Doctoral Dissertation Award in Australia and New Zealand. A regular consultant for clients that include Brookfield, Cartus, Deloitte and The Permits Foundation, she is co-author of a new book, *Managing Expatriates: A Return on Investment Approach* with Professor Kerr Inkson.

Mark E. Mendenhall is an internationally recognized scholar in the fields of global leadership and expatriate productivity. He currently holds the J. Burton Frierson Chair of Excellence in Business Leadership at the University of Tennessee, Chattanooga and is a partner in The Kozai Group, a consultancy that specializes in global leadership identification, assessment, and development. He has published numerous books and journal articles/scholarly book chapters on issues associated with leadership and expatriation. His latest co-authored book is *Global Leadership: Research, Practice, and Development* (Routledge, 2013).

Dana B. Minbaeva is professor of Strategic and Global HRM at Copenhagen Business School. Her research on strategic international HRM, knowledge sharing and transfer in multinational corporations has appeared in such journals as *Journal of International Business Studies*, *Journal of Management Studies*, *Human Resource Management*, *International Journal of Human Resource Management*, *Management International Review*, *International Business Review*, *Employment Relations*, *Personnel Review*, *European Journal of International Management*, and so on. Dana is on the Editorial Board of Human Resource Management (Wiley). Previously, she has taught in Kazakhstan, Russia, Lithuania, Kyrgyzstan, and Finland as well as having held visiting research positions in the UK, Ireland, Australia and Canada.

Michael Muller-Camen is professor of Human Resource Management at Vienna University of Economics and Business (WU) and associate professor of International Human Resource Management at Middlesex University Business School, London. His main research interests are sustainable HRM, green HRM, human rights, MSHRM and age diversity. He has published numerous articles on international and comparative HRM in journals such as *Human Relations*, *Journal of Management Studies* and *Organisation Studies*. He is co-editor-in-chief of *Zeitschrift für Personalforschung* (German Journal of Research in Human Resource Management).

Marta Muñiz-Ferrer is professor in the Icade Business Administration Department since 2002 where she teaches Business Strategy, Entrepreneurship and Managing across Cultures. In 2009 Marta developed the chair in Internationalization of Business, Diversity and Professional Development in Comillas Pontifical University, a meeting point for universities, companies and institutions to promote research into the effects on human resources management of the internationalization of business as well as to provide companies with tools for diversity management. Since then, Marta leads research projects on international HR management in collaboration with other Spanish and international universities and participates in many international conferences and research workshops. Before joining the academic world, Marta developed a business career in MNCs where she held positions of responsibility in management and corporate development. As a result of her professional activity in business consulting and corporate finance, she has wide experience in strategic advisory to international companies and SMEs, as well as in team and project management.

Nancy K. Napier is professor of Strategy and executive director of the Centre for Creativity and Innovation at the College of Business and Economics, Boise State University. Dr Napier managed Boise State's nine-year involvement in an $8.5 million capacity building project at the National Economics University in Hanoi, Vietnam, funded by the Swedish International Cooperation Development Agency and USAID. In 2011, Dr Napier received Vietnam's Medal of Honor for her contribution to the cause of higher education in Vietnam. Her most recent book is *Wise Beyond Your Field: How Creative Leaders Out Innovate to Out Perform*. Her articles have appeared in such journals as *Creativity and Innovation Management*, *Journal of Management Psychology*, *International Journal of Cross-Cultural Management*, *Journal of Management Inquiry*, *Human Resource Management Journal*, *Academy of Management Review*, *Journal of Management Studies* and *Journal of International Business Studies*.

Rebecca Piekkari is professor of International Business at Aalto University, School of Business. Her research interests focus on the implications of language diversity for managing people and their careers in large multinational corporations. Moreover, she has actively contributed to the discussion about language as a methodological question in international business research. Her work has been published in journals such as the *Academy of Management Review*, *Journal of Management Studies*, *Journal of International Business Studies*, and *International Journal of Human Resource Management* as well as in handbooks of qualitative research in international business and research on international human resource management.

Robert E. Ployhart is the Bank of America Professor of Business Administration in the management department at the University of South Carolina's Darla Moore School of Business. He has a PhD in Industrial and Organizational Psychology from Michigan State University (1999). Rob has published over 100 scholarly articles and chapters on human capital, personnel selection

and recruitment, and applied statistical models. His most recent research focuses on the intersection of psychology with organisational strategy. Rob has served as an associate editor for the *Journal of Applied Psychology*, an invited co-editor for *Organizational Research Methods*, and an invited associate editor for *Organizational Behavior and Human Decision Processes*. He is a fellow of the American Psychological Association, the Association for Psychological Science, and the Society for Industrial and Organizational Psychology.

Javier Quintanilla (PhD in Management, Warwick University) is professor in the Department of Managing People in Organizations and associate director for faculty at IESE Business School, Spain. His research centers principally on the field of leadership and human resources, with special emphasis on multinational companies. He is also involved in research on professional services firms. He has published in journals such as *The International Journal of Human Resource Management*, *Journal of World Business*, *Industrial Relations* (Berkeley), *Industrial Relations Journal* and *The European Journal of Industrial Relations*, to mention a few.

B. Sebastian Reiche (PhD in International Management, University of Melbourne) is an associate professor in the Department of Managing People in Organizations at IESE Business School in Barcelona, Spain. His research focuses on international assignments and international HRM, employee retention and careers, cross-cultural management and knowledge transfer, and has appeared, among others, in the *Journal of International Business Studies*, *Personnel Psychology*, *Journal of Management Studies*, *Human Resource Management*, *Applied Psychology* and *Journal of World Business*. He is associate editor of *Human Resource Management Journal,* serves on various editorial boards including the *Journal of International Business Studies* and regularly blogs on topics related to expatriation (http://blog.iese.edu/expatriatus).

Margaret Shaffer is the Richard C. Notebaert Distinguished Chair of International Business and Global Studies at the University of Wisconsin – Milwaukee, USA. She received her PhD from the University of Texas at Arlington, USA. She is an active researcher in expatriation and cross-cultural organizational behaviour and has published extensively in journals such as *Academy of Management Journal*, *Journal of Applied Psychology*, and *Journal of International Business*.

Günter K. Stahl is professor of International Management at Vienna University of Economics and Business (WU Vienna). Prior to joining WU Vienna, he served for eight years as a full-time faculty member at INSEAD, and was a visiting professor at Duke University, the Wharton School of the University of Pennsylvania, Northeastern University and Hitotsubashi University. His research interests include leadership and leadership development, ethical decision-making and corporate social responsibility, and the sociocultural processes in teams, alliances, mergers and acquisitions, and how to manage people and culture effectively in those contexts.

Vesa Suutari is professor, Department of Management, and dean of the Faculty of Business Studies, at University of Vaasa, Finland. He has published various international journal articles (e.g. in *Human Resource Management*, *International Business Review*, *International Journal of HRM* and *Journal of World Business*), and book chapters on issues such as cross-cultural leadership, expatriation, self-initiated expatriation, global leadership and global careers. His expert role has involved different position such as board member of the European Academy of Management, vice chairman of the Association of Business Schools Finland, board member of Finnish Association for HR Professionals, and member of editorial boards in several journals.

Sully Taylor is professor of International Management and Human Resource Management at Portland State University, School of Business Administration, and director of International Programs for the School of Business. She is also a Certified Integral Leadership Coach. She has also taught at Adolfo Ibanez University in Chile, the International University of Japan and at the Instituto de Empresa, Madrid, Spain. Dr Taylor holds Masters from the School for International Training and from the Pennsylvania State University. She grew up in Mexico, and after graduating from Southern Methodist University, spent a total of eight years living and working in Japan. From 1981–1984, Dr Taylor worked for Sumitomo Metal Industries in Japan, in their training and development department. Dr Taylor teaches courses in Human Resource Management, Global Human Resource Management, International Management and the Asian Business Environment. Her research interests include the design of global HRM systems in multinational firms, global leadership, and sustainability and HRM. Dr Taylor has authored or co-authored a number of articles on her research, which have been published in such journals as *Academy of Management Review*, *Sloan Management Review*, *Human Resource Management Journal*, *Journal of Organizational Behavior*, *Advances in International Comparative Management*, *Journal of International Business Studies* and *Human Resource Planning*, in addition to a number of book chapters. With Nancy Napier, she has written a book entitled *Western Women Working in Japan: Breaking Corporate Barriers* (1995). She serves on several editorial boards, and is past chairperson of the International Management Division of the Academy of Management.

Satu Teerikangas is senior lecturer in Management at University College London. Her research centres on strategic change, which she explores in the context of mergers and acquisitions (M&A), studying the managerial, human and cultural dynamics therein. Her research has focused on Nordic multinationals' acquisition experiences and European private equity players' governance practices. Satu is co-editor of *The Handbook of Mergers and Acquisitions* with Oxford University Press (2012), and her research features in, for example, the *Journal of Management*, *British Journal of Management*, and *Human Resource Management*. Satu's secondary research interest relates to what makes employees highly engaged. Prior to joining the academia, Satu worked in the oil and gas industry in the Netherlands and the UK in management consulting and HR positions. A Finnish native, Satu enjoys international exposure through living across three continents.

Christelle Tornikoski is an academic professor in HRM at Grenoble Ecole de Management. She investigates what motivates expatriates and highly educated international employees most; how organizations can attract, motivate and retain them in the long run. She is especially interested in the study of the social exchange of intangible rewards or returns between organizations and their international assignees, as well as the use of total rewards. She has authored and co-authored articles published in international academic journals such as *The International Journal of Human Resource Management* (*IJHRM*) and *Cross-Cultural Management Journal* (*CCM*) and book chapters.

Susanne Tietze, PhD, is professor of Management at Keele Management School, UK. She has degrees in linguistics and literature, management and pedagogy and is committed to an interpretative approach to knowledge generation and her work is strongly influenced by social constructionist theory. She has applied this approach in a series of funded research projects including the investigation of flexible work and its consequences for organisational stakeholders; emerging work organisations; gender and international and intercultural communication. She has researched the psychological contract formation of home-located workers as well as the identity formation of organisational talent. Theoretical pieces on discourse, language and trans-lation provide the conceptual integrity and coherence to her empirical studies. She has written

and co-edited several books and publishes her work in leading management journals such as *Organization Studies*, *Journal of International Business Studies*, *Human Resource Management Journal*, *International Human Resource Management Journal* and *Journal of Management Inquiry*.

Vlad Vaiman is an associate dean and professor of International Management at the School of Management of California Lutheran University and is a visiting professor at several premier universities around the world (Austria, France, Iceland and Finland). Dr Vaiman has published three very successful books on managing talent in organizations as well as a number of academic and practitioner-oriented articles in the fields of talent management and international HRM. His work has appeared in top academic journals including *Academy of Management Learning & Education*, *Human Resource Management*, *International Journal of Human Resource Management* and others. He is a co-founder and editor-in-chief of the *European Journal of International Management* (*EJIM*), an ISI/SSCI indexed publication.

Arup Varma is professor of Human Resource Management at Loyola University Chicago's Quinlan School of Business. From 2002 to 2007 Arup was director of the HRER Institute and chair of the HRM department at the School of Business Administration. His research interests include high performance work systems, performance appraisal and expatriate issues. His research has been published in several leading journals including *Academy of Management Journal*, *Personnel Psychology*, *Journal of Applied Psychology*, *Human Resource Management Review*, *Journal of World Business*, *International Journal of Human Resource Management* and *Organization Development Journal*.

Jeff A. Weekley leads the global assessment consulting team at Kenexa, an IBM company, in the development and implementation of assessment systems for selection, talent reviews, and employee development. Dr Weekley received his PhD in Organizational Behavior from the University of Texas at Dallas and Master of Science in Industrial and Organizational Psychology and Bachelor of Science in Psychology from Texas A&M. He is a member of the American Psychological Association and a fellow of the Society for Industrial & Organizational Psychology. Jeff has authored numerous articles in publications such as the *Journal of Applied Psychology*, *Personnel Psychology*, *Academy of Management Journal*, *Human Performance*, *International Journal of Selection and Assessment*, and *Journal of Management*. His research has focused largely on assessment in the realm of talent acquisition.

Geoffrey T. Wood is a professor of international business in the Warwick Business School at the University of Warwick. Previously, he was a professor in the School of Management at the University of Sheffield, and associate dean of the school, and before that a professor and the director of research at Middlesex University Business School. He also taught at Rhodes University in South Africa (where he attained the rank of associate professor). He has held visiting fellowships at Cranfield University, Victoria University of Wellington (New Zealand), the American University in Cairo, Cornell University and Rhodes University. He currently is an honorary professor at the University of the Witwatersrand and a visiting professor at Nelson Mandela University, both in South Africa, and adjunct professor at Griffith University in Australia. He has served as a commissioned researcher for the South African Truth and Reconciliation Commission. He has authored/co-authored/edited seven books, and more than 100 articles in peer-reviewed journals (including *Work and Occupations*, *Work Employment and Society*, *Organization Studies*, *Human Relations*, the *British Journal of Industrial Relations*, and *Human Resource Management*). He has received numerous research grants from funding councils, government

departments (e.g. the US Department of Labor), charities (e.g. Nuffield Foundation), and the labor movement (e.g. the ITF). Wood's research interests centre on the relationship between national institutional setting, corporate governance, firm finance, and firm-level work and employment relations.

Olivier Wurtz is an assistant professor in the Department of Management at the University of Vaasa, Finland. French by nationality, he received his PhD in International Human Resource Management at HEC Paris in 2012. Before entering academia, he was a marketing manager for Procter & Gamble and L'Oreal. His current research interests include global work experiences, work–life balance, coping, and cross-cultural management. His work has been published in the *International Journal of Human Resource Management*.

Yoshio Yanadori is senior lecturer at School of Management, UniSA Business School. He earned his PhD in Human Resource Studies from ILR School, Cornell University. His research interests include compensation management, human resource management (HRM) in multinational corporations, and HRM in the Asia Pacific region. His work has been published in journals such as the *Strategic Management Journal*, *Industrial Relations*, *Human Resource Management Journal*, and *International Journal of Human Resource Management*.

This page intentionally left blank

1
Introduction

David G. Collings, Geoffrey T. Wood and
Paula M. Caligiuri

Introduction

International human resource management (IRHM) is one of the key areas of research in the field of international business and management. Described as a field in its infancy in the 1980s (Laurent, 1986), international human resource management has quickly advanced through adolescence and into maturity. A key objective of the current volume is to reflect on the key advancements that have been made in our understanding of IHRM over the past few decades. More significantly, the volume will provide valuable insights into the key directions in which research should be directed as the field continues to develop over the coming decade and beyond.

In this introduction we briefly set the context of the chapters that follow. It is not our intention to chart the landscape of the field in the current chapter. Rather we leave it to the authors in the chapters that follow to provide an overview of current knowledge in the specific topic of the chapter. Each chapter will identify key issues and debates around the topic and consider how the research agenda of the area is likely to unfold. Authors were chosen for their expertise in the respective areas and hence we hope that as a whole the Companion provides a relatively authoritative overview of the broad field of IHRM and equally charts the important directions which research should evolve over the coming decade or more. We are conscious that IHRM is 'a highly dynamic and constantly evolving field, with new themes emerging that transcend traditional approaches' (Björkman and Stahl, 2006: 6). This means that the boundaries of the field are constantly evolving with new issues and questions emerging which require insights from parallel fields that have traditionally been neglected by IHRM studies. Indeed, critics of the research direction of the field point to what they perceive to be a narrow performative and managerialist perspective that has dominated research in the field. For example, Delbridge *et al.* (2011: 489) argue that

> IHRM will become increasingly irrelevant to both researchers and practitioners if it does not extend and replenish the theoretical resources at its disposal in order to allow a more comprehensive and compelling articulation of the increasingly diverse and complex range of issues that are important in managing people in international contexts.

Thus the current volume considers key issues and topics which have had a central place in international HR studies for a number of decades and some wider contemporary perspectives and issues. The former includes the chapters in part three which focus on the management of international assignments. Indeed, of all topics within the broad field of IHRM, arguably the management of international assignees has dominated the research agenda in the field for over three decades (Collings *et al.*, 2007; Harvey and Moeller, 2009). Equally, part two which considers more broadly the issues around managing international HRM in the MNE. The chapters in this section very much focus on the acquisition, development, deployment and motivation of employees in the contemporary MNE. The focus of this section is on the key functional area of human resource management, highlighting how strategic, cultural, and comparative issues can influence the effectiveness of those practices within global organizations. Such approaches offer important insights for the consideration of IHRM issues.

Additionally parts one and four consider a wider range of issues which impact on IHRM. Recognizing the wide range of disciplinary traditions which inform IHRM, part two considers a number of key theories which frame discussions on IHRM. While some of these chapters present research from relatively developed research streams within the IHRM field (for example, Minbaeva and DeCieri's chapter on strategic IRHM, Brewster and Wood's chapter on comparative HRM and Jackson's contribution on cultural approaches), other present more critical and under-represented perspectives in the IHRM field (for example, Almond and Gonzalez introduce an economic geography perspective, Hughes and Haworth consider the challenges of transnational governance of labour relation, Lamare, Farndale and Gunnigle introduce a wider employment relations perspective and Klerck highlights the relevance of sociological theories).

The final section of the *Companion* reflects the vibrancy and diversity of the field and engages with the increasingly complex range of issues which are important in contemporary debates on IHRM. These include with the impact of supply chains (Cooke), ethics and corporate social responsibility (Muller-Camen). Topics such as, *inter alia* the role of language in IHRM (Tietze *et al.*) global teams (Gibbs and Malgorzta) and international mergers and acquisitions (Teerikangas *et al.*) are also given consideration.

The following section provides an outline of the structure of the book and the content of each part.

Chapter summaries

This handbook brings together a wide range of accounts to look at HRM and the multinational. However, what unites them is a broad rootedness in the overall literature on political economy, and a concern with not only national difference, but the nature and circumstances of fluidity thereof.

In Chapter 2, Dana Minbaeva and Helen De Cieri explore the rise of the study of strategic international HRM. The latter borrows the concepts and tools of strategic HRM, but focuses on inter-unit dynamics across national boundaries. Recent analysis takes explicit account of the nature of global changes and challenges, encompassing issues ranging from demographic change to economic and human-created environmental crises. The authors argue that such challenges may pose barriers to the internationalization process. The authors conclude the chapter by drawing out an agenda of pressing issues and concerns for future researchers, and key methodological challenges.

In Chapter 3, Gilton Klerck highlights the relevance of sociological theories, perspectives and tools for understanding the nexus between global commonality and local adaption in HRM within the MNC. Whilst they have much to offer at the theoretical and methodological level,

as Klerck notes, there is always a tension between benefits of disciplinary rigour and the virtues of cross-disciplinarity. However, many of the concepts central to management studies are borrowed from sociology, although generally at the macro-level; micro-level work has tended to be more psychological. A further issue is sociology's emphasis on the public intellectual, which raises the question as to whether enquiry in the field of international HRM should be vested with a moral question, especially in a world beset with economic crisis and worsening social inequality. This raises the issue as to whether international HRM should place less emphasis on taxonomies of practice, and more on placing them within historical, socio-economic, and, ultimately, transformative terms.

In Chapter 4, Mick Brookes explores the insights the fields of heterodox economics and socio-economics can bring to bear for exploring the nature of the multinational firm. He highlights the impact of conceptualizations such as legal origin, national regulatory framework, and how cultural accounts relate to such an analysis. At the core of the chapter is a focus on what really determines the investment decisions of the multinational firm, highlighting the value of recent advances in heterodox thinking for such an analysis.

Although economic geography seeks to explore the variations in the nature and extent of economic activities according to scale, the relations between the study of economic geography and international HRM are very much more tenuous than say, between economics, psychology and the latter field. In Chapter 5, Almond and Gonzalez Menendez argue that, given that many nations are now seeking to compete on basically the same basis to attract FDI – low labour costs, deregulated labour and financial markets and low taxes – yet FDI remains very unevenly spread, it is important to reopen the debate as to what really attracts MNCs to different locations. It is further argued that economic geography provides useful tools for the analysis of local and global socio-economic relations and ties that is essential to understanding the real causes of FDI flows, and the impoverishment of race to the bottom strategies for national competitiveness.

Hughes and Haworth look at the challenges of transnational governance of labour relations in Chapter 6. They argue that international cooperation in this domain reflects not only the outcomes of accommodations between national governments, but also the interaction between competing and diverging national and international interests. Transnational bodies such as the ILO open up political space for the forging compromises and alliances between competing interest groupings. Out of such alliances, shared expectations and norms can develop around what is acceptable, whilst allowing for sufficient flexibility to cope with variations in national regulatory framework. The authors argue that mainstream international HRM has taken insufficient account of the possibilities of, and genuine progress that has been made by, transnational institutions and those that engage with them.

In Chapter 7, Lamare, Farndale and Gunnigle explore both country and firm-oriented accounts of the relationship between employment relations and international HRM. They highlight the extent to which the literature on comparative capitalism has facilitated the development of a common ground, which has helped infuse employment relations with a more rigorous transnational comparative dimension, and international HRM with insights that take account of variations in national political economies. They then draw on two different empirical data sources, the Cranet surveys and a study that looks at the individual cases of a panel of prominent MNCs. This sheds light on the different ways MNCs deal with workers and their collectives, in different national settings, and in the case of different types of firm.

In the following chapter, Brewster and Wood highlight the common ground between comparative and international HRM. They make the case for the utility of some of the key analytical categories derived by the literature on comparative capitalism, but argue that contemporary comparative institutional analysis needs to take account of bounded internal

diversity within context, and the structural dynamics of institutional change. They further explore the challenges of operating within contexts where institutional arrangements are weak and fragile, and the extent to which in a significant number of national contexts, MNCs have been agents of corruption and human rights abuses.

In Chapter 9, Terry Jackson brings to bear a cross-cultural perspective for understanding ways in which firm practice differs according to context. After looking at well-established approaches to cross-cultural management, such as that of Hofstede, Jackson moves on to look at more recent theories of cross-vergence, whereby different national cultural contexts infuse features of each other. Jackson then moves on to consider underlying common ground between institutional and cultural approaches, and argues for an understanding of culture that is more dynamic. He moves on to highlight the relevance of the radical development studies literature for understanding the relative imbalances between different national economies, and how this may impact on the behaviour of MNCs. Finally, he draws together a list of key research challenges for the study of international HRM from a culturalist starting point.

Part two

Part II of the *Companion* highlights practices along all phases of the employment lifecycle that include the way talent is acquired, developed, managed, and motivated. Each chapter provides a deep dive into a key functional area of human resource management, highlighting how strategic, cultural, and comparative issues can influence the effectiveness of those practices within global organizations.

In the first chapter of this section, Robert Ployhart and Jeff Weekley provide a comprehensive review of the strategic and implementation issues affecting the science and practice of recruitment and selection in a global organization. Offering a broader resource-based strategic framework within which these global staffing practices occur, this chapter structures and organizes the key issues of global staffing from the perspective of strategic alignment and human capital resources. As the authors underscore in this chapter, staffing choices within global organizations involve significant HRM decisions regarding whether to hire at the entry level (and grow internally), buy more experienced workers, acquire companies with critical talent, or engage talent through other means such as outsourcing or joint ventures. The authors present a comprehensive overview of this literature along with future directions for both practitioners and researchers.

In Chapter 11, Arup Varma, Pawan Budhwar, and Christopher McCusker delve into the key challenges of performance management in global organizations. Performance management is the functional area within HRM with practices related to the way work is assigned, goals are set, standards are determined, and work output is reviewed and evaluated. As precursors to the way rewards are distributed, effective performance management practices are fundamental for employee motivation and retention. The authors begin by discussing performance management systems in MNCs and then highlight the most critical elements of the global context and affecting the design and delivery of performance management systems across cultures. Within this discussion they focus on two key dimensions affecting individual performance: motivation, and supervisor-subordinate relationships. The authors offer the challenges related to performance management of international assignees, a specific area centre for MNCs. The authors conclude the chapter illustrating the global contextual issues related to performance management by highlighting differences in three countries, USA, China, and India.

Following from a performance management, Chapter 12 by Yoshio Yanadori discusses the compensation and benefits issues within global organizations. This chapter reviews the various antecedents affecting the type of compensation practices MNCs employ and consequences

resulting from those practices. In the context of a global organization, the managerial decisions around two features of compensation (pay level and pay mix) for both managerial and non-managerial compensation are discussed. Given the wide variety of institutional and cultural differences affecting employee compensation and benefits practices, the author concludes the chapter with a comprehensive list of suggestions for future research and practical implications.

Extending the previous chapters within this section of the *Companion*, the next chapter focuses on global talent management practices designed to acquire, motivate, develop, and retain the most critical employees and allocate them into necessary roles where and when needed globally. In Chapter 13, Vlad Vaiman and David Collings delineate the conceptual and intellectual boundaries of global talent management and examine the critical trends affecting global talent management, including: the shortage of talented employees, changes in demographics, changes in the attitudes of employees towards work, and national cultural differences. The authors delve into the current role of HR function in global talent management and then, looking towards the future, identify the research directions that could better inform managerial practice in this critical area for MNCs future competitiveness.

Within global talent management, an important functional area is leadership development. In MNCs, leadership development focuses on building a pipeline of business leaders who can effectively work in complex, ambiguous and dynamic environments and lead those from different cultures and in different cultures. In Chapter 14, Paula Caligiuri and Lisa Dragoni highlight relevant research on what global leadership competencies need to be developed, how to develop them, and individual characteristics that accelerate global leadership development. The authors also describe key practices that can effectively develop global leadership competencies.

Part three

Part three of the *Companion* considers international mobility which as discussed above has represented a central theme in research on IHRM for a number of decades.

In the first chapter in this section, Yu-Ping Chen and Margaret Shaffer consider the individual and organizational motivations of global mobility. Adopting a career perspective, they answer the important questions of why organizations use international assignments and why individuals undertake them. They also move beyond traditional long-term assignees and consider the wider pool of global travellers within the contemporary multinational. These decisions are classified in terms of a three stage process consisting of the exploration stage, the establishment stage, and the embeddedness stage. This is a useful framework which moves beyond the traditional internal assignee cycle which tended to consider global mobility in a parsimonious but relatively disjointed series of discreet stages which aligned with different stages of organizational support.

In Chapter 16, Collings, McDonnell and McCarter consider the changing landscape of global mobility by outlining the different types of global mobility utilised in the contemporary MNC. Their chapter begins by considering the role of international assignees in the MNE. The challenges to traditional models of global mobility which relied on longer-term assignments are then outlined. Emerging alternatives to global mobility are then introduced, highlighting temporal and special characteristics of each alternative. This is followed by a consideration of the HR challenges and issues emerging from a portfolio approach to global mobility. The chapter concludes with some directions for further study.

The next chapter moves on to the first stage in the international assignees cycle, the selection stage. In Chapter 17, Paula Caligiuri and Joost Bücker rightly point to the importance of selecting the best possible international assignees as critical to the future success of multinational

organizations. The challenge of selection in the international context is posited to be unique owing to the fact that selection systems involve a focus on predicting to a job context (working internationally) rather than job content which is the norm in selection more generally. However, as has been well established, the latter has often dominated selection decisions in the international context (see Harris and Brewster, 1999). The chapter is structured around what Caligiuri and Bücker identify as the two key topics which have emerged within the international assignee literature, namely the individual-level antecedents of international assignee success, including personality characteristics, cross-cultural competencies and other characteristics (e.g. language skills and prior international experience) that can be used in selection systems for international assignment candidates; and the practices for effectively selecting international assignees, such as realistic previews, self-selection, and assessment.

Chapter 18 considers the important yet under-researched area of the compensation of international assignees. Indeed, the traditionally high costs of international assignment packages, generally estimated at between three and five times cost in the home country, have been one of the factors challenging the use of traditional longer-term assignments. Christelle Tornikoski, Vesa Suutari and Marion Festing take as their point of departure that notwithstanding the centrality of compensation packages in attracting and incentivising employees to undertake international assignments, the long-term effect of these packages in motivating and retaining such employees is often limited. Tornikoski and her colleagues advocate considering expatriate compensation packages from a more encompassing total reward perspective, arguing that such a perspective enriches not only our analysis of the reward of international assignees but the practice of international assignee reward. In the chapter, the authors emphasize the need to put rewards back into the expatriate employment relationship pointing to the importance of grasping the meaning that rewards can have for their recipients – here, the expatriates. They highlight the theoretical basis underpinning expatriate compensation practices, with the objective of broadening the discussion on the compensation of international assignments. They further provide an overview of the extant knowledge of traditional expatriate compensation components, looking at current trends in their respective use by organizations. Their presentation of a framework for expatriate total rewards, including more intangible rewards, is an important contribution of the chapter.

Preparation and training for the international assignment is generally identified as the next key stage in the international assignee cycle. In Chapter 19, Sebastian Reiche, Yih-teen Lee and Javier Quintanilla consider the important topic of cross-cultural training and support practices of international assignees. They point to the well-known personal demands arising from global mobility owing to the requirement not only to perform new job requirements but also adjust to a new cultural and linguistic environment, learn to effectively interact with cultural others, deal with conflict and competing interests between different units of the MNC, or cope with changes to family life. The chapter is focused on research that addresses how to alleviate these challenges. In contrast to much of the literature on cross-cultural training which tends to limit its focus to pre-departure training, the authors take a broader perspective also recognizing the importance of organizational support during the assignment. Reiche and colleagues begin by examining the importance of cross-cultural training and other support practices for international assignees while discussing the main theoretical lenses through which such organizational support has been studied. They then focus on cross-cultural training as a key facet of organizational support and review the different forms of cross-cultural training in terms of (1) training content, that is, the cognitions, motivations, behaviours and skills to be developed, (2) the recipient of training activities, (3) the training methods, and (4) temporal aspects of the training. Next they outline additional organizational support practices that have been shown to

facilitate the assignment experience and increase assignees' cross-national effectiveness. The chapter concludes with a consideration of the limitations in the existing literature on cross-cultural training and organizational support, and provides useful recommendations for future research.

In Chapter 20 Thomas Hippler considers arguably the most studied aspect of international mobility, the issue of expatriate adjustment and performance. Hippler begins his chapter with a brief overview of expatriate adjustment research predating the work by Black and colleagues and Ward and associates that has come to dominate their respective literatures. He then introduces the u-curve theory, which forms a distinct stream of the expatriate adjustment literature, and the models put forward by Black and colleagues and Ward and associates. He goes on to critically evaluate the Black *et al.* model as well as the literature that grew out of it, as this model has become the dominant paradigm in the field of business expatriate adjustment as it exists today. The hotly debated link between adjustment and performance will be reviewed before the chapter concludes with identifying some recent trends and future challenges currently facing the field of expatriate adjustment research. In this chapter, Hippler challenges some of the established thinking in the area of expatriate adjustment and poses some difficult questions for researchers in advancing our understanding of this important area of study.

In Chapter 21, Nancy Napier, Nigel Holden and Marta Muñiz-Ferrer consider the issue of demographics and international work. In so doing, Napier and her colleagues structured the chapter around three key questions. They begin by considering what demographic descriptors have been used in the literature to define those who work outside their home countries. They then review briefly key findings from recent research. Based upon the review of the literature, they suggest areas or aspects that seem to be missing in recent research. In particular, they sought to discover aspects or demographic variables that have received less attention that perhaps warrant more, given some of the current or likely changes. In drawing the chapter to a conclusion, Napier *et al.* note that 'it is truly remarkable how much more understanding we need – about the people who work abroad, about the organizations that send or hire or fire them, about the conditions that help and hinder individual and organizational success, and about how the nature of global work is changing' and identify some stimulating and challenging questions which could drive the research agenda in this important area.

Chapter 22 by Oliver Wurtz and Vesa Suutari introduces the issue of work–life balance (WLB) and coping amongst international assignees. Their review of the literature shows how issues around WLB can affect international assignees' well-being, satisfaction with life and work, and also performance and promotions. Despite the centrality of WLB, this is a topic that has traditionally been neglected by the literature on international assignees. In the chapter Wurtz and Suutari first discusses the work–life balance issues faced by international assignees, and after framing a view on common types of work–life conflicts, the focus turns to the coping strategies expatriates use to manage these challenges; the policies and actions companies can take in order to support work–life balance problems are also discussed. Finally, some practically relevant research directions are proposed. This chapter provides an important contribution to the emerging literature stream on WLB in the context of global mobility.

In Chapter 23, Mila Lazarova closes the traditional expatriate cycle by considering the issue of repatriation. Despite an assumption that repatriation should be the easiest stage of the international assignment, research continually points to the challenges assignees face on repatriation. Lazarova argues that while for a number of years repatriation was a central focus for global mobility researchers in recent years interest has abated owing to a number of contextual factors which have brought other issues to the fore. However, her review of the literature suggests that many of the key issues for repatriates remain salient. In her chapter she reviews the key ideas in repatriation research, outlining traditional and emerging perspectives

on repatriation. She also draws upon several expatriations studies that provide insight into repatriation-related constructs. Lazarova concludes that repatriation research has made immense strides in expanding the issues studied to create a more multilayered description of the repatriate experience. However, she acknowledges that challenges remain. She argues that retention by itself should not be equated with individual and organizational success and calls for a more nuanced understanding of success including both individual and organization outcomes and longer-term implications. The chapter concludes with a clear discussion of the challenges and issues that should drive repatriation research over the coming decades.

The section comes to a close with one of the hottest topics for global mobility professionals and one where academic work has made some inroads in recent years – return on investment of international assignments. In this chapter Yvonne McNulty introduces the idea of expatriate ROI as focused on understanding the full range of costs and benefits attributable to global staffing activities, including international assignments and expatriate programs. However, she argues that empirical research on this important topic remains inadequate, with understanding of the topic in its infancy. In the chapter McNulty summarizes the current state of knowledge about expatriate ROI. The chapter is organized to address: (1) how expatriate ROI has been, and should be, defined; (2) current debates about the measurement of expatriate ROI; and (3) how the return on investment from expatriates needs to be considered in the future. The chapter also provides some guidance for practitioners as to what current research on expatriate ROI means for IHRM practice as well as the implementation of global mobility policy.

Part four

The final section of the *Companion* considers a range of contemporary issues in the international HR literature.

Multinational firms can grow their global footprint inorganically through cross-border mergers and acquisitions. This strategy, while potentially effective, has significant implications for international HRM. Chapter 25 by Satu Teerikangas, Günter Stahl, Ingmar Björkman, and Mark Mendenhall highlights the challenges and solutions for international HRM through all phases of the merger and acquisition process from due diligence through post-acquisition integration. The authors offer a comprehensive model to explain the antecedents of employees' trust in the acquiring firm and how that trust affects both integration and post-acquisition performance. The authors also introduce a critical diagnostic for organizations examining their ability to manage human resource aspects of M&A. The diagnostic varies on two important continua: one is the degree of awareness of human resource issues in M&A and the other is the level of in-house HR expertise in managing M&A. This chapter concludes with directions for future research and tangible practices for managers involved in the M&A process.

In Chapter 26 Dana Minbaeva argues for the centrality of knowledge to organizational competitiveness. She displays that such competitiveness is enhanced not by knowledge per se but also by the organizational ability to exploit that knowledge. The chapter provides an excellent overview of the key factors which influence knowledge transfer in the MNE. These include the nature of the knowledge to be transferred, the absorptive capacity of receivers, disseminative capacity of senders and the relationships and context in which the transfer occurs. Recognizing that the international human resource management literature suggests that MNCs can introduce various organizational policies and practices that will enable them to overcome the barriers associated with knowledge transfer, thereby facilitating intra-MNC knowledge transfer, the chapter is positioned at the interface between knowledge management and IHRM in MNEs.

Chapter 27 by Sully Taylor considered the role of global culture in the MNE. The positioning of this chapter resonates with the knowledge focus of the preceding one with the sharing of knowledge, often tacit, central to the competitive advantage of the MNE foregrounded as a motivation for developing social communities and a strong culture within the organization. The import of socially responsible behaviour within the value chains of the MNE is identified as a second key driver. In the chapter Taylor examines global organizational culture in MNEs. Having introduced the concept of global culture, and the key ways in which it has been defined, particularly by international management scholars, the chapter then examines in more depth the benefits that accrue to MNEs from creating a global culture. It also discusses successful global culture creation and maintenance and explores the challenges and barriers MNEs encounter in this process.

Chapter 28 by Susanne Tietze, Rebecca Piekkari and Mary Yoko Brannen brings the important question of language standardization in the MNE into debates on IHRM. Tietze and her colleagues argue that adopting a language perspective shifts the attention from viewing organizational communication as a vehicle of knowledge transfer to viewing it as a constitutive force of organizations and organizing. It gives language a central position in the discussion. Recognizing this tradition, the chapter also expands the field's perspective by arguing that MNCs and other international organizations are discursively constructed through the use of several languages. They seek to understand this process by utilizing established dimensions of international human resource management, namely standardization and localization. Such an approach, they note, encourages us to think in terms of such things as the relevance of language for designing career paths, identifying and managing new talent, and introducing e-HRM systems.

In Chapter 29, Fang Lee Cooke looks at the HR dimensions of outsourcing and the MNC. She notes that much outsourcing has been about cutting labour costs, and that this is part and parcel of a global move towards more contingent employment. However, it would be incorrect to conclude that all offshoring is motivated by cost-cutting, and firms may offshore for a range of other reasons, such as accessing new skills and knowledge. She moves on to highlight the pitfalls MNCs may encounter in making usage of agency work in different national settings. She then describes the ecosystemic dynamics and pathologies that may be encountered through the co-usage of agency and permanent workers in emerging market settings. She also considers the key issues in the comparative analysis of the usage of contingent employment in different national settings, and why outcomes may vary according to setting.

Multinational organizations now need to address internationally oriented career motivations. In Chapter 30, Michael Dickmann highlights the global career management practices required to retain and develop global talent. The author underscores effective career management practices above and beyond the traditional international or expatriate assignment, such as cross-border commuting, frequent business travel, short term assignments, and international project work and how legal, cultural, and practical issues affect their outcome. The role of international HRM is also discussed in the context of the strategies, policies and practices affected in talent acquisition, such as employer branding and the global resourcing. The chapter also offers career-related strategies before, during and after employees work abroad and how these affect overall career management. This chapter concludes with an identification of long-term global career issues in future trends affecting global careers.

In Chapter 31, Jennifer Gibbs and Maggie Boyraz provide a comprehensive overview of the way in which global teams are employed by multinational corporations and the strategic human resources solutions to manage them. Their chapter delves into the practices designed to coordinate and integrate diverse team members' knowledge and increase their efficiency, innovation, and performance while accounting for differences in work styles and time zones. The authors

review and synthesize the research on global, distributed, and multicultural teams with a specific focus on global team challenges and the human resource management practices to address them. The authors conclude with a discussion of the most pressing issues and trends in the literature, and provide practical recommendations for managers who strive to increase global teams' effectiveness.

In Chapter 32, Wolfgang Elsik and Michael Muller-Carmen note that human rights and ethical issues have tended to be neglected in international HRM, echoing some of the concerns raised in Chapter 9 about the routine ethical violations by prominent MNCs in a number of emerging market contexts. The authors ascribe this neglect not only to the dominant focus on managerialism and economic performance in much of the international HRM, but also the neglect of supply chain issues. They call for IHRM academics to take these challenges much more seriously than has been the case in the past, and highlight the utility of recent advances in the literature on green and sustainable HRM for the study of HR issues in the MNC.

References

Björkman, I., and Stahl, G. K. (2006). International human resource management research: An introduction to the field. In I. Bjorkman and G. K. Stahl (eds) *Handbook of research in international human resource management*, Cheltenham, Edward Elgar.

Collings, D. G., Scullion, H., and Morley, M. J. (2007). Changing patterns of global staffing in the multinational enterprise: Challenges to the conventional expatriate assignment and emerging alternatives. *Journal of World Business*, 42, 198–213.

Delbridge, R., Hauptmeier, M., and Sengupta, S. (2011). Beyond the enterprise: Broadening the horizons of international HRM. *Human Relations*, *64*(4), 483–505.

Harris, H., and Brewster, C. (1999). The coffee-machine system: How international selection really works. *International Journal of Human Resource Management*, 10(3), 488–500.

Harvey, M., and Moeller, M. (2009). Expatriate mangers: A historical review. *International Journal of Management Reviews*, 11(3), 275–296.

Laurent, A. (1986). The cross-cultural puzzle of international human resource management. *Human Resource Management*, 25(1), 91–102.

Part I

Perspectives on IHRM

This page intentionally left blank

2

Strategy and IHRM

Dana B. Minbaeva and Helen De Cieri

Introduction

Attempts to link international human resource management (IHRM) with the strategic needs of international business has led to the development of the strategic international human resource management (SIHRM) field. Two decades ago, Schuler, Dowling and De Cieri (1993: 720) defined SIHRM as the "human resource management issues, function, policies, and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises." SIHRM borrows many of its ideas from work on the strategic HRM of domestic companies, but SIHRM policies and practices are closely associated with needs of "interunit linkages" (Bartlett and Ghoshal, 1991). Following Bartlett and Ghoshal's (1991) discussion of the importance of balancing the needs for coordination, control, and autonomy to ensure MNE success, Schuler *et al.* (1993: 729) highlight that "being globally competitive, efficient, sensitive to the local environment, flexible and capable of creating an organization in which learning and the transfer of knowledge are feasible" is a "fundamental assumption in SIHRM." They offer an integrative framework for SIHRM, which distinguishes among: (1) SIHRM issues related to the differentiation and integration of local units, (2) SIHRM functions related to resource allocation across those units, and (3) SIHRM policies and practices associated with local units' resource utilization.

Many scholars have since investigated the strategic roles of HRM in MNEs, as well as HRM's implications for organizational performance (the most recent studies include Farndale *et al.*, 2010; Fey, Morgulis-Yakushev *et al.*, 2008; Lawler *et al.*, 2010). On the basis of the evolution of the field since Schuler *et al.* (1993), De Cieri and Dowling (2012) propose a conceptual framework of "strategic human resource management in MNEs" (De Cieri and Dowling, 2012: 13). Their framework reflects the dramatic global changes and challenges faced by MNEs. These include business challenges, such as the aging workforce, skill shortages, or industrial disputes, as well as crises sparked by class-action lawsuits and the proliferation of social media (Pearson *et al.*, 2007). At the more extreme end of the challenge spectrum, we find the shock events of the past decade, including the Enron scandal (Benston and Hartgraves, 2002), terrorist acts (Wernick, 2006), a global financial crisis (Griffith-Jones *et al.*, 2010), several natural disasters (e.g., the Indian Ocean tsunami in 2004; the Icelandic volcano eruption in 2010; the earthquake and tsunami

in Japan in 2011), and environmental disasters (e.g., the BP/*Deepwater Horizon* oil rig explosion off the United States' Gulf Coast).

Concerns about external factors have led many MNEs to re-think their approaches to management (e.g., Chau *et al.*, 2012), SIHRM and specific HR practices (e.g., global mobility; see Brookfield Global Relocation Services, 2012; Sheehan and Sparrow, 2012). External factors may act as counter-pressures for an MNC's strategic drive for internationalization. For example, concern about security risks may lead MNCs to alter or reduce their use of international travel. Similarly, environmental and sustainability concerns, higher energy prices (making long distance transport less attractive), and increasing public awareness regarding global labor standards, may act as forces against globalization. MNC responses to such pressures may include, for example, strategies designed to address the perceived risk associated with globalization, such as insourcing in the country of origin (Kinkel, 2012). There is also a trend for greater attention to labor standards in global supply chains, as risks associated with upstream producers and exporters based in developing countries have contributed to increased "buyer driven-ness," with downstream stakeholders such as branded merchandizers, retailers, and even consumers emerging as powerful agents in the chains (Al-Mahmood and Bourke, 2013; Gereffi, 1999; Nimbalker *et al.*, 2013).

De Cieri and Dowling (2012) argue that SIHRM should reflect and respond to changes in general external factors, such as political, economic, sociological, and technological macro-environmental factors, as well as to asymmetrical events and threats, the increased need for resilience, and environmental dynamics. The core of De Cieri and Dowling's (2012) framework, which is presented in Figure 2.1, is composed of the three interacting elements of the HR function in MNEs: the global corporate role of HR, HR practices, and crisis management and coordination. Since the publication of Schuler *et al.*'s (1993) work, globalization has increased the pressure for the corporate HR function to perform at a strategic level in terms of influencing and enabling systems for global talent management, global leadership development, global staffing, and the transfer of HR practices across MNEs (Collings *et al.*, 2009; Minbaeva and Collings, 2013; Morris *et al.*, 2009). In addition, just as MNEs recognize the need to improve risk management for supply chains (IBM, 2008), there is an emerging recognition that the corporate HR function plays a key role in the crisis-management process. This, in turn, requires that global HR policies be formulated by the corporate HR function at headquarters and implemented in the subsidiaries in the form of HR policies and practices (Farndale *et al.*, 2010).

In the revised framework, which reflects the focus of international business and HRM research in recent decades, De Cieri and Dowling (2012) suggest that there are reciprocal relationships among organizational factors, the HR function in the MNE, and the MNE's overall performance. With regard to the latter, De Cieri and Dowling (2012) note that heightened awareness of corporate governance and global turbulence have led to an increasing need for effective monitoring and measurement of organizational performance (Cascio and Boudreau, 2008; Chau *et al.*, 2012). Despite the substantial efforts of strategy and management scholars to measure organizational performance, the resulting range of measures reflects the fact that organizational performance is not a well-defined construct (Richard *et al.*, 2009). HRM researchers have tended to categorize organizational performance in terms of HR outcomes (e.g., employee turnover), operational outcomes (e.g., product quality), and financial outcomes (e.g., return on assets). HR outcomes are typically viewed as a mediator of the relationship between HRM practices and operational and financial outcomes (Jiang *et al.*, 2012). However, within the HRM field, there have been calls for more attention to be given to the multidimensionality of organizational performance (Lengnick-Hall *et al.*, 2009; Paauwe, 2009). Given the increasing pressure to effectively monitor and measure organizational performance, De Cieri and Dowling (2012) suggest a modification of what Schuler *et al.* (1993) broadly refer to as "MNE concerns and goals."
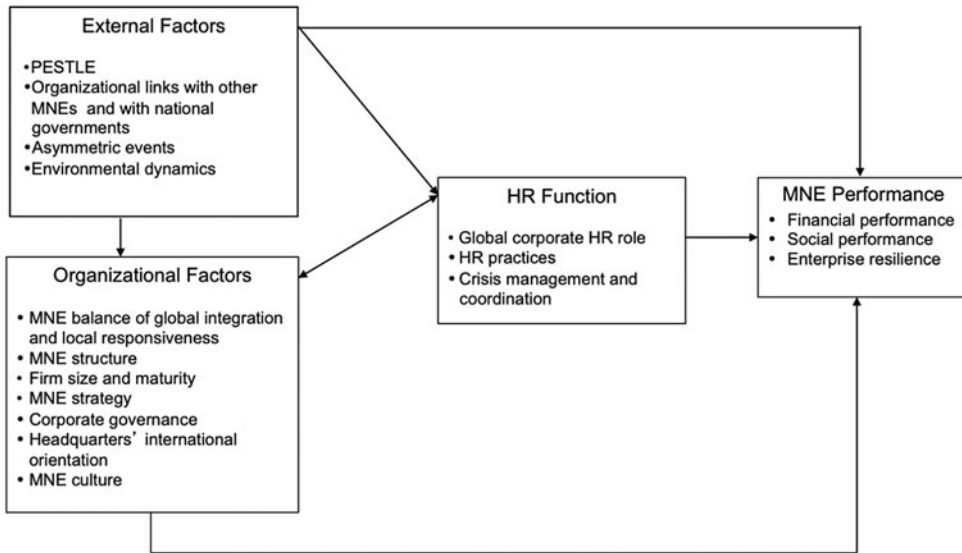
Figure 2.1 A framework of Strategic HRM in MNEs

In this regard, De Cieri and Dowling (2012) propose referring to financial performance, social performance, and enterprise resilience.[1] While they expect the importance and relevance of each of these three aspects of MNE performance to vary across MNEs, they suggest that they are related and that they result from each of the preceding elements in the revised framework.

When identifying directions for future research on SIHRM, De Cieri and Dowling (2012) call for further specification of their framework, stating that while the framework offers an overview of issues or factors to consider, there is a need for research to examine relationships between variables. They also suggest that real advances in the SIHRM field can be achieved by addressing multiple levels, specifying the relationships, and deriving an empirically testable framework.

In this chapter, we respond to this call by further specifying the exploratory framework proposed by De Cieri and Dowling (2012) with emphasis on the role of HRM in strategy implementation across MNE. We do so by building on two theoretical pillars of SIHRM – strategy and international HRM. We build on advancements in these two fields to offer a specification of De Cieri and Dowling's (2012) model and to present an emerging map of SIHRM. At the end of the chapter, we offer several theoretical and methodological suggestions for potentially fruitful avenues for future research, and we identify some of the key issues that future research must address.

New frontiers in strategy and IHRM

A major advance in strategy scholarship that has relevance for SIHRM is the increasing attention paid to the integrative strategy process. An emerging development that is equally important is the potential for multilevel theorizing and modeling to be applied in SIHRM research.

The integrative strategy process

From the conventional point of view, "strategic management" is a sequential analytical process used to rationally determine an appropriate strategy on the basis of clear goals and objectives, environmental analyses, evaluations of alternative strategic options, and action planning. This strategy is then implemented in accordance with the plan (e.g., Ansoff, 1988; Schendel and Hofer, 1979). In this view, "centralized strategy making" is measured as the extent to which an organization emphasizes the rational, analytical characteristics of the strategic management process. These characteristics include the organization's mission, long-term goals, environmental analyses, controls, and action plans. Notably, adherence to centralized strategy making does not necessarily imply that an organization makes resource-committing decisions, although strategic deliberations can outline the main directions for future organizational activities. Centralized strategy making can refer to a discourse in which managers across an organization engage in systematic, analysis-based discussions about the future strategic development of the corporation (Hendry, 2000). The outcome of the centralized strategy-making process may be a formalized plan, while underlying discussions might serve to provide managers with a better understanding of the corporation's strategic situation. As the organization moves forward and managers consider new strategic initiatives, the centralized strategy-making process can provide insights and inspiration to guide subsequent decisions on all hierarchical levels.

In the context of centralized strategy making, the emphasis within the HRM function is on the global corporate HR role, which is most often represented by an HR director at the board level and a corporate HR office located at the MNE's headquarters. The HR function in such MNEs may perform several activities at the corporate strategic level, including influencing and implementing global leadership-development programs; setting policies for attracting, motivating, and retaining the global workforce; setting policies for global mobility; and coordinating the replication of HRM practices across global operations (Collings *et al.*, 2009; Farndale *et al.*, 2010; Morris *et al.*, 2009).

However, centralized strategy making is largely a top-driven model that does not involve the ongoing participation of lower-level managers or functional specialists who must deal with the challenges emerging in the organization's operating environment on a daily basis. Therefore, strategy discussions need to focus on the general intended strategic direction (centralized strategy making) as well as on the decentralized strategic responses that emerge from the functional entities as they deal with the organization's operations. "Decentralized strategy" making is measured as the extent to which an organization distributes decision-making power that enables lower-level managers to react to emerging events, for example, power to modify products and services, to pursue new customer segments, to develop new competencies, or to adopt new practices. In a decentralized structure, power is dispersed to lower hierarchical levels and specialized functional entities, and lower-level managers have the authority to undertake strategic initiatives within their areas of responsibility.

In an MNE with a decentralized strategy, HR's role may center on such activities as working with local/subsidiary managers on horizontal transfers and inpatriation; acting as a source of inspiration for subsidiary HR managers in their efforts to develop training, development, and leadership programs for subsidiary employees; and providing the global support needed to enable subsidiaries to respond to local labor-market conditions. At a global level, the corporate HR unit must have knowledge sharing "infrastructure" in place to ensure that new experiences, capabilities, and strategic insights derived from local initiatives are brought to the attention of top management and to serve as inspiration for periodic strategy discussions. In particular, HR's role in enhancing knowledge flows and network development is increasingly recognized as

important (Minbaeva, 2005; Morris *et al.*, 2009). One example of the strategic value of human resources is evident in the knowledge acquired by international assignees and transferred across the organization (Reiche *et al.*, 2009). In this context, the HR function can add value at multiple levels (global and local) of the MNE.

Centralized and decentralized strategy-making processes are arguably complementary because strategic intent must be flexible in order to accommodate responsive actions, and dispersed organizational initiatives need the coordination and direction provided by strategic intent. Therefore, the combination of these processes should lead to more effective outcomes. Indeed, the ability to respond and to adapt a strategy to changing conditions hinges upon the organization's ability to facilitate autonomous initiatives among individual managers within the organization. Yet, general direction and coordination remain important for economic efficiency. These observations suggest a need for *integrative strategy processes* that combine decentralized emergent strategy making with centralized intended strategy making. Empirical studies indicate that this is indeed the case, particularly in dynamic environments (Andersen, 2004; Andersen and Nielsen, 2009). Organizations that combine centralized and decentralized strategy processes into integrative strategy making outperform other firms in the same industry (Andersen, 2002, 2004). Some studies indicate that decentralized strategy making that allows for local initiatives enhances corporate adaptability, while performance is positively affected by the coordination element of centralized strategy making (Andersen and Nielsen, 2009).

The challenge for both academics and practitioners is to better understand the HR function's involvement in the intricate relationships and experiences gained throughout the organization with respect to the strategic intent of centralized strategy discussions. In their discussion of the role of HRM in supportive integrative strategy making, Andersen and Minbaeva (2013) argue that instead of focusing on the specific set of HRM practices necessary for achieving an organizational goal, it is important to consider an overall HR architecture that provides inspiration for strategic decisions and initiatives throughout the organization, and to establish clear ways of channeling the strategic intent formulated by top management. In this regard, HR processes and practices can be put in place that provide line managers with opportunities to experiment and improvise with new business ideas. Furthermore, HR tools can be used to increase cross-functional, lateral collaboration.

On the other hand, the HR architecture allows for collecting insights from new, decentralized initiatives that might inspire periodic strategy discussions at the top. In this regard, the establishment of an HR architecture through which dispersed individual experiences can be gathered and reflected upon should allow the organization to gain new insights from autonomous initiatives. In addition, the HR function can help find ways for line managers to develop new ideas across functions. These ideas can then serve as sources of inspiration for the organization's periodic, centralized strategy discussions.

International business researchers (Branzei and Abdelnour, 2010) have suggested that MNEs may utilize strategy to develop enterprise resilience in response to global turbulence and uncertainty. This suggestion may be viewed in the context of calls for responsible capitalism that encourages firms to adopt a broader and longer-term focus to serve the interests of diverse stakeholders rather than focusing on shareholders (Barton, 2011). Following this line of thinking, we postulate that, when compared with centralized or decentralized MNEs, MNEs with an integrative strategy that supports the HR function may be able to develop higher levels of enterprise resilience. Extending arguments made by Branzei and Abdelnour (2010) and Lengnick-Hall *et al.* (2011), we suggest that several organizational characteristics will be associated with enterprise resilience. Specifically, when compared with centralized or decentralized MNEs, MNEs with an integrative strategy that supports the HR function are likely to have stronger knowledge

flows, and their HR functions are more likely to be able to facilitate interaction and support networks for employees, to improve communication, and to assist in the coordination of available resources.

Hence, we suggest that in today's turbulent global context, SIHRM should focus on the development and implementation of global HR strategies, policies, and practices that aim to enhance enterprise resilience, as well as financial and social performance, by providing support for both centralized and decentralized strategy making. SIHRM can do so by offering inspiration for strategic decisions and by gathering other sources of inspiration for strategy discussions.

Multilevel reasoning in SIHRM

Recently, HRM researchers have called for the use of multilevel logic in theorizing (Wright and Van de Voorde, 2007). This call is particularly timely given the recent interest in building micro-foundations in the related field of strategic management (e.g., Abell *et al.*, 2008; Teece, 2007), and the increasing interest in multilevel modeling in general (Hitt *et al.*, 2007; Mathieu and Chen, 2011; Molloy *et al.*, 2011), in international business (Peterson *et al.*, 2012) and in HRM (Wright and Nishii, 2007).

To date, research in the HRM field has generally taken a more collective (aggregate, reduced form) approach, reasoning in terms of "human capital pools," "systems for managing people," and "HRM architecture." This approach has, intentionally or unintentionally, black-boxed the treatment of the linkages between HRM practices and organizational performance. Why is this problematic? The first problem with macro-level (firm-level) explanations is that there are likely to be many potential, lower-level explanations for macro-level relationships that cannot be rejected through macro-analysis alone. Even if a large sample can be constructed on the basis of macro units of analysis, the problem of alternative explanations may persist. Thus, recent contributions to the strategic HRM (SHRM) subfield seek to explain differences in firm performance in terms of the heterogeneity of practices and architectures (Kang *et al.*, 2007). However, heterogeneity may be located at the individual level, especially when individuals self-select into particular firms (Felin and Hesterly, 2007). A second argument for the importance of micro-foundations lies in the fundamental mandates of SHRM: to assist in strategy implementation, and to enable an organization to gain and sustain a competitive advantage (Becker and Huselid, 2006; Huselid *et al.*, 1997). Managerial intervention is required to achieve these goals, and this intervention must inevitably take the micro level into consideration. A third argument is that explanations that involve the micro level are typically more stable, fundamental, and general than macro-level explanations (Coleman, 1990).

Overall, few SIHRM scholars would disagree that additional insight could be gained from theoretically and empirically explicating micro-foundations in IHRM research. However, disagreement may arise with respect to the exact meaning of "micro-foundations" in terms of concrete theoretical and empirical content, reflecting the situation that "[m]anagement scholars lack a shared conception of the micro–macro divide" (Molloy *et al.*, 2011: 582). Therefore, we elaborate on such content, after which we cover the emerging map of SIHRM research, specifying some key issues that future research in this important field must address.

In light of arguments made in recent studies of semi-globalization/regionalization (Edwards *et al.*, 2012; Ghemawat, 2003; Rugman *et al.*, 2011), we may see a shift in the role of corporate HR function from "central development – local implementation" towards "central inspiration – regional development – local implementation" (see Figure 2.2). Accordingly, there is a need to distinguish among global HR strategies, policies, and practices, not just in terms of their scope (Morris *et al.*, 2009), but also with regard to who owns the decision-making process in

From: *"Central Development – Local Implementation"*

To: *"Central Inspiration – Regional Development – Local Implementation"*
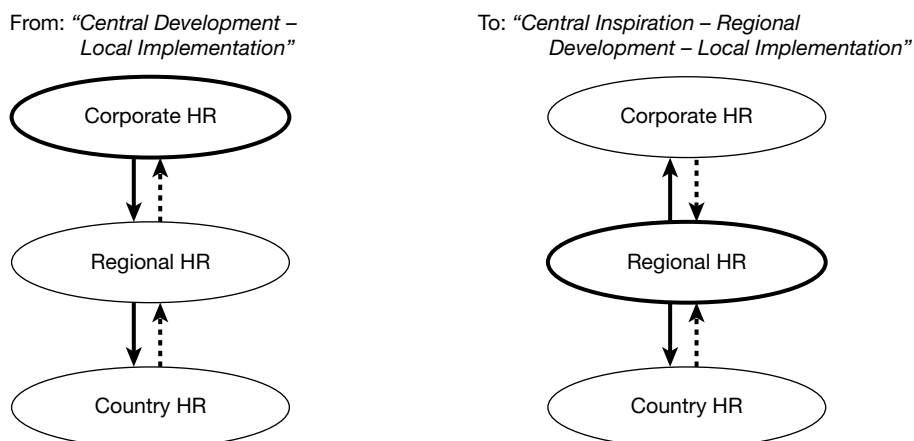
Figure 2.2 The role of corporate HR

terms of the level at which MNE strategies, policies, and practices are formulated and implemented. As such, global HR strategies may be seen as the driver of an advanced form of interactive management-control system in which top managers regularly involve themselves in the decisions of subordinates and which could comprise human development systems (Simons, 1991). The development of regional HR policies enables the necessary degree of local adaptation. When implementing HR practices locally, the broad involvement of managers across hierarchies and local functions can be a way to ensure fruitful interactions between "big-picture-conscious" individuals at headquarters and "detail-conscious" individuals in the local entities (Hodgkinson and Clarke, 2007).

Furthermore, the HRM practices derived from a strategy are designed and applied at the organizational level but typically "operate through individual level employee reactions" (Gerhart, 2005: 177). To stimulate multilevel thinking in future studies, we suggest that HR practices could be further specified as intended, implemented, or perceived. Wright and Nishii (2007: 11) define *intended* HR practices as those that are "tied directly to the business strategy or determined by some other extraneous influences." Intended HR policies are derived from the global HR strategy in the sense that top management and corporate HR seek to design an HRM system (a set of HR policies) consisting of HR practices that, in the opinion of the main decision makers, "will best elicit the kind of affective, cognitive and behavioral responses from employees necessary for organizational success" (Wright and Nishii, 2007: 10). Wright and Nishii (2007: 11) distinguish such practices from *implemented* practices (those that "are actually implemented") and *perceived* practices (those that are "perceived and interpreted subjectively by each employee").

The application of the concepts of espoused and realized strategies (Mintzberg, 1978) to the (S)HRM literature helps to highlight the differences between intended and implemented HRM practices. As Wright and Nishii (2007: 10) suggest, "not all intended HR practices are actually implemented, and those that are may often be implemented in ways that differ from the initial intention." The differences between intended and actual HR practices result from a number of organizational antecedents that lead to variations in the implementation of HR practices across organizational units. Furthermore, implementation can be intentionally different for various job groups (Kehoe and Wright, 2013) due to the fact that some jobs are more strategic and more

valuable for the effectiveness of strategic business processes than others. Therefore, "the level of investment directed to the employees in those job categories would be considerably different" (Becker and Huselid, 2006: 917–918).

Individuals' reactions to implemented HR practices also vary, which may explain differences in perceptions of those practices. In other words, variations in perceptions of HR practices can be explained by variations in the schemas individuals employ when perceiving and interpreting HR-related information (Wright and Nishii, 2007). In a recent contribution, Kehoe and Wright (2013: 369) discuss the importance of focusing on perceptions of HR practices, as "employees' HR practice perceptions are temporally closer to, and consequently likely to be more predictive of, their attitudinal and behavioral outcomes than HR practice ratings as provided by managers."

The emerging map of SIHRM

On the basis of these insights, we present a map of SIHRM in Figure 2.3. This map stresses our overall arguments that: (1) in today's turbulent global context, SIHRM's purpose is to develop and implement global HR strategies, policies, and practices that enhance enterprise resilience, as well as financial and social performance, by providing support for both centralized and decentralized strategy making, and (2) multilevel reasoning must be applied in SIHRM research. Clearly, such a map simplifies the complicated causal mechanisms, relations of embeddedness, and numerous other factors, with "arrows" linking various "nodes" located at multiple levels of analysis. However, we believe this map may be a useful first step towards identifying possible avenues for future research in SIHRM.

According to the logic of Figure 2.3, the intended HR strategies are originated from the global strategies, formulated at the corporate level and implemented at the subsidiary level via HR policies. These HR policies translated into practices are subjectively perceived and interpreted by each employee.

As we suggested above, the translation of the global strategy to the intended HR strategies should be done by focusing on providing support for integrative strategy making and thereby enhancing enterprise resilience. The factors causing the reduction between global strategy and intended HR strategies reflect a range of what De Cieri and Dowling (2012) refer to as "external factors." Research streams within the international business field also have investigated the
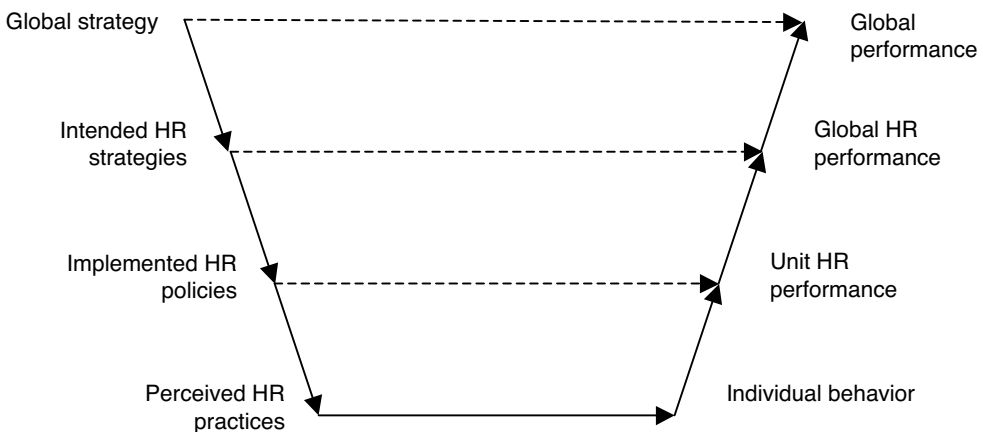
Figure 2.3 SIHRM contribution to global performance in MNEs

implications of external factors for MNEs in general and for HRM in particular (e.g., Czinkota *et al.*, 2010; Sheehan and Sparrow, 2012). However, more work needs to be done, particularly with regard to environmental dynamics, complexity, and variety of external influences on HRM.

The differences between intended HR strategies and implemented HR policies are institutional in nature. A large body of research has explored these factors; of particular note is the Cranet study of HRM practices in different contexts (Brookes *et al.*, 2011; Lazarova *et al.*, 2008). The second group of factors that may explain the differences between HR-originated intended HR strategies and implemented HR policies at the subsidiary level is a number of well-researched instrumental factors that can cause variations in the implementation of HRM practices across MNE subsidiaries. De Cieri and Dowling (2012) label these "organizational factors." They suggest that these factors include the MNE's balance between global integration and local responsiveness (e.g., Morris *et al.*, 2009), MNE structure (e.g., Farndale *et al.*, 2010), firm size and maturity (e.g., Lawler *et al.*, 2010), MNE strategy (e.g., Crook *et al.*, 2008), corporate governance (e.g., Czinkota and Ronkainen, 2008), headquarters' international orientation (e.g., Harzing, 2000), and organizational culture (e.g., Levy *et al.*, 2007).

One potentially useful theory for increasing our understanding of both groups of factors causing the "reduction" on the left-hand side of Figure 2.3 is institutional theory, especially its arguments on institutional complexity and institutional pluralism. Recent work highlights the fact that MNEs and, in particular, their subsidiaries are often exposed to *multiple* and *conflicting institutional demands* (Battilana and Dorado, 2010; Kostova and Roth, 2002; Kraatz and Block, 2008; Pache and Santos, 2010). When institutional demands of the MNE parent (headquarters) and host (subsidiaries) countries diverge, obtaining legitimacy becomes considerably more challenging. The more institutional environments differ, the more difficult it becomes for subsidiaries to conform their practices to the logics of both environments, and to maintain internal and external legitimacy (Kostova and Roth, 2002; Kostova and Zaheer, 1999). In addition, recent contributions suggest that there is often considerable variety *within* institutional environments (Pache and Santos, 2010; Greenwood *et al.*, 2011). Institutional environments are typically not homogenous. Rather, they encompass actors with different views about which behaviors or practices are appropriate (Pache and Santos, 2010). For MNE subsidiaries, this problem is compounded because often both the host-country institutional environment and the MNE internal environment make conflicting demands (Kostova *et al.*, 2008). For instance, attitudes towards employment practices and the regulation of those practices often vary considerably even within the same country (Almond, 2011). At the same time, there may be differences between headquarters' expectations and the expectations of sister subsidiaries regarding a specific subsidiary's role in the transfer of HR practices. For MNE subsidiaries, this implies that it is often difficult to align work practices with the expectations held by important internal and external referent audiences, such as headquarters, labor representatives, or potential hires.

Individuals' reactions to implemented HR policies also vary, which may explain differences in perceptions of those practices. In other words, variations in perceptions of HR practices can be explained by variations in the schemas individuals employ when perceiving and interpreting HR-related information (Wright and Nishii, 2007). Some evidence of this within the MNE context is shown in the recent study by Zhu and colleagues (Zhu *et al.*, 2012), which explored differences between managers and employees in MNE subsidiaries operating in China with respect to their knowledge of HR practices, experience of HR practices, and perceptions of the effectiveness of HR practices.

However, there is no solid empirical evidence supporting the differences among intended, actual, and perceived HRM practices. This is arguably related to the absence of multilevel theories and multilevel research in SIHRM (Bowen and Ostroff, 2004; Gerhart, 2005; Wright and Nishii,

2007), as well as the failure of SIHRM researchers to collect multisource, multilevel data, which would allow the researcher to control for differences in reactions caused by individual hetero-geneity. Overall, as Becker and Huselid argue (2006: 900), HRM scholars need to be pushed out of their "natural comfort zone" if the field is to advance. That zone assumes an unproblematic aggregation of individuals, the existence of an "average individual," and no differences in individual perceptions of, or reactions to, external stimuli (intended and implemented HRM policies and practices) (Becker and Huselid, 2006: 900).

On the right-hand side of Figure 2.3, we argue that attention should be given not only to the macro-to-micro mechanisms (from global strategy to individual perceptions of implemented HR practices), but also to the importance of distinguishing between the levels when talking about SIHRM's impact on performance. As the HR function has shifted to a strategic focus with an embedded imperative to contribute to economic value in the firm, a major objective of the HR function in many firms is to link employees' job performance to organizational performance (Combs *et al.*, 2006; Paauwe, 2009). We view this link as aggregation from micro to macro − from individual job performance to the global performance of the whole MNE. This aggregation implies potentially strong interdependencies between an individual and others in the same context, particularly when actions are explicitly "strategic" in the sense that actors take the actions of other actors into account (Abell, 2003). Explaining such interdependencies has proven to be a "main intellectual hurdle both for empirical research and for theory that treats macro-level relation[s] via methodological individualism" (Coleman, 1986: 1323). Studies on SIHRM and performance are no exception − no study has explicitly dealt with this issue conceptually or empirically. While acknowledging that it may be hard to fine-tune measures of individual behaviors and job performance so that they lead to a positive aggregate result, we nevertheless follow Coleman's (1990) original logic, which argues that aggregate-level outcomes are usually more than the mere sum of individual-level outcomes. To reflect this view, the model depicted in Figure 2.3 is presented in the form of a trapezium (as in Coleman, 1990).

We also argue that the measures should vary depending on the level. With regard to global HR performance, we build on Guest's (2011) argument in that we propose a need for SIHRM to pay more attention to workers' interests, and to think creatively about how to provide a safe, healthy workplace in a turbulent global environment. Hence, at the corporate level, global HR metrics could include measures related to worker wellbeing and sustainability. The Global Reporting Initiative (www.globalreporting.org) provides a framework of metrics for organiza-tions to report sustainability information in a way that is similar to financial reporting. Initiatives such as the Free2work campaign against human trafficking and slavery (www.free2work.org; also see Nimbalker *et al.*, 2013) provide consumers with information about labor standards and work conditions in global supply chains. In terms of general MNE performance, De Cieri and Dowling (2012) suggest that global performance can be monitored via financial and social performance measures (see also Richard *et al.*, 2009; Wang and Choi, 2013). They also advocate including the capacity for enterprise resilience as an additional important performance measure (see also Lengnick-Hall *et al.*, 2011).

Research directions: SIHRM and the multilevel paradigm

The field of SIHRM has evolved over the past two decades, since Schuler *et al.*'s (1993) foundational work. Dynamic environments and the shock events of the past decade, particularly the global financial crisis, have been a catalyst for reflection, analysis, and identification of new challenges for HRM (e.g., Zagelmeyer and Gollan, 2012) and IHRM scholarship (e.g., Sheehan and Sparrow, 2012). Adding complexity to the global picture, there is evidence of a global shift

in power towards emerging markets in international business and economic growth in new territory is both complex and uncertain (Sheehan and Sparrow, 2012). In the turbulent context of global business, SIHRM can offer support for both centralized and decentralized strategy making via the development and implementation of global HR strategies, policies, and practices that enhance enterprise resilience, as well as financial and social performance. In parallel, advances in SIHRM scholarship will depend on the application of multilevel reasoning in SIHRM research.

Armed with the SIHRM map, we can now more precisely discuss some of the key issues that SHRM research must address. Echoing Sheehan and Sparrow (2012: 2397), we suggest that by identifying and investigating the issues that are "in practice embedded in multiple levels of agency, and then examining these likely dependencies, can we identify the most fruitful research agenda for the next decade."

There are many promising directions for the use of multilevel theorizing and modeling in SIHRM research. However, we recognize that, as Mathieu and Chen (2011) have outlined, multilevel theorizing and modeling is an evolving paradigm and should not be seen as a panacea or silver bullet; further development is needed with respect to areas such as multilevel theory, construct validity and development of measures, and research design and analysis.

With regard to multilevel theory, Molloy *et al.* (2011) identify three disciplinary divides (between psychology, economics and sociology) and three system–level divides (between individuals and groups, organizations, and the social and economic systems in which they are embedded). The authors present a "road-map that details the specific intellectual steps" (Molloy *et al.*, 2011: 582) that are necessary for scholars to bridge the divides. Their road–map has strong applicability to the field of SIHRM research, particularly as SIHRM seeks to be both accessible and relevant to scholars across a range of disciplines. Multinational and multidisciplinary research collaborations in SIHRM (e.g., Farndale *et al.*, 2010), investigating complex phenomena and relationships, demonstrate the potential for SIHRM scholarship to bridge divides and address "big questions." Janssens and Steyaert (2012) have recently brought together the disciplines of ethics and IHRM to develop an ethical research agenda for IHRM theoretically grounded in cosmopolitanism: this is an initial step in an important pathway for SIHRM to open up multidisciplinary inquiry that investigates across multiple levels and beyond organizational boundaries. Future research may explore issues such as the interests of those impacted by global–ization in negative ways; inequalities created or exacerbated by globalization; or the perspec–tives of various stakeholders in SIHRM. In several respects, the "new" issues are founded in "old" concerns of employment: job security, workplace rights and responsibilities, and inequality. At the same time, there are new theoretical lenses through which to view these concerns.

It is imperative for SIHRM researchers to investigate across multiple levels and beyond organ–izational boundaries, to address questions that might include, but are by no means limited to:

- How much agency do MNEs, and particularly the HR function, have, in the context of environmental volatility?
- How can (and should) the HR function operate in a volatile environment?
- In the context of geopolitical turbulence, what is the role of SIHRM in building resilience and organizational performance?
- What are the implications of semi–globalization for SIHRM?
- What are the effects of intended HR strategies, implemented HR policies and perceived HR practices at multiple levels?
- Will new forms of SIHRM replace the predominately Anglo (US and UK) view?
- Will new forms of knowledge sharing emerge between teams and subsidiaries within *and between* MNEs?

Specifying research questions is one way to offer guidance for SIHRM research. Another way is to identify limitations and gaps in current research: these may be considered in terms such as what is researched or whose perspectives are heard in the research. For example, SIHRM research can be criticized for a dominant focus on MNCs, and particularly MNCs headquartered in developed economies. Further work is needed to develop theoretical understanding of different multinational organizational forms and to explore beyond organizational boundaries.

Considering construct validity and validation, for example, Suddaby (2010) has argued that weakly communicated constructs or constructs that are so narrowly defined they lack relevance have often led to situations where the results of academic research in relation to the measurement of HR outcomes do not reach the practitioner community. Measures/constructs should strike a balance "between definitional accuracy and communicable generality" (Suddaby, 2010: 353). Enterprise resilience (De Cieri and Dowling, 2012; Lengnick-Hall *et al.*, 2009) is an example of a construct that has emerged in recent SIHRM writing, yet requires validation.

With regard to research design and analysis, Mathieu and Chen (2011: 632) remind us that a multilevel approach should not be applied as a blanket rule as it may not be applicable or informative for all research questions. Further, they identify five challenges to the multilevel paradigm. Two of the challenges are particularly salient to SIHRM research: "the need to integrate the nested-arrangements approach with the longitudinal approach challenges associated with modeling current and future multilevel models; and [. . .] the role of multidisciplinary influences for multilevel management theory and investigations" Mathieu and Chen (2011: 610). Guidance relevant to SIHRM research is also offered by Peterson *et al.* (2012) in their analysis of key methodological issues (and pitfalls) for the application of multilevel models (MLM) in international business; these issues include the criteria used when deciding whether to use MLM, sample sizes, and measure equivalence at multiple levels.

Adding to the list of methodological issues to consider, Cascio's (2012: 2532) review of IHRM research identifies five fundamental methodological concerns in quantitative research: "translation, conceptual, functional, and metric equivalence when assessment or survey questions are used in different languages and cultural contexts; the use of multiple, overlapping constructs and common methods bias; limitations of measures of internal-consistency reliability (coefficient alpha); sampling strategies; and non-response bias." While Cascio's analysis does not address qualitative research, he recognizes that several of the issues will be important considerations in any type of research.

Conclusion

We have discussed recent advances in strategy scholarship, particularly the increasing attention to the integrative strategy process. Parallel advances in SIHRM reflect the turbulent and increasingly complex global workplace. Drawing together these parallel streams of scholarship, we have identified potential directions for the SIHRM field to develop with regard to multilevel theorizing and modeling. We acknowledge that we have not addressed all of the potential issues and directions for SIHRM scholarship; however, we argue that we have outlined some important areas for SIHRM scholarship to address.

This chapter offers some direction for SIHRM scholarship to build sequential development of understanding that has the potential to capture and analyse evolving challenges faced by MNEs. We suggest that real advances in SIHRM scholarship will be brought by theorizing and research approaches that create bridges and encourage knowledge sharing.

Note

1   *Enterprise resilience* refers to the ability of an enterprise to respond or "bounce back" from shock events (Branzei & Abdelnour, 2010). In a study of enterprise resilience under contexts of terrorism in developing countries, Branzei and Abdelnour (2010) report that enterprise resilience yields more favorable economic payoffs at higher levels of terrorism, especially for informal entrepreneurs. Although they do not focus on MNEs, Lengnick-Hall *et al.* (2011) discuss the role of strategic HRM in developing a capacity for enterprise resilience. This emerging stream of research complements studies in which resilience has been considered at the individual level of analysis (e.g., the "resilient personality" or the "resilient manager") (see Shin *et al.*, 2012).

References

Abell, P. 2003. On the prospects for a unified social science: Economics and sociology. *Socio-Economic Review*, 1: 1–21.

Abell, P., Felin, T., and Foss, N. 2008. Building microfoundations for the routines, capabilities, and performance links. *Managerial and Decision Economics,* 29(6): 489–502.

Al-Mahmood, S. Z., and Bourke, J. 2013. Bangladesh factory fire puts renewed pressure on clothing firms. *The Guardian,* Friday 10 May, www.theguardian.com.

Almond, P. 2011. The sub-national embeddedness of international HRM. *Human Relations*, 64(4): 531–551.

Andersen, T. J. 2002. How to reconcile the strategy dilemma. *European Business Forum*, 9: 32–35.

Andersen, T. J. 2004. Integrating decentralized strategy making and strategic planning processes in dynamic environments. *Journal of Management Studies*, 41: 1271–1299.

Andersen, T., and Minbaeva, D. 2013. Human resources in strategy making. *Human Resource Management,* 52(5): 809–827.

Andersen, T. J., and Nielsen, B. B. 2009. Adaptive strategy making: The effects of emergent and intended strategy modes. *European Management Review*, 6: 94–106.

Ansoff, H. I. 1988. *The new corporate strategy*. New York: Wiley.

Bartlett, C. A., and Ghoshal, S. 1991. *Managing across borders: The transnational solution*. Boston: Harvard Business School Press.

Barton, D. 2011. Capitalism for the long term. *Harvard Business Review,* March: 84–91.

Battilana, J., and Dorado, S. 2010. Building sustainable hybrid organizations: The case of commercial microfinance organizations. *Academy of Management Journal*, 53(6): 1419–1440.

Becker, B. E., and Huselid, M. A. 2006. Strategic human resources management: Where do we go from here? *Journal of Management*, 32: 898–925.

Benston, G. J., and Hartgraves, A. L. 2002. Enron: What happened and what we can learn from it. *Journal of Accounting and Public Policy,* 21: 105–127.

Bowen, D., and Ostroff, C. 2004. Understanding HRM–firm performance linkages: The role of the "strength" of the HRM system. *Academy of Management Review*, 29: 203–221.

Branzei, O., and Abdelnour, S. 2010. Another day, another dollar: Enterprise resilience under terrorism in developing countries. *Journal of International Business Studies*, 41: 804–825.

Brookes, M., Croucher, R., Fenton-O'Creevy, M., and Gooderham, P. 2011. Measuring competing explanations of human resource management practices through the Cranet survey. *Human Resource Management Review,* 21(1): 68–79.

Brookfield Global Relocation Services. 2012. *Global relocation trends survey report*. Woodridge, IL: Brookfield Global Relocation Services.

Cascio, W. F. 2012. Methodological issues in international HR management research, *The International Journal of Human Resource Management,* 23: 2532–2545.

Cascio, W., and Boudreau, J. W. 2008. *Investing in people: Financial impact of human resource initiatives*. Upper Saddle River, NJ: Pearson Education Inc.

Chau, V. S., Thomas, H., Clegg, S., and Leung, A. S. M. 2012. Managing performance in global crisis. *British Journal of Management,* 23: 1–5.

Coleman, J. S. 1986. Social theory, social research, and a theory of action. *American Journal of Sociology,* 91(5): 1309–1335.

Coleman, J. S. 1990. *Foundations of social theory*. Cambridge, MA/London: The Belknap Press of Harvard University Press.

Collings, D. G., Scullion, H., and Dowling, P. J. 2009. Global staffing: A review and thematic research agenda. *The International Journal of Human Resource Management,* 20: 1253–1272.

Combs, J., Liu, Y., Hall, A., and Ketchen, D. 2006. How much do high-performance work practices matter? A meta-analysis of their effects on organizational performance. *Personnel Psychology* 59: 501–528.

Crook, T. R., Ketchen, D. J. Jr., Combs, J. G., and Todd, S. Y. 2008. Strategic resources and performance: A meta-analysis. *Strategic Management Journal,* 29: 1141–1154.

Czinkota, M. R., and Ronkainen, I. A. 2008. Trends and indications in international business. Topics for future research. *Management International Review,* 49: 249–266.

Czinkota, M. R., Knight, G. A., Liesch, P. W., and Steen, J. 2010. Terrorism and international business: A research agenda. *Journal of International Business Studies,* 41: 826–843.

De Cieri, H., and Dowling, P. J. 2012. Strategic human resource management in multinational enterprises: Developments and directions. In G. Stahl, I. Björkman and S. Morris (eds.) *Handbook of international HRM research* (2nd edn) Cheltenham UK: Edward Elgar.

Edwards, T., Jalette, P., and Tregaskis, O. 2012. To what extent is there a regional logic in the management of labour in multinational companies? Evidence from Europe and North America. *The International Journal of Human Resource Management,* 23: 2468–2490.

Farndale, E., Paauwe, J., Morris, S. S., Stahl, G. K., Stiles, J. T., and Wright, P. M. 2010. Context-bound configurations of corporate HR functions in multinational corporations. *Human Resource Management,* 49(1): 45–66.

Felin, T., and Hesterly, W. S. 2007. The knowledge-based view, heterogeneity, and the individual: Philo-sophical considerations on the locus of knowledge. *Academy of Management Review,* 32: 195–218.

Fey, C. F., Morgulis-Yakushev, S., Park, H.-J., and Björkman, I. 2008. Opening the black box of the relationship between HRM practices and firm performance: A comparison of MNE subsidiaries in the USA, Finland and Russia. *Journal of International Business Studies,* 40: 690–712.

Gereffi, G. 1999. International trade and industrial upgrading in the apparel commodity chain. *Journal of International Economics,* 48(1): 37–70.

Gerhart, B. 2005. Human resources and business performance: Findings, unanswered questions, and an alternative approach. *Management Review,* 16(2): 175–185.

Ghemawat, P. 2003. Semiglobalization and international business strategy. *Journal of International Business Studies,* 34: 138–152.

Greenwood, R., Raynard, M., Kodeih, F., Micelotta, E. R., and Lounsbury, M. 2011. Institutional complexity and organizational responses. *The Academy of Management Annals,* 5(1): 317–371.

Griffith-Jones, S., Ocampo, J. A., and Stiglitz, J. E. (eds.) 2010. *Time for a visible hand: Lessons from the 2008 world financial crisis,* Oxford UK: Oxford University Press.

Guest, D. E. 2011. Human resource management and performance: Still searching for some answers. *Human Resource Management Journal,* 21(1): 3–13.

Harzing, A.-W. 2000. An empirical analysis and extension of the Bartlett and Ghoshal typology of multinational companies. *Journal of International Business Studies,* 31: 101–120.

Hendry, J. 2000. Strategic decision making, discourse and strategy as social practice. *Journal of Management Studies,* 37: 955–977.

Hitt, M., Beamish, P., Jackson, S., and Mathieu, J. 2007. Building theoretical and empirical bridges across levels: Multilevel research in management. *Academy of Management Journal,* 50: 1385–1399.

Hodgkinson, G. P., and Clarke, I. 2007. Exploring the cognitive significance of organizational strategizing: A dual-process framework and research agenda. *Human Relations,* 60(1): 243–255.

Huselid, M. A., Jackson, S. E., and Schuler, R. S. 1997. Technical and strategic human resource management effectiveness as determinants of firm performance. *Academy of Management Journal,* 40: 171–188.

IBM (2008) The enterprise of the future: IBM global CEO study 2008. IBM Corporation, May, www.ibm.com/enterpriseofthefuture.

Janssens, M., and Steyaert, C. 2012. Towards an ethical research agenda for international HRM: The possibilities of a plural cosmopolitan framework. *Journal of Business Ethics,* 111: 61–72.

Jiang, K., Lepak, D. P., Hu, J., and Baer, J. C. 2012. How does human resource management influence organizational outcomes? A meta-analytic investigation of mediating mechanisms. *Academy of Management Journal,* 5: 1264–1294.

Kang, S. C., Morris, S., and Snell, S. A. 2007. Relational archetypes, organizational learning, and value creation: Extending the human capital architecture. *Academy of Management Review,* 32: 236–256.

Kehoe, R. R., and Wright, P. M. 2013. The impact of high performance human resource practices on employees' attitudes and behaviours. *Journal of Management,* 39: 366–391.

Kinkel, S. 2012. Trends in production relocation and backshoring activities: Changing patterns in the course of the global economic crisis. *International Journal of Operations & Production Management,* 32: 696–720.

Kostova, T., and Roth, K. 2002. Adoption of an organizational practice by the subsidiaries of the MNC: Institutional and relational effects. *Academy of Management Journal,* 45: 215–233.

Kostova, T., and Zaheer, S. 1999. Organizational legitimacy under conditions of complexity: The case of the multinational enterprise. *Academy of Management Review,* 24: 64–81.

Kostova, T., Roth, K., and Dacin, M. T. 2008. Institutional theory in the study of multinational corporations: A critique and new directions. *Academy of Management Review,* 33: 994–1006.

Kraatz, M. S., and Block, E. S. 2008. Organizational implications of institutional pluralism. In R. Greenwood, C. Oliver, K. Sahlin, and R. Suddaby (eds.) *The SAGE handbook of organizational institutionalism.* London: Sage Publication, pp. 840.

Lawler, J. J., Chen, S.-J., Wu, P-C., Bae, J., and Bai, B. 2010. High-performance work systems in foreign subsidiaries of American multinationals: An institutional model. *Journal of International Business Studies,* 42: 202–220.

Lazarova, M., Morley, M., and Tyson, S. 2008. International comparative studies in HRM and performance – the Cranet data. *The International Journal of Human Resource Management,* 19: 1995–2003.

Lengnick-Hall, C. A., Beck, T. E., and Lengnick-Hall, M. L. 2011. Developing a capacity for organizational resilience through strategic human resource management. *Human Resource Management Review,* 21: 243–255.

Lengnick-Hall, M. L., Lengnick-Hall, C. A., Andrade, L. S., and Drake, B. 2009. Strategic human resource management: The evolution of the field. *Human Resource Management Review,* 19: 243–255.

Levy, O., Beechler, S., Taylor, S., and Boyacigiller, N. A. 2007. What we talk about when we talk about "global mindset": Managerial cognition in multinational corporations. *Journal of International Business Studies,* 38: 231–258.

Mathieu, J. E., and Chen, G. 2011. The etiology of the multilevel paradigm in management research. *Journal of Management,* 37: 610–641.

Minbaeva, D. 2005. HRM practices and knowledge transfer. *Personnel Review*, 35(1): 125–144.

Minbaeva, D., and Collings, D. 2013. Seven myths of global talent management. *International Journal of Human Resource Management*, 24(9): 1762–1776.

Mintzberg, H. 1978. Patterns in strategy formation. *Management Science,* 24: 934–948.

Molloy, J. C., Ployhart, R. E., and Wright, P. M. 2011. The myth of "the" micro-macro divide: Bridging system-level and disciplinary divides. *Journal of Management,* 37: 581–609.

Morris, S. S., Wright, P. M., Trevor, J., Stiles, P., Stahl, G. K., Snell, S. A., Paauwe, J., and Farndale, E. 2009. Global challenges to replicating HR: The role of people, processes, and systems. *Human Resource Management*, 48: 973–995.

Nimbalker, G., Cremen, C., and Wrinkle, H. 2013. *The truth behind the barcode: The Australian fashion report.* Baptist World Aid Australia, www.baptistworldaid.org.au.

Paauwe, J. 2009. HRM and performance: Achievements, methodological issues and prospects. *Journal of Management Studies,* 46: 127–140.

Pache, A. C., and Santos, F. 2010. When worlds collide: The internal dynamics of organizational responses to conflicting institutional demands. *Academy of Management Review*, 35(3): 455–476.

Pearson, C., Roux-Dufort, C., and Clair, J. 2007. *International handbook of organizational crisis management.* New York: Sage.

Peterson, M. F., Arregle, J.-L., and Martin, X. 2012. Multilevel models in international business research. *Journal of International Business Studies,* 43: 451–457.

Reiche, B. S., Harzing, A. W. K., and Kraimer, M. L. 2009. The role of international assignees' social capital in creating inter-unit intellectual capital: A cross-level model. *Journal of International Business Studies,* 40: 509–526.

Richard, P. J., Devinney, T. M., Yip, G. S., and Johnson, G. 2009. Measuring organizational performance: Towards methodological best practice. *Journal of Management,* 35: 718–804.

Rugman, A., Verbeke, A., and Yuan, W. 2011. Re-conceptualizing Bartlett and Ghoshal's classification of national subsidiary roles in the multinational enterprise. *Journal of Management Studies,* 48: 253–277.

Schendel, D., and Hofer, C. 1979. *Strategic management: A new view of business policy and planning.* Boston, MA: Little Brown.

Schuler, R. S., Dowling, P. J., and De Cieri, H. 1993. An integrative framework of strategic international human resource management. *Journal of Management,* 19: 419–459.

Sheehan, M., and Sparrow, P. 2012. Global human resource management and economic change: A multiple level of analysis research agenda. *The International Journal of Human Resource Management,* 23: 2393–2403.

Shin, J., Taylor, M. S., and Seo, M.-G. 2012. Resources for change: The relationships of organizational inducements and psychological resilience to employees' attitudes and behaviors towards organizational change. *Academy of Management Journal,* 55: 727–748.

Simons, R. 1991. Strategic orientation and top management attention to control systems. *Strategic Management Journal*, 12: 49–62.

Suddaby, R. 2010. Construct clarity in theories of management and organization. *Academy of Management Review,* 35: 346–357.

Teece, D. J. 2007. Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal,* 28: 1319–1350.

Wang, H., and Choi, J. 2013. A new look at the corporate social–financial performance relationship: The moderating roles of temporal and interdomain consistency in corporate social performance. *Journal of Management*, 39: 416–441.

Wernick, D. A. 2006. Terror incognito: International business in an era of heightened risk. In G. Suder (ed.) *Corporate strategies under international terrorism and adversity*. Cheltenham, UK: Edward Elgar.

Wright, P. M., and Nishii, L. H. 2007. *Strategic HRM and organizational behavior: Integrating multiple levels of analysis*. CAHRS Working Paper #07–26, Ithaca, NY: Cornell University, School of Industrial and Labor Relations, Center for Advanced Human Resource Studies.

Wright, P. M., and Van de Voorde, F. C. 2007. Multi-level issues in international HRM: Mean, differences, explained variance, and moderated relationships. CAHRS Working Paper #07–13. Ithaca, NY: Cornell University, School of Industrial and Labor Relations, Center for Advanced Human Resource Studies.

Zagelmeyer, S., and Gollan, P. J. 2012. Exploring terra incognita: Preliminary reflections on the impact of the global financial crisis upon human resource management. *The International Journal of Human Resource Management,* 23: 3287–3294.

Zhu, C. J., Cooper, B. K., Fan, D., and De Cieri, H. 2012. HR practices from the perspective of managers and employees in multinational enterprises in China: Alignment issues and implications. *Journal of World Business*, http://dx.doi.org/10.1016/j.jwb.2012.07.008.

3

Sociology and international human resource management

Gilton Klerck

Introduction

As corporations increasingly strive to expand their operations across national boundaries, human resource managers are compelled to develop an enhanced appreciation of and responsiveness to the impact of different national contexts on the managerial form and function. The activities of multinational corporations (MNCs) influence the working lives of a growing number of employees in many different countries, and the sheer scale of their operations poses formidable challenges to conventional human resource management (HRM) practices. In the field of international human resource management (IHRM), scholars have endeavoured to assist practitioners by conducting research that is routinely framed by two questions: (a) what is general and universal in the management function; and (b) what is peculiar or specific to one nation or culture? A central theoretical concern underlying the field of IHRM is the tension between global integration and local adaptation. Straddling an escalating number of national spaces, MNCs are ever more concerned with the particularities of the institutional and normative frameworks of the countries within which they operate. An understanding of these national characteristics is imperative because MNCs do not organise their activities in a vacuum, but rather in the context of the multiple structural, organisational and cultural landscapes on which they operate. To be sure, given their often-substantial resources, MNCs may also play a part in constructing these environments (Almond *et al.*, 2005; Boyer *et al.*, 1998; Ferner & Quintanilla, 1998), which is likely to shape the experiences of employees and employers in the host countries. In other words, all national social relations have global as well as local conditions of existence and impacts.

The discipline of sociology – as a study of the social structures, relations and processes of society – has much to offer the field of IHRM. This is reflected in the recent calls for 'more societally embedded organisational research' as evinced by the proliferation of studies drawing on neo-institutional theory, national business systems approach and cross-cultural perspectives in management studies (Peltonen & Vaara, 2012:69). A disregard of epistemological and ontological concerns, in particular, tends to be a persistent and debilitating source of weakness in management studies. Drawing on a realist-inspired sociology, for instance, would allow for the eschewal of a triple set of twinned mistakes: the *ontological* errors of voluntarism and reification, the *constitutive* errors of individualism and collectivism, and the *epistemic* errors of methodological

individualism and social determinism (Bhaskar, 1979). The relational structure of societies and their irreducibility to individuals are essential insights for non-reductionist studies in IHRM. However, since all the social sciences are principally anchored at the level of the nation-state, there are limits to the insights into the study of transnational organisations and processes that IHRM may derive from sociology. Although

> none of the founding figures of sociology formally identified their object of study with the nation state, just such an ocularcentric identification nonetheless characterized much of their work. This was hardly surprising given both the founders' own practical political involvements and the fact that they were writing in the age of nationalism, when the drawing and defending of boundaries was a major preoccupation of governmental powers. Nor was it surprising that their successors should so seldom question this identification, given that they were writing in the context of the formation of an *inter-national* system whose rivalries had such cataclysmic consequences . . . Nor, finally, is it surprising that today there should be so much talk of 'sovereignty at bay', when there is only one superpower, when multinational corporations appear to be the new 'lords of human kind', [and] when nations are ceding some of their powers of governance to supranational bodies.
>
> (Woodiwiss, 1997:90–91)

Deepening our understanding of the transnational domain is fundamentally a multidisciplinary task. Interdisciplinarity, however, raises questions about the interactive learning interface between two or more disciplines. This interface is bound to be fractured and pluralistic given variations in disciplinary openness to 'external' knowledge; divisions between different fields within disciplines; diverse research methods, cultures and objectives; and so on. Moreover, calls for greater interdisciplinarity are usually associated with two, conflicting trends (O'Reilly, 2009; Syed *et al.*, 2010). On the one hand, demands to explore beyond (especially national) boundaries, localities, field sites and exclusivities are accompanied by calls for sociology to embrace interdisciplinarity, transdisciplinarity or even post-disciplinarity. Distinctions between disciplines in the social sciences are described as parochial, imperialist, reductionist and devoid of ontological or epistemological justification. By providing access to various sources and types of knowledge, interdisciplinarity offers a considerably broader learning interface than is the case with a largely insular discipline. That is, it allows disciplines to use each other as repositories of knowledge and reservoirs of tacit expertise. On the other hand, there are appeals to recall or to redefine sociology's core, respect its scientific distance from related disciplines, defend a professional sociology that can engage in public debates in an informed way, or celebrate sociology as the 'flagship discipline' of the social sciences. Fears of the permeability, disintegration and dissipation of sociology are reflected in calls to safeguard its disciplinary boundaries, to maintain its core ideas, to defend its scientific objectivity against external threats, and to protect its status as the 'guardian of humanity'. On this view, sociology can contribute to and learn from other disciplines or fields, and must be open to new ideas and new developments, but it must not compromise its distinctive, core identity (O'Reilly, 2009:219–221). These tensions are also evident in IHRM.

In this chapter, we consider the impact of sociology on HRM and, by extension, on IHRM. First, we consider the fact that this impact is mediated by sociology's internal differentiation, following Burawoy, into four types: professional, policy, critical and public. This four-fold scheme depicts a division of sociological labour, within which sociologists specialise in one or more types of knowledge. The division of labour also represents a configuration of domination among the four types of knowledge that vary over time and by country. Of particular significance in

the present conjuncture of 'third-wave marketization' is the public sociologist, who must 'fight for a countermovement that foregrounds society rather than installing a despotic state or appealing to a market utopia' (Burawoy, 2009:197). Making sense of the relationships between sociology and associated disciplines requires not only an awareness of the distinct objectives and purposes of the various sociologies, but also an appreciation of the key problematics in the discipline. Sociological explanations of the multilayered relations between structural conditions and human agency provide IHRM with the means to evade the reductionism associated with a social atomistic ontology and its epistemological manifestation, methodological individualism. Next, we consider the divisions between the functional, analytical and critical strands within HRM. These divisions add another layer of complexity to the task of assessing the impression that sociology has left on IHRM. While mainstream HRM has generally shown some reluctance to draw on industrial sociology, analytical HRM has revealed some ambivalence to do so and critical HRM has eagerly and extensively deployed concepts from industrial sociology.

A focus on the limitations of and divisions within HRM is necessary since these are largely carried over into the field of IHRM. In particular, a research agenda dominated by performance measures and a managerialist conception of the firm typify the functionalist strands of IHRM. The central focus areas of IHRM are filtered through an integration-differentiation matrix that trades on a contrast between 'best-practice' and 'best-fit' managerial practices. As with HRM, the influence of sociology on IHRM is variegated and this variegation is partly dependent on the methodological and ideological orientation of the scholar/s in question. Comparing mainstream analyses from IHRM with sociologically orientated perspectives on work and employment reveals significant differences, including the nature/level of analysis and the conceptualisation of conflict in the workplace. Finally, the role of institutions is especially important in any assessment of sociology's impact on the study of management in general and IHRM in particular. Following a concise sketch of neo-institutionalist and economic sociology, some of the fundamental applications of institutional theory in the IHRM literature are briefly outlined.

Sociology: professional, policy, critical and public

Evaluating the impact of sociology on other disciplines is complicated by the fact that it is internally differentiated. In a series of papers, Burawoy (2004, 2005, 2007, 2009) distinguishes four types of sociology – namely, professional, policy, critical and public – each with its own distinctive practice and purpose, its own notion of truth and politics. The universality of this scheme follows from two fundamental questions: first, 'knowledge for whom?' and second, 'knowledge for what?' For Burawoy (2009:191–192), policy sociology is explicitly aimed at solving 'problems' as defined by clients, developing strategies and providing solutions. Professional sociology pursues 'puzzles' defined by research programmes. This is how science develops: taking as given a range of assumptions that define a paradigm and then grappling with its internal contradictions and external anomalies. Professional sociology, according to Burawoy (2007), lies at the heart of the discipline and occupies a privileged position in the division of sociological labour: it supplies the necessary tools and techniques and advances knowledge that allows the other sociologies to flourish.

Sociologists, ingrained in a research programme, cannot pursue these puzzles and at the same time question the assumptions on which these puzzles are based. To do so, they need critical sociologists who specialise in questioning assumptions. In other words, because sociology is part of the society it studies, Burawoy (2004) argues that the discipline needs a critical sociology to interrogate and when necessary criticise the foundations and assumptions on which professional

sociology rests. Here, Burawoy (2009) cites Sorokin's critique of the obsession with quantification or Gouldner's critique of structural functionalism. Critical sociologists take professional sociology to task for failing to examine the ideological and normative underpinnings that unwittingly promoted particular visions of society, which benefit one segment of the population at the expense of others. If critical sociology involves a dialogue with other sociologists about the foundations of professional sociology, public sociology is the dialogue about the foundations of society with publics beyond the academy. Public sociology, according to Burawoy (2004), also differs from the other three forms in that it explicitly engages in dialogue with these publics about issues that are morally and politically important.

In an effort to clarify his conception of public sociology, Burawoy (2009:192–193) draws a contrast between 'traditional' and 'organic' public sociology. Traditional public sociology includes the celebrities of the discipline – such as C. Wright Mills, Pierre Bourdieu and Anthony Giddens – whose works bring a sociological perspective to public issues, or, in the memorable phrase of Mills, turn private troubles into public issues. They do so by the specifically sociological exercise of showing the interconnection between micro-experience and macro-structure. According to Mills, a key part of the 'sociological imagination' is a willingness to combine 'ideas that no-one expected were combinable'. The publics addressed by traditional public sociology are broad, thin, passive and mainstream, with an amorphous presence. For Mills, Bourdieu and Giddens, sociological education emanates from above in the sense that 'dialogue' is characterised by a one-way flow of communication from author to public.

Organic public sociology, by contrast, assumes that subjugated populations possess, in the words of Antonio Gramsci, a kernel of good sense contained in their common sense (ibid.). In this regard, sociological education is an unmediated dialogue between sociologist and public, employing sociological concepts to reveal and elucidate the fundamental insights into social structure that everyone possesses. Public sociology engages directly with specific publics in specific settings and focuses on the specific interests of whatever public the sociologist is working with. Here, Burawoy (2009) cites educators such as Paulo Freire and feminists like Dorothy Smith, who believe in working from the experience of the oppressed. Alain Touraine's action sociology, which is also included, develops the insights of activists in social movements through the discussions and interventions coordinated by sociologists. In this case, the public is thick rather than thin, local rather than broad, active rather than passive, oppositional rather than mainstream. The organic public sociologist,

> who works in the trenches of civil society, is invisible and very different from the traditional public sociologist, whose effectiveness depends upon his or her visibility . . . There is often a deep animosity between the two types of public sociologist. The traditional public sociologist regards close encounters with publics as contaminating whilst the organic public sociologist regards knowledge incubated in the academy as serving the powers that be. This mutual hostility has its roots within the academic hierarchy as well as ideology, but I will argue that each benefits from the presence of the other – the traditional public sociologist gives overarching direction and legitimacy to and receives energy and insight from the intense involvement of the organic public sociologist.
>
> (Burawoy, 2009:193)

This four-fold scheme depicts a division of sociological labour, within which sociologists specialise in one or more types of knowledge and through which they move as their careers develop. The division of labour also represents a configuration of domination among the four types of knowledge that vary over time and by country.

Despite divisions and conflicts between protagonists of the various types of sociology, Burawoy (2009:195) argues that a thriving sociology requires all four types of knowledge, and that underlying their antagonism there is a fundamental interdependence, the foundation of a 'symbiotic division of labour'. For example, professional sociology acquires its vitality from infusions of public sociology, advances under pressure from critical sociology, and is often sustained by policy sociology. The antagonists are all locked into a common division of labour, and 'to the extent that professional sociology becomes irrelevant, critical sociology becomes dogmatic, policy sociology becomes servile or public sociology becomes populist, that is, to the extent any given type lose touches with and loses respect for the others, all suffer, and our discipline loses its vitality' (ibid.). For Burawoy (2009:196), this 'putative unity-in-division' or 'antagonistic interdependence' is grounded in the standpoint sociologists share, namely the standpoint of civil society. To be sure, the claim that sociologists study the world from the standpoint of civil society does not mean that they only study civil society. Rather, they study the state or the economy, for example, from the standpoint of their social benefits and/or consequences. Given the wide-ranging implications of and the notable reservations still attached to 'public sociology', it is hardly surprising that it has sparked a rigorous and extensive debate (see Blau & Smith, 2006; Bridger & Alter, 2010; Clawson, 2007; Jeffries, 2009; Nichols, 2007; Swedberg, 2007).

Making sense of the relationships between sociology and associated disciplines requires not only an awareness of the distinct objectives and purposes of the various sociologies, but also an appreciation of the key problematics in the discipline. The core of sociology, according to Scott (2005, cited in O'Reilly, 2009:222)), revolves around a framework of ideas about social relations: all human activity is socially embedded; the 'social' constitutes inter-subjective phenomena that are irreducible to biology or psychology, to individual actions or the meanings attributed to them; inter-subjective phenomena form social structures (social facts, forms of social life, norms and institutions) which, in turn, are reproduced by and form the conditions for individual and collective actions by becoming embedded in social relations, embodied as tendencies, acknowledged or witnessed by actors in the form of rules or laws, or simply acted upon as norms and conventions; and these social structures are relational, institutional and embodied (cited in O'Reilly, 2009:222). Sociology is therefore an emergent set of ideas designed to explain 'the social' in terms of the interrelationship of social actors and social structures. This work occupied the foundational theorists, who conceptualised the social in terms of a materialist conception of history (Karl Marx), the existence of objective social facts (Emile Durkheim), meaningful action (Max Weber) or emergent forms of social life (Georg Simmel). It is continued in the work of contemporary theorists, who conceive of the social using a theory of practice (Pierre Bourdieu), structuration theory (Anthony Giddens) or analytical dualism (Margaret Archer). It is advanced by developing concepts, which are designed to avoid the reduction of conditions to actions and vice versa, such as habitus and field, positioned-practices, internalised structures or performance and embodiment.

Neither subjectivist explanations of society as the product of conscious human activities nor objectivist explanations of society as existing independently of conscious human activities are adequate (Archer, 1995). The social dimension is not captured by the reified position of structuralism that reduces humans to mere bearers of structures or by the spontaneist conception of voluntarist humanism in which everything can be explained in terms of human activity. The objectivist emphasis on the role that institutions play in shaping the conduct of (pliable and largely reactive) individuals suggests that society creates people. In subjectivist conceptions, human agency exercises an active, formative and recursive influence on social institutions in the sense that people create society. In reality, however, society does not directly create people any more

than people directly create society. This is unavoidable since social structures, as the 'sedimented deposits of past actions', become the conditions of subsequent activities (Lawson *et al.*, 1996:146). Simply combining these approaches will not solve the problem: it makes no sense simultaneously to posit a voluntaristic idealism whereby individuals create the social structure and a mechanical determinism whereby people are essentially the product of their situation. While social structures and intentional action presuppose each other, they are quite different kinds of things and cannot be reduced to, or reconstructed from, each other. Indeed, Bhaskar (1979:43–44) argues that there is a real distinction – an 'ontological hiatus' – between human agency and social structures:

> [If], following Durkheim, one regards society as providing the material causes of human action, and following Weber, one refuses to reify it, it is easy to see that both society and human praxis must possess a *dual* character. Society is both the ever-present *condition* (material cause) and the continually reproduced *outcome* of human agency. And praxis is both work, that is conscious *production*, and (normally unconscious) *reproduction* of the conditions of production, that is society.

He refers to the former as the 'duality of structure' and the latter as the 'duality of praxis'. Society is not the creation of unconditional human agency, nor does it exist independently of it; individuals neither completely determine, nor are they completely determined by, social structures. Bhaskar (1979) is therefore proposing a conception that people, in their conscious activity, for the most part unconsciously reproduce (and occasionally transform) the structures governing their substantive activities of production. Human action is necessarily dependent on the existence of social structures and these depend on being reproduced through such activity. Social structures impose limits on the acts we can perform, but they do not determine our actions. Human agents have the potential to engage in transformative practice, albeit within specific limits. This means structures are both enabling and constraining, albeit in a specifically determined manner. In other words, people reproduce and sometimes transform society, but they do not create it *ab initio* since they always transform *existing* material conditions. The role of sociology is to explore the multi-layered relations between structural conditions (such as dispositions, institutions, constraints, norms) and human agency (such as desires, meanings, intentions, actions).

Bhaskar rejects atomistic views of society for implying that knowledge of society can be reduced to knowledge of people. His relational alternative to atomistic models of society underlines the fact that our social acts presuppose relations of various kinds – for instance, one is an employee only because of one's relation to an employer. Yet, the relations and the related individuals may be ontologically independent in the sense that it is possible to focus study on the relations (which endure through changes of the related individuals), or on individuals (who may circulate around the network of relations that is society). The ontology of social atomism along with its epistemological manifestation, methodological individualism, remains a form of reductionism. The subject matter of social science cannot be reduced to principles governing the behaviour of human individuals and descriptions of their situations. Bhaskar follows and builds upon the insight of Marx that society is not only a sum of individuals, but also comprises the totality of positions and social relations in which these individuals stand. Social reality is thus conceived as 'intrinsically dynamic and complexly structured, consisting in human agency, structures and contexts of action, none of which are given or fixed, and where each presupposes each other without being reducible to, identifiable with, or explicable completely in terms of, any other' (Lawson, 1997:159). The relational conception of social forms entails that

the *social* conditions for the substantive activities of transformation in which agents engage can only be *relations* of various kinds. And the transformational model entails that these activities are essentially *productions*. The subject matter of sociology is, thus, precisely: *relations of production* (of various kinds).

(Bhaskar, 1979:56)

On this view, social phenomena are not things, but relations. As Bhaskar (1989:28–29) puts it:

Sociology is not concerned, as such, with large-scale, mass or group behaviour (conceived as the behaviour of large numbers, masses or groups of individuals). Rather it is concerned, at least paradigmatically, with the persistent *relations* between individuals (and groups), and with the relations between these relations (and between such relations and nature and the products of such relations).

Bhaskar's transformative model of social activity accounts for the fact that, in their interactions with society, human agents act as both its effects and its causes. In order to combine these insights, we need

a system of mediating concepts, encompassing both aspects of the duality of praxis, designating the 'slots', as it were, in the social structure into which active subjects must slip in order to reproduce it; that is, a system of concepts designating the 'point of contact' between human agency and social structures. Such a point, linking action to structure, must *both* endure and be immediately occupied by individuals.

(Bhaskar, 1979:51)

This mediating system is that of the *positions* occupied by individuals, and of the *practices* in which, by virtue of their occupancy of these positions (and vice versa), they engage. 'Now such positions and practices, if they are to be individuated at all, can only be done so *relationally*' (ibid.). The relations with which the social sciences are concerned must therefore be conceptualised as holding between the positions and practices ('positioned-practices'), not between the individuals who occupy or engage in them. While the existence of social structures as a condition for and outcome of human practice is a necessary feature of all societies, the specific *form* of these structures is of an historical character, which has been determined by (among others) class antagonisms, cultural practices and institutional frameworks.

Human resource management: functional, analytical and critical

It is not only the divisions within sociology, but also those in management studies in general that complicate the task of assessing the impression which the former discipline has left on the latter. Management studies, as Knights and Willmott (1997) show, are defined by the social division of labour between researcher and practitioner as well as that within academia. In addition, much of the mainstream management scholarship is characterised by a disregard (aversion?) for broader question of meta-theory (see Edwards, 2005; Fleetwood & Hesketh, 2008; Syed *et al.*, 2010; Thompson & Vincent, 2010). This is particularly prevalent in the HRM literature and lies at the root of many of its limitations and oversights. As Keegan and Boselie (2006:1506) note, 'debates on meta theory, the linguistic turn, and reflexivity have not taken root or changed the way most research is undertaken and published in the field of HRM'. Consequently, they argue, debates in HRM tend to be narrow, technocratic, managerialist, exclude consideration of broader

moral, social and political questions on HRM practice and policy, and are lagging behind leading edge theoretical developments in social scientific analysis evident in other fields of management and organisation theory. This has been an enduring problem.

In one of the two influential reports published in 1959 on the state of research in business schools in the USA, Gordon and Howell bluntly stated: '[the] business literature is not, in general, characterized by challenging hypotheses, well developed conceptual frameworks, the use of sophisticated research techniques, penetrating analysis, the use of evidence drawn from relevant underlying disciplines – or very significant conclusions' (cited in Agarwal & Hoetkera, 2007:1305). Given the embryonic nature of management as a discipline at the time, it is not surprising that related disciplines had a significant impact on its development. Drawing directly on established and related disciplines was an obvious way to establish and secure the legitimacy of management as a discipline, increase the depth and reach of management research, and allow management studies to benefit from the established research techniques and conceptual matrices of the related disciplines. Drawing parallels with the knowledge base of an evolving industry, Agarwal and Hoetkera (2007:1305–1306) argue that the relative importance of knowledge from outside a discipline's boundaries decreases as the discipline matures. In its formative years, management turned to related disciplines for not only 'content' or theories, but also for 'method' or intellectual rigour (Knights & Willmott, 1997). As management matured, given the development of management-specific research and graduate training, both forms of borrowing become observably less important. Starting at a level of published research output much lower than that of economics, psychology or sociology, management surpassed sociology in the early 1990s and has come close to economics in recent years.

Drawing on the division in management research between 'micro' (focuses on individuals and teams) and 'macro' (focuses on organisations and extra-organisational issues), Agarwal and Hoetkera's (2007) survey of selected literature reveals the dominance of a single discipline (i.e. psychology) in micro-oriented articles. In macro-orientated articles, citations to psychology, economics and sociology have been roughly equal indicating the lack of a singular dominant discipline. However, while the macro-oriented research in management is multidisciplinary, it only draws on one discipline at a time. The relevance of multiple disciplines to management, according to Pfeffer (1993:615), has led to the lack of strong paradigm development as management scholars regard the field as a multidisciplinary '[large] tent in which fundamentally any theoretical perspective or methodological approach is as valid as any other'. This view is common among mainstream management scholars and reflects the tensions between practical relevance and academic rigour (Syed *et al.*, 2010). Although they acknowledge the value to management studies of theories and methodologies introduced by scholars from related disciplines, Agarwal and Hoetkera (2007:1318) believe that the extent to which value is captured depends on the ability of the management discipline to assimilate relevant perspectives, which itself relates to whether consensus exists on the value of a 'disciplined integration of multiple perspectives'.

There is a significant discrepancy between the pervasive promotion of interdisciplinarity and its limited manifestation in management research and teaching (Knights & Willmott, 1997). While management scholars routinely characterise HRM as a *multi*disciplinary field, reviews of published work only reveal strong links with psychology – which may be due to the field's early development and the academic discipline of its early theorists and practitioners – but only indirect links to political, economic and sociological perspectives (Warner, 2011:3227). Only a minority of papers in the leading, largely US-based HRM journals provide an adequate cultural, historical or social setting for their contribution. Liang *et al.* (2010) reach a similar conclusion in terms of the material published in the leading Chinese language management journals.

According to Warner (2011:3228), a significant proportion of the published work has a conventional 'managerialist' perspective and the paradigm increasingly invoked in the global academic marketplace has a decidedly North American orientation. Furthermore, HRM research generally is premised on a micro-level understanding of management action at firm level, which fails to account for supra–organisational influences or constraints on management behaviour (Collings, 2008:175). The HRM literature appears

> to be too narrowly focused and insufficiently interdisciplinary. More specifically, it may be said to often lack a firm cultural/historical grounding. It may also be more likely to have a psychologist's perspective, rather than an economist's or sociologist's (or for that matter, an anthropologist's) orientation . . . Hardly any studies in HRM deal directly with the main props of sociology, such as class, status and power. Only a few HRM scholars concern themselves, however, with industrial conflict . . . Much of the work in HRM, too, is socially uncritical . . . A considerable amount of research on the other hand does deal with psychologists' constructs, such as commitment, trust and so on. In a number of cases, academically fashionable topics such as empowerment, high–performance HR, organizational citizenship and so on are prevalent . . . We can advance as a generalization that the preponderance of studies does appear to be rather more micro- than macro-oriented.
>
> (Warner, 2011:3229–3230)

Unsurprisingly, the value of multi-disciplinarity in management studies is the subject of intense debate, which largely turns on the rigour-versus-relevance dilemma. To use a recent example, Markóczy and Deeds (2009) draw on a narrow empiricism, which characterises much of mainstream HRM, forcefully to reject Zahra and Newey's (2009) call for interdisciplinary research as a means to (a) develop new theories at the interface of theories from sister and base disciplines in management, (b) challenge accepted norms and paradigms, and (c) open up the field to discussion and exploration. For Markóczy and Deeds (2009:1079), paradigmatic development requires a 'consensus on theory, methods and focal phenomena', while Zahra and Newey's model of interdisciplinary research leads 'the discipline of management away from consensus and towards a permanent condition of subservience to the "mother" disciplines which they advise we draw upon to have "impact"'. Appealing to an atavistic scientism, Markóczy and Deeds (2009) suggest that management scholars need to develop the same confidence in their work that physicists have in theirs. That is, management scholars need to trust that the methods, the results and the theories of management studies provide 'unique value, insights and knowledge of their own and can stand on their own without continual reference to and integration of theories from our base disciplines or sister disciplines' (Markóczy & Deeds, 2009:1079). A narrowly defined 'professional relevance' takes precedence over broadly conceived notions of 'academic rigour'.

For scholars in this mould, advocating interdisciplinary research as the best way of conducting high impact management threatens the management discipline's ability to build legitimacy and identity, and may even endanger the long-term existence of its scholars as a professional group. Calling for Kuhnian 'normal science', Markóczy and Deeds (2009:1080) suggest that management research can only create value when theory development has been uniquely motivated by the challenges faced by firms and managers. On this view, HRM should be more, not less, impervious to influences from disciplines such as sociology:

> our larger and more important critiques apply to . . . the continual call for interdisciplinary research in management . . . [It] is time for management to grow up and quit placing its

fate in the hands of other disciplines. Researchers need to focus on the development of a cohesive, critical mass of studies that clearly differentiates from economics, psychology and sociology . . . Rather than strengthening the discipline, the continual focus on inter-disciplinary theory building is holding back the paradigmatic development so crucial to realizing the promise of the discipline of management.

(Markóczy & Deeds, 2009:1086; see also Hambrick, 2007)

Arguing along similar lines, Agarwal and Hoetkera (2007:1319) claim that the advancement of management research requires more than simply conducting psychology-, sociology- or economics-based research in a business setting. This, they suggest, would create little value beyond that available in the particular related discipline. Rather, it is necessary to connect disciplinary insights with those generated by the 'increasingly rich management discipline', thereby generating unique theoretical advances that would help address a major critique of management research and education: that it no longer relates to 'real business problems' (ibid.). A significant proportion of HRM research has been dedicated to understanding the maximising of efficiency through effectively managing human resources (see Boselie *et al.*, 2005; Hesketh & Fleetwood, 2008; Marchington and Grugulis, 2000; Paauwe, 2009). As a 'distinct discipline', management has greatly benefited from related disciplines, but management researchers need to be cautious about interactions with the related disciplines and need to 'examine these connections more closely to ensure that they do not bind us, but rather enable us to provide valuable insights regarding management practice' (Agarwal & Hoetkera, 2007:1320).

A more recent review of HRM studies appearing in leading American and British management journals revealed that theoretical development in the HRM field remained relatively limited (Batt & Banerjee, 2011). For example, most studies tended to draw on two broad theoretical paradigms: (a) micro-theories of organisational behaviour and individual motivation, cognition or affect; and (b) theories of human capital and the resource-based view of the firm. Even the papers that addressed new issues or developments in HRM rarely went beyond traditional HRM perspectives or embraced interdisciplinary approaches to analysis. Although there were some recent papers adopting broader theoretical perspectives, for example, industrial relations or sociological perspectives such as institutional theory and social capital theory, these studies constituted only a small minority of the papers reviewed (Batt & Banerjee, 2011). In fact, there are not even sustained attempts to synthesise the contributions of different specialisms within management studies (Knights & Willmott, 1997). Hence, there is not much evidence to suggest that management scholars have decisively moved the discipline beyond Gordon and Howell's caustic assessment made more than half a century ago.

The deficiencies of the managerialist agenda of HRM are increasingly a matter of concern even among some mainstream HRM scholars. For instance, in their introduction to a key HRM handbook, Boxall *et al.* (2007:4) argue for an 'analytical' approach to HRM, which 'privileges explanation over prescription', in order 'to emphasize that the fundamental mission of the academic management discipline of HRM is not to propagate perceptions of "best practice" in "excellent companies" but, first of all, to identify and explain what happens in practice . . . [and] account for the way management actually behaves'. As Caldas *et al.* (2011) also point out, the limitations inherent in the dominant HRM-performance research question and in the prevalent managerialism have meant that most research has been largely empirical and theoretical development in the HRM field remains relatively limited. The sweeping and complex research agenda that is required to address these concerns will compel HRM researchers to draw on a much broader set of theories than has historically been the case. More fundamentally,

the theoretical frameworks used continue to be focused on the micro-level and founded on positivist principles, most notably psychological theories of motivation, economic theories of human capital, and the resource-based view of the firm. These frameworks are consistent with strategic HRM's conceptualization of the firm as an atomistic actor, with little or no attention paid either to the institutional environment or to the political and economic relationships in which firms are embedded.

(Delbridge *et al.*, 2011:487)

From its more established and pervasive influence in organisation studies, critical theory has evolved into HRM and its context. Despite the 'concessions' from some management scholars, critical HRM scholars (see Alvesson & Willmott, 2003; Delbridge & Keenoy, 2010; Keegan & Boselie, 2006; Kelemen & Rumens, 2008; Legge 1995) and critical scholars in associated disciplines (see Fleetwood & Hesketh, 2008; Thompson, 2011; Watson, 2004) continue to draw attention to the narrowness and conservatism of the mainstream HRM approach. The progression of critical management studies since the 1990s – drawing on Marxist, critical, feminist, post-modern, post-structural and post-colonial theories – was characterised by ideological criticism, an emphasis on the social construction of reality, and a general questioning of extant social orders, dominating practices, ideologies, discourses and institutions (Alvesson & Deetz, 2000; Alvesson & Willmott, 1996). Fournier and Grey (2000) argue that critical management studies is organised around three core propositions: (a) 'non-performativity' – a disavowal of the automatic and unquestioning commitment to conventional business outcomes such as profit maximisation as inherently and inexorably the top priority in organisations; (b) 'de-naturalisation' – a recognition that the way things are is not natural, rational or inevitable and therefore could be different; and (c) 'reflexivity' – a rejection of the positivistic assumption that reality exists 'out there' waiting to be captured by the researcher in favour of recognising the role of the researcher in the construction of knowledge (see also Peltonen & Vaara, 2012).

The key substantive and methodological criticisms of the mainstream include the obsession with linking HRM and business performance, an unreflexive acceptance of the managerialist perspective, assumptions of unitarism and universalism, the decontextualization of management practices, and the dominance of functionalist and/or positivist approaches (see Delbridge & Keenoy, 2010; Janssens & Steyaert, 2009; Keegan & Boselie, 2006; Keenoy, 2009; Khan & Ackers, 2004). In fact, critical management studies is presented as 'the only alternative to a stylized US-based, global managerial HRM paradigm, with a narrow positivist focus on business performance and individual behaviour, grounded in labour economics and managerial psychology' (Ackers, 2011:324). Essentially, critical management scholars do not find mainstream management to be either 'intellectually coherent and/or ethically defensible' (Willmott, 1995:36). The goals of critical management studies include challenging the oppressive character of management and organisation; maintaining a critical stance towards instrumental reason; opposing dominant power, ideology, managerial privilege, and hierarchy; and analysing relations between power and knowledge, with the aim of showing how forms of knowledge, which appear to be neutral, serve to legitimise asymmetrical relations of power (see Adler *et al.*, 2007; Alvesson *et al.*, 2009; Keenoy, 1997; Kelemen & Rumens, 2008). According to Alvesson and Willmott (1992:1),

The disciplines of management are generally understood to be devoted to the (scientific) improvement of managerial practice and the functioning of organizations. It is assumed that questions directly and indirectly connected to efficiency and effectiveness are central; and that knowledge of management is of greatest relevance (only) to managers.

Like public sociologists, critical management scholars seek not just to explain social reality but also to change it. The primacy of instrumental rationality over social and human needs accentuates the need for organisational change, with the role of the researcher being to guide change in organisational processes. Critical researchers recognise that their work is value-laden and that their findings should help organisational members to understand the conditions for organisational change (Grimes, 1992:29). That is, critical scholars enter the research site with explicit philosophical assumptions and political objectives (Kincheloe & McLaren, 1994:140). Critical perspectives on management are closely tied to the ideas of emancipation from oppressive beliefs and institutions, and organisational learning geared towards exposing the structures of dominance that (re)produce the social relationships and cultural practices within the organisation. Critical scholars tend to question the prevailing positivist consensus and its technocratic agenda, bemoan the dearth of ethnographic research, criticise the attempts to apply natural science methodology to management research, and reject the treatment of models of management as systems of free-floating ideas in favour of exploring the social mechanisms that (re)produce them (see Alvesson & Deetz, 2000; Hesketh & Fleetwood, 2008; Piekkari & Welch, 2011; Syed *et al.*, 2010).

Critical management studies offer philosophically and socially grounded critiques of the dominant ideology in Western society and the institutions which reproduce that ideology (Grimes, 1992:26). At the core of the critical theory lies a desire to develop a more rational, enlightened society through a process of critical reflection on the organisation and existing institutions and ideologies (Alvesson & Willmott, 2003). Critical researchers attempt to use their work as a form of social or cultural criticism and accept that 'all thought is fundamentally mediated by power relations that are social and historically constituted; that facts can never be isolated from the domain of values or removed from some form of ideological inscription; that language is central to the formation of subjectivity and that certain groups in any society are privileged over others' (Kincheloe & McLaren, 1994:140). Focusing on injustices and inequalities, critical management studies underscores the relations of domination in organisations, encourages collaborative engagement with the less powerful, and views the role of the researcher as identifying strategies for change. Central in many of these arguments are the sociological concepts used to explain most social behaviour: institution, network, power and cognition (Dobbin, 2004).

From the late 1970s, concepts and insights from sociology were incorporated into a form of 'engaged scholarship' revolving around a 'sociology of work and employment' approach, which was a critical and analytical alternative to the prescriptive and functionalist scholarship in personnel management, with its emphasis on prescribing 'best practices' in labour management (Watson, 2010:916). This approach was fuelled by a number of critical strands, including Weberian organisational theory and Marxian labour process theory, and enabled a searching study of managerial practices with the objective of understanding them rather than advising managers how 'best' to manage. Despite this sociologically inspired approach, an emphasis on 'best practice' was revived by the emergence of academic HRM, most notably in influential papers by Pfeffer (1993) and Huselid (1995).

Being 'critical', for much of the contemporary HRM literature, means not venturing too far from the mainstream and making sterile pronouncements about the distinction between 'rhetoric' and 'reality'. A 'critical' label for the study of HRM would be 'unnecessary if social science were to be seen as intrinsically critical in the sense of continuously challenging taken-for-granted assumptions about social institutions and practices and constantly acknowledging that conflicts of interest, social and economic inequalities and unintended consequences of organisational initiatives are an undeniable part of the reality of the social world' (Watson, 2010:927). Systematic analyses of academic journal coverage of HRM show a 'dominance of

consensus-oriented discourse [that is] prescriptive, positivist, managerial, functionalist and strategic' (Keegan & Boselie, 2006:1505–1506). The rationalistic, unitary view of the firm, which informs much of the HRM literature, largely rules out the possibility of unintended and/or unanticipated consequences, disconnects managerial practices from the wider social and institutional context, and overlooks the often-competing interests and objectives shaping the behaviour of actors at various levels within the organisation (Kristensen & Zeitlin, 2005).

The analytical weakness of the unitarist conception of the work organisation, which so much HRM research tends to adopt, has long been exposed by the industrial relations tradition. In the latter, it is conventional to emphasise the social embeddedness of labour practices, whereas the universalist tradition of much HRM research means that this has been less explored in the HRM literature (Farndale *et al.*, 2008:2007). Industrial relations scholars place greater emphasis on conflict and power than cooperation and normative integration, and any sense of 'good' industrial relations proffered invariably rests on a post hoc situational analysis, rather than on any transportable formula for national institutional reform (Ackers, 2011; Edwards *et al.*, 1994). In contrast to HRM, industrial relations have historically drawn extensively on sociology in general and radical workplace sociology in particular. As a result, the industrial relations tradition is sympathetic to labour and has an open, flexible theoretical stance that enables it to thrive in an interdisciplinary environment (see Ackers & Wilkinson, 2003). From the 1970s, as Ackers (2011:307) shows, the British industrial relations tradition 'centred on a major programme of workplace research, increasingly informed by sociology and energized by a debate between pluralism and Marxism'. This trend was reflected in (a) the sociological turn of Alan Fox, Richard Hyman, Eric Batstone, and others, which drew pluralist industrial relations into dialogue with the radical sociology of work, thereby invigorating and renewing both areas of study; and (b) the sceptical and empirical engagement with management, which laid an intellectual foundation for the work of Sisson and others on HRM since the 1980s (ibid.). The combination of these two strands provided a legacy that is central to the contemporary field of work and employment relations.

Oswick *et al.* (2011:320) reveal the widespread 'borrowing' from sociology in the various fields of management studies – for example, institutional theory (DiMaggio), discourse theory (Fairclough), social network theory (Granovetter), labour process theory (Braverman), structuration theory (Giddens), and actor network theory (Latour). Critical approaches, in particular, have drawn extensively from sociology to analyse management and organisations as social rather than simply technical phenomena, which are deeply implicated in the (re)production of structures of domination and/or exploitation. Significantly, however, Adler *et al.* (2007: 132–133) show how critical management studies have drawn on different aspects of Weber and Durkheim as compared to mainstream management scholarship. The latter uses Weber to naturalise the assumption that large, complex organisations must be organised in a bureaucratic form, even if it is inveterately alienating. Critical management studies scholars find in Weber resources for critical analyses. On the one hand, Weber is mobilised in the assessment of market relations as vehicles for domination, in the appraisal of bureaucracy as embodying the 'iron cage' of modernity, and in the critique of the advance of formal over substantive rationality. On the other hand, some critical scholars draw on Weber's argument that bureaucracy can be a rampart against domination while others find in Weber a stimulus for charting the lived realities of managerial work. Durkheim is used by mainstream research in ways that naturalise the anomic conditions of the modern world, whereas critical research uses Durkheim to comment on these conditions and suggests that alternatives are possible.

Despite major differences in the assessments and forecasts given by mainstream HRM scholars at the centre and critical scholars at the margins of the discipline, according to Delbridge

et al. (2011:486) there are some important points of convergence. First, HRM research has been too narrowly focused on the individual organisation, and even specific management practices within the firm, without sufficient weight being given to the historical, institutional, economic, and social contexts of these organisations and their practices. Second, despite enduring disagreements, there is some consensus emerging around broadening the range of actors and voices that are included in the HRM research agenda, especially those of employees. For instance, Boselie *et al.* (2009:464) suggest that the critical and mainstream strands of HRM research are 'growing closer together' and are united in the view that there is 'a need for small-scale, contextual studies of HRM and a more inclusive, value-based understanding of employees, managers and other stake-holders of the organization'. However, as Cai *et al.* (2011) among others point out, the opinions of non-managerial employees have been largely neglected in work on HRM, which tends to rely exclusively and problematically on managers as respondents.

Third, there is a growing appreciation of the need to broaden the objectives of HRM research and to develop a research agenda that seeks explanation over description or universalist prescription. Arguably, convergence on these point is more apparent than real: critical scholars have shown that mainstream HRM researchers routinely overlook extra-organisational stakeholders and that a pluralist understanding of organisations has fatal consequences for the unitarist foundations of mainstream HRM and its managerialist agendas (see Collings, 2008; Delbridge & Keenoy, 2010; Janssens & Steyaert, 2009).

Drawing an explicit connection to Burawoy's call to harness sociology's 'longstanding critical imagination', which reminds us 'the world could be different', Watson (2010:927–928) argues that it is possible to work in a 'critical participative' way in 'interactive engaged' research. The latter should not underestimate the degrees of conflict of interest that exist in employment situations, nor should it exclude the wider public in the sense of equipping the citizens of society with an understanding of the realities of their situations and prospects. Such an understanding is vital if meaningful public debate about social change, work and employment is to occur (Syed *et al.*, 2010). However, this advocacy raises the question of the extent to which academic HRM researchers have an interest in, a capability for, or the legitimacy to support going beyond being scholars to act as public intellectuals. The challenge, therefore,

> is to bring into this debate all of those who are interested in the academic study of HRM. If HRM research is going to have an impact on all of those in society whose lives are affected by HRM practices, then a debate about how it can be taken into the public arena needs to occur. This requires bringing together, on the one hand, those who are currently happy devoting their efforts to identifying ways in which employment management practices might enhance the 'performance' or the 'competitive advantage' of employing organisations and, on the other hand, those who currently dissociate themselves from such work by attaching the word 'critical' to their work.
>
> (Watson, 2010:928)

It is difficult to envisage a study of HRM practices in the absence of concepts such as social construction, discourse, contradiction, struggle, identity, contingency, and so on. There are, however, three caveats to consider. First, appreciating the socially constructed nature of social phenomena is not a licence for the kind of voluntarism that makes them merely discursively revisable (Bhaskar, 1989). Social institutions have a structural integrity, which limits and enables what they can and cannot do. Second, an obvious way to pursue a critical agenda is for the researcher straightforwardly to attach their work to a particular political agenda; to engage in

an 'oppositional' form of critical study. A hazard in this regard, according to Janssens and Steyaert (2009:143), is that 'a form of criticism which only resists HRM tends to remain within the existing frame(s) and offers no theoretical alternative'. But even if this is avoided, there remains a significant problem for any kind of critical management studies concerning itself with the emancipation of particular social groups (Alvesson & Willmott, 1992). Pragmatic realism presents this kind of critical strategy with an especially tough challenge; it recognises that a pragmatically worthwhile piece of knowledge has the potential to be helpful to anyone who reads it, regardless of his or her interests or concerns (Watson, 2010:926).

International human resource management

While HRM has become a dominant perspective through which the employment relations of capitalist corporations are evaluated, this rise to dominance has come at the cost of a narrowing of the research agenda and an increasing reliance on managerialist and economistic theories of the firm, which reflect a broader free-market, anti-statist orientation within HRM. These concerns are especially pertinent to IHRM: it has focused primarily on 'the policies, practices and strategies of HRM practitioners in individual multinational enterprises, exhibiting both a managerialist perspective and an organizational level of analysis at the cost of a wider assessment of the context of employment relations, their negotiated and local nature, and their range of potential outcomes' (Delbridge et al., 2011:483–484). Broader questions of corporate governance are also closely tied to different paradigms or ways of conceptualising the organisation or firm (Aguilera & Jackson, 2010). IHRM has therefore been vulnerable to the same flaws as HRM more generally (Dowling, 1999; Keating & Thompson, 2004), but with the problem further intensified because it has been dominated by a particularly narrow set of concerns centred on the managers and management practices of large, Western MNCs.

There is a persistent, albeit largely unheeded, disquiet about the limited progress that has been made towards establishing a systemic treatment of the sources of cross-national labour management diversity that is genuinely useful in explaining the reasons for and nature of that diversity (see Almond & Menendez, 2012; Clark et al., 1999; Hyman, 2004; Paauwe & Boselie, 2007; Peltonen & Vaara, 2012). Much of this lack of progress can be traced to prevailing epistemological and ontological assumptions. Empiricist conceptions of causation and/or voluntarist notions of strategic choice lie at the root of the failure by HRM researchers to account for the tendential, emergent and contradictory properties of managerial responses to the environment. These concerns are brought into stark relief when HRM turns its ethnocentric gaze to the developing world (see Adeleye, 2011; Elvira & Davila, 2005; Jackson, 2012; Lehrer & Delaunay, 2009). As Caldas et al. (2011:442) contend,

> it seems reasonable that ideas such as naturalization and an exclusive focus on efficiency and control, which are typical of the criticism of HR management in general, would also apply to IHRM. The typical positivism of HR research seems, indeed, to have crossed frontiers and, in the same way as its domestic equivalent, has concentrated on scientific approaches that favor the transposition of an objectivist and naturalizing epistemology of social phenomena in the cross-frontier context, which may magnify its limitations and deficiencies as a scientific field. If, in a domestic environment, the generalization of concepts and the extrapolation of tendencies were already debatable, any attempt to reproduce this across frontiers gives rise to even more suspicion, and its rigor to even greater doubt.

Recent applications of post-colonial theory to the study of MNCs encourages a conceptualisation of these corporations in terms of not only a clash between different 'logics of appropriateness', but also an unequal encounter between colonising (mostly Northern) and colonised (typically Southern) organisational actors (Boussebaa *et al.*, 2012:470). For critical scholars, the IHRM approach explains the neo-colonialist movements of MNCs in practice (Caldas *et al.*, 2011; Clark *et al.*, 1999; Peltonen, 2006). That is, they embed global-local tensions in longstanding, macro-level processes of colonial and imperial domination. Such a perspective is necessary because the various national contexts across which the MNC operates are not merely separate and different institutional settings; they are also social formations that have been imbricated in a complex and shifting hierarchy of nations over centuries. Presently, the USA may be seen as a 'society-in-dominance' – that is, a society 'deemed to represent "modernity" or the future, and act . . . as a measure of "progress" and "development"' – that provides a model of employment practices that are viewed as 'best practices' at the global level (Smith & Meiksins, 1995:256). Similarly, drawing on the insights of global labour process theory, discourse analysis and transnational feminism will deepen IHRM's understanding of the ways in which asymmetrical power relations, structured inequalities, discursive and institutional practices, and the politics of identity shape the actions of MNCs (Peltonen & Vaara, 2012).

Although Björkman and Stahl (2006) and Peltonen (2006) correctly point out the difficulty of establishing the parameters of IHRM, given its infancy as a distinct discipline, certain broad inferences have been drawn about the IHRM field. This field, according to Jain *et al.* (1998:553), has evolved along at least three distinct, although interrelated, lines of inquiry. The first of these, outwardly the most developed, concerns the application of HRM techniques in the management of expatriate employees. The literature in this area is extensive and consists of descriptive, prescriptive and analytical work. In general, the focus is on the concerns of companies in assuring that the HRM practices utilised contribute to organisational effectiveness. Delbridge *et al.* (2011:484) encourage a move beyond this narrow focus at the enterprise level to situate the study of IHRM within wider economic, organisational, political and institutional contexts. In an explicit attempt to challenge the managerialism of mainstream HRM, Delbridge *et al.* (2011) build on the concerns of those placing the emphasis on 'comparative HRM' and a broader, 'societally embedded' approach. In so doing, they seek to contribute to an emerging interest in critical HRM and to accentuate the need for a broader research focus, which will expose the fundamental weaknesses of universalist assumptions and demand a wider range of theoretical resources be brought to bear than has been the case in mainstream IHRM (see also Keating & Thompson, 2004; Peltonen & Vaara, 2012). In particular, Delbridge *et al.* (2011:484–485) argue for the broadening of IHRM through the development of a wide-ranging research agenda, which (a) extends beyond the organisation to give weight to context; (b) goes beyond managerialism to give voice to the multiple actors involved; and (c) eschews universalism to acknowledge the contingent and emergent nature of management, and embraces the full range of relevant theories in order to examine and explain (as opposed to describe and prescribe) aspects of IHRM.

A second area, which has been largely descriptive, deals with national HRM systems. It is concerned with understanding the types of HRM practices typically utilised within a given country with regard to indigenous employees, as well as comparing such practices cross-nationally or cross-culturally (see Edwards *et al.*, 2007; Morley & Collings, 2004; Schuler *et al.*, 2002). A third major area concerns the interplay between MNCs, host countries and HRM practices as applied to host-country nationals. The principal focus of research dealing with the host-country HRM practices of MNCs is largely on the extent to which MNCs should or do localize versus import HRM practices (see Bartlett & Ghoshal, 1989; Clegg *et al.*, 1998; Fu & Kamenou, 2011;

Jain *et al.*, 1998; Ngo *et al.*, 1998; Schuler *et al.*, 1993). As Morgan (2012) points out, this is conceptualised in terms of a dual institutional logic: the micro-politics within MNCs versus the macro-politics between MNCs and the institutions of the national business system. Neo-institutional perspectives increasingly predominate in the accounts of national variations in the HRM practices of MNCs. These accounts are couched in terms of a distinction between liberal and coordinated market economies, which revolves largely around degrees of institutional density.

Mounting criticisms of the global integration versus local responsiveness framework encouraged the refinement and introduction of a number of distinctions to characterise the various approaches adopted by MNCs (see Almond, 2011; Boussebaa *et al.*, 2012; Edwards & Kuruvilla, 2005; Ferner *et al.*, 2004; Keating & Thompson, 2004; Whitley *et al.*, 2003). According to Edwards (2011), there are diverse ways in which MNCs operate and despite the role of technological developments in building linkages between the operations of MNCs across countries, these linkages can take many different forms, shaped in part by the character of the nation-states from which the MNCs originate and the sectors in which they operate. For Lertxundi and Landeta (2012), approaching strategies of exportation/adaptation as two exclusive alternatives oversimplifies the issue, undervalues the distinction between general policies and specific practices, does not do justice to the different levels of study, and fails to go beyond convergence and divergence of management systems to cross-convergence. To be sure, localisation versus importation is not an all-or-nothing proposition: in practice, firms are likely to draw on both local and imported HRM practices. The mix of local versus imported practices depends on a range of factors manifesting themselves at various levels – some specific to the parent company and some specific to the host-country subsidiary and its environment – which may lead to headquarters-subsidiary tensions that undermine the development of unified global organisational structures (see Almond & Ferner, 2006; Blunsdon & Reed, 2003; Boussebaa *et al.*, 2012; Edwards *et al.*, 1996; Geppert & Williams, 2006; Kristensen & Zeitlin, 2005).

Findings from analyses of papers appearing in leading IHRM journals confirm the limitations of the field, which include a narrow focus on the attitudes of top managers of MNCs, a preponderance of performance management issues, and American- or British-centric research with almost all the empirical studies carried out in advanced countries with large corporations (see Batt & Banerjee, 2011; Clark *et al.*, 1999; De Cieri *et al.*, 2007; Gerhart, 2008; Harvey, 2002; Warner, 2005). As voices and organisations other than those that are traditionally heard in the IHRM literature grow more relevant in the globalised context, the emphasis in HRM on furthering the managerial agenda via a narrow focus on performance issues in MNCs from the developed economies becomes increasingly irrelevant to and disconnected from employment relationships. In fact, Delbridge *et al.* (2011:489–490) argue that

> IHRM will become increasingly irrelevant to both researchers and practitioners if it does not extend and replenish the theoretical resources at its disposal in order to allow a more comprehensive and compelling articulation of the increasingly diverse and complex range of issues that are important in managing people in international contexts. This needs to go beyond the 'global integration-local responsiveness' framework that has been useful for descriptive purposes but cannot embrace the complexity inherent in such global dynamics nor offer the multi-level analytical framing that will be required in seeking explanations of empirical findings.

The integration argument is that there are universal best practices which can be cost-effectively and fairly adopted across the organisation worldwide (Pfeffer, 1994). The differentiation

approach focuses on the need to fit HRM practices to local conditions, rejecting the notion of one best way of doing things in all contexts (Delery & Doty, 1996). This integration/ differentiation terminology is closely linked to debates about the value of HRM, which relate to the opposition between universalistic claims of 'best-practice' and contextualised accounts of 'best-fit' (see Almond, 2011; Brewster *et al.*, 2008; Farndale & Paauwe, 2007; Kim *et al.*, 2010; Lertxundi & Landeta, 2012; Paauwe & Boselie, 2003). The idea that organisations are embedded in a wider institutional environment and that their behaviour is a response to market pressures as well as formal and informal institutional pressures is juxtaposed to the idea that certain human resource practices are universally successful. Besides the significant methodological weaknesses in universalistic accounts of HRM 'bundles' (see Hesketh & Fleetwood, 2008; Kaufman, 2010; Marchington & Grugulis, 2000; Paauwe, 2009), the implication is that employers are largely unconstrained in their ability to manage employees and to construct control mechanisms in the workplace. Since it fails to take seriously the institutional nature of the employment relationship, this conception is fundamentally flawed (Marsden, 2004). Sociologically based studies consistently show that the negotiation of order and the institutionalisation of the wage-effort bargain in the workplace are far more contested, intricate, muddled and contradictory than is generally assumed in the mainstream HRM literature (see Beynon & Nichols, 2006; Edwards, 1986; Jermier *et al.*, 1994; Knights *et al.*, 1985; Pritchard *et al.*, 2000; Smith *et al.*, 1991).

Sociology and international human resource management

As with HRM, the influence of sociology on IHRM is variegated. Part of this variegation is dependent on the methodological and ideological orientation of the scholar/s in question. In this regard, Collinson and Morgan (2009) identify two distinct theoretical approaches and conceptual frameworks in the literature on MNCs. The first approach regards MNCs as broadly positive and progressive. In this view, MNCs are agents of economic progress, principal factors in the expansion of the international division of labour, and the diffusers of modern technology and production techniques, which generalise the benefits of globalisation. This approach draws largely from economics and is based on 'issues of performance, ownership, prices and costs, profit maximization, markets and hierarchies, internationalization, rational agents and strategic intent' (Collinson & Morgan, 2009:6).

The second view is that MNCs reflect both the increasing concentration of capital and the growing integration of production on an international scale. MNCs seek to maximise the exploitation of the workforce, strengthen the economic grip of the developed societies on the natural and human resources of developing countries, and transcend the regulatory institutions anchored at the level of the nation-state, thereby 'fermenting international rivalries' (Collinson & Morgan, 2009:5). MNCs exercise this power by locating plants in countries with what they consider less restrictive regulatory environments, by lobbying governments and international institutions, by comparing performance across the MNC, and by squeezing costs in subsidiaries through coercive comparisons and threats to relocate production. This view is loosely based on sociology with an emphasis on 'issues of social relations, contexts, institutions, learning, interest groups, power, authority and exploitation' (Collinson & Morgan, 2009:6). This distinction is mirrored in the debate in IHRM between the so-called functionalists and the opposing critical approach (Caldas *et al.*, 2011:435). Whereas the functionalist tradition focuses attention on economic considerations and the transfer of HRM best practices across borders, critical approaches tend to highlight sociopolitical issues and point out that IHRM, just as domestic

HRM, would be ultimately concerned with maintaining managerial control and power relations in organisations.

Comparing mainstream analyses from IHRM with sociologically orientated perspectives on work and employment reveals significant differences. Voss points to three noteworthy, under-lying premises that differ between these perspectives (cited in Collings, 2008:176–177). First, the nature and level of analysis – while HRM research focuses almost exclusively on endo-genous factors within the firm, sociologically orientated perspectives expand the analysis to exogenous influences, such as the economy, society and culture (see Ackers & Wilkinson, 2003; Bélanger *et al.*, 1994; Marginson *et al.*, 1988; Rubery & Grimshaw, 2003; Whitley & Kristensen, 1997). Accordingly, sociologically based research has the potential to provide insights into aspects of labour management in MNCs – such as trade union recognition, collective bargaining and employee participation – that are often neglected in the mainstream IHRM literature, which views the firm as an atomistic entity operating without political challenges.

Sociologically orientated work and employment studies may also be distinguished from IHRM based on their consideration of the responses of other industrial relations actors (such as the state, employers' organisations, trade unions, works councils and work groups) towards managerial strategies in MNCs. Furthermore, as corporations have adopted networked forms of organisation and outsourced a growing number of operations, the firm as the unit of analysis has become problematic (Grabher, 1993). This makes it perilous to attribute firm profitability to the HRM strategy of a principal firm when it depends on the management of a complex supply chain and tiers of subcontractors in different contexts over which HRM has little or no control (Delbridge *et al.*, 2011). There are also broader, more significant and compelling issues than maximising MNC performance that have come to the fore since the advent of globalisation and neoliberalisation. These have encouraged sweeping changes to the structures and institutions of the traditional employment relationship, and are characterised by the rise of new forms of organisation, flexible work, polyvalent skills, the emergence of new multinational actors and so on (see Thornley *et al.*, 2010; Usami, 2009).

In a review of the literature, Clark *et al.* (1999:534–536) outline some of the key characteristics of research on IHRM: (a) it has a greater focus on functions, such as hiring, compensation and training, and therefore does not integrate the results obtained with issues like the organisation of work or industrial relations; (b) it is predominantly quantitative, using questionnaires which may not be appropriate for the study of complex themes like cultural differences or the adjustment of practices; (c) there are few longitudinal studies; (d) it focuses mainly on the most industrialised countries in the North; (e) it tends to be ethnocentric, since it uses theories and instruments largely developed in Anglo-Saxon countries and then reproduces them as if they were universally applicable; (f) in general, it indicates, but does not explain the differences or similarities between countries, and when they are explained, the cultural and institutional factors (commonly supported by the work of Geert Hofstede) are the most widely mentioned, with little indication of either the nature of these factors or how they exercise an influence on the research topic; (g) it is more directed towards the study of top managers than the production or white-collar workers within MNCs; (h) it shows little evidence of cross-fertilisation of relevant debates from related disciplines; and (i) it fails to explore the role of wider regulatory agencies such as the state in any meaningful way. Work and employment studies tend to adopt contrasting positions on all these characteristics.

Second, the understanding of conflict in the workplace – while IHRM is largely premised on a unitarist understanding of conflict, sociologically orientated perspectives provide alternative perspectives such as pluralism (Khan & Ackers, 2004). The weaknesses of IHRM's narrowly

unitarist and economistic approach to understanding the employment relationship are widely explored in the field of industrial relations, for example. In contrast to IHRM studies, socio-logically orientated perspectives are more likely to focus on the role of power struggles and structural determinations in society; emphasise the antagonisms between the parties; be sensitive to conflict, uncertainty and tension; and recognise the significance of collective groups of employees, often represented by a trade union, as a pluralist interest group within the firm (see Alonso & Martinez-Lucio, 2006; Edwards, 2005; Kaufman, 2008; Wilkinson & Townshend, 2010). The collective determination of terms and conditions employment, in particular, is an area of study where work and employment relations scholars have a significant advantage over IHRM researchers. Indeed, IHRM research has been widely criticised for its lack of consideration of the significance of power in management. As Edwards and Kuruvilla (2005) note, since institutional factors do not have determining effects, there is scope for organisational politics and power to shape the ways in which MNCs manage their international workforces. They further note that the impact of power has also been largely neglected in studies of the global–local debate in IHRM research (see also Edwards & Bélanger, 2009; Geppert & Williams, 2006). Arguably, a sociologically orientated perspective, with pluralist underpinnings, would assist researchers in addressing these and other related deficiencies and in advancing theory in the field.

Third, the fundamental reason for unions – sociologically orientated perspectives challenge the managerial assumption that trade unions are a response to bad management, a failure of HRM policies and/or the work of agitators. Rather, they are a means of redressing the power imbalance between labour and management. Despite the extensively debated shortcomings of Braverman's (1974) seminal work, what must be retained from his analysis is a rejection of the view of the employment relationship as merely an exchange relationship, as primarily a site of negotiation rather than of exploitation. Given the lack of a theory of power in IHRM, the consideration of power is one of the key means through which industrial relations research can contribute to a better understanding of management in MNCs. The analysis of collective bargaining by industrial relations scholars reveals the significant contribution of industrial sociology to elevating the discussion of bargaining 'styles', 'values' and 'power' beyond a narrow focus on the workplace (Ackers, 2011:319).

Particularly significant in the context of the global business environment within which MNCs operate is the fact that, like other social relations, attempts to regulate and control the employment relationship have unintended consequences, which may conflict with employers' original intentions. These insights are derived from an essential feature of the employment relationship: the employer can only purchase the employee's capacity to work and has to ensure that this capacity is realised. Hence, there can be no fully determinate *ex ante* model of labour management. For individual capitalists as for capital in general, according to Hyman (1987:30), there is no 'one best way' of managing the contradictions of capitalist production, only 'different routes to partial failure'. The implementation of managerial strategies is shaped by a host of contextual factors and invariably generates unforeseen and unintended consequences. Managerial strategy is therefore best conceptualised as 'the pragmatic choice among alternatives none of which can prove [entirely] satisfactory' (ibid.). While this is occasionally acknowledged in the IHRM field, given the unitarist underpinnings of much of its research, it is typically assumed that these tensions can be overcome through the application of 'best practice' techniques, which tend to pay no heed to exogenous influences and solutions.

The role of institutions is especially important in any assessment of sociology's impact on the study of management in general and IHRM in particular. For instance, in contrast to the idea of 'best practice', the notion of 'best fit' draws strongly on neo-institutional theory

(Lertxundi & Landeta, 2012). The foundational works in sociology exemplify the discipline's central concern with explaining institutions (see Adler *et al.*, 2007; Arts, 2004; Dobbin, 2004). Durkheim introduced the idea of institutions as systems of shared beliefs, norms and collective sentiments that mould social behaviour. Weber pioneered the interpretive study of social institutions through his comparative analysis of cultural beliefs, economy and polity. Parsons later developed a structural-functionalist framework that conceived of institutions as organised systems of shared cultural beliefs, norms and values.

Sociology's longstanding concern with explaining institutions is particularly significant given the difficulties encountered in explaining institutional factors by using the concepts and methods of associated disciplines such as (neoclassical) economics. As Nee (2003) points out, economists interested in studying social institutions have found that the more they come to understand the workings of institutions as endogenous to social processes in society, the more their work must address questions that require them to integrate sociological variables. Generally, neo-institutionalism in economics and sociology is unified around the belief that neoclassical economics is severely limited by (among others) its unrealistic behavioural assumption of individual utility maximisation and its improbable supposition of zero-transaction costs, which imply that extant institutions, social relations and cultural beliefs are extraneous to explanations of economic and organisational life. The common starting point of these approaches is the claim that institutions matter and that understanding institutions and institutional change is a principal task of the social sciences.

Sociological neo-institutionalists – such as John Meyer, Richard Scott, Paul DiMaggio and Walter Powell – have reshaped the study of organisations by analysing how institutional context and cultural beliefs shape their behaviour. DiMaggio and Powell (1983) introduce into neo-institutional theory the ideas of Weber, which is evident in their account of how organisational fields emerge and then constrain the actions of agents under conditions of uncertainty. Sociological perspectives include the cognitive-cultural as well as the regulatory dimension, thereby offering a broader understanding of institutions, which takes into account that institutions not only constrain but also enable social actors by framing social situations and making sense of them (see Heidenreich, 2012; Ebner & Beck, 2008; Kostova *et al.*, 2008). Neo-institutional economic sociology, according to Nee (2003), includes ideas and insights from this organisational research programme, and integrates these into a framework of sociological research that examines context-bound rationality shaped by custom, networks, norms, cultural beliefs and institutional arrangements. For Nee (2003), institutions are not simply the formal and informal constraints that stipulate the structure of incentives or discrete institutional elements (such as beliefs, norms, organisations and communities) of a social system, but fundamentally involve individual and/or collective actors, who pursue real interests in concrete institutional structures.

Economic sociology is heterogeneous and diverse, with no single, dominant theoretical perspective. The influence of Weber and Parsons is pervasive. So too is the ideas of Polanyi concerning the 'economistic fallacy' of equating the economy with the market and his concept of 'embeddedness'. The latter idea is often employed in a loose sense as largely synonymous with the view that the economy is part of a larger institutional structure. Granovetter (1985), however, uses the notion of embeddedness in a more precise way, to mean that economic action takes place within the networks of social relations that constitute the social structure. This entails an explanation of organisational diversity that cannot be reduced to the mere search for efficiency by atomistic individuals or firms. The choices made by actors are influenced by their social relations and by their cognitive and normative attitudes (see Arts, 2004; Beckert, 2003; Trigilia, 2004). While Granovetter's embeddedness approach laid the basis for the revitalisation of the sociological study of economic life, his singular emphasis on the nature of interpersonal

ties and the structure of networks contributed to a narrowing of the scope of economic sociology from the broader institutional canvass in the foundational writings of Weber, Schumpeter and Polanyi (Nee, 2003). Moreover, others have argued that economic action is embedded not only in the social structure but also in culture (Aguilera & Jackson, 2010; Almond & Menendez, 2012). In this regard, Zukin and DiMaggio (1990) have attempted to distinguish between different kinds of embeddedness, such as cognitive, cultural, structural and political. The debate on embeddedness draws attention to the flaws of over- or under-socialised accounts of firms in comparative cross-national studies (Krippner & Alvarez, 2007). In comparative institutional analyses, the embeddedness of MNCs is analysed as (among others) the outcome of the close interconnections between a 'national business system' and firms' governance systems (Whitley, 1999) or as the alternative paths of organising businesses and management created by different 'societal effects' (Sorge, 2004). Even so, the concept of embeddedness remains in need of greater theoretical specification and empirical exploration.

Economic sociologists – such as Neil Fligstein, Richard Swedberg and Victor Nee – argue for a change in emphasis towards an explanation of how institutions interact with social networks and norms to mould and guide economic action (Nee & Swedberg, 2005). The neo-institutional model essentially holds that organisational survival is determined by the extent of alignment with the institutional environment. For instance, MNCs operating in a new context are subject to 'a range of forces (coercive, mimetic and normative) to develop a HRM approach that is perceived to be legitimate to influential stakeholders within this context' (Lertxundi & Landeta, 2012:1788–1789). While allowing for a nominal amount of agency, neo-institutionalists largely suggest that the incorporation of institutionally mandated elements allows organisational actors to portray the organisation as legitimate, thereby enhancing its likelihood of survival (Kostova et al., 2008). Sociological approaches, as Heidenreich (2012:573) shows, broaden the analysis by focusing on the influence of the wider institutional milieu on MNCs ('macro-institutional embeddedness'), the micro-political and cognitive-cultural dimensions of agency ('micro-institutional embeddedness') and the interdependency between transnational and other social spaces ('organisational embeddedness').

An increasing number of IHRM scholars are applying institutional theory to the study of MNCs since it provides fertile theoretical ground for examining a wide range of critical issues and allows for theorising at multiple levels of analysis, which is essential for understanding MNCs (see Björkman & Gooderham 2012; Brewster et al., 2008; Farndale et al., 2008; Ferner & Quintanilla, 1998; Geppert & Williams, 2006; Jackson & Deeg, 2008). In general, most IHRM scholars draw extensively from neo-institutionalism and utilise the concepts of organisational field, legitimacy, isomorphism, and mechanisms of institutional pressures.

Kostova et al. (2008:994–997) identify the following fundamental applications of institutional theory in the current IHRM literature: (a) to conceptualise national environments in terms of regulatory, cognitive and normative 'pillars', introducing concepts such as country institutional profile; (b) to conceptualise processes of large-scale transformation of national systems through the notions of institutional transition, upheaval and imperfection; (c) to explain comparative national business systems based on institutional embeddedness; (d) to explain similarities in practices across organisations resulting from isomorphic pressures; (e) to study constraints on the diffusion and institutionalisation of organisational practices across borders and units of MNCs; and (f) to explain the relationship between MNCs and their host environments based on notions such as legitimacy and liability of foreignness. Institutions are therefore symbolic, economic, political and legally sanctioned orders that are reproduced and dynamically transformed by embedded social actors, who are, in turn, moulded by these institutions (Heidenreich, 2012:556). An extended embeddedness concept, which assimilates the roles of agency, multi-dimensional

institutions and the co-evolution of individual and corporate actors and structures, may facilitate a wider perception of the social construction of MNCs. In addition, if terms such 'political' and 'economic' institutions are understood as applying to underlying generative mechanisms (rather than events or things), all of which may govern any particular institution and codetermine its activities, many misconstructions may be avoided.

Conclusion

The task of assessing the role of sociology in IHRM is complicated by several factors, chief among which is the fact that neither discipline is homogenous. On the one hand, both areas of study draw on a number of distinct disciplines. On the other hand, the different fields of sociology have had a differential influence on the various sub-fields of HRM. The sociology of work and organisations as well as economic sociology have had a significant impact on studies in IHRM that explore issues such as embeddedness, institutions, human resource development, knowledge flows, social capital, network relations, corporate social responsibility, research and design, and the role of culture and discourse. By contrast, sociological theories and concepts are less evident in what are arguably the mainstream concerns of IHRM. In many ways, the emphasis in industrial sociology on conflict, contradiction, struggle and reflexivity is inimical to the stress on consensus, integration, harmony and best practice by the mainstream HRM literature. Furthermore, although notions such as 'path dependence' and 'embeddedness' have strong sociological roots, the path dependence and embeddedness of corporate governance arrangements are explained by different generative mechanisms across the theoretical paradigms in HRM.

A key challenge posed by interdisciplinarity is sustaining disciplinary rigour without sacrificing social relevance. Burawoy's call for the creation of a public sociology, which is more relevant and useful to the people whom sociologists study and with whom they work, represents one of the more meaningful responses to the longstanding and increasingly compelling criticism that the disciplines of higher education are out of date, out of touch, and are failing to address pressing societal issues. Public sociology is therefore a commendable attempt to bolster the discipline. However, as Burawoy (2005) also shows, professional work needs to be protected, at some level, since sociology can have no public, critical or policy face without tried and tested methods as well as accumulated bodies of knowledge. In this regard, disciplinary work is vital because it exposes the pitfalls of focusing on one aspect of the social: on structure at the expense of agency, on global at the cost of local, on policies at the expense of practices, on institutions at the cost of culture, on stability at the expense of change, and so on. This is apparent, for instance, in the failure by many IHRM scholars to disentangle the relative influence of MNC internal and external regulative, normative and cultural processes as well as explore the sub-national embeddedness of MNCs.

Research shows that 'the notion of the global corporation transcending national boundaries is, very largely, myth' (Ferner, 1997:19) and that the creation of a transnational social space is a precarious and exacting task because it requires balancing the conflicting demands of local and corporate embeddedness (Morgan, 2001:11). Distinct strategies of competitiveness are forged in the context of conflicting organised interests, with particular organisational and institutional resources, which struggle to assert discrete paths of restructuring in a context of specific strategic selectivities (Jessop, 2011). Despite these and other challenges, there are some encouraging signs of (elements within) HRM shifting away from the rather bland and prescriptive approach of earlier accounts towards a stress on the negotiability, uncertainties and contested nature of the managerial process. Yet, this shift is largely confined to the critical margins of the discipline.

Sociology has much to offer IHRM in this regard. For instance, it would call much more attention to the ambiguities, contradictions, silences and tensions that always plague strategic action.

Taxonomies of managerial practice – a key concern and focus of HRM – must reflect endogenous as well as exogenous opportunities and constraints as mediated through prevailing normative and institutional frameworks, discursive apparatuses, organisational structures and regulatory mechanisms. Variation in managerial behaviour is rooted in different configurations of regulatory mechanisms, diverse dynamics and trajectories, and specific institutional arrangements. Consequently, it is necessary to conceptualise general taxonomic categories not only in terms of successive phases of development, but also in terms of 'historically *coexistent and competing* local alternatives' (Peck, 1996:120). When imported, managerial practices tend to be translated and recombined with local practices before they are adopted, only certain dimensions of these imported practices are fully implemented, and their adaptation often leads to new or hybrid forms of these practices (Aguilera & Jackson, 2010; Boyer *et al.*, 1998). While 'hybridisation' is a pervasive phenomenon across and within national capitalisms, the hybridisation thesis should not be reduced to the claim that organisational variety is purely a product of the way employers have modified the guiding principles of HRM in response to the requirements of the local institutional context. A significant part of the variety within and between firms is a product of managerial efforts to draw on local institutional and normative resources in ways that offer distinct compromises between conflicting interests in the workplace. Research on hybridisation has frequently deployed it in an undifferentiated, mechanical fashion that impedes multi-scalar analysis and conceptual bricolage (Gamble, 2010). The constitution and institutional bases of hybridisation are empirical questions that require detailed historical evidence of the processes of institutional diffusion, borrowing, clashes and complementarity. Broad generalised categories are inadequate to explore the complex dynamics and diverse patterns of hybridisation. This suggests that the binary opposition between best-practice and best-fit HRM is poor reflection of the variety in managerial practices. Ultimately, 'hybridisation' is proof of the constitutive heterogeneity, discontinuity and contingency of actual managerial practices.

Although dominant national regulatory models tend to place limits on the patterns of work and employment relations, there are no a priori rules dictating how diverse regulatory mechanisms will be coordinated in a specific empirical context. This is partly a product of the differential interaction across time and space between the institutional processes associated with production, reproduction and social regulation (Peck, 1996). Given the variety of levels at which the employment relationship may be coordinated and the non-zero-sum articulation of markets and institutions, it is misleading to classify managerial practices in terms of a simple contrast between the relative influence of markets and institutions. The forms that regulation assumes and the dynamics that it displays are determined in large measure by the structures and propensities of the object that is to be regulated. The employment relationship is dependent on numerous mechanisms of reproduction, regularisation and governance capable of generating the social rules and conventions necessary for its cohesion and durability. As a complex and contingently realised 'fit' between institutional mediation and capital accumulation, labour regulation is patterned by prevailing institutional frameworks; unevenly realised across space, time and scales; and inherently unstable and conflict-ridden. A search for coherent regulatory modes is misguided: regulation is always emergent and tendential rather than being achieved (Painter & Goodwin, 1995). In other words, the reality of local 'regulatory dialectics' is incompatible with the idea of a standard set of solutions that can be applied independently of local contexts. This approach allows us to proceed beyond mere taxonomies of managerial practices to explore their conditions of possibility, emergent properties, contradictions, reproduction and propensity for transformation.

References

Ackers, P. (2011) The changing systems of British industrial relations, 1954–1979: Hugh Clegg and the Warwick sociological turn, *British Journal of Industrial Relations*, 49:2, 306–330.

Ackers, P. & Wilkinson, A. (eds.) (2003) *Understanding work and employment: Industrial relations in transition*. Oxford: Oxford University Press.

Adeleye, I. (2011) Theorising human resource management in Africa: Beyond cultural relativism, *African Journal of Business Management*, 5:6, 2028–2039.

Adler, P. S., Forbes, L. C. & Willmott, H. (2007) Critical management studies, *The Academy of Management Annals*, 1:1, 119–179.

Agarwal, R. & Hoetkera, G. (2007) Faustian bargain? The growth of management and its relationship with related disciplines, *Academy of Management Journal*, 50:6, 1304–1322.

Aguilera, R. V. & Jackson, G. (2010) Comparative and international corporate governance, *The Academy of Management Annals*, 4:1, 485–556.

Almond, P. (2011) Re-visiting country of origin effects on HRM in multinational corporations, *Human Resource Management Journal*, 21:3, 258–271.

Almond, P. & Ferner, A. (2006) *American multinationals in Europe: Managing employment relations across national borders*. Oxford: Oxford University Press.

Almond, P. & Menendez, M. C. G. (2012) Cross-national comparative human resource management and the ideational sphere: A critical review, *International Journal of Human Resource Management*, 23:1, 1–17.

Almond, P., Edwards, T., Colling, T., Ferner, A., Gunnigle, P., Müller-Camen, M., Quintanilla, J. & Wächter, H. (2005) Unraveling home and host country effects: An investigation of the HR policies of an American multinational in four European countries, *Industrial Relations*, 44:2, 276–306.

Alonso, L. & Martinez-Lucio, M. (eds.) (2006) *Employment relations in a changing society: Assessing the post-Fordist paradigm*. London: Palgrave Macmillan.

Alvesson, M. & Willmott, H. (1992) On the idea of emancipation in management and organization studies, *Academy of Management Review,* 17:3, 432–464.

Alvesson, M. & Willmott, H. (1996) *Making sense of management: A critical analysis*. London: Sage.

Alvesson, M. & Deetz, S. (2000) *Doing critical management research*. London: Sage.

Alvesson, M. & Willmott, H. (eds.) (2003) *Studying management critically*. London: Sage.

Alvesson, M., Bridgman, T. & Willmott, H. (eds.) (2009) *The Oxford handbook of critical management studies*. Oxford: Oxford University Press.

Archer, M. (1995) *Realist social theory: The morphogenetic approach*. Cambridge: Cambridge University Press.

Arts, W. A. (2004) The new economic sociology of market regulation: A budding research program, *Tijdschrift voor Economie en Management*, 49:2, 239–270.

Bartlett, C. & Ghoshal, S. (1989) *Managing across borders: The transnational solution* (2nd edition). Boston: Harvard Business School Press.

Batt, R. & Banerjee, M. (2011) The scope and trajectory of strategic HR research: Evidence from American and British journals, *International Journal of Human Resource Management*, 22:1, 1–24.

Beckert, J. (2003) Economic sociology and embeddedness: How shall we conceptualize economic action? *Journal of Economic Issues*, 37, 769–787.

Bélanger, J., Edwards, P. K. & Haiven, L. (eds.) (1994) *Workplace industrial relations and the global challenge*. Ithaca: ILR Press.

Beynon, H. & Nichols, T. (eds.) (2006) *Patterns of work in the post-Fordist era: Fordism and post-Fordism*. Cheltenham: Edgar Elgar.

Bhaskar, R. (1979) *The possibility of naturalism: A philosophical critique of the contemporary human sciences*. Sussex: Harvester.

Bhaskar, R. (1989) *Reclaiming reality: A critical introduction to contemporary philosophy*. London: Verso.

Björkman, I. & Stahl, G. K. (2006) International human resource management research: An introduction to the field. In: Björkman, I. & Stahl, G. K. (eds.), *Handbook of research in international human resource management*. Cheltenham: Edward Elgar, 1–11.

Björkman, I. & Gooderham, P. N. (2012) International human resource management research and institutional theory. In: Stahl, G. K., Björkman, I. & Morris, S. (eds.), *Handbook of research in international human resource management* (2nd edition), Cheltenham: Edward Elgar, 472–489.

Blau, J. & Smith, K. E. I. (eds.) (2006) *Public sociologies reader*. New York: Rowman & Littlefield.

Blunsdon, B. & Reed, K. (2003) The effects of technical and social conditions on workplace trust, *International Journal of Human Resource Management*, 14:1, 12–27.

Boselie, P., Dietz, G. & Boon, C. (2005) Commonalities and contradictions in HRM and performance research, *Human Resource Management Journal*, 15:3, 67–94.

Boselie, P., Brewster, C. & Paauwe, J. (2009) In search of balance – managing the dualities of HRM: An overview of the issues, *Personnel Review*, 38:5, 461–471.

Boussebaa, M., Morgan, G. & Sturdy, A. (2012) Constructing global firms? National, transnational and neocolonial effects in international management consultancies, *Organization Studies*, 33:4, 465–486.

Boxall, P., Purcell, J. & Wright, P. (2007) Human resource management: Scope, analysis and significance. In: Boxall, P., Purcell, J. & Wright, P. (eds.) *The Oxford handbook of human resource management*. Oxford: Oxford University Press, 1–16.

Boyer, R., Charron, E., Jürgens, U. & Tolliday, S. (eds.) (1998) *Between imitation and innovation: The transfer and hybridization of productive models in the international automobile industry*. Oxford: Oxford University Press.

Braverman, H. (1974) *Labor and monopoly capitalism: The degradation of work in the twentieth century*. New York: Monthly Review Press.

Brewster, C., Wood, G. & Brookes, M. (2008) Similarity, isomorphism or duality? Recent survey evidence on the human resource management policies of multinational corporations, *British Journal of Management*, 19:4, 320–342.

Bridger, J. C. & Alter, T. R. (2010) Public sociology, public scholarship, and community development, *Community Development*, 41:4, 405–416.

Burawoy, M. (2004) Public sociologies: Contradictions, dilemmas, and possibilities, *Social Forces*, 82:4, 1603–1618.

Burawoy, M. (2005) 2004 Presidential address: For public sociology, *American Sociological Review*, 70, 4–28.

Burawoy, M. (2007) Public sociology vs. the market, *Socio-Economic Review*, 5, 356–367.

Burawoy, M. (2009) Public sociology in the age of Obama, *Innovation: The European Journal of Social Science Research*, 22:2, 189–199.

Cai, Z., Morris, J. L. & Chen, J. (2011) Explaining the human resource management preferences of employees: a study of Chinese workers, *International Journal of Human Resource Management*, 22:16, 3245–3269.

Caldas, M. P., Tonelli, M. J. & Lacombe, B. M. B. (2011) IHRM in developing countries: Does the functionalist vs. critical debate make sense south of the equator? *Brazilian Administration Review*, 8:4, 433–453.

Clark, T., Gospel, H., & Montgomery, J. (1999) Running on the spot? A review of twenty years of research on the management of human resources in comparative and international perspective, *International Journal of Human Resource Management*, 10:3, 520–544.

Clawson, D. (ed.) (2007) *Public sociology: Fifteen eminent sociologists debate politics and the profession in the twenty-first century*. Berkeley: University of California Press.

Clegg, S. R., Ibarra-Colado, E. I. & Bueno-Rodriquez, L. (eds.) (1998) *Global management: universal theories and local realities*. London: Sage.

Collings, D. G. (2008) Multinational corporations and industrial relations research: A road less travelled, *International Journal of Management Reviews*, 10:2, 173–193.

Collinson, S. & Morgan, G. (2009) Images of the multinational firm. In: Collinson, S. and Morgan, G. (eds.) *Images of the multinational firm*. Oxford: Wiley, 1–22.

De Cieri, H., Cox, J. & Fenwick, M. (2007) A review of international human resource management: Integration, interrogation, imitation, *International Journal of Management Reviews*, 9:4, 281–302.

Delbridge, R. & Keenoy, T. (2010) Beyond managerialism? *International Journal of Human Resource Management*, 21:6, 799–817.

Delbridge, R., Hauptmeier, M. & Sengupta, S. (2011) Beyond the enterprise: Broadening the horizons of International HRM, *Human Relations*, 64:4, 483–505.

Delery, J. E. & Doty, H. D. (1996) Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions, *Academy of Management Journal*, 39:4, 802–835.

DiMaggio, P. & Powell, W. (1983) The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48:2, 147–160.

Dobbin, F. (2004) The sociological view of the economy. In: Dobbin, F. (ed.) *The new economic sociology: A reader*. Princeton: Princeton University Press, 1–46.

Dowling, P. J. (1999) Completing the puzzle: Issues in the development of the field of international human resource management, *Management International Review*, 39:3, 27–43.

Ebner, E. & Beck, N. (2008) (eds.) *The institutions of the market: Organizations, social systems and governance.* Oxford: Oxford University Press.

Edwards, P. (1986) *Conflict at work: A materialist analysis of workplace relations.* Oxford: Basil Blackwell.

Edwards, P. (2005) The challenging but promising future of industrial relations: Developing theory and method in context-sensitive research, *Industrial Relations Journal*, 36:4, 264–282.

Edwards, P. & Bélanger, J. (2009) The multinational firm as a contested terrain. In: Collinson, D. & Morgan, G. (eds.) *Images of the multinational firm.* Chichester: Wiley & Sons, 193–216.

Edwards, P., Bélanger, J. & Haiven, L. (1994) The workplace and labour regulation in comparative perspective. In: Bélanger, J., Edwards, P. K., and Haiven, L. (eds.) *Workplace industrial relations and the global challenge.* Ithaca: ILR Press, 3–22.

Edwards, P., Ferner, A. & Sisson, K. (1996) The conditions for international human resource management: Two case studies, *International Journal of Human Resource Management*, 7:1, 21–40.

Edwards, T. (2011) The nature of international integration and human resource policies in multinational companies, *Cambridge Journal of Economics*, 35:3, 483–498.

Edwards, T., & Kuruvilla, S. (2005) International HRM: National business systems, organizational politics and the international division of labour in MNCs, *International Journal of Human Resource Management*, 16:1, 1–21.

Edwards, T., Colling, T. & Ferner, A. (2007) Conceptual approaches to the transfer of employment practices in multinational companies: An integrated approach, *Human Resource Management Journal*, 17:3, 201–217.

Elvira, M. M. & Davila, A. (2005) Emergent directions for human resource management research in Latin America, *International Journal of Human Resource Management*, 16:12, 2265–2282.

Farndale, E. & Paauwe, J. (2007) Uncovering competitive and institutional drivers of HRM practices in multinational corporations, *Human Resource Management Journal*, 17:4, 355–375.

Farndale, E., Brewster, C. & Poutsma, E. (2008) Coordinated vs. liberal market HRM: The impact of institutionalization on multinational firms, *International Journal of Human Resource Management*, 19:11, 2004–2023.

Ferner, A. (1997) Country of origin effects and human resource management in multinational companies, *Human Resource Management Journal*, 7:1, 19–37.

Ferner, A. & Quintanilla, J. (1998) Multinationals, national business systems and HRM: The enduring influence of national identity or a process of 'Anglo-Saxonization', *International Journal of Human Resource Management*, 9:4, 710–731.

Ferner, A., Almond, P., Clark, I., Colling, T., Edwards, T., Holden, L. & Muller-Carmen, M. (2004) The dynamics of central control and subsidiary autonomy in the management of human resources: Case study evidence from US MNCs in the UK, *Organisation Studies*, 25:3, 363–391.

Fleetwood, S. and Hesketh, A. (2008) Theorising under-theorisation in research on the HRM-performance link, *Personnel Review*, 37:2, 126–144.

Fournier, V. & Grey, C. (2000) At the critical moment: Conditions and prospects for critical management studies, *Human Relations*, 53:1, 7–32.

Fu, Y. & Kamenou, N. (2011) The impact of Chinese cultural values on human resource policies and practices within transnational corporations in China, *International Journal of Human Resource Management*, 22:16, 3270–3289.

Gamble, J. (2010) Transferring organizational practices and the dynamics of hybridization: Japanese retail multinationals in China, *Journal of Management Studies*, 47:4, 705–729.

Geppert, M. & Williams, K. (2006) Global, national and local practices in multinational corporations: Towards a sociopolitical framework, *International Journal of Human Resource Management*, 17:1, 49–69.

Gerhart, B. (2008) The growth of international human resource management, *International Journal of Human Resource Management*, 19:10, 1989–1994.

Grabher, G. (ed.) (1993) *The embedded firm: On the socioeconomics of industrial networks.* London: Routledge.

Granovetter, M. (1985) Economic action and social structure: The problem of embeddedness, *American Journal of Sociology*, 91:3, 481–510.

Grimes, A. J. (1992) Critical theory and organizational sciences: a primer, *Journal of Organizational Change*, 5:1, 26–30.

Hambrick, D. (2007) The field of management's devotion to theory: Too much of a good thing? *Academy of Management Journal*, 50, 1346–1352.

Harvey, M. (2002) Human resource management in Africa: Alice's adventures in wonderland, *International Journal of Human Resource Management*, 13:7, 1119–1145.

Heidenreich, M. (2012) The social embeddedness of multinational companies: A literature review, *Socio-Economic Review*, 10, 549–579.

Hesketh, A. & Fleetwood, S. (2008) Beyond measuring the human resources management–organizational performance link: Applying critical realist meta-theory, *Organization*, 13:5, 677–699.

Huselid, M. (1995) The impact of human resource management practices on turnover, productivity, and corporate financial performance, *Academy of Management Journal*, 38:3, 635–672.

Hyman, R. (1987) Strategy or structure: Capital, labour and control, *Work, Employment and Society*, 1:1, 25–56.

Hyman, R. (2004) Is industrial relations theory always ethnocentric? In: Kaufman, B. E. (ed.) *Theoretical perspectives on work and the employment relationship*. Madison: Cornell University Press, 265–292.

Jackson, G. and Deeg, R. (2008) Comparing capitalisms: Understanding institutional diversity and its implications for international business, *Journal of International Business Studies*, 39:4, 540–561.

Jackson, T. (2012) Cross-cultural management and the informal economy in sub-Saharan Africa: Implications for organization, employment and skills development, *International Journal of Human Resource Management*, 23:14, 2901–2916.

Jain, H. C., Lawler, J. J. & Morishima, M. (1998) Multinational corporations, human resource management and host-country nationals, *International Journal of Human Resource Management*, 9:4, 553–566.

Janssens, M., & Steyaert, C. (2009) HRM and performance: A plea for reflexivity in HRM studies, *Journal of Management Studies*, 46:1, 143–155.

Jeffries, V. (ed.) (2009) *Handbook of public sociology*. Lanham: Rowman & Littlefield Publishers.

Jermier, J. M., Knights, D. & Nord, W. R. (eds.) (1994) *Resistance and power in organizations*. London: Routledge.

Jessop, B. (2011) Rethinking the diversity and variability of capitalism: On variegated capitalism in the world market. In: Lane, C. & Wood, G. (eds.) *Capitalist diversity and diversity within capitalism*. London: Routledge, 209–237.

Kaufman, B. E. (2008) Paradigms in industrial relations: Original, modern and versions in-between, *British Journal of Industrial Relations*, 46:2, 314–339.

Kaufman, B. E. (2010) SHRM theory in the post-Huselid era: Why it is fundamentally misspecified, *Industrial Relations*, 49:2, 286–313.

Keating, M. & Thompson, K. (2004) International human resource management: Overcoming disciplinary sectarianism, *Employee Relations*, 26:6, 595–612.

Keegan, A. & Boselie, P. (2006) The lack of impact of dissensus inspired analysis of developments in the field of human resource management, *Journal of Management Studies*, 43:7, 1492–1511.

Keenoy, T. (1997) Review article: HRMism and the languages of re-presentation, *Journal of Management Studies*, 34:5, 825–841.

Keenoy, T. (2009) Human resource management. In: Alvesson, M., Bridgman, T. & Willmott, H. (eds.) *The Oxford handbook of critical management studies*. Oxford: Oxford University Press, 454–472.

Kelemen, M. L. & Rumens, N. (2008) *An introduction to critical management research*. London: Sage.

Khan, A. S. & Ackers, P. (2004) Neo-pluralism as a theoretical framework for understanding HRM in sub-Saharan Africa, *International Journal of Human Resource Management*, 15:7, 1330–1353.

Kim, S., Wright, P. & Su, Z. (2010) Human resource management and firm performance in China: A critical review, *Asia Pacific Journal of Human Resources*, 48:1, 58–85.

Kincheloe, J. L. & McLaren, P. (1994) Rethinking critical theory and qualitative research. In Denzin, N. K. & Lincoln, Y. S. (eds.) *Handbook of qualitative research*. London: Sage, 138–157.

Knights, D. and Willmott, H. (1997) The hype and hope of interdisciplinary management studies, *British Journal of Management*, 8:1, 9–23.

Knights, D., Willmott, H. & Collinson, D. (eds.) (1985) *Job redesign: Critical perspectives on the labour process*. Aldershot: Gower.

Kostova, T., Roth, K. & Dacin, M. T. (2008) Institutional theory in the study of multinational corporations: A critique and new directions, *Academy of Management Review*, 33:4, 994–1006.

Krippner, G. R. & Alvarez, A. S. (2007) Embeddedness and the intellectual projects of economic sociology, *Annual Review of Sociology*, 33:1, 219–240.

Kristensen, P. H. & Zeitlin, J. (2005) *Local players in global games: The strategic constitution of a multinational corporation*. Oxford: Oxford University Press.

Lawson, C., Peacock, M. & Pratten, S. (1996) Realism, underlabouring and institutions, *Cambridge Journal of Economics*, 20:1, 137–151.

Lawson, T. (1997) *Economics and reality*. London: Routledge.

Legge, K. (1995) *Human resource management: Rhetorics and realities*. Basingstoke: Macmillan.

Lehrer, M. & Delaunay, C. (2009) Multinational enterprises and the promotion of civil society: The challenge for 21st century capitalism, *California Management Review*, 51:4, 126–147.

Lertxundi, A. & Landeta, J. (2012) The dilemma facing multinational enterprises: Transfer or adaptation of their human resource management systems, *International Journal of Human Resource Management*, 23:9, 1788–1807.

Liang, X., Xie, J. & Cui, Z. (2010) A survey of human resource management in China, *International Journal of Human Resource Management*, 21:12, 2079–2094.

Marchington, M. & Grugulis, I. (2000) 'Best practice' human resource management: Perfect opportunity or dangerous illusion? *International Journal of Human Resource Management*, 11:6, 1104–1124.

Marginson, P., Edwards, P. K., Martin, R., Purcell, J. & Sisson, K. (1988) *Beyond the workplace: Managing industrial relations in the multi-establishment enterprise*. Oxford: Blackwell.

Markóczy, L. & Deeds, D. L. (2009) Theory building at the intersection: Recipe for impact or road to nowhere? *Journal of Management Studies*, 46:6, 1076–1088.

Marsden, D. (2004) Employment systems: Workplace HRM strategies and labor institutions. In: Kaufman, B. E. (ed.) *Theoretical perspectives on work and employment*. Champaign: Industrial Relations Research Association, 77–103.

Morgan, G. (2001) The multinational firm: Organizing across institutional and national divides. In: Morgan, G., Kristensen, P. H. & Whitley, R. (eds.) *The multinational firm: Organizing across institutional and national divides*. Oxford: Oxford University Press, 1–24.

Morgan, G. (2012) International business, multinationals and national business systems. In: Wood, G. & Demirbag, M. (eds.) *Handbook of institutional approaches to international business*. Cheltenham: Edward Elgar, 18–40.

Morley, M. J. & Collings, D. G. (2004) Contemporary debates and new directions in HRM in MNCs: Introduction, *International Journal of Manpower*, 25:6, 487–499.

Nee, V. (2003) New institutionalism, economic and sociological. Available online at http://www.soc.cornell.edu/faculty/nee/pubs/newinstitutionalism.pdf.

Nee, V. & Swedberg, R. (eds.) (2005) *The economic sociology of capitalism*. Princeton: Princeton University Press.

Ngo, H., Turban, D., Lau, C. & Lui, S. (1998) Human resource practices and firm performance of multinational corporations: Influences of country origin, *International Journal of Human Resource Management*, 9:4, 632–652.

Nichols, L. T. (ed.) (2007) *Public sociology: The contemporary debate*. New Brunswick: Transaction Publishers.

O'Reilly, K. (2009) For interdisciplinarity and a disciplined, professional sociology, *European Journal of Social Science Research*, 22:2, 219–232.

Oswick, C., Fleming, P. & Hanlon, G. (2011) From borrowing to blending: Rethinking the processes of organizational theory building, *Academy of Management Review*, 36:2, 318–337.

Paauwe, J. (2009) HRM and performance: Achievements, methodological issues and prospects, *Journal of Management Studies*, 46:1, 129–142.

Paauwe, J. & Boselie, P. (2003) Challenging 'strategic HRM' and the relevance of the institutional setting, *Human Resource Management Journal*, 13:3, 56–70.

Paauwe, J. & Boselie, P. (2007) HRM and societal embeddedness. In: Boxall, P., Purcell, J. & Wright, P. (eds.) *The Oxford handbook of human resource management*. Oxford: Oxford University Press, 166–184.

Painter, J. & Goodwin, M. (1995) Local governance and concrete research: Investigating the uneven development of regulation, *Economy and Society*, 24:3, 334–356.

Peck, J. (1996) *Work-place: the social regulation of labor markets*. New York: The Guilford Press.

Peltonen, T. (2006) Critical theoretical perspectives on international human resources management. In: Bjorkman, I. & Stahl, G. K. (eds.) *Handbook of research in international human resource management*. Cheltenham: Edward Elgar, 523–535.

Peltonen, T. & Vaara, E. (2012) Critical approaches to comparative HRM. In: Brewster, C. & Mayrhofer, W. (eds.) *Handbook of research on comparative human resource management*. Cheltenham: Edward Elgar, 69–89.

Pfeffer, J. (1993) Barriers to the advance of organizational science: Paradigm development as a dependent variable, *Academy of Management Review*, 18:4, 599–620.

Pfeffer, J. (1994) *Managing with power: Politics and influence in organizations*. Boston: Harvard Business School Press.

Piekkari, R. & Welch, C. (eds.) (2011) *Rethinking the case study in international business and management research*. Cheltenham: Edward Elgar.

Pritchard, C., Hull, R., Chumer, M. & Willmott, H. (eds.) (2000) *Managing knowledge: Critical investigations of work and learning*. Basingstoke: Macmillan.

Rubery, J. & Grimshaw, D. (2003) *The organization of employment: An international perspective*. Basingstoke: Palgrave Macmillan.

Schuler, R., Dowling, P. & De Cieri, H. (1993) An integrative framework of strategic international human resource management, *Journal of Management*, 19:2, 419–459.

Schuler, R. S., Budhwar, P. S. & Florkowski, G. W. (2002) International human resource management: Review and critique, *International Journal of Management Reviews,* 4:1, 41–70.

Smith, C., & Meiksins, P. (1995) System, society and dominance effects in cross-national organizational analysis, *Work, Employment and Society*, 9:2, 241–267.

Smith, C., Knights, D. & Willmott, H. (eds.) (1991) *White-collar work: The non-manual labour process*. London: Macmillan.

Sorge, A. (2004) Cross-national differences in human resources and organisation. In: Harzing, A. W. & Van Ruyssevekdt, J. (eds.) *International human resource management*. London: Sage.

Swedberg, R. (2007) Public sociology and economic sociology: Introductory remarks, *Socio-Economic Review*, 5, 319–326.

Syed, J., Mingers, J. & Murray, P. A. (2010) Beyond rigour and relevance: A critical realist approach to business education, *Management Learning*, 41:1, 71–85.

Thompson, P. (2011) The trouble with HRM, *Human Resource Management Journal*, 21:4, 355–367.

Thompson, P. & Vincent, S. (2010) Beyond the boundary: Labour process theory and critical realism. In Thompson, P. and Smith, C. (eds.) *Working life: Renewing labour process analysis*. Basingstoke: Palgrave, 47–69.

Thornley, C., Jefferys, S. & Appay, B. (2010) *Globalization and precarious forms of production and employment: Challenges for workers and unions*. Cheltenham: Edward Elgar.

Trigilia, C. (2004) Unbalanced growth: Why is economic sociology stronger in theory than in policies? Paper presented at the International Conference on Economic Sociology: Problems and Prospects, University of Crete, Rethymno, 8–10 September.

Usami, K. (ed.) (2009) *Non-standard employment under globalization: Flexible work and social security in the newly industrializing countries*. London: Palgrave Macmillan.

Warner, M. (2005) Whither international human resource management? *International Journal of Human Resource Management*, 16:5, 870–874.

Warner, M. (2011) Society and HRM in China, *International Journal of Human Resource Management*, 22:16, 3223–3244.

Watson, T. J. (2004) Human resource management and critical social science analysis, *Journal of Management Studies*, 41:3, 447–467.

Watson, T. J. (2010) Critical social science, pragmatism and the realities of HRM, *International Journal of Human Resource Management*, 21:6, 915–931.

Whitley, R. (1999) *Divergent capitalisms: The social structuring and change of business systems*. Oxford: Oxford University Press.

Whitley, R. & Kristensen, P. H. (eds.) (1997) *Governance at work: The social regulation of economic relations*. Oxford: Oxford University Press.

Whitley, R., Morgan, G., Kelly, W. & Sharpe, D. (2003) The changing Japanese multinational: Application, adaptation and learning in car manufacturing and financial services, *Journal of Management Studies*, 40:3, 643–672.

Wilkinson, A. & Townshend, M. (eds.) (2010) *The future of employment relations: New paradigms, new developments*. London: Palgrave Macmillan.

Willmott, H. (1995) What's been happening in organisation theory and does it matter? *Personnel Review*, 24:8, 33–53.

Woodiwiss, A. (1997) Behind governmentality: Sociological theory, pacific capitalism and industrial citizenship, *Citizenship Studies*, 1:1, 87–114.

Zahra, S. A. & Newey, L. R. (2009) Maximizing the impact of organization science: Theory-building at the intersection of disciplines and/or fields, *Journal of Management Studies*, 46:6, 1059–1075.

Zukin, S. & DiMaggio, P. (1990) Introduction. In: Zukin, S. & DiMaggio, P. (eds.) *Structures of capital: The social organization of the economy*. Cambridge: Cambridge University Press.

<div align="right">

4

</div>

<div align="center">

Economics and IHRM

Mick Brookes

</div>

Introduction

In the period since the Second World War the prevalence and significance of multinational enterprises (MNEs) has increased almost unabated, although admittedly the financial crisis of 2008 and subsequent global economic slowdown has put the brakes on to a certain extent. However, this ongoing globalisation process continues to see a higher incidence of MNEs operating in different locations and the influence of those MNEs as producers, employers and users of local resources as well as local suppliers continues to rise accordingly. The purpose of this chapter is to critically explore the extent of the current literature addressing two key questions directly resulting from this inexorable rise in the prevalence and importance of MNEs within the global economy. With these being firstly what it is that determines the pattern of MNEs' investment decisions and secondly, once they are situated in a particular foreign location, how do they manage the people employed by the organisation and how is this influenced by different locational factors?

Investment decisions by MNEs

From the outset the MNE literature sought to understand why multinational firms chose to locate in the places that they did and whether there was a limit to the firm's capacity to successfully operate abroad. Initially the literature was dominated by two clear but largely offsetting factors. The first being that MNE expansion was resource based and providing that the firm was able to manage its assets effectively there was no obvious limit to the scope of expansion, that is, the wider the MNE's network of foreign operations the greater the expected return. This was tempered somewhat by the alternative view, largely based within the transaction cost theory, that as the size and number of MNE's foreign operations increase the cost of organising rises rapidly so there is a limit to the effective expansion of any MNE.

   These two conflicting views can largely be traced back to the two main schools of economic thought. The resource-based view emanates from neo–classical economic thinking and the belief that MNEs are able to reap the benefits of greater organisation, as well as economies of scale and scope, to make more effective use of the available resources in locations outside of their home country. Although the generally stated view is that there is no obvious limit to the scope

of the expansion there is clearly one which is implicit within neo-classical economics. Put simply as there is greater usage of a particular resource demand for that resource will increase leading to a higher price and a reduction in the number of profitable productive opportunities using that resource.

The alternative view was spawned from institutionalist economic thought and builds on concepts such as transaction cost economics and bounded rationality which can be traced back to the seminal work of Coase (1937). Thus MNEs will strive to make the most effective use of profitable opportunities within an environment where there is uncertainty and imperfect knowledge, as well as negative cost effects from continued expansion.

These ideas were combined and presented most effectively within what became known as Internationalisation Theory (Rugman, 1976, 1979; Buckley and Casson, 1976), with the overall thinking being that there is a strategic decision to be made by all MNEs balancing the benefits of greater access to resources with the costs of organising and managing a more complex organisation. This is borne out empirically throughout the 1980s, 1990s and into the new century by a series of articles finding conflicting results Kim *et al.* (1989) as well as Tallman and Li (1996) finding that MNE expansion has a positive effect upon performance, reflecting the resource based argument, whilst Denis *et al.* (2002) show the impact of transaction costs as their findings indicate that MNE expansion leads to a reduction in MNE performance. Furthermore Geringer *et al.* (1989), Roth (1992) and Hitt *et al.* (1997) conclude that the relationship between MNE expansion and performance is non-linear and expansion is beneficial up to a certain point until the negative effects of increased complexity and/or diseconomies of scale become dominant.

The presence of these two conflicting factors was most effectively presented by Goerzen and Beamish (2003) who argued that within internationalisation theory the geographic scope of MNEs should be divided into two more precise elements, these being; international asset dispersion and country environment diversity. The international asset dispersion being very strongly linked with the positive benefits of expansion. Whilst the country environment diversity more formally presents the rising complexity and increases in transaction costs resulting from MNE expansion.

In terms of international asset dispersion there is a long history of evidence supporting the view that increasing the level of dispersion by the MNE is a positive factor in the firm's overall performance. With Buckley and Casson (1976) and Rugman (1981) assigning this to more effective use of assets, Kogut and Zander (1993) to more effective learning across the organisation, Tang and Tikoo (1999) to increased flexibility as well as Karnani and Wernerfelt (1985) arguing that the benefits largely result from the ability to engage in multipoint competition.

Equally within the literature there is a similar level of support for the view that more diverse environments lend themselves to poorer performance with this gradually being expressed in more refined ways. Johansson and Vahlne (1977) point out that internationalisation is an incremental process and firms initially increase their holdings abroad whilst initially containing the extent of the diversity within those investments. Meyer and Scott (1983) find that MNE's performance is negatively affected by the number of foreign operations and extending upon that somewhat Westney (1993) posits that it is possible for MNEs to become isomorphic with the local environment, hence reducing the impact upon the complexity of the organisation, but it is very difficult to achieve repeatedly.

However, although Goerzen and Beamish's (2003) work was a significant step forward in terms of crystallising the debate there are still a number of limitations that haven't really been satisfactorily addressed in the intervening period. First, the Goerzen and Beamish (2003) study only features Japanese multinationals which may or may not be representative of multinationals in general. Brewster *et al.* (2008) find strong evidence of home country factors within HRM strategies of multinationals from across the globe, suggesting that the relationships between

international asset dispersion, as well as country environment diversity, and performance may not be the same as found within these large Japanese firms. Second, although the authors have produced a range of extensive measures of performance, all of the measures are static and only measure performance over a single year. To realistically claim that a particular course of action has a positive impact upon performance that positive impact needs to be present and identifiable over a sustained period. Therefore the next step in terms of future research needs to focus upon establishing this link over time, making use of longitudinal data. There are also issues with the measurement of the key variables within the empirical analysis. First with international asset dispersion, this is measured for each firm through the number of employees in each particular country expressed as a function of the firm's total number of employees, the problem being that the model assumes labour in each country is identical. Whereas it is perfectly plausible that the positive impact upon performance is driven by qualitative differences in the labour inputs across countries, hence this indicates another area of focus for future research.

Overall the theory of internationalisation has grown to encompass a wide range of different factors which have been summarised most effectively by Dunning (1998). In short MNEs reach their location decisions to make the best possible use of three potential sources of advantage, these being ownership advantages which include possession of superior technology as well as greater strength in managing, operating and coordinating a geographically dispersed network. Location advantages which refer to country specific advantages such as natural resources, factors of production or demand conditions that the MNE can benefit from as a result of locating in that particular country. And finally internationalisation advantages that can result from transferring and exploiting firm specific advantages to a foreign location within the MNE rather than using some kind of contractual agreement with a third party.

In effect internationalisation theory brings together a range of different factors impacting upon the environment in which the MNE operates. As mentioned previously the initial resource-based view reflected neo-classical economics and its implicit assumption of the firm as a profit maximising entity. However, this is always likely to reveal only a limited perspective upon location decisions since very basic consideration of the principal agent problem would suggest that MNEs are very unlikely to be organisations capable of maximising a single objective. It is far more likely to be a complex organisation, with a wide range of stakeholders, seeking to satisfy the needs of all their various stakeholders. As a consequence it is no surprise that institutionalists entered the debate at a very early stage since each location decision is likely to increase the complexity of the organisation as well as increasing the number of stakeholders whose interests need to be considered by the MNE. Hence their contributions have largely focused upon trade-offs and conflicts between different types of stakeholder, such as how the MNE ameliorates conflicts between capital and labour in different locations as well as how it manages its network of suppliers.

This has continued to be the major focus for researchers and in more recent times there have been three clear advancements within the literature. First, those developments have sought to explain the impact of country environment diversity upon MNE performance through a clearer understanding of networks and their ability to ameliorate some of the problems linked to complexity. Goerzen and Beamish (2005) find very clearly that the more diverse an MNE's alliance network the poorer its economic performance tends to be. Furthermore, Shaner and Maznevski (2011) posit that different types of network will be more (or less) effective in different environments, finding that denser networks tend to lead to higher margins within less developed institutional environments and less dense networks are most successful in more developed environments. However, although this indicates the direction of future research in this field, it is likely that over time the analysis will become considerably more nuanced than it currently

is. Mirroring developments within the variety of capitalism literature the future research is likely to highlight that it is not a cast iron case that dense networks are effective in less developed environments, and less dense in more developed, but it is also likely be dependent on other local factors that operate below the national level. The variety of capitalism literature has moved from expecting that all firms within a particular type of economy will behave in a certain way to appreciating that there are likely to be different patterns of behaviour and understanding some of the factors that influence those different behaviours (see Brewster *et al.*, 2008 for a more detailed analysis), hence it is likely that our understanding of patterns of investment by MNEs will follow a similar path.

The second development within the literature has focused upon the impact of legal factors, most particularly employment regulation, and how this affects MNE investment decisions, that is, how different levels of support for capital relative to labour impact upon locational choices. The basic thinking being that MNE investment targets countries with weaker employment protection and fewer worker rights in order to extract greater rents from employees. This is borne out by Cooke (2001) who found that MNEs generally preferred to enter countries with flexible labour markets and low labour costs, as well as Haaland and Wooton (2007) who viewed that it was the combination of labour costs and employment legislation that was the driving force. However, at odds with these are Dibben *et al.* (2011) who find that the level of individual and collective rights as well as social security legislation does not have a significant impact upon the MNEs' investment decision. This latter study focuses predominantly upon the transition economies of central and southern Europe, hence it would be difficult to claim that this is automatically the case in other locations, but clearly a deeper understanding of the relationship between employment regulation and MNE investment is a necessary next step for future research.

The third advance in more recent times has been the focus of researchers upon what has become known as regionalisation. To sum up what has been discussed up to this point the location decisions of MNEs largely reflect the process of seeking to match up the firm specific advantages with the country specific advantages of the host countries that are likely to be the most beneficial to the MNE. However, within this there is clear evidence of a home region bias in these location decisions, that is, MNEs are more likely to operate in host countries within their home region than outside (Rugman and Verbeke, 2004), and regionalisation theory seeks to achieve a clearer understanding of the complex pattern of global location decisions made by MNEs. The various strands of thought in this area have been most effectively summarised by Verbeke and Kano (2012) who argue that location decisions result from a whole host of internationalisation theory concept, such as institutional, geographic, cultural and economic distance and resource recombination trajectories, most of which tend to place a smaller constraint upon MNE expansion within the home region than outside. As a result the lower incidence of Asian MNEs outside of Asia, European MNEs outside of Europe, and so on, then becomes more justifiable.

Finally, there has also been a widening of the debate amongst economists with the behavioural economists entering the fray and offering an alternative viewpoint in terms of the managerial decision-making process. The basic thinking underpinning the theory of internationalisation is that MNEs will organise their global assets into locations that make the most effective use of ownership, location and internationalisation advantages. With the term's most effective use implying the combination that would yield the best return on those assets. However, the contribution of the behavioural economists is to highlight that senior managers within MNEs are individuals and when making location decisions their own personal preferences enter into the equation, hence it is not simply about maximising profit. Schotter and Beamish (2013) refer to the 'Hassle Factor' and argue that factors linked to getting to and spending time in a particular

location, such as; ease of travel, visa requirements, climate, safety, and so on, will have a bigger impact upon location decisions than simply greater profit opportunities.

The second purpose of this chapter is to discuss the factors determining the HRM strategies of MNEs once they are operating within a particular location. Broadly there are three schools of thought as to how human resource management strategies and practices are likely to evolve within the ongoing process of globalisation. The first viewpoint, often referred to as globalisation theories, posits that economies are becoming increasingly integrated leading to the emergence of global management structures, hence MNEs will become more similar in their management of human resources over time irrespective of their origins. A variation upon this is that although there will be convergence in terms of the behaviour and strategies of MNEs this process will be constrained somewhat by the ethnocentric behaviour of those MNEs, that is, they will continue to adopt the dominant HRM strategies from their country of origin.

The second major viewpoint, and a counterpoint to the first one, is that MNEs are isomorphic and adopt similar HR practices to the countries in which they operate, that is, host country factors dominate. Within the literature there are both institutional and cultural arguments as to why this is likely to happen. The final school of thought, and a compromise between the first two, is what is termed as duality, the reasoning being that MNEs face conflicting pressures towards global integration as well as local adoption. Hence for each MNE operation the HRM strategies that are in place reflect some kind of compromise between the two sources of pressure. These three viewpoints are now discussed at length below.

Theories of globalisation

The process of globalisation has gradually led to increasing in convergence markets and consumer tastes, as well as significant improvements in technology and far freer movements of investor capital. The upshot of this is that the actions of firms increasingly take place within an environment that views the whole world as being nationless and borderless (Ohmae, 1990, 1996). Although they view the starting point as regionally based economic systems theories of globalisation postulate that economies are gradually integrating towards a global norm over time, leading to global norms in terms of best practice relating to management structures and management techniques (Sera, 1992). The increased competition resulting from globalisation has reduced firms' ability to set prices, meaning that cutting costs and improving productivity have become increasingly important for firms' profitability. Those firms operating across national boundaries bear the brunt of the increasing pressure emanating from these ongoing developments and hence are the most likely to fall in line with the emerging global norms.

A number of researchers have explored the potential tension within MNEs where their desire to promote integrated international standards is set against pressure to be responsive to the needs of local stakeholders (Ashkenas et al., 1995; Hamal and Prahalad, 1985; Yip, 1995). Increasing competition is likely to drive MNEs towards greater homogenisation as they are then able to make more effective use of the entire firm's capacity, reaping greater benefits from economies of scale, hence improving efficiency (Kostova and Roth, 2002; Zeira and Harari, 1977). This viewpoint is based within the theory of rational choice and assumes that firms will take decisions in order to maximise their economic advantage; 'guided by unambiguous preferences and bounded rationality' (Gooderham et al., 1999: 507). Consequently industries will tend towards policies and strategies enabling maximisation of their economic goals and these policies and strategies will percolate from the parent economy across the rest of the world. Although this percolation of practices may be a lengthy process, and may progress at varying rates in different locations and industries, there will be a tendency across the board towards practices that are

common irrespective of the industry and location. Furthermore, within this process, firms will either seek to impose their own view of efficient HRM policies or they will be drawn towards what is perceived most widely as being the most efficient, that is, the US model (Jain *et al.*, 1998; McDonough, 2003; Smith and Meiksins, 1995).

Globalisation tends to lead to changes in two distinct areas, on the one hand there is greater competition in product markets, whilst there is also greater cooperation through joint ventures, subcontracting and reciprocal share ownership (McDonough, 2003). Globalisation also leads to homogenous environments in which there are increasing similarities in products, the level of competition and the speed of technological advances (Duysters and Hagedoorn, 2001). The increased competition leads to greater pressure on firms to coordinate all of their available resources more effectively (Sparrow *et al.*, 2004). For example, it is important to coordinate pricing, service and product support worldwide as a multinational customer can compare prices in different regions. This forces any global MNE to develop strategies that are also global, irrespective of internal factors such as people, processes and structure, as well as external factors such as time and country (Parker, 1998). Traditional business boundaries become increasingly permeable, accelerating the rate of convergence. As a result practices that have previously reflected location and culture in specific settings are gradually eroding and a common approach is emerging (Sparrow and Hiltrop, 1997).

Opponents of the theory of globalisation seriously question whether these events are in fact a new or unprecedented process (Parker, 1998). There is also a commonly held viewpoint that MNEs retain a very local focus in many key areas. For example, 85 per cent of multinationals produce more than two thirds of their output in their home market, with two thirds of their employees being nationals of their home country (*The Economist*, 2000). Consequently it is very difficult to identify many MNEs that could be classed as stateless (Hu, 1992), which is verified by the following; the United Nations Conference on Trade and Development (UNCTAD) index of transnationality lists only six organisations scoring above 90 out of a 100.

Theories of ethnocentricity

As briefly outlined earlier it is also plausible that MNEs, rather than conforming to a global norm, will have a stronger tie to the practices of their country of origin and will behave ethnocentrically (Zeira and Harari, 1977), applying their country of origin-based practices to their operations in all locations (see Ferner, 1997). There are a range of possible approaches towards human resource management under these assumptions (see, e.g., Perlmutter, 1969, and Heenan and Perlmutter, 1979, who identify that there are four main approaches towards human resource management that MNEs may choose to pursue, these being ethnocentric, polycentric, regional and geocentric). More recently, Mayrhofer and Brewster (1996) found that MNEs almost exclusively tended to be ethnocentric. With Lao and Ngo (2001) confirming that home country effects have a strong impact upon MNEs' practices outside of their country of origin.

Theories of localisation

Institutional theories

Institutional theorists argue that it is the institutional environment that is key and organisations operating within similar environments will gradually develop similar characteristics, that is, be 'isomorphic' with each other (Kostova and Roth, 2002). The isomorphism can be one of three distinct types; coercive (where the firm is forced to adopt specific practices); mimetic (specific

practices associated with success are adopted to avoid uncertainty) or normative (behaviour considered appropriate to the environment) (Di Maggio and Powell, 1983). It has been shown that MNEs will adhere to both formal rules and unwritten norms in order to improve efficiency as well as strengthening legitimacy (Haveman, 1993; Kostova and Roth, 2002; Marsden, 1999). Social transactions remain embedded in specific social contexts (Boyer and Hollingsworth, 1997). This leads to an uneven adoption of local practices with those most likely to have a positive impact being adopted but those viewed as being likely to fail not (Haveman, 1993). Even as firms globally may be inclined towards globally accepted best practices there are still likely to remain variations in the forms of governance and management. Local perceptions of fair play and norms within the community will have an effect upon even the most inward looking organisations and these are likely to impact upon the relative pay structure across the firm as well as the relative importance of different areas of management (Boyer and Hollingsworth, 1997). With this principle being well covered within the HR literature too (Brewster, 2001; Brewster et al., 2004; De Cieri and Dowling, 1999; Ferner and Quintanilla, 1998). From a different starting point this view is confirmed within the varieties of capitalism literature where in specific national settings a distinct pattern of corporate governance is likely to emerge, reflecting the nature of local practices relating to organisational interaction and cooperation in that particular location (Hall and Soskice, 2001; Dore, 2000; Lincoln and Kalleberg, 1990).

From the regulationist standpoint the critique of the variety of capitalism literature, whilst accepting that some features of production regimes are indeed complementary, firmly holds the view that regulation is never likely to be able to remove imbalances completely (Boyer, 2001; Hopner, 2005). In general, written and unwritten rules assist improved efficiency since they enable both sides to any deal to take certain aspects of that deal for granted (Marsden, 1999). Firms will always have a desire to take advantage of international innovations as quickly as possible but precisely how they are applied will be dependent upon each specific context (Boyer and Hollingsworth, 1997; Kostova and Roth, 2002; Maurice et al., 1986). This leads to the regulationist conclusion that local norms and conventions, combined with the desire to attain business goals, will drive firms towards compatibility with the national regulatory system (Aglietta, 1998; Dacin et al., 1999; Grahl and Teague, 2000). However, the behaviours required to make firms compatible are rarely constant as firms are likely to go through regular spells of experimentation as they seek to achieve a more effective reconciliation (Boyer, 2001). For all firms their behaviours need to be consistent with the dominant method of organising production (Lipietz, 1986). In specific national contexts MNEs may be encouraged to adopt practices which are consistent with the goals on national governments and their policies. Alternatively they may be given considerably more leeway than local firms in a bid to attract greater investment. Consequently the responses of key stakeholders within any society are likely to shape the practices pursued by any MNE subsidiary (Guillen, 2000).

Finally, in summary, institutionalists suggest that MNEs' subsidiaries will implement HR practices in line with the host country's practices. Whilst regulationists point out that dominant practices in any national context are likely to change and evolve over time and, given their greater power and opportunities, MNEs may have greater ability to mould these changes to fit their own needs.

Duality theories

The premise of duality theories is that there is tension between opposing pressures towards global integration and local adoption respectively (Evans et al., 2002; Gooderham et al., 1999; Kostova and Roth, 2002; Rosenzweig and Singh, 1991) and, consequently, the rate at which different

sets of practices are diffused will be different from context to context and will even vary across individual practices (Guler *et al.*, 2002; and, with specific reference to HRM, Hannon, Huang and Jaw, 1995; McGaughey and De Cieri, 1999; Schuler, Dowling and de Cieri, 1993). There are always likely to be benefits accruing to MNEs as a result of standardising their activities across national boundaries, however, this is counterbalanced to a certain extent by the need to take account of local needs and differences. Therefore it is always likely that the outcome will reflect both global and local needs. How far the organisation is willing to go in terms of adoption of local practices is determined by the regulatory institutions, local market conditions, ownership structures, the level and nature of competition within the external market and/or the level of integration of the subsidiary with any local partners (Davis *et al.*, 2000).

Rational determinants – local market conditions

The production policies enacted by MNEs in each specific location are likely to reflect the relative strength, or otherwise, of the local competition as well as norms, regulations and tastes particular to that same location. Creating and maintaining a clear advantage over competitors is reliant upon being able to develop and utilise strategies that the competition is not immediately able to copy and the scope for this is likely to vary across locations (Park *et al.*, 2003). The practices that firms implement are likely to be a function of its size as well as its responses to external environmental pressures (Marginson *et al.*, 1993). For many firms its HRM system may prove to be its richest source for advantage over its competitors since its complexity makes it very difficult to replicate (Pfeffer, 1994; Snell *et al.*, 1996; Ulrich and Lake, 1990).

Rational determinants – ownership structures

It is likely that MNEs will display differing configurations of management responsibilities and practices across their different locations and national contexts (Bartlett and Ghoshal, 1989). The tendency to drift towards local practices in each context will be dependent upon size as well as the firm's ownership structure (Jain *et al.*, 1998). The behaviour of firms is to a certain extent influenced by ownership structure, particularly for subsidiaries, where it is dependent upon whether it is wholly or partially owned and the extent to which it interacts with other parts of the firm or if it tends to act independently. Certain firms may display a greater propensity to conform to local norms, whilst other firms may have a greater need and desire to maintain consistent practices across the organisation. Therefore within the same MNE subsidiary it is perfectly likely to display some practices that are in line with the parent organisation but others consistent with local norms.

Rational determinants – behavioural variations and strategic choice

For the MNE the management practices adopted within any subsidiary need to be viewed in the light of the amount of freedom allowed to that subsidiary (Kostova and Roth, 2002). Over time this will mirror the encompassing strategic orientation of the MNE as well as the perception within the organisation of the need to adhere to local norms. Managers locally face the dual pressures of needing to conform to the institutional norms in addition to complying with local institutions and norms. Complying with the norms within a national context often enables higher levels of operational efficiency to be achieved (Lee and Larwood, 1983: 657). Within the subsidiary there will be positive examples of successful host country nationals influencing the thoughts and behaviours of managers from the MNE's home country, this will lead the firm to comply with both local norms as well as international ones.

Decisions made by managers within any firm will directly influence the organisational outcomes of that firm, and those could be appropriate for their local context provided that those managers are receptive to that possibility (Lee and Larwood, 1983). A prevalent view within the literature is that there is a strong relationship between the strategy structure configuration in MNEs and the conflict between pressures to conform to global norms as well as local ones. This leads to different outcomes in different contexts (Prahalad and Doz, 1987; Bartlett and Ghoshal, 1989: Porter, 1990). For example, if global integration and coordination is critical, subsidiaries need to be globally integrated with other parts of the organisation and/or strategically co-ordinated by the parent. However, if local responsiveness is the dominant factor, subsidiaries will have a lower requirement for integration since they will be able to function in a more autonomous fashion.

Regulatory institutions

There are a wide range of outcomes in terms of the power balance between firms on the one hand and national governments on the other and this is another potential source of conflicting pressures towards the global MNE strategy or local norms. The long-term global neo-liberal trend towards a reduced state and liberalisation has reduced the extent of redistributive policies targeting the lack of competitiveness in impoverished regions (Tickell and Peck, 1992: 355). Despite the expectation that this would quicken the march towards global norms the opposite has occurred and there is greater divergence in practices, largely driven by a move towards lower value added policies as the poorer regions only remaining option is to compete on cost grounds (see Collinge, 1999). Boyer and Hollingsworth (1997) indicate that MNEs now face pressures at a range of levels – supra-national, national, and sub-national – with each applying different pressures towards convergence and difference. It is certainly the case that the expansion of MNEs has led to some issues being governed across national boundaries but in some instances, despite the tendency towards neo-liberal policies, this has been constrained by regional blocs such as the EU or on occasions by single nations who find themselves with a strong bargaining position (Haworth and Hughes, 2003).

Conclusions

Despite most of the arguments outlined above being largely general management ones in terms of their original source they are also repeated in specific HRM discussions (see Edwards and Ferner, 2002, for a review). Certain rational, behavioural and regulationist accounts all point to simultaneous pressures towards a greater homogeneity and localisation in HR practice; however the latter would place particular emphasis on the uneven and episodic nature of these pressures, making for a greater degree of variation in practice rather than the emergence of an enduring HR order as a result of specific organisational environments and choices.

In terms of future developments the dominant global management structures are likely to evolve as MNEs from the BRICS countries become more important, challenging the dominance of management theories that have predominantly been North American, Japanese or Western European over the last half century or so. It is also likely that future research will focus more closely upon the role of local institutions in determining HRM strategies. Brookes *et al*. (2011) have recently established that in comparison institutional factors have a much larger effect upon strategic HRM decisions than cultural factors, hence subsequent research is likely to expand our understanding of the factors behind this.

At the outset this chapter speculated as to what determines the investment decisions of MNEs and what affects their HRM strategies, with the brief answer in both cases being quite a lot of

things. In terms of investment decisions the debate has evolved considerably and within the continuing process of trying to achieve the optimal balance between international asset dispersion and country environment diversity there is still a certain amount of flexibility for MNEs to ensure that the networks that they create in each location effectively ameliorate some of the negative effects of country diversity. Equally the extent of employment protection also appears to remain an important determining factor. In terms of managing human resources there is a continuing debate as to whether home country or even global factors have a bigger influence or whether local factors are forcing MNEs to be responsive to the needs of their operations in each distinct location.

References

Aglietta, M. (1998). Capitalism at the turn of the century: Regulation theory and the challenge of social change. *New Left Review*, 232: 41–90.

Ashkenas, R., Ulrich, D., Jick, T. and Kerr, S. (1995). *The Boundaryless Organization*. San Francisco, CA: Jossey-Bass.

Bartlett, C. A. and Ghoshal, S. (1989). *Managing Across Boundaries: The Transnational Solution*. Boston, MA: Harvard Business School.

Boyer, R. 2001. Introduction to the English language edition. In Jessop, B. (ed.), *The Parisian Regulation School – Regulation Theory and the Crisis of Capitalism Volume 1*. London: Edward Elgar.

Boyer, R. and Hollingsworth, J. R. (1997). From national embeddedness to spatial and institutional nestedness. In Hollingsworth, J. R. and Boyer, R. (eds), *Contemporary Capitalism: The Embeddedness of Institutions*. Cambridge: Cambridge University Press.

Brewster, C. (2001). HRM: The comparative dimension. In Storey, J. (ed.), *Human Resource Management: A Critical Text* (2nd edn). London: Thomson Learning.

Brewster, C., Brookes, M. and Wood, G. (2008). Similarity, isomorphism and duality? Recent survey evidence on the HRM policies of MNCs. *British Journal of Management,* 19 (4): 320–342.

Brewster, C., Mayrhofer, W. and Morley, M. (eds) (2004). *Human Resource Management in Europe: Evidence of Convergence?* London: Butterworth Heinemann.

Brookes, M., Croucher, R., Fenton-O'Creevy, M. and Gooderham, P. (2011). Measuring competing explanations of human resource management practices through the Cranet Survey: Cultural versus institutional explanations. *Human Resource Management Review*, 21 (1): 68–79.

Buckley, P. and Casson, M. (1976). *The Future of the Multinational Enterprise*. London: Macmillan.

Coase, R. H. (1937). The nature of the firm. *Economica* 4 (16): 386–405.

Collinge, C. (1999). Self-organization of society by scale: a spatial networking of regulation theory. *Environmental Planning*, D17: 557–574.

Cooke, W. (2001). Industrial relations systems and workplace constraints on foreign direct investment among highly industrialized countries. *International Journal of Human Resource Management*, 12 (5): 697–716.

Dacin, M. T., Ventresca, M. and Beal, B. (1999). The embeddedness of organizations: Debates, dialogue and directions. *Journal of Management*, 25 (3): 317–356.

Davis, P., Desai, A. and Francis, J. (2000). Mode of international entry: An isomorphism perspective. *Journal of International Business Studies*, 31 (2): 239–258.

De Cieri, H. and Dowling, P. (1999). Strategic human resource management in multinational enterprises: Theoretical and empirical developments. In Wright, P. M., Dyer, L. D., Boudreau, J. W. and Milkovich, G. T. (eds), *Strategic Human Resources Management in the Twenty-First Century: Research in Personnel and Human Resource Management*. Supplement 4–305–327.

Denis, D. J., Denis, D. K. and Yost, K. (2002). Global diversification, industrial diversification and firm value. *Journal of Finance,* 57: 1951–1980.

Dibben, P., Wood, G., Le, H. and Williams, C. C. (2011). MNCs in central, southern and central Europe and the former Soviet Union: Investment decisions and the regulation of employment. *Human Resource Management Journal*, 21 (4): 379–394.

Di Maggio, P. and Powell, W. (1983). The iron cage revisited. *American Sociological Review*, 48: 147–160.

Dore, R. (2000). *Stock Market Capitalism: Welfare Capitalism*. Cambridge: Cambridge University Press.

Dunning, J. H. (1998). Location and the multinational enterprise: A neglected factor? *Journal of International Business Studies,* 19 (1) 1–31.

Duysters, G. and Hagedoorn, J. (2001). Do company strategies and structures converge in global markets? Evidence from the computer industry. *Journal of International Business Studies*, 32 (2): 347–356.

The Economist. (2000). The world's view of multinationals. *The Economist*, 354 (8155), 29 January: 21–22.

Edwards, T. and Ferner, A. (2002). The renewed 'American Challenge': A review of employment practice in US multinationals. *Industrial Relations Journal*, 33 (2): 94–111.

Evans, P., Pucik, V. and Barsoux, J.-L. (2002). *The Global Challenge: Frameworks for International Human Resource Management*. New York: McGraw–Hill/Irwin.

Ferner, A. (1997). Country of origin effects and HRM in multinational companies. *Human Resource Management Journal*, 7 (1): 19–37.

Ferner, A. and Quintanilla, J. (1998). Multinationals, national business systems and HRM: The enduring influence of national identity or a process of 'Anglo Saxonization'? *International Journal of Human Resource Management*, 9 (4): 710–731.

Geringer, M., Beamish, P. and daCosta, R. (1989). Diversification strategy and internationalization: Implications for MNE performance. *Strategic Management Journal*, 10 (2): 109–119.

Goerzen, A. and Beamish, P. (2003). Geographic scope and multinational enterprise performance. *Strategic Management Journal*, 24: 1289–1306.

Goerzen, A. and Beamish, P. (2005). The effect of alliance network diversity on multinational enterprise performance. *Strategic Management Journal*, 26: 333–354.

Gooderham, P, Nordhaug, O. and Ringdal, K. (1999). Institutional and rational determinants of organizational practices: Human resource management in European firms. *Administrative Science Quarterly*, 44: 507–531.

Grahl, J. and Teague, P. (2000). The regulation school, the employment relation and financialization. *Economy and Society*, 29 (1): 160–178.

Guillen, M. (2000). Organized labor's view of multinational enterprise. *Industrial and Labor Relations Review*, 53 (3): 419–442.

Guler, I., Guillen, M. and Machpherson, M. (2002). Global competition, institutions and the diffusion of organizational practices. *Administrative Science Quarterly*, 47: 207–232.

Haaland, J. and Wooton, I. (2007). Domestic labour markets and foreign direct investment. *Review of International Economics*, 15 (3): 462–480.

Hall, P. and Soskice, D. (2001). An introduction to the varieties of capitalism. In Hall, P. and Soskice, D. (eds), *Varieties of Capitalism: The Institutional Basis of Competitive Advantage*. Oxford: Oxford University Press.

Hamal, G. and Prahalad, C. K. (1985). Do You Really have a Global Strategy? *Harvard Business Review*, July/August: 139–148.

Hannon, J, Huang, I. and Jaw, B. (1995). International human resource strategy and its determinants: The case of subsidiaries in Taiwan. *Journal of International Business Studies,* 26 (3): 531–548.

Haveman, H. (1993). Follow the leader: Mimetic isomorphism and the entry into new markets. *Administrative Science Quarterly*, 38: 593–627.

Haworth, N. and Hughes, S. (2003). International political economy and industrial relations. *British Journal of Industrial Relations*, 41 (4): 665–682.

Heenan, D. and Perlmutter, H. (1979). *Multinational Organisation Development*. Reading, MA: Addison–Wesley.

Hitt, M. A., Hoskisson, R. E. and Kim, H. (1997). International diversification: Effects on innovation and firm performance in product–diversified firms. *Academy of Management Journal*, 40 (4): 767–798.

Hopner, M. (2005). What connects industrial relations and corporate governance? Explaining institutional complementarity. *Socio-Economic Review*, 3 (2): 331–358.

Hu, Y. S. (1992). Global or stateless corporations are national firms with international operations. *California Management Review*, 34 (2): 107–126.

Jain, H., Lawler, J. and Morishima, M. (1998). Multinational corporations, human resource management and host–country nationals. *International Journal of Human Resource Management*, 9 (4): 533–566.

Johansson, J. and Vahlne, J.-E. (1977). The internationalization process of the firm: A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8: 23–32.

Karnani, A. and Wernerfelt, B. (1985). Multiple point competition. *Strategic Management Journal*, 6 (1): 87–97.

Kim, W., Hwang, P. and Burgers, W. (1989). Global diversification strategy and corporate profit performance. *Strategic Management Journal*, 10 (1): 45–57.

Kogut, B. and Zander, U. (1993). Knowledge of the firm and the evolutionary theory of the multinational enterprise. *Journal of International Business Studies*, 24: 625–646.

Kostova, T. and Roth, K. (2002). Adoption of an organizational practice by subsidiaries of multinational corporations. *Academy of Management Journal*, 45 (1): 215–233.

Lao, C. and Ngo, H. (2001). Organizational development and firm performance: A comparison of multinational and local firms. *Journal of International Business Studies*, 32 (1): 95–114.

Lee, Y. and Larwood, L. (1983). The socialization of expatriate managers in multinational corporations. *Academy of Management Journal*, 26 (4): 657–665.

Lincoln, J. and Kalleberg, A. (1990). *Culture, Control and Commitment: A Study of Work Organization in the United States and Japan*. Cambridge: Cambridge University Press.

Lipietz, A. (1986). New tendencies in the international division of labour: Regimes of accumulation and modes of regulation. In Scott, A. and Storper, M. (eds), *Production, Work and Territory*. Boston: Allen and Unwin.

Marginson, P., Armstrong, P. Edwards, P., Purcell, J. and Hubbard, N. (1993). The control of industrial relations in large companies: An initial analysis of the second company level industrial relations survey. *Warwick Papers in Industrial Relations*, No. 45, December 1993. Coventry: IRRU.

Marsden, D. (1999). *A Theory of Employment Systems*. Oxford: Oxford University Press.

Maurice, M., Sellier, F. and Silvestre, J. (1986). *The Social Foundations of Industrial Power*. Cambridge, MA: MIT Press.

Mayrhofer, W. and Brewster, C. (1996). In praise of ethnocentricity: Expatriate policies in European multinationals. *International Executive*, 38 (6): 749–778.

McDonough, T. (2003). What does long wave theory have to contribute to the debate on globalization. *Review of Radical Political Economics*, 35 (3): 280–286.

McGaughey, S. L. and De Cieri, H. (1999). Reassessment of convergence and divergence dynamics: Implications for international HRM. *International Journal of Human Resource Management,* 10 (2): 235–250.

Meyer, J. and Scott, R. (1983). Centralization and the legitimacy problems of local government. In Scott, R. (ed.), *Organizational Environments: Ritual and Rationality* (pp. 198–215). Beverly Hills, CA: Sage.

Ohmae, K. (1990). *The Borderless World*. New York: Harper Collins.

Ohmae, K. (1996). *The End of The Nation State*. Cambridge, MA: Free Press.

Park, H., Mitsuhashi, H., Fey, C. and Bjorkman, I. (2003). The effects of human resource management practices on Japanese MNC subsidiary performance. *International Journal of Human Resource Management,* 14 (8): 1391–1406.

Parker, B. (1998). *Globalization and Business Practice: Managing Across Boundaries*. London: Sage.

Perlmutter, H. (1969). The tortuous evolution of the multinational corporation. *Columbia Journal of World Business*, 1: 9–18.

Pfeffer, J. (1994). *Competitive Advantage through People: Unleashing the Power of the Workforce*. Boston: Harvard Business School Press.

Porter, M. E. (1990). The competitive advantage of nations. *Harvard Business Review*, 8 (2): 73–93.

Prahalad, C. K. and Doz, Y. (1987). *The Multinational Mission: Balancing Global Demands and Global Vision*. New York: Free Press.

Rosenzweig, P. and Singh, H. (1991). Organizational environments and the multinational enterprise. *Academy of Management Review*, 16: 340–361.

Roth, K. (1992). International configuration and coordination archetypes for medium sized firms in global industries. *Journal of International Business Studies*, 23: 533–549.

Rugman, A. (1976). Risk reduction by international diversification. *Journal of International Business Studies*, 7: 75–81.

Rugman, A. (1979). *International Diversification and the Multinational Enterprise*. Lexington, MA: Heath Books.

Rugman, A. (1981). *Inside the Multinationals: The Economics of Internal Markets*. London: Croom Helm.

Rugman, A. M. and Verbeke, A. (2004). A perspective on regional and global strategies of multinational enterprises. *Journal of International Business Studies*, 35 (1): 3–18.

Schotter, A. and Beamish, P. W. (2013). The hassle factor: An explanation for managerial location shunning. *Journal of International Business Studies*, 44 (8): 521–544.

Schuler, R., Dowling, P. and De Cieri, H. (1993). An integrative framework of strategic international human resource management. *Journal of Management*, 19 (2): 419–459.

Sera, K. (1992). Corporate globalization: A new trend. *Academy of Management Executive*, 6 (1): 89–96.

Shaner, J. and Maznevski, M. (2011). The relationship between networks, institutional development and performance in foreign investments. *Strategic Management Journal*, 32: 556–568.

Smith, C. and Meiksins, P. (1995). System, society and dominance effects in cross-national organisational analysis. *Work, Employment and Society*, 9 (2): 241–267.

Snell, S. A., Youndt, M. A. and Wright, P. M. (1996). Establishing a framework for research in strategic human resource management: Merging resource theory and organization learning. In Ferris, G. R. (ed.), *Research in Personnel and Human Resources Management* (pp. 61–90). Greenwich, JAI Press.

Sparrow, P., Brewster, C. and Harris, H. (2004). *Globalising Human Resource Management*. London: Routledge.

Sparrow, P. R. and Hiltrop, J. M. (1997). Redefining the field of European human resource management: A battle between national mindsets and forces of business transition. *Human Resource Management*, 36 (2): 1–19.

Tallman, S. and Li, J. (1996). Effects of international diversity and product diversity on the performance of international firms. *Academy of Management Journal*, 39: 179–196.

Tang, C. and Tikoo, S. (1999). Operational flexibility and market valuation of earnings. *Strategic Management Journal*, 20 (8): 749–761.

Tickell, A. and Peck, J. A. (1992). Accumulation, regulation and the geographies of post-Fordism: Missing links in regulation theory. *Progress in Human Geography*, 16 (2): 190–218.

Ulrich, D. and Lake, D. (1990). *Organizational Capabilities*. New York: John Wiley and Sons.

Verbeke, A. and Kano, L. (2012). An internationalization theory rationale for MNE regional strategy. *Multinational Business Review*, 20 (2): 135–152.

Westney, E. (1993). Institutionalization theory and the MNE. In Westney, E. (ed.), *Organization Theory and the Multinational Corporation* (pp. 53–76). New York, St Martin's Press.

Yip, G. S. 1995. *Total Global Strategy*. Englewood Cliffs, NJ: Prentice-Hall.

Zeira, Y. and Harari, E. (1977). Genuine multinational staffing policy: Expectations and realities, *Academy of Management Journal*, 20 (2): 327–333.

5

Geography and international HRM

Phil Almond and María C. Gonzalez Menendez

Introduction

International HRM is mainly concerned with the diffusion and transfer of knowledge, ideas, personnel and practices across the globe, mostly within multinational companies (MNCs). Implicitly, what differentiates international HRM from the wider field of HRM is its focus on the varied effects of (national) boundaries within these processes. In other words, international HRM's existence as a separate subfield of endeavour, with its own journals, conferences, consultants and management specialists, is predicated on an assumption about the effects of geography. For example, it implies that for a firm based in New York, the challenges involved in managing people in, say, Toronto, are somehow more complex than, or at least different from, managing people in Los Angeles.

Economic geography, meanwhile, focuses on the spatial organisation, and location, of economic activities across the world. Implicitly, its concerns include the organisation of all factors of production, including labour. While national borders are self-evidently important delimiters of space in these processes, geographers are, almost by definition, more likely to integrate non-national spaces, territories and locations into their analysis.

The relationship between international HRM and (economic) geography is in some respects distinct from, and harder to pin down than, the relations covered in many of the other early chapters of this volume. First, the tight relationships between the academy in international HRM and those in, say, economics, psychology or industrial relations, are more or less entirely lacking. At best, relations tend to be at one remove. Thus there are clear relationships between labour geography and the field of industrial relations (Coe, 2013), with a substantial literature on trade unions' cross-border agency, whether in specific campaigns (Herod, 2001; Munck, 2010), or in the development of supra-national collective regulation (Rocha, 2009; Fichter *et al.*, 2011; Castree *et al.*, 2004). Equally, the important role of other supra-national agencies, such as the ILO, on labour standards also has some reflection in both the geography and industrial relations literatures. Likewise, there are clear links between more general economic geography and the broader field of international business (Buckley and Ghauri, 2004). However, none of these literatures have really taken a particularly powerful grip on mainstream IHRM. Second, as a social science, geography lacks the unifying framework of disciplines such as economics; rather,

it is a 'fulcrum' discipline which brings together and recombines insights from a large number of other disciplines and a bewildering array of schools of thought.

For both these reasons, this chapter does not attempt to provide a systematic literature review of work in geography which concerns IHRM. In particular, we do not address in any detail significant literatures on migration and on cross-national worker organisation, both of which are central concerns of economic geography as well as being of increased recent prominence in the field of industrial relations. Rather, focusing primarily on matters that specifically concern the MNC, this chapter attempts to make a case for IHRM scholars to take the broad subject area of geography more seriously. It does this by arguing, first, that insights from the geography literature provide us with a much more rounded view of globalisation and global production, and that the development of a more adequate interpretation of global context(s) is vital to continued academic progress within IHRM. Second, it argues that understanding the nature of globalising, home and host effects in IHRM needs to be predicated on a better understanding of the territorial embeddedness of labour markets, in the context of global economic competition between places. These forms of embeddedness include, but are not limited to, national contexts. As we hope to illustrate, the relative failure of IHRM to engage with the broader dynamics of the spatial organisation of production has led the field of IHRM to underplay the importance of its own field within international business, potentially contributing to its own relative marginalisation. At the same time, we will argue that the treatment of MNCs within economic geography would be improved by taking into account some of the insights of IHRM.

IHRM and territorially embedded context

If (economic) geography is centrally concerned with how economic activities are organised across the world, then it would seem logical that a subject which concentrates on the travel of ideas within international firms should have something significant to contribute. It is thus worth, if briefly, and with some danger of exaggerating the coherence of IHRM as a unified field, reviewing how international HRM treats issues of place and territory. Given space limitations this section will not deal directly with that part of the IHRM literature which concentrates on the management of international personnel (e.g. Collings *et al.*, 2007), although the part of that literature which examines the functions of these personnel can clearly also be argued to have a role in the spatial organisation of international capital.

Much of the remaining IHRM literature considers the balance between the potential benefits of integration and uniformity – through international linkages and the economies of scale involved in commonality of policy – versus those of differentiation, which allows units to react to the idiosyncratic features of their local environments (cf., for example, Bloom *et al.*, 2003; Rosenzweig and Nohria, 1994; Schuler *et al.*, 1993). From this balancing act comes the familiar mantra, not just within IHRM but also within international business more generally, that companies need to 'think global, act local'. The early IHRM literature therefore focused on how national factors at subsidiary level, whether seen as deriving from culture, product market considerations, or regulations, might affect the calculation of costs and benefits involved in decisions about where to push for uniformity and where to allow or encourage differentiation. At the same time, a somewhat separate literature, less concerned with corporate performance than the effects of MNCs on host environments, and generally more closely aligned to industrial relations (see Chapter 10) than to management theories, explored the effects of host country institutions on transfer, and the effects of FDI on IR systems (see, for example, Kujawa, 1979).

Over time, and particularly following Bartlett and Ghoshal's (1989) positing of a shift towards the 'transnational' MNC, IHRM academics became increasingly conscious of the potential for

learning and policy transfer (see Edwards, 1998) which was not exclusively from HQ to subsidiaries, but which moved vertically and horizontally across geographically dispersed business units. This led, at least in parts of the literature, to an emphasis on global searches for best practice and whether/how such practices could be transferred internationally. At the same time, the resource-based view took on increasing prominence within IHRM. For example, Taylor *et al.* (1996) sought to reveal how MNCs obtain and exploit valuable, scarce, difficult-to-imitate and non-substitutable resources through their HR systems, and correctly identified that the processes involved could apply at several levels – particular establishments, subsidiaries or business units, as well as sometimes to the global firm as a whole. A distinction was therefore made between cases where cross-national transfer of a resource initially created by the HR system in one location was feasible and desirable (that is, 'context generalisable'), and those where the relevant resources could not successfully be disembedded from the environment of particular establishments or national operations. Somewhat similar arguments, albeit by a different intellectual route, have also been made by researchers whose affiliations are with comparative institutionalism (see Kristensen and Zeitlin, 2005). The latter, who are often employment relations or organisational studies academics, also, somewhat relatedly, have tended to go further than more conventional IHRM academics in looking at the negotiation and hybridisation of policy as it travels between subsidiaries and units (Ferner *et al.*, 2012; for related work in geography, see Majek and Hayter, 2008).

It is somewhat invidious to make claims as to the weaknesses of a whole field of study, particularly one as heterodox as international HRM which brings together relatively orthodox IB scholars, institutionalists, ethnographic culturalists, and critical analysis (Martinez Lucio, 2014). Nevertheless, at a fairly aggregate level, there remain a number of problems with IHRM analysis which could be at least partly remedied with a more serious consideration of geographical factors.

First, and notwithstanding some recent progress, the criticism made some time ago that 'an implicit assumption underpinning the global–local question is that all MNCs can derive benefits from standardising HR policies; if they do not do so, it is because they have come up against local cultural or institutional constraints' (Edwards and Kuruvilla, 2005: 13), often remains valid. In other words, searches for uniformity, with a greater or lesser degree of tolerance for 'cultural' or institutional heterogeneity, remain the default position. This, simply, is not what firms do. Too little consideration is given to those circumstances in which it may be in MNCs' interests to strategically segment their international labour forces (Almond, 2011a); a satisfactory treatment of this requires more recourse to extra-firm factors such as policies of economic development which are more normally the terrain of economic geography (e.g. Phelps and Fuller, 2001; Rutherford and Holmes, 2013).

Second, there remains no serious analytical treatment in IHRM of the nature of host effects, in the sense of how these operate in a situation where those institutional actors that govern host economies have, for some time, been in the business not only of dismantling 'constraints' (to fit liberalised international competition), but also of trying to create resources which allow firms to be internationally competitive. This includes things like reforms to industrial relations systems and labour market regulation, but also to education systems, and efforts to improve the compatibility of local and national business systems with FDI through the efforts of economic development and investment promotion agencies at a multiplicity of geographical levels. The problem is arguably still worse in culturalist studies, particularly in its Hofstedian guise, which seems to lack any mechanisms for dealing with the internationalisation of management ideas within a globalising economy. More broadly, the literature on host effects in IHRM has plenty to say about how location-specific factors might impact HRM, but has very little to say about

how HRM factors might affect location. This underplays the importance of IHRM within international business. We will return to this point below.

Finally, within IHRM 'local' is nearly always taken to mean 'national'. This is hugely problematic, given the two preceding arguments, and the nature of the labour markets that MNC subsidiary units actually construct HRM policies for.

In summary, the standard 'uniformity unless constraints' portrayal of how IHRM works is clearly not the case in empirical reality, despite centralising pressures within MNCs (e.g. Ferner et al., 2004). This assumption indeed underplays the importance of human resources in MNC decision making. In fact, MNCs are often present in particular locations at least partly owing to factors related to human resource advantage, whether these are to do with accessing skilled labour or particular technological expertise, or with securing access to the cheapest unit labour costs available. Often, any cost advantage from uniformity of policies and practices may be outweighed by those of strategic segmentation (that is, exploiting the opportunities arising from difference, rather than merely adhering to or tolerating constraints) across different locations (Almond, 2011a).

An important, though frequently neglected, consideration in this process of interpretation is that this is not necessarily a zero-sum game; it is wrong to imagine – as the 'host effects' literature often seems to imply – that workers in the foreign subsidiaries of MNCs will always 'prefer' their own domestic employment regimes to those of the MNC. It is at least possible that some workers may prefer elements of relatively participative management styles of certain foreign MNCs than patterns in the domestic firms they could otherwise work for, particularly in societies where relatively autocratic forms of management are prevalent (providing, of course, the MNC chooses to extend its 'softer' corporate policies to such places, see below). Equally, it is easy to imagine that women with managerial ambitions in very patriarchal societies may choose to work for foreign MNCs from countries where domestic concerns about equality have led to active diversity policies being internationalised. The possibilities for such 'de-nationalisation' of worker preferences are increased by the labour market power of MNCs: large MNCs often have the ability to recruit workers abroad who are particularly likely to conform to values that fit within corporate cultures, which tend to be designed by country of origin managers. This is important as it may present MNCs with leverage in shaping HR policies in foreign operations that is not at all apparent from a reading of the institutional differences between home and host countries. In other words, worker preferences about HRM policies are constructed around their interpretation of the relative desirability of policies in firms they could realistically seek alternative employment in (James and Vira, 2012). These alternatives are geographically bounded for nearly all workers, and in practice tightly locally bounded for the majority of workers.

We will return to some of these problems. However, we would first like to argue that all are related to the lack of mainstreaming within IHRM of a realistic take on globalisation, to which we now turn.

IHRM, economic geography and globalisation

Obviously, there are a multiplicity of theoretical routes one can take to organise the processes involved in economic globalisation. Geography, even if we restrict our view broadly to economic geography, is a large and extremely heterodox area of study, and does not only have one interpretation of globalising production. However, in our own attempts to understand the relationships between MNCs, local/regional governance and human resources (Almond, 2011b; Almond et al., 2012), the following broad lines occur on a recurring basis.

First, as one would perhaps expect, geographers tend to engage seriously with the relations between processes of globalisation and the state as a controller and coordinator of the organisation of production. One starting point here is the work of spatial political economists such as Jessop (1993), very widely referred to within the economic geography literature. This sees a process of transition in highly developed economies from a 'Keynesian welfare state' – the sort of 'Fordist' state particularly likely to introduce social-democratically inspired 'constraints' as part of national compromises between capital and labour – to what Jessop terms a 'Schumpeterian workfare state'. In the latter, the locus of state economic and social policy shifts from *government* ('centralised imperative coordination') to *governance* ('societal guidance strategies'); in other words, from a concentration on the production of rules and laws to one on providing resources within which the supply of resources to compete in global neoliberal competition can be assured. In particular, ensuring an environment which fosters innovation is seen by such authors as a core function of the Schumpetarian state. At the same time, the developing and transition economies which have entered the global competition for production more recently have not only attempted to compete through their obvious advantages in labour costs and (sometimes) light regulation, but have also themselves dedicated considerable institutional effort to 'upgrading' (e.g. Zhou and Xin, 2003), including trying to put into place human infrastructures which allow them to move upwards in global value chains.

Broadly speaking, while still an incomplete process, the decline of semi-closed national markets in advanced industrialised economies, and increasingly now in transition and developing economies, has been associated with nations placing less emphasis on the defence of national productive capital, and more on policies aimed at capturing and retaining relatively mobile investment flowing within global networks of production. This includes large domestically owned firms which seek to be international players as well as foreign-owned MNCs (although the dynamics may be subtly different). It also includes smaller domestically owned firms whose fortunes are tied to those of the MNC sector. As locations compete for productive investment, 'host' governance, from the perspective of the MNC, has therefore increasingly shifted from imperative regulation – what the orthodox HRM literature might label 'constraints' – to the competitive provision of supports for MNCs and the local firms dependent on them.

Global production networks

The changes above are intimately linked to changes in the ways that international firms divide labour across (and within) nations. This has been characterised as a transition from a Fordist/Chandlerian firm, with integrated production and internal supply chains, to various 'post-Fordist' forms, united by a fragmentation of value chains. Individual firms, and individual units within large firms, have for a considerable period of time, as is well known, reduced themselves to their core competencies, with important parts of their productive systems located outside the firm, as well as being spatially dispersed. These processes were partly driven by technological improvements, partly by trade liberalisation, partly by the growing market power of developing countries, and partly by considerations of 'shareholder value' (Herrigel and Zeitlin, 2011) (which, while originating in the United States, has, through the internationalisation and liberalisation of corporate ownership, increasingly become an issue outside core liberal market economies as well; see Almond, 2011a).

Corporate externalisation and decentralisation of functions has for some time inspired research by geographers on whether MNC subsidiaries have been becoming more 'embedded' in terms of local linkages (Hudson, 1994; Phelps, 1993), with an increased 'depth and quality

of the relationships between inward investors and local firms and organisations' (Phelps *et al.*, 2003: 28), and increased potential for branch plants to take on higher-level functions and use more local sourcing. In this vision, therefore, the local institutional environment is important to ensuring continued investment from MNCs.

Equally, the processes of spatial and organisational fragmentation of production have encouraged a stream of research around the concept of global production networks (GPNs, e.g. Coe *et al.*, 2004, 2008; MacKinnon, 2012). The GPN literature has as its unit of analysis 'the globally organised nexus of interconnected functions and operations by firms and non-firm institutions through which goods and services are produced and distributed' (Coe *et al.*, 2004: 471). Among other goals, it seeks to analyse how places 'slot into' such networks, with regional development being seen as dependent on the existence of localised economies of scale and scope, and on configurations of institutions capable of 'holding down' (or embedding) parts of GPNs.

These processes of spatial and organisational fragmentation, and hence the development of increasingly complex GPNs, have taken a number of forms, from the modular production that developed with the outsourcing of branded footwear and apparel to low-wage countries (Lane and Probert, 2006), to the far more complex combinations and recombinations of competencies that take place within and around manufacturers in complex manufacturing (Rutherford and Holmes, 2008; for an empirical example see Coe *et al.*, 2004). Empirical evidence on supply chain firms following their client firms to new countries, and co-locating capacity, is significant both to a discussion on the spatial concentration of globalising firms (Herrigel and Zeitlin, 2011), and subtly alters the likely relationship between pressures for global uniformity and differentiation within international HR.

The GPN framework is (perhaps inevitably) complex, and not particularly easy to convert into specific propositions concerning IHRM. However, it does, in our view, imply that analysts of IHRM who investigate specific subsidiaries or units need to have a much more rounded understanding of, and predicate their analysis on, an understanding (and indeed questioning of) why an MNC has invested resources into a specific place. Treating human resources and locations as downstream from business decisions is clearly not always accurate.

Clusters

There is a very large geographical literature on clusters and other localised concentrations of economic activity. Obviously, some concentrations of economic activity are to do with access to natural resources (the locations for specific industries can historically often be traced to ports, access to rivers, climate, etc.), with proximity to markets, or sometimes with localised fiscal advantages. However, the contemporary literature on clusters is essentially based on the assumption that knowledge and innovation are fundamental elements of contemporary competition.

To the extent that this is the case, many (although not all) economic geographers argue that the diffusion and management of knowledge is considerably aided by spatial proximity, given the perceived advantages of geographical proximity to the transmission of tacit knowledge in particular, through shortened cognitive distance, common 'language', shared cultural understandings, easy observation, face-to-face interaction, and the possibility of higher degrees of trust (e.g. Malmberg and Maskell, 2002). This, in a sense, is the 'other side of the coin' to the literature within IHRM and international management on attempts to overcome the liability of distance in tacit knowledge transmission (Kogut and Zander, 1993). It is, in our view, true that some of the tacit knowledge literature in geography seriously underestimates the ability of MNCs to develop mechanisms for the production and transmission of tacit knowledge across their

operations, as some geographers (e.g. Bunnell and Coe, 2001), have themselves argued. There is a clear divergence of interest between host locations, which seek to embed the transmission of tacit knowledge within a local environment, and MNCs, which generally have an interest in embedding such flows globally within the firm. Nevertheless, those interested in how MNCs attempt to leverage knowledge as a competitive advantage across their geographically dispersed operations would be aided by engaging more seriously with how flows of knowledge are (partially) embedded at multiple levels, such as the organisation, local geographies and the wider production network. Econometric analysis tends to confirm that regional economic ecosystems are of key importance to location decisions in knowledge-intensive parts of value chains (e.g. Crescenzi *et al.*, 2013). Even where knowledge flows are primarily within the global firm, they are likely to remain at least partially dependent on the possibilities and supports offered by national and regional business systems (Gertler, 2003; Lam, 2000). In this endeavour, the section of the IHRM literature which focuses explicitly on problematising transfer (e.g. Morgan *et al.*, 2001; Ferner *et al.*, 2012) can make a substantial contribution.

Competition within global production networks

Examining host effects has long been central to IHRM's understanding of processes of transfer and diffusion of HR policies. In this light, it is worth entering into slightly more detail on how the broad nature and locations of host effects have shifted in the context of contemporary globalisation introduced above.

First, the fragmentation of production means a relative decline of 'branch plants' that replicated production overseas for a foreign market, which at the time IHRM emerged as a separate academic field had been the dominant form of organisation in the MNC manufacturing sector (whereas where 'replication for market access' now occurs, it is frequently in the service sector). Increasingly, subsidiary units are required to compete for global or at least supra-national mandates in order to secure repeat and additional investment. Increased flexibility of the organisational and geographical location of parts of the overall productive systems of the most powerful firms has encouraged public policy actors to provide supports in continuous, active processes of competition, as well, often, as integrating social actors within this. There are clearly high-road and low-road strategies that places may follow in this regard. But the relatively tailored supports to individual subsidiary units of the kind that would appear to be necessary for success in this kind of competition go beyond the more generalised resources/avoidance of constraints that are readily able to be built at the national level in many cases (the size of countries is of course an issue here, nationwide strategies on behalf of public policy actors have more prospect of success in, say, Ireland, than they would in a larger country). Thus,

> processes of reregionalisation and embedding come about because lead manufacturers develop component supply chains in the surrounding region and secure provision of required 'hard' and 'soft' infrastructures – for example, via state investments in transport, telecommunications and IT networks and developing capacity for training required labour, often in collaboration with state organisations.
>
> (Hudson, 2003: 219)

This can create what has been referred to as a 'state-MNE nexus' (Phelps and Fuller, 2001), in which the polity in a location becomes recruited, not just into the general needs of global liberal competition, but to the specific needs of individual subsidiary units of MNCs.

Varying geographies of 'context'

While the corporate actors in global production networks obviously have powerful reasons to find ways of producing, transmitting and embedding knowledge across national borders, the literatures introduced above suggest an often substantial degree of co-dependence between actors in specific global production networks and the business systems of the territories in which they are located. For those in IHRM who extend their analyses to the effects of the decisions of actors outside the firm, this represents a substantial potential area for analysis.

However, this requires a more rounded geographical understanding of the relations between MNC subsidiaries and their hosts. In general, within IHRM, the potential effects of the sub-national context, that is, local and regional labour markets, the governance of these, and the ways that MNCs and their units interact with them, largely escape analysis (Almond, 2011b).

In some countries, there is formal subnational variation in the nature of business and employment regulation, either generally or as applied to foreign direct investors. The best known examples are probably the differences in workplace-level industrial relations regulation in the USA between those states that continue to apply New Deal type regulation and those that pursue anti-union 'Right to Work' legislation. The attraction of productive investment from multi-nationals is an important part of the justification for the latter approaches. One could also mention the differences between Quebec and the rest of Canada, not only in IR but also, and perhaps more importantly, in wider economic development approaches – indeed, our own research and that of others questions whether Quebec should logically be seen as the same 'variety of capitalism' (Bélanger and Trudeau, 2007; Almond *et al.*, 2014) as the rest of Canada. To a somewhat lesser extent, differences in the political orientations of Spanish regions have impacts on how far active economic coordination is pursued, with effects on the nature of the 'state-MNE nexus' and its membership, with trade unions, for example, being recognised as a meso-corporatist actor in some places but not in others (Gonzalez *et al.*, 2013). Equally, prominent economic geographer Jamie Peck (Zhang and Peck, 2014) has recently posited the existence of a number of different variants of capitalism across provinces of China. The existence of 'Special Economic Zones' or Export Processing Zones in a large number of developing and transition economies also represent significant sub-national variation in regulation (cf. Hammer, 2010).

It has indeed frequently been argued by economic geographers, taking their lead from political economists such as Jessop, that the changing orientation of the state with respect to economic competition (see above) has gone hand in hand with the 'hollowing out' of the national state, and the increasing importance of both sub-national and supra-national levels: competition policy, and attempts to secure stable macro-economic conditions move towards supra-national institutions, while the provision of an adaptable supply side infrastructure is increasingly devolved to local levels. Although we have previously argued about the inevitability of this (Almond, 2011b), it is nevertheless true that substantial elements of the institutional infrastructure around MNC units (the coordination of relations between firms, universities and other research organisations, training systems, etc.) may be reconstituted at more local levels. This is because the sort of flexible, responsive capacity building needed to develop innovative productive capacity is seen as easier to achieve at relatively local levels (Hall and Hubbard, 1998; Mudambi, 1998). In other words, if subsidiary units need things 'tailoring', such as particular public training efforts, or attempts to upgrade local supply networks, it is often very much easier to do this through relatively local level arrangements. This does not necessarily involve formal regulation moving downwards in geographical level; rather, formal regulation is increasingly supplemented or replaced by a complex web of (often private) institutions and intermediaries at more local levels (Rutherford and Holmes, 2013; Brenner, 2003). In other words, how institutions actually affect

subsidiary units of MNC is frequently a matter for relatively informal negotiations, involving institutions such as development agencies and a wide range of skills sector actors (Almond *et al.*, 2012; Kelly, 2001).

HRM's effects on location?

It remains the case that FDI is unevenly distributed within as well as between nations, with particular places being more likely to attract certain kinds of investment, whether this is to do with recent cluster policies of public policy actors, existing factor endowments deriving from the historical presence of certain kinds of production, or cheaper cost/light regulation/ease of retention of labour.

Discussions of MNC location are not common in the IHRM literature (Cooke, 2001). Yet if relatively mobile MNCs seek locations with unique or scarce combinations of resources (Knoben, 2011), drawn among other things from the human resources available either directly to them or to other local firms with which they interact, human resources may become an important driver in MNC decision making.

For example, Elger and Smith's work (2005) on Japanese MNC units shows clearly that their peripheral employment relationships in the UK were facilitated by low unionisation and lack of alternative employment in the relevant local labour market. Lee (2003) finds similar processes at work in the Korean auto sector. Similarly, greenfield inward investors who initially opted for higher-road variants of non-unionism in the UK often located in areas remote from the traditional patterns of British employment relations (Hudson, 1994). Equally, it is clear that major decisions on inward investment have sometimes been motivated by a desire to take advantage of formal intra-national differences in industrial relations regulation, or low wages in local labour markets. This can be seen, for example, in the southwards shift (both to the southern states of the USA and to Mexico) of auto production in the NAFTA free trade area.

As well as avoiding host country 'constraints' through strategic subnational location, the arguments of this chapter imply that MNCs may attempt to use localised resources, such as those derived from skills institutions, R&D infrastructures, and the presence of localised clusters of competent firms to engage as suppliers. Such resources are domains in which localities and regions, particularly in older industrialised countries, often compete for FDI. Yet while advantages deriving from embeddedness in national institutions are sometimes mentioned in that part of the IHRM literature which deals with comparative business systems and varieties of capitalism, local advantage is rarely touched upon. There is a fairly substantial literature within the general international management literature on how individual subsidiaries and units hope to create competitive advantage and develop autonomous business strategies (e.g. Williams and Lee, 2011; Verbeke and Yuan, 2013), and attract mandates. In attempting to do this, subnational institutions have often been seen as central to the creation of networks of innovation, both in producing capacity for the production and absorption of tacit knowledge (Cohen and Levinthal, 1990), and in fostering 'skills ecosystems' (Finegold, 1999), which can respond flexibly to qualitative as well as quantitative changes in the demand for human resources.

While for qualifications below university level, formal skills and qualification *systems* are often largely determined at national level, the skills *ecosystem* is much more likely to vary locally and regionally, in response to labour market histories, the sectoral composition of the workforce, and the degree to which local actors have formed productivity coalitions in areas of sectoral concentration (cf. Asheim, 1996; Finegold, 1999). More autonomy and more variation are often present at the level of higher education institutions, which strongly shape the knowledge 'offer', or, in other words, the direct or indirect supply of human resources available within the local

geography, both in terms of the competencies of graduates and in the capacity for the joint creation of exploitable knowledge through research activities. Universities that attract students from outside the region also expand the labour market for well-paying firms located within their labour market area. Large MNC units are likely to have a role in shaping the demand for qualifications, and may seek to shape its nature, both through looking for tailored skills solutions, and more indirectly through the production and work organisation requirements they may place on local suppliers.

With locations throughout the world competing for inward investment, the most highly sought after and defended investment is the embedded high skilled MNC unit. Here, the local operation's competitiveness is dependent on strategic links with local knowledge actors, such as technology-based clusters, universities, and so on. Senior managers in such subsidiary units are, following the logic of the RBV in IHRM, likely to have relatively high degrees of autonomy in certain areas of HR, such as work organisation and skills development, and local initiative in dealing strategically with local and national institutional actors in the sphere of workplace governance is more likely to be tolerated or encouraged.

However, a high degree of skill or qualification does not always equal high degrees of interaction with local actors or subsidiary unit autonomy. As indicated above, strong local embeddedness for knowledge-based firms is not necessary (or, from a management perspective, desirable), if the relevant knowledge system can economically be self-contained within the MNC (Bunnell and Coe, 2001). Thus in some sectors – from our own research in this area, pharmaceuticals research appears to be a case in point – any local 'embeddedness' is likely to be more about the relative attractiveness of the locality as a place to live (can highly qualified scientists, etc. be attracted to the location), than about institutionalised business system factors. The presence of competent graduates from local universities remains useful, but may not in this case be essential.

Equally, it is wrong to suppose that a lower level of skill necessarily implies a lack of embeddedness. Clearly, there is a degree of MNC investment which is tied to location for market or regulatory reasons but in which labour market infrastructures, beyond cost concerns or the avoidance of host country (or location) constraints are fairly unimportant. Utility firms are a case in point here. However, large manufacturers, in particular, may well see the human resources available on local labour markets as crucial to the competitiveness of the unit, and may take an active role with outside actors in ensuring their reproduction. Importantly, the creation and maintenance of the relevant skills ecosystem may well comprise employees outside the firm (implying engagement with local supply chain actors, perhaps mediated by broader sectoral skills initiatives within the locality, to the extent that the local and national business systems encourage these) as much as inside the firm. In terms of transfer, these moves may be about ensuring an optimal adaptation to a productive system imposed by foreign headquarters, often in competition with other units of the same MNC – this is most obviously the case in American-owned auto manufacturers, with their strategic use of excess capacity to promote inter-unit competition for reinvestment. Again, the attraction, and above all (because real rather than notional jobs are involved) the retention of such firms is likely to be highly desirable to the state, at national and particularly more local levels. This is perhaps particularly the case in old industrial regions and areas of limited employment opportunities for the non-graduate workforce. The role of development agencies and the significance of remaking local labour markets for semi-skilled work feature prominently, for example, in the account of Elger and Smith (2005) of Japanese inward investment in the new town of Telford, UK.

Thus the degree of mobility of investment, and the possibility that subsidiaries might have to bid for investment higher up the value chain, are important factors. Previous work has shown

that where MNC units bid for new investment, cooperation with subnational governance actors often becomes strategic at unit level (Phelps and Fuller, 2001). Where MNC units are compelled by international competition within the firm, and enabled by the decision-making structure of their parent MNCs, to attempt to consolidate their position by taking higher positions within global value chains, the presence of adaptable local skills infrastructures becomes critical. Where parent MNCs encourage such 'bidding' processes, they move beyond 'regime shopping' (the avoidance of 'negative' host country effects; cf. Streeck, 1997) and are in effect 'resource shopping'; in other words, subsidiary units seek out positive host economy effects as much as avoiding negative ones. Paradoxically, then, more mobile MNC units may, all else being equal, be more rather than less likely to actively seek to embed their own human resource advantages in sub-national business systems than in cases where investment is relatively immobile owing to the need to be close to product markets or raw materials, or owing to sunk costs. However, the volatility of such investment, as explored, inter alia, by Dawley (2007), is clearly not without its own problems of stability; in particular, plants that close after a short lifetime, after having recruited largely from other local firms, may have considerable negative implications on local and regional labour markets.

In this context, it becomes highly problematic to the analysis of host effects in IHRM if investigations of how human resources are obtained and deployed in MNCs do not go beyond looking at national cultural or institutional arrangements. A fuller appreciation of how host units are shaped by resources and constraints in particular locations, how such resources/constraints enable or impede the transfer of organisational practices, and/or how they shape the ways in which MNCs segment the organisation of human resources both within the firm and in its wider production network requires the relations between units and sub-national governance structures and actors to be taken into account.

Conclusion

The core argument of this chapter, and where we believe that geographically informed literature has made more progress that most work within IHRM, is that, in thinking about human resource management within MNCs, we need to think much more carefully about where MNCs choose to locate. The logics of MNCs' approaches to human resources should be predicated on what precisely they are trying to achieve in particular locations; this includes the extent to which subsidiary unit managers are likely to have autonomy over decision making. In short, if we do not understand as fully as possible why a firm has located in a particular national and local location, we are unlikely to understand fully its human resource management orientations or the processes of negotiation over HRM between subsidiary and headquarters managers.

While the IHRM literature is often tied into debates about convergence under globalisation, it has not, in our view, entirely appreciated how globalising and liberalising processes have reconfigured the relations between MNCs and their host economies. In a world where virtually every location has expended considerable public effort into attracting FDI, and where locations which have hitherto been better known for labour cost advantage are making sustained efforts to upgrade production, IHRM needs to reopen the question of what the host environment (national and local) means to the MNC. An engagement with the ways in which economic geography deals with global/local relations in the contemporary economy can help provide us with frameworks in this regard. More broadly, understanding location and labour markets on a case by case basis – what is this firm doing here, what is the scale of the labour market it is drawing from, and to what extent can labour market resources aid the local unit's competitiveness

– represents a significant research agenda which can better link IHRM into a more adequate treatment of international business studies as a whole.

Acknowledgements

References

Almond, P. (2011a) Revisiting 'country of origin' effects on HRM in multinational corporations, *Human Resource Management Journal*, 21, 3, 258–271.

Almond, P. (2011b) The sub-national embeddedness of international HRM, *Human Relations*, 64, 4, 531–551.

Almond, P., Ferner, A. and Tregaskis, O. (2012) The changing context of regional governance of FDI in England, *European Urban and Regional Studies*, DOI: 10.1177/0969776412459861.

Almond, P., Gonzalez Menendez, M. Gunnigle, P., Lavelle, J., Balbona, D. L., Monaghan, S. and Murray, G. (2014) Multinationals and regional economies: Embedding the regime shoppers, *Transfer*, 20, 2, 237–253.

Asheim, B. (1996) Industrial districts as 'learning regions': A condition for prosperity, *European Planning Studies,* 4, 379–400.

Bartlett, C. A. and Ghoshal, S. (1989) *Managing Across Borders: The Transnational Solution*. Cambridge, MA: Harvard Business School Press.

Bélanger, J. and Trudeau, G. (2007) Le cadre réglementaire en matière d'emploi: L'industrie manufacturière québécoise en contexte d'intégration économique, *Relations Industrielles* 62, 3, 433–465.

Bloom, M., Milkovich, G. and Mitra, A. (2003) International compensation: Learning from how managers respond to variations in local host contexts, *International Journal of Human Resource Management*, 14, 8, 1350–1367.

Brenner, N. (2003) Urban governance and the production of new state spaces in Western Europe, 1960–2000, *Review of International Political Economy*, 11, 447–488.

Buckley, P. J. and Ghauri, P. N. (2004) Globalisation, economic geography and the strategy of multinational enterprises, *Journal of International Business Studies*, 35, 2, 81–98.

Bunnell, T. and Coe, N. (2001) Spaces and scales of innovation, *Progress in Human Geography*, 25, 4, 569–589.

Castree, N., Ward, K. and Sammers, M. (2004) *Spaces of Work: Global Capitalism and the Geographies of Labour*. London: Sage.

Coe, N. (2013) Geographies of production III: Making space for labour, *Progress in Human Geography*, 37, 2, 271–284.

Coe, N., Hess, M. and Yeung, H. (2004) 'Globalizing' regional development: A global production networks perspective, *Transactions of the Institute of British Geographers*, 29, 468–484.

Coe, N. Dicken, P., and Hess, M. (2008) Global production networks: Realizing the potential. *Journal of Economic Geography*, 8, 3, 271–295.

Cohen, W. and Levinthal, D. (1990) Absorptive capacity: A new perspective on learning and innovation, *Administrative Science Quarterly*, 35, 1, 128–152.

Collings, D., Scullion, H. and Morley, M. (2007) Changing patterns of global staffing in the multinational enterprise: Challenges to the conventional expatriate assignment and emerging alternatives, *Journal of World Business*, 42, 2, 198–213.

Cooke, P. (2001) Regional innovation systems, clusters, and the knowledge economy. *Industrial and Corporate Change*, 10, 4, 945–974.

Crescenzi, R., Pietrobelli, C. and Rabellotti, R. (2013) Innovation drivers, value chains and the geography of multinational corporations in Europe, *Journal of Economic Geography*, DOI: 10.1093/jeg/lbt018.

Dawley, S. (2007) Making labour market geographies: volatile 'flagship' inward investment and peripheral regions, *Environment and Planning A*, 39, 1403–1419.

Edwards, T. (1998) Multinationals, labour management and the process of reverse diffusion, *International Journal of Human Resource Management*, 9, 4, 696–709.

Edwards, T. and Kuruvilla, S. (2005) International HRM: National business systems, organizational politics and the international division of labour in MNCs, *The International Journal of Human Resource Management*, 16, 1–21.

Elger, T. and Smith, C. (2005) *Assembling Work*. Oxford: Oxford University Press.

Ferner, A., Almond, P., Clark, I., Colling, T., Edwards, T., Holden, L. and Muller-Camen, M. (2004) Dynamics of central control and subsidiary autonomy in the management of human resources: Case-study evidence from US MNCs in the UK, *Organization Studies*, 25, 3, 362–391.

Ferner, A., Edwards, T. and Tempel, A. (2012) Power, institutions and the cross-national transfer of employment practices in multinationals, *Human Relations*, 65, 2, 163–187.

Fichter, M., Helfen, M. and Sydow, J. (2011) Employment relations in global production networks: Initiating transfer of practices via union involvement, *Human Relations*, 64, 4, 599–622.

Finegold, D. (1999) Creating self-sustaining, high-skill ecosystems, *Oxford Review of Economic Policy*, 15, 60–81.

Gertler, M. (2003) Tacit knowledge and the economic geography of context, or the undefinable tacitness of being (there), *Journal of Economic Geography*, 3, 75–99.

Gonzalez, M. Almond, P. and Luque, D. (2013) Multinationals and the governance of employment systems: Evidence from Spanish regions, European Congress of the International Labour and Employment Relations Association (ILERA), Amsterdam, 20–22 June.

Hall, T. and Hubbard, P. (1998) The entrepreneurial city: New urban politics, new urban geographies? *Progress in Human Geography*, 20, 2, 153–174.

Hammer, A. (2010) Trade unions in a constrained environment: Workers' voices from a New Industrial Zone in India, *Industrial Relations Journal*, 41, 2, 168–184.

Herod, A. (2001) *Labor Geographies: Workers and the Landscapes of Capitalism*. New York: Guilford.

Herrigel, G. and Zeitlin, J. (2011) Interfirm relations in global manufacturing: Disintegrated production and its globalisation. In G. Morgan, J. Campbell, C. Crouch, P. Kristensen, O. Pedersen and R. Whitley (eds), *The Oxford Handbook of Comparative Institutional Analysis*. Oxford: Oxford University Press.

Hudson, R. (1994) The Japanese, the European market and the automobile industry in the United Kingdom. In R. Hudson and E. Schamp (eds) *Towards a New Map of Automobile Manufacturing in Europe? New Production Concepts and Spatial Restructuring*. Berlin: Springer, 63–91.

Hudson, R. (2003) Global production systems and European integration: De-regionalizing, re-regionalizing and re-scaling production systems in Europe. In J. Peck and H. Yeung (eds) *Remaking the Global Economy*. London: Sage, 216–229.

James, A. and Vira, B. (2012) Labour geographies of India's new service economy, *Journal of Economic Geography*, 12, 4, 841–875.

Jessop, B. (1993) Towards a Schumpetarian workfare state? Preliminary remarks on Post-Fordist political economy, University of Lancaster.

Kelly, P. F. (2001) The political economy of local labor control in the Philippines, *Economic Geography*, 77, 1–22.

Knoben, J. (2011) The geographic distance of relocation search: An extended resource-based perspective, *Economic Geography*, 87, 371–392.

Kogut, B. and Zander, U. (1993) Knowledge of the firm and the evolutionary theory of the multinational corporation, *Journal of International Business Studies*, 24, 625–645.

Kristensen, P.-H. and Zeitlin, J. (2005) *Local Players in Global Games*. Oxford: Oxford University Press.

Kujawa, D. (1979) The labour relations of the United States multinationals abroad: Comparative and prospective views, *Labour and Society*, 4, 1, 3–25.

Lam, A. (2000) Tacit knowledge, organizational learning and societal institutions: An integrated framework, *Organization Studies*, 21, 487–513.

Lane, C. and Probert, J. (2006) Domestic capabilities and global production networks in the clothing industry: A comparison of German and UK firms' strategies, *Socio-Economic Review*, 4, 1, 35–67.

Lee, Y.-S. (2003) Lean production systems, labor unions, and greenfield locations of the Korean new auto assembly plants and their suppliers, *Economic Geography*, 79, 321–339.

MacKinnon, D. (2012) Beyond strategic coupling: Reassessing the firm-region nexus in global production networks, *Journal of Economic Geography* 12, 227–245.

Majek, T. and Hayter, R. (2008) Hybrid branch plants: Japanese lean production in Poland's automobile industry. *Economic Geography*, 84, 333–358.

Malmberg, A. and Maskell, P. (2002) The elusive concept of localization economies, paper presented at AAG Annual Conference, New York, Feb 27–Mar 3.

Martinez Lucio, M. (ed.) (2014) *International Human Resource Management: An Employment Relations Perspective*. London: Sage.

Morgan G., Kristensen, P. H. and Whitley, R. (2001) *The Multinational Firm: Organizing Across Institutional and National Divides*. Oxford: Oxford University Press.

Mudambi, R. (1998) The role of duration in multinational investment strategies, *Journal of International Business Studies*, 29, 2, 239–262.

Munck, R. (2010) Globalisation and the labour movement: Challenges and responses, *Global Labour Journal*, 1, 218–232.

Phelps, N. A. (1993) Branch plants and the evolving spatial division of labour: A study of material linkage change in the northern region of England, *Regional Studies*, 27, 2, 87–102.

Phelps, N. A. and Fuller, C. (2001). Taking care of business: aftercare and the state–multinational enterprise nexus in Wales, *Environment and Planning C*, 19, 6, 817–832.

Phelps, N. A., Mackinnon, D., Stone, I. and Braidford, P. (2003) Embedding the multinationals? Institutions and the development of overseas manufacturing affiliates in Wales and north east England, *Regional Studies*, 37, 1, 27–40.

Rocha, R. (2009) The impact of cross-border mergers on the decision-making process: The case of a Danish company, *Economic and Industrial Democracy*, 30–3, 484–508.

Rosenzweig, P. M. and Nohria, N. (1994). Influences on human resource management practices in multinational corporations, *Journal of International Business Studies*, 229–251.

Rutherford, T. and Holmes, J. (2008) 'The flea on the tail of the dog': Power in global production networks and the restructuring of Canadian automotive clusters, *Journal of Economic Geography*, 8, 4, 519–544.

Rutherford, T. and Holmes, J. (2013) (Small) differences that (still) matter? Cross-border regions and work place governance in the Southern Ontario and US Great Lakes automotive industry, *Regional Studies*, 47, 1, 116–127.

Schuler, R. S., Dowling, P. J. and De Cieri, H. (1993) An integrative framework of strategic international human resource management, *Journal of Management*, 19, 2, 419–459.

Streeck, W. (1997) Industrial citizenship under regime competition: The case of the European works councils, *Journal of European Public Policy*, 4, 4, 643–664.

Taylor, S., Beechler, S. and Napier, N. (1996) Toward an integrative model of strategic international human resource management, *Academy of Management Review*, 21, 4, 959–985.

Verbeke, A. and Yuan, W. (2013) The drivers of multinational enterprise subsidiary entrepreneurship in China: A new resource-based view perspective, *Journal of Management Studies*, 50, 236–258.

Williams, C. and Lee, S. H. (2011) Political heterarchy and dispersed entrepreneurship in the MNC, *Journal of Management Studies*, 48, 1243–1268.

Zhang, J. and Peck, J. (2014) Variegated capitalism, Chinese style: Regional models, multi-scalar constructions, *Regional Studies* (ahead-of-print), DOI: 10.1080/00343404.2013.856514.

Zhou, Y. and Xin, T. (2003) An innovative region in China: Interaction between multinational corporations and local firms in a high-tech cluster in Beijing, *Economic Geography*, 79: 129–152.

6

International production, global governance and IHRM

Nigel Haworth and Stephen Hughes

Introduction

The global environment has changed substantially. The financial crisis, economic internationalisation, regionalisation and trade integration have been important factors in configuring domestic and international responses to these changes. While domestic markets are central to our understanding of development, patterns of production, value added and consumption transcend national boundaries. By nature of their outsourcing networks, employment structures and transcending national boundaries, global production networks (GPNs) and global value chains (GVCs) challenge traditional reference points in the practice of human resource management and the enforcement of internationally agreed labour standards. What emerges is not just a need to understand why national regulatory frameworks are being reconfigured but how the politics of employment and labour protection transcend borders to re-establish the state and public responsibility as a central concern in our understanding the rights and management of labour.

This is illustrated in recent interviews conducted with the employer party in the International Labour Organisation (ILO). An employer representative much experienced in the ILO and in the leadership team of a major global corporate, stated flatly and uncompromisingly that global firms could no longer avoid engagement with international labour standards, especially those associated with the ILO's core principles (interview ILO, June 2013). Engagement is, in this view, not a choice, but a necessity, for several reasons. One is the expectations of consumers. Another is mutual expectations by participants in supply chains. A third is government expectations in host economies. A fourth is executive preference and commitment. Not all global corporates are as explicit as this about the impact of expectations associated with global labour standards (and some seek to avoid the issue altogether), but any casual assessment of corporate social responsibility (CSR) commitments embodied in corporate business strategies and web pages will frequently throw up references to ILO core standards and similar measures of ethical or responsible behaviour.

Such prominence, at least formally, of ILO and similar standards reflects a sea change in the regulation of labour in a globalising world. That sea change reflects the increasingly complex relationship between, first, national employment relations (ER) systems and supra-national and international regulation, and, second, domestic production arrangements and the now established

integrated global form, the global value chain (GVC). Whilst domestic ER systems remain a vital and dynamic context in which labour regulation occurs (a context itself effected by international forces for change), the scope and dynamism of global production integration has placed ever greater emphasis on supra-national (for example, European union (EU)-type regional) and international regulation, by companies, individually or in concert, and by states in coordinated action. ILO and similar standards have come to play a central role at both national and international levels of individual and networked company activity.

Much has occurred in the last three decades which challenges us to understand the contemporary context of global labour regulation in terms of both theory and empirical analysis. This chapter provides an interpretation of global regulation as currently configured, starting in this case from the particular perspective of the international human resource management literature. It places particular emphasis on the adequacy of interpretive frameworks for understanding contemporary global regulation of labour. It concludes with a commentary on challenges that follow for the field of IHRM.

The evolution of IHRM in brief

Like other academic studies, IHRM came to the impacts of economic internationalisation and, later, globalisation, late in the day and in uneven fashion. International business arrangements after the Second World War ranged ahead of academic understanding of their dynamism. IHRM grew out of the emergence of HRM, itself a movement on from the world of personnel management (PM). HRM extended the personnel role beyond the limits imposed by the PM tradition, eventually claiming a strategic role for HRM in company development. The international dimension of HRM subsequently emerged in the context of the multinational enterprise (MNE). A long-established focus on the management of expatriate staff across MNE operations was complemented by a sustained interest in the cross-cultural challenges involved in working internationally. The strategic aspect of HRM combined with the MNE-focused study of expatriation in the international business strategy literature. This further emphasised HRM in the MNE and became a core feature of IHRM. Alongside IHRM emerged a parallel interest in comparative HRM (CHRM), the former looking at how companies manage people internationally, and the latter at how national contexts influence HRM practices. In time, the two have come together as company strategies and national contexts combine to determine company HR strategy (though disciplinary boundaries are often defended). The unit of study for IHRM was, and is, in general, the company, and the approach adopted traditionally tended to unitarism and a North American bias.

Orthodox versus radical tensions

Changing contexts have produced tensions with IHRM between the narrower, traditional focus on MNEs and their staffing arrangements, and a broader focus, which takes on board broader institutional and contextual factors affecting HRM. Whilst all commentators accept that IHRM has developed substantially since its origins in the 1980s, there remain those who see IHRM primarily as an adjunct to international business, and those who wish to move away from the MNE (and the company itself) as the main focus to a wider framework that engages with economic, political, institutional geographical and organisational factors. The latter tradition adopts what might be described as a 'political economy' of IHRM, which engages positively with critical traditions in HRM and beyond.

This contrast is illustrated well in the comparison of two recent contributions to the IHRM literature. Scullion *et al.* (2007) introduce a special issue of the *Human Resource Management Journal* with a specific reference to the dynamic and evolving world of IHRM, and then move to issues that they consider to be the 'most significant' for the discipline. The issues are an eclectic mixture of four. The first is the 'changing landscape of international business', which, for Scullion *et al.*, has been marked by new destinations for foreign direct investment (FDI), such as Eastern Europe and the developing Asian economies. Related issues include distance and MNC strategic choice, and MNEs and the trans-border transmission of ideas, knowledge and value systems. A second issue is the impact of global terrorism and its impact on international business. A third is changing career structures in MNEs, and the fourth is changing patterns of global staffing, again for MNEs and international business.

In contrast, Delbridge *et al.* (2011) propose a far more radical and challenging agenda for contemporary IHRM. Their target is multifold – the narrow focus on the MNE and company, a similarly narrow focus on practitioner behaviours, and the 'managerialism' (unitarism) of the IHRM discourse. They propose instead breadth and depth of focus – the wider economic, organisational, political and institutional contexts, a 'societally embedded' approach and a specific engagement with critical HRM. They propose a 'theoretical framing' to deliver this broader analysis. At the national level, they propose the varieties of capitalism (VoC) approach as an antidote to the 'universalist paradigm' and convergence of traditional IHRM. They also propose a focus on sectoral and regional analyses, able to capture and understand the complex texture of IHRM traditions and practices. Second, they promote what they describe as 'multi-level analysis' of IHRM, in which IHRM develops theoretical understanding and empirical practice that integrates insights from the workplace, company level, national and supranational contexts, including a specific focus on institutional factors. Third, they argue for an extended version of Smith and Meiksins' system, society and dominance (SSD) model (Smith and Meiksins, 1995), which, they aver, permits the integration of national and international business contexts in a multi-level, multi-actor analysis that comprehends institutional arrangements and actors at all levels. We will return to the SSD model later.

The contrast between the two pieces captures a twofold intellectual dilemma that marks many disciplines as they confront a changing and globalising world. On the one hand, disciplines seek to protect their intellectual territory against encroachment from other disciplines. Whilst rhetorics of interdisciplinarity and cross-disciplinarity are recognised, disciplines tend to protect their 'turf' for institutional, professional and epistomological reasons. On the other, globalisation imposes new challenges on disciplines that have operated in traditional geographical and institutional frameworks. Thus, for example, the decline (but not demise) of the nation-state, and the concomitant rise of supra-regional (EU-type) and global regulatory regimes poses important challenges to disciplines in terms of geographical scope, institutional arrangements and concepts. We can see this clearly in the Scullion *et al.* piece. They, both implicitly and explicitly, wish to preserve a traditional view of IHRM as an effect of the MNE and its HR strategies, whilst also, tentatively, recognising that the context in which MNEs operate is changing (hence the reference to a changing landscape for international business and what is a vicarious choice of international terrorism as a new contextual factor for international business). One can observe an exquisite tension in this piece, between a desire to remain orthodox and in a heartland tradition, and also recognise that the orthodoxy is under assault and must change. The effect is, in the end, tentative and conservative.

Delbridge *et al.* are more radical. They specifically attack the narrow, traditional focus on the MNE and its HR strategies. They suggest, first, that the traditional narrow view is managerialist. This is inevitably true, for that tradition has emphasised management drivers, practices

and decision-making to the exclusion of any serious engagement with counter views, especially those emerging from organised labour. Not surprisingly, this lacuna is often identified with a strong North American tradition within the orthodoxy. They also attack the focus on the MNE as an organisation, to the exclusion of wider political, economic and institutional factors. They argue that 'societal embeddedness' must be taken into account if we are to understand IHRM.

Delbridge *et al*. then propose a new, broader agenda for IHRM. That agenda is developed in what at first glance appears to be a radical departure from the IHRM orthodoxy, but which, on reflection, is less a radical departure and more an updating or upgrading of IHRM to meet the intellectual developments taking place in other disciplines. This is evident in the references to the varieties of capitalism (VoC) argument and the SSD model. The choice of these two approaches is understandable. The VoC argument provides a framework for understanding national differences in economic strategy, and the consequences of such difference for economic policy settings, firm strategy, employment relations, social and political accommodations and much more. Its adoption requires IHRM to understand complex, differentiated national contexts. Smith and Meiksin's SSD model is invoked to provide a cross-national, international complement to the VoC model. The key elements of the SSD approach recognise the systemic and supra-national nature of capitalism, the 'embeddedness' of business practices in social contexts, and a reality in which 'dominance effects' allow some economies to garner greater power than others, as do some business organisations (MNEs). For Delbridge *et al*., the SSD model:

> Provides the basis for multi-level, multi-actor analysis as the influence of dominant institutional norms and conventions promoted by multiple actors in the organizational field – including regulatory organizations, trade unions, consultancies, the business press, education and training organizations and charities, as well as MNEs – may be observed at global, national, sub-national and/or industry sector levels.
>
> (2011, p. 497)

What does the combination of the VoC and SSD models offer IHRM? According to Delbridge *et al*., it extends IHRM beyond the enterprise, managerialism and a narrow IHRM orthodoxy. Instead, it offers IHRM a way forward that understands spatial institutional and theoretical complexity, the interplay of multiple contexts, and the importance of actor agency.

Delbridge *et al*.'s is a very different approach from that of Scullion *et al*. However, despite appearances, there are important similarities. For example, there is an abiding interest in Delbridge *et al*. in the MNE as it operates in a multi-level context. The invocation of a complex multi-level analysis has not eroded entirely the priority given to the MNE in IHRM. This is an important point, for, whilst it might be argued that without the MNE as a locus of analysis the 'HRM' dimension of IHRM loses a traditional anchor point, the implication of a multi-actor, multi-level analysis is that for some actors in some contexts, the MNE is conceived by IHRM as less important, or as different from the traditional view attached to the institution. Implicit in Delbridge *et al*. is the need for a break with the defining role attributed to the MNE in IHRM, yet the making of that break appears to be a step too far.

A second feature of Delbridge *et al*.'s argument is its tacit acceptance that IHRM has failed to develop within its disciplinary space a critical framework to challenge its dominant tradition, and that new beginnings require an appeal to developments in other disciplines. This is a well-trodden path, but it begs the question why VoC and SSD are invoked, rather than other alternative frameworks? One obvious explanation is contingent popularity. The VoC approach was much in vogue in the first decade of the 2000s, and is a very helpful model for prising apart the IHRM orthodoxy. It also offers the advantage of key themes, which articulate well with a broader

interpretation of IHRM. The adoption of the SSD approach may offer similar advantages, yet it is more problematic, for we have on offer a far wider set of analyses – in international relations, the regulation tradition, the emergent GVC literature, for example – of globalisation and its sub-global implications, many of which would be equally serviceable for Delbridge *et al.*'s purposes. They are, in fact, quite open in the implication that the SSD model is a heuristic tool used to illustrate the possibility of and need for greater breadth in IHRM analysis. One positive conclusion to take from their analysis is that the door to more sophisticated analysis in IHRM is now ajar, and we are welcome to enter.

The intent of this comparison is to establish that, first, there is a debate about the configuration of IHRM and, second, that the challenge to a 'universalist' orthodoxy welcomes further development. The subsequent sections of this chapter illustrate two directions in which the IHRM debate might head. The first is an alternative to the SSD model, which suggests the need for a firmer engagement with the GVC literature. The argument will be that Delbridge *et al.*'s contingent use of the SSD approach should lead IHRM into engagement with analyses that at first glance are remote from the traditional matters that concern the IHRM orthodoxy. The second direction is a proposed engagement with international relations and international regulation, and their implications for IHRM.

GVCs: an alternative contextualisation

GVCs provide a framework for understanding, inter alia, global production arrangements and their governance, their contribution to capitalist accumulation, their governance arrangements and, in particular, their approach to the labour process, and the impact on their operations of externally derived regulatory regimes (at national and international levels). GVC analysis provides a lens through which IHRM may be viewed equivalent in its heuristic quality as an analytical framework to the SSD approach recommended by Delbridge *et al.* Moreover, by its nature at inception as a globally derived analysis, and because it prioritises the relational aspect (geographical and institutional) between firms and accumulation, it may help to shift IHRM analysis more completely out of its traditional focus on HRM in the MNE.

Gereffi *et al.*'s discussion of governance arrangement within GVCs provides an appropriate point of departure (Gereffi *et al.*, 2005). The five forms of governance proposed for GVCs – market, modular, relational, captive and hierarchical – reflect power relationships, the manner of decision-making and control, and, therefore, approaches to national and international regulation of production arrangements. Which form is adopted is an effect of multiple factors, including, for example, the strategic direction of lead firms within the GVC, the changing complexity of production requirements, the configuration of technical and process standards, and the evolution of the GVC in terms of coordination challenges. Gereffi *et al.* reduce this complex picture to a theory of GVC governance based on three factors:

- the *complexity* of information and knowledge transfer required to sustain a particular transaction, particularly with respect to product and process specifications;
- the extent to which this information and knowledge can be *codified* and, therefore, transmitted efficiently and without transaction-specific investment between the parties to the transaction; and
- the *capabilities* of actual and potential. (p. 85)

Robinson and Rainbird (2013) have offered an interpretation of the implications of the Gereffi *et al.* governance model for management behaviours and the opportunities that arise for labour

mobilisation across GVCs. Their work provides an important insight into the relationship between the form of governance, the predominant managerial strategy that follows the adoption of that form and, the likely 'space' for labour mobilisation. They conclude that the range of opportunities for labour mobilisation varies greatly, from the most limited engagement at local company level (in the case of market governance arrangements) to the greater potential for engagement in captive and relational arrangements (Robinson and Rainbird, 2013, p. 100).

We are less concerned here with the nature of the possible arrangements than the degree to which different governance arrangements may inhibit or permit labour mobilisation. It is important to grasp what is being proposed, for it moves towards a framework for a different approach to IHRM. As global integration develops further, global production arrangements will expand their influence. At the local level, this will not be solely the companies directly engaged in the value chain, but also all those indirectly involved via supplier networks, logistics and the like. It will also involve the state in multiple forms of intervention and regulation (see below) and, in all likelihood, important elements of civil society, be they trade unions, trade activists, environmental groups and so on. Hence, we already accept a complex model of commercial interrelationships operating in local, regional and national economies along the value chain, some involving more complex arrangements, others less so as they provide services such as transport and storage. In the destination economies, for example, we have the array of retailing, branding and consumer practices intimately involved in the chain. There is, *pace* IHRM, a role for MNEs in the model, but only as one actor in a complex system. We can also find a proxy in the idea of the lead firm for the notion of dominance found in the SSD model. But, again this is a qualified dominance, defined by the complexity of power arrangements at locate a chain in global and sub-global locations. We could also argue that, as amended below, this approach lends itself to at least as sophisticated an analysis of the national environment as the VoC tradition.

It is clear that this model permits opposition to and challenge in the particular chain itself, and to broader global production arrangements. The unitarism and managerialism, which are challenged by Delbridge *et al.* in their criticism of IHRM orthodoxy, are firmly rejected in the Robinson and Rainbird approach. The latter is a model that not simply permits, but accepts as legitimate and expected, contrary views to the logic of global production.

A lacuna in the model

We are here less concerned about further differentiation of the 'systems of management control' column in Robinson and Rainbird's model, though it is a fertile area for development. Here we focus on the final column, relating to labour mobilisation. We can tease out the opportunities into different categories or contexts, giving rise to a more nuanced understanding of labour mobilisation, which in turn illuminates the world in which IHRM operates.

The practices described in the final column fall into perhaps six categories, involving some potential overlapping:

- collective bargaining, primarily at local levels;
- transnational trade union campaigns, often seeking to promote or extend collective bargaining;
- broader civil society campaigns, including trade unions;
- promotion of accountability codes, sometime tripartite;
- application of international standards (ISO and others);
- monitoring and certification measures.

These practices may be further reduced to three broad categories. First, there is the traditional collective bargaining approach, in which workers seek to have local bargaining arrangements improved, whilst also taking part in campaigns to extend bargaining across the global company or GVC. Second, there are the broader civil society campaigns, sometimes involving unions, but extending the campaigning focus to wider civil society representation and broader targets, environmental impacts, human rights issues, consumer choice and economic sovereignty, as well as narrower labour standards. Such campaigns may, at times be at odds with the narrower collective bargaining agenda, in cases, for example, where there is seen to be a trade-off between environment-damaging mining and employment. The third category is the implementation of codes, involving monitoring and reporting, sometimes certification, often on a voluntary basis with an eye to consumer concerns and brand protection. Each category provides, to a different degree and in different ways, opportunity for worker voice to be heard in GVCs and their participating firms.

It is striking that, in the Robinson and Rainbird table, the opportunities for labour mobilisation are unmediated in their relationship to the modes of governance. Students of employment relations and international labour standards will note the absence of a crucial contextual factor in the analytical mix – the impact of national employment relations regimes, and of international labour standards regulation. Arguably, missing from the table is a column, which addresses the particular contexts in which labour mobilisation is modified by the regulatory environment. This is illustrated in Table 6.1.

Table 6.1 Context and mediation in the governance and mobilisation of labour

Form of governance	Opportunities for labour mobilisation	Mediated by ⟶	Regulatory reference points
Market	Local collective bargaining		National ER framework, possibly influenced by e.g. ILO standards, Decent work practices, etc. or supra-regional ER standards and practices
Modular	Local collective bargaining plus inter-national campaigns		National ER framework as above, with firm(s) and national ER arrangements under campaign pressure to recognise rights, reform ER practices, meet global standards, etc.
Relational	Influence in chain for extended standards and systems		National ER frameworks, indirect impact of e.g. ILO standards through firms, presence of ILO-type standards in other industrial standards models
Captive	Consumer campaigns involving CSOs and unions; tripartite organisation activities and monitoring and certification of standards		Reference to, and inclusion of, ILO core labour standards; reference to organisations which adopt core labour standards as best practice; combining core labour standards with other standards (e.g. environmental, human rights)
Hierarchical	Via tripartite organisations; monitoring and certification		Inclusion of core labour standards in monitoring and certification; adoption by tripartite organisations of core labour standards as best practice

The inclusion of regulatory mediation (or regulatory reference points) provides a more comprehensive understanding of the management–labour relationship within GVCs. Outcomes are then understood to be an effect of the form of the GVC, the dominant management practices, the mobilisation of labour as an independent actor, and the complex of regulatory arrangements that apply domestically and internationally. This is, in principle, similar to our understanding of domestic labour-management relationships as an effect of company and sectoral dynamics, dominant management practices, mobilised labour and the regulatory framework (formal and informal) which applies. In the international context, there is added complexity provided by, for example, the interaction of different domestic regulatory environments, the increasingly complex relationship between voluntary and non-voluntary labour standards in an emerging system of global governance, the forms of management practice driven by GVC governance arrangements, and so on, yet the essential elements remain the same.

Added complexity: the emerging debate on global governance and labour-management relations

The introduction into the GVC analysis of international regulatory arrangements is not straightforward, for, in particular, there is an emerging debate about how we understand global governance and labour–management relations. We should welcome this debate, for it was, until the late 1990s, uncharted territory, in part because of a failure on the part of scholars to understand the scope and implications of globalising production arrangements. The 1990s and early 2000s saw a blossoming of analysis, which understood that globalisation required a substantial extension of existing analyses of labour–management relations, in part based upon an intellectual engagement between employment relations, international relations and international political economy. That engagement is still nascent, yet stands as a crucial point of reference for the development of IHRM.

We illustrate the debate by referring to three strands of debate. The first is our own work on the concept of an international labour standards regime (Haworth and Hughes, 2000; 2003). The second is an alternative formulation, using the concept of transnational arenas (Helfen and Fichter, 2013). The third is the radical alternative offered by Waterman in his notion of emancipatory global labour studies (Waterman, 2011).

We first proposed an engagement between industrial (employment) relations (IR) and international relations (later international political economy – IPE) in the late 1990s (Haworth and Hughes, 2000). The origins of the proposal lie further back in studies undertaken from the late 1970s on international trade union organisation and strategy and on the changing role of the ILO in the 1980s and 1990s. Our thesis suggested that IR's attempts to understand the international were limited by a theoretical weakness that might be removed by engagement with IPE. It also happily accepts a further union with, for example, the GVC debate discussed above.

The advantage of engagement with IPE was, in our view, its understanding of emergent global governance. We noted the extension of a traditional liberal institutionalist position in IPE into the study of international organisations, which in turn gave rise to the concept of global governance. The evidence for global governance was found in the constellation of institutions and actors to be found on the global stage and the manner in which, separately and jointly, these actors and institutions were framing and intervening global issues. The concept was not problematic, as it is criticised on two major fronts. One tradition sees in global governance a framework for a global neo-liberal order. Another questions the extent to which international institutions can escape the control of constituent nation-states (especially hegemonic powers)

and achieve an autonomy that seems essential for global governance. Notwithstanding these challenges, the ides of global governance remains a powerful presence in IPE.

The 'regime' was identified as a key modality of global governance. The status and operation of regimes are again contested, but the concept finds empirical support in the activities of, for example, the World Trade Organisation (WTO) and the ILO. Krasner (1982) defines regimes as 'implicit or explicit principles, norms, rules and decision-making procedures around which actors' expectations converge in a given area of international relations'. We identified one such convergence in what we dubbed the international labour standards regime (ILSR) in which the ILO provides an international context for the definition of global labour standards. The ILSR meets Krasner's definition of a regime precisely – principles such as social justice, norms such as those embodied in tripartism, rules defined in a long-established constitution and associated mechanisms, and a long tradition of tripartite decision-making. Tripartism, binding government, employers and trade unions, is the framework in which actors converge and conduct their business.

Central to the ILSR is the assimilation of three processes – institutional, substantive and spatial. First, the institutional process provides the wherewithal for formation and maintenance of the ILSR. At the global level, international organisations, most prominently the ILO (since 1919) but including the OECD, the World Bank and IMF, have engaged with organised labour through a process of institutionalised dialogue. During the global financial crisis, the work of the ILO on global unemployment and the promotion of its Decent Work agenda have been influential in getting 'labour issues' on the ministerial agendas of the G20 and in facilitating poverty reduction strategies of the IMF and World Bank. Second, the substantive process initiates and drives the development of the ILSR within spatial and institutional frameworks. For much of the twentieth century through to the present day, this has been the development, and implementation of international labour standards. Growth in regional trade defines the third element in the ILSR, the spatial process. Regionalisation and the creation of regional blocs such as, for example, the EU, NAFTA, Apec and Mercosur now provide similar opportunities for the promotion and protection of labour interests at the regional level.

We subsequently traced the contemporary consolidation of the ILSR through the reconfiguration of the ILO under successive directors general to meet the challenges of a globalising world. Key moments in this adjustment included the 1998 adoption of the Declaration on Fundamental Principles and Rights at Work, the 2008 adoption of the Declaration on Social Justice for a Fair Globalisation, the simultaneous institutional reforms of the ILO and the development of its Decent Work agenda under Juan Somavia, and the ILO's engagement with the G20, EU and other global agencies in the aftermath of the 2008 global financial crisis (Hughes and Haworth, 2010). At the heart of this consolidation were several processes. One was the establishment of the ILO and its principles at the 'top table' of international agencies. Another was the recognition in the aftermath of the GFC that ILO principles – for example, employment-based growth – were an essential political concomitant to the economic policies implemented to overcome the crisis. A third was the inexorable spread of the ILO's core labour standards, identified in the 1998 declaration, into, for example, corporate social responsibility statements of companies, international pacts such as the UN Global Compact, and labour clauses in international trade deals (despite the failure of the Social Clause agenda in the 1990s). Suffice it to say that those same core standards emerge frequently in the monitoring and evaluation of labour standards across GVCs, and in the expectations of lead firms when considering contract arrangements. The US withdrawal of GSP privileges from Bangladesh in mid-2013, following a devastating fire in a textile factory involving hundreds of deaths, starkly illustrates the international application of ILO standards.

How does the concept of the ILSR articulate with the relationships laid out in Table 6.1? In simple terms, the ILSR defines the desirable and expected global standard of labour protections. Hence, first, it informs the domestic IR regulatory environment through the ILO's traditional promulgation of standards and recommendations. Second, its outputs – labour standards – are embodied in the codes of conduct and related assessment tools that are used to monitor and evaluate firms participating in global production arrangements. Third, it provides to companies a ready-made standard against which they can measure their performance as an employer or as a contractor of labour. It is also important to note here that only the ILO provides this framework of standards, partly for historical reasons, partly because of the political reach of the ILSR as currently configured.

Not all are convinced by the argument for the ILSR. Helfen and Fichter (2013) propose an alternative approach based on the notion of the 'arena'. Their argument is particularly interesting for it engages directly with the actions of trade unions in global production networks (GPN), an alternative formulation of GVC. Their argument harks back to long-standing debates about how trade unions can engage effectively on a transnational basis, where historically traditional union strengths have been national or subnational. They suggest that one emergent transnational labour relations (IR) practice – the Global Framework Agreement (GFA) – may be the key to understanding a developing 'arena' of IR, which transcends the MNE and encompasses the GPN (GVC). The notion of arena is counterposed directly to that of a regime.

Briefly, Helfen and Fichter dismiss the idea of an ILSR because it 'presupposes a state of institutionalization that in practice is non-existent and neglects the politics and interest conflicts of emerging processes of labour-management interaction' (2013, p. 3). For them transnational IR is in 'a nascent, formative stage as far as institutionalization is concerned' (ibid.). They point to a wide variety of actions – campaigns, GVC-based labour disputes, codes of conduct, for example – as evidence of 'a very fragmented, heterogeneous and patchwork picture of development' (ibid.). Instead, they 'offer a heuristic model postulating the emergence of transnational arenas emanating from GFAs as a more adequate means of exploring the dynamics of transnationalization in labour relations, in which the presence of unions is a decisive factor' (ibid.). They prefer the idea of an arena 'because it is more clearly associated with a political space for collective actors that is still contested and emergent, and hence, more applicable to *processes* of institutionalization' (p. 4). They go on to emphasise the formative aspects of their analysis with reference to transnational IR as 'a patchwork of nascent sub-arenas' (ibid.). The overall tone of their analysis is that the world in which they are analysing transnational IR is inchoate, indistinct and difficult to pin down, except in transient observation of elements of those sub-arenas. The reader is left with a clouded understanding of what might distinguish transnational IR and global IR, a distinction which may be important, as it suggests two levels of analysis – the global at the global and the transnational at the level of the GPN, for example.

Here is not the place to engage in a comprehensive commentary on the Helfen and Fichter analysis. Its focus on GFAs, GPNs and trade union networks (TUNs) is most welcome. The emphasis on contested spaces and union action is also welcome, though the implication that it is somehow lost in other analyses is only partly true. One might in preliminary terms, wish to make the following observations about this approach. First, a summary rejection of the notion of an ILSR without more careful analysis of the evidence suggested for its existence is a matter of concern. The potential high degree of complementarity between the two analyses is consequently lost, especially when one considers the distinction made by Helfen and Fichter between the global and the transnational. A global regime and transnational arenas are potential bedfellows. This is a concern that merits further work. Second, there is a little of the *arriviste* in the emphasis on the contemporary inchoateness of emergent processes. In fact, such questions have been in

play since the late 1970s, long before GPNs, GFAs and TUNs came on the scene. From a historical perspective, the role of the global union federations (GUFs) and the wider trade union movement has become significantly more sophisticated over the last thirty years, both in analysis and action. From that perspective, the strategic thinking of, for example, the International Trade Union Congress (ITUC) and the GUFs, is light years ahead of that of the 1970s, and merits reference and recognition. It is, of course, true that GVCs provide new opportunities and challenges, as we have discussed earlier, but the contemporary capacity to understand such arrangements and frame responses – the capacity to create and sustain GFAs, for example – rests on 30 years of analytical and practical development in the international union movement. Third, the focus on GFAs, TUNs and GPNs – whilst important – may erect defensive and narrowly defined barriers against other traditions in the same analytical space. It remains the case that transnational and global IR would benefit from more analysis. The institutional elements addressed by Helfen and Fichter do not constitute the whole picture of actors, institutions and outcomes that comprise global IR, and their argument for inchoateness would be easier to accept if their analysis paid more serious attention to those other factors.

Peter Waterman offers a quite different prescription (Waterman, 2011). Drawing on a lifetime in international labour studies, he posits the movement from what has been described as the new global labour studies (NGLS) to an emancipatory global labour studies (EGLS), which derives from 'the necessary articulation of Participatory Democracy, Alternative Production Systems, Multiculturalism, Justice and Citizenship, Biodiversity, Rival Knowledges, Intellectual Property rights and even . . . *a New Labour Internationalism*' (p. 16). His argument transcends any limited sense of transnational or global IR, counterposing instead a politics of liberation in which IR plays a role, both in terms of traditional labour struggles, but also in terms of labour's role in broad social movements that transcend the workplace.

His argument, and that of others in his tradition, is not simply of intellectual interest. The practices that he identifies as central to EGLS are not theoretical concepts, but empirical circumstances found internationally from the townships of South Africa to urban communities in the Philippines. A powerful statement of these practices can be found in Webster *et al.* (2009), which offers case studies of new, primarily Southern union movements and practices, and offers a vision of social movement unionism that might helpfully be incorporated into the previous two contributions to global IR theory. Of course, the Waterman perspective is not primarily about regulation. It is a political manifesto for emancipatory social movements, and, consequently, places little emphasis on regulatory regimes. However, it is a powerful message to the practitioners of IHRM about how far some labour movements and their politics of emancipation have moved from the traditional North American focus on managerialism and unitarism identified by Delbridge *et al.*

Concluding remarks

This chapter has moved some way from an early IHRM grounded in a narrow focus on the MNE and the managerialism and unitarism of a North American management tradition. It has traced two stages of broadening – the eclectic approach of Scullion *et al.*, still primarily grounded in an international business tradition, and the radical challenge posed by Delbridge *et al.* In both, to greater and lesser extent, respectively, the need to sustain disciplinary boundaries provides boundaries to challenge and change. Subsequently, the chapter has proposed a new space in which IHRM can engage and broaden – the GVC and its operations. The advantages proposed for the GVC approach lie in its integration of firm and sectoral behaviour with management strategy and labour mobilisation, including elements of global regulation. In turn,

we have proposed that the regulation dimension be expanded to improve the coherence of the Robinson and Rainbird approach. However, we then showed how the invocation of global regulation as an important dimension of global production arrangements, also imports contested approaches to global governance, global regulation and the choateness (or not) of associated institutional arrangements. We noted that there are important analyses that point to an emergent politics of emancipation, found often in social movements in developing countries, which pose even greater challenges to orthodox IHRM thinking about labour in international production. That the BRIC economies are home to such movements should not escape the thoughtful international business scholar.

In identifying these challenges we also note that the absorption of and reference to internationally agreed labour standards form part of a dialogue that also acts to fuse the interests of formal and informal employment in GVCs. How this fusion evolves is influenced by management strategy, the strength of labour activism, the functioning of regulatory frameworks and the promotion of consumer interests. Decisions on upgrading or downgrading strategies within GVC's pressure wage structures and employment patterns. These provide focus for labour activism across national boundaries in which the interests and protection of formal and informal labour are promoted. The growth of consumer markets in the South and expansion of South–South trade has helped promote labour market reform in key economies such as China and with it, a greater emphasis on the role of formal law as the enabling apparatus for labour protection and regulation. As we highlight above, labour and social movements in the global South have played a significant and often complex role in promoting interests within and without the workplace. The challenge, recognised by the executive we quote, is that internationally agreed labour standards transcend the managerialism of the workplace and become a rallying banner under which labour mobilises, co-operates and pressures GVCs.

One of the bald lessons from the global financial crisis is that international co-operation is not only the outcome of negotiated relations between states but also, by extension, the result of interaction between convergent domestic and international interests. The decisions and actions of national and international organisations provide political space for the development of alliances that bring together state, private and public interests and require that the rationale and make-up of such alliances be examined. What these alliances have in common is that they establish mutual expectations about patterns of behaviour and develop working relationships that allow the parties to adapt their practices to national frameworks while at the same time reflecting internationally agreed norms.

Orthodox IHRM thinking remains peripheral to understanding the complex nature of these changes and limited in adjusting to the challenges they pose to firm-focused unitarism.

References

Delbridge, R., Hauptmeier, M. and Sengupta, S. (2011) Beyond the enterprise: broadening the horizons of International HRM. *Human Relations*, 64 (4), 483–505.

Gereffi, G., Humphrey, J. and Sturgeon, T. (2005) The governance of global value chains. *Review of International Political Economy*, 12 (1), 78–104.

Haworth, N. and Hughes, S. (2000) Internationalisation, international relations and industrial relations. *Journal of Industrial Relations*, 42 (2), 195–213.

Haworth, N. and Hughes, S. (2003) International political economy and industrial relations. *British Journal of Industrial Relations*, 41 (4), 665–682.

Helfen, M. and Fichter, M. (2013) Building transnational union networks across global production networks: Conceptualising a new arena of labour–management relations. *British Journal of Industrial Relations*, 51 (3), 553–576.

Hughes, S. and Haworth, N. (2010) Surfing history's waves: On the resilience of the International Labour Organisation as an international institution. *New Zealand Journal of Employment Relations*, 35 (3), 16–26.

Krasner, S. (1982) Structural causes and regime consequences: Regimes as intervening variables. *International Organization*, 36, 185–205.

Robinson, P. and Rainbird, H. (2013) International supply chains and the labour process. *Competition and Change*, 17 (1), 91–107.

Scullion, H., Collings, D. G., Gunnigle, P. (2007) International human resource management in the 21st century: Emerging themes and contemporary debates. *Human Resource Management Journal*, 17 (4), 309–319.

Smith, C. and Meiksins, P. (1995) System society and dominance effects in crossnational organisational analysis. *Work, Employment and Society*, 9 (2), 241–267.

Waterman, P. (2011) An emancipatory global labour studies is necessary! Recreating the global labour movement in the hour of furnaces. Available from http://www.netzwerkit.de/projekte/waterman/gls2/view (Accessed 4th November 2013).

Webster, E., Lambert, R. and Bezuidenhout, A. (2009) *Grounding Globalisation: Labour in the Age of Insecurity*. Oxford: Blackwell.

7

Employment relations and IHRM

J. Ryan Lamare, Elaine Farndale and Patrick Gunnigle

Introduction

The purpose of this chapter is to explore and profile the extent to which there exists an interrelationship between the disciplines of employment relations (ER) and international human resource management (IHRM). We do this by considering the scholarly research that has been conducted in both arenas, and also by exploring three unique sources of data, in which questions regarding the intersection of these disciplines can be readily examined. In so doing, this chapter contributes to the broad, ongoing discussion around the convergence or divergence of employment practices following from the ascension of globalization (see, for instance, Katz and Darbishire 2000; Mills *et al.* 2008). This discussion has typically relied on considering variations in market economies as a starting point for comparing this disciplinary intersection (i.e. Hall and Soskice 2001), though more recent research has rejected the field's tendency towards compartmentalization of this kind (see, for instance, Hyman 2009). Less has been written where the multinational company (MNC) has been used as the initial point of reference (Brewster *et al.* 2013), though some research, particularly within the IHRM discipline, has begun to adopt the MNC as the key unit of analysis.

In this chapter, we consider both country-oriented and firm-oriented perspectives on the relationship between IHRM and employment relations. We do so by turning to data from two unique surveys conducted with prominent MNCs, as well as profiling the intersection between IHRM and ER at a large multinational firm operating in Ireland, which represents a fascinating case study for the discipline. Our ambition is to highlight and expand on the current conversation within these two fields by first noting the significant scholarly research that is already present, and by subsequently offering a series of new findings that we hope will shed additional light on the ties between the two fields.

Early literature on ER and IHRM

For many decades, the discipline of employment relations largely operated in something of a vacuum, focusing much of its concern on the relatively narrow relationship between trade unions and management representatives. Primary attention within the field was given to studying the

two groups' roles in the writing of a complex 'web of rules' that would govern the employment relationship in industrialized society (Dunlop 1958; Kerr *et al.* 1960). Scholars examined at great length the process of workplace rulemaking, the implementation of these rules, and the substantive aspects of the rules, with consideration given to the conflicts that might occur at each stage (Lipsky *et al.* 2003). To be sure, scholars recognized the presence of significant tensions within the system, particularly with regards to collectivism and individualism (Dunlop 1984). However, the discipline also gained prominence during a time of strong social protections (i.e. New Deal politics in the United States; welfare state provisions in Europe) and significant within-country market stability (i.e. the presence of substantial tariff barriers to firm exit). As these social protections and market regulations began to break down in the 1980s and 1990s, the field underwent its own transformation, becoming increasingly cognizant of the need to move beyond the narrow confines of the union–management rulemaking relationships (see, for instance, Kochan *et al.* 1986).

Employment relations scholars have recently turned their attention to documenting the relationship between multinational companies, which now operate without many (if any) barriers to market entry or exit in many countries, and the employment practices they choose to adopt within these countries. At the broadest level, authors have explored the extent to which employment practices are converging or diverging in the context of the globalized economy (Katz and Darbishire 2000; Geppert *et al.* 2003). Several more nuanced questions have also emerged within the scholarly research into this topic.

Similar queries along these lines have also been explored by management scholars and those interested in documenting the extent to which globalization is related to firm practices and behaviours. However, historically speaking, researchers studying comparative capitalism tended to steer clear of paying close attention to multinational companies (Brewster *et al.* 2013, citing Hall and Soskice 2001; Amable 2003). Only recently have scholars researching varieties of capitalism begun to consider the interactions between MNCs and comparative regimes (Whitley 2010), whereas theories related to national business systems have tended to incorporate the MNC as a key player from the outset (Whitley 1999; Brewster *et al.* 2013).

Similar considerations have emanated from scholars studying the relationship between institutions and property rights, and the interactions between these relationships and policy formation (Dibben *et al.* 2011). Scholars studying the tensions between ownership rights and differing legal systems, associated with the work of La Porta *et al.* (1998), have raised questions as to the extent to which economic investment might occur in countries with strong worker protections, which can be argued to dilute ownership rights (Botero *et al.* 2004; Dibben *et al.* 2011; Cooney *et al.* 2010). These arguments have engendered much debate, and are countered by somewhat more recent theories regarding the importance of institutional complementarities, as opposed to property and ownership rights (see Hall and Soskice 2001; Dibben *et al.* 2011).

One therefore finds a degree of cohesion between the ER and IHRM disciplines regarding key areas of concern. Out of this, two foundational questions have emerged:

1   When an MNC from one country establishes operations in another country where the ER traditions are different, what approach does the MNC take to ER activities in the host country?
2   And, does the fact that firms operate across borders mean that patterns of ER are changing, leading to convergence on a global scale?

MNC ER strategies – are we seeing convergence?

MNCs are significant employers in both the home- and host-country environments, and as such have great potential to influence directions in ER. Many who study MNCs and comparative market economies or business systems argue that these firms are not bearers of fixed home-country characteristics, but interact actively with the environments or business systems in which they operate (Whitley 1999; Geppert *et al.* 2003; Edwards 2005). Others, however, assert that the role of a firm's home country (otherwise known as a country-of-origin effect) cannot be ignored; firms tend to carry certain attitudes, forged in their home country, into their foreign subsidiary operations (Harzing and Sorge 2003; Almond *et al.* 2005). This has been shown to be particularly true amongst US companies, which, it has been argued, have gone so far as to shape the host context to suit their home-country attitudes towards unions and other aspects of the employment relationship (Gunnigle *et al.* 2006; Edwards and Ferner 2002).

The country-of-origin of an MNC is also frequently found to influence the firms approach to corporate governance. In turn, this has significant implications for the ER strategies adopted. If we consider, for example, the importance of shareholder value in liberal market economies (LMEs) (the USA is a common example – Hall and Soskice 2001), we frequently observe firms here which are focused on a short-term approach to maximizing the value of assets. In contrast, in coordinated market economies (CME), such as Germany and the Netherlands (ibid.), firms are more likely to adopt a long-term goal of maximizing value for a range of stakeholders (including shareholders, as well as employees and governments) on a steady, continuous basis. Consequently, the extent of liberalism and shareholder focus determines the ability of employees, either individually or collectively, to influence management decisions. Where shareholder charac-teristics are predominant, such as a highly developed stock market (for example, in the USA and UK), institutions for employee voice are discouraged, and correlations have been found with weak employment protectionism (Almond *et al.* 2003). Research has shown evidence in general of the impact of institutionalized contexts (such as LMEs and CMEs) on the ER activities of MNCs. For example, there is less variation in trade union membership and pay bargaining levels within CMEs, likely due to more specific institutional arrangements based on specific legal regulations or national government policy than in LMEs (Farndale *et al.* 2008).

As an MNC competes in the global marketplace, the firm may decide to transfer home-country practices to a host country in the belief that these are 'best practices' which best serve the needs of the organization. However, in this new international context, the MNC is also confronted with different approaches to ER than it may have been used to in its home country. As a result, the firm's management may decide to transfer some of the new practices it has learned elsewhere back to the home country. This introduction of new practices may in turn gradually spread across the home country to different organizations as firms bench-mark against each other, and potentially to different sectors if found to be effective (Almond *et al.* 2003).

This transfer of practices between home and host countries can be categorized as either innovative or deviant, and can have a potentially destabilizing effect on local or national level collective representation and bargaining arrangements (Clark *et al.* 2002). The example of Ireland is instructive in this regard, as the case study in the following section demonstrates. The period since the turn of the 1980s has witnessed a marked decline in union density as employment, including jobs created by US MNCs has grown, while the non-union stance of US MNCs has also spread to other foreign-owned and indigenous firms and to other countries (Muller-Camen *et al.* 2001). For example, Tüselmann and colleagues (2002, 2006) found examples of German firms based in the UK adopting US-style 'best practice' in ER. We can thus see how

the country-of-origin effect is present, but that other influences are also impacting on selected approaches to ER.

These drivers of ER activities have been divided into five broad categories (Edwards 2004; Lamare *et al.* 2013):

- *country-of-origin effects* – created primarily through home-country nationals remaining on the executive board, much of the corporate finance being based in the home country, and headquarters and key strategic activities remaining primarily in the home country;
- *economic dominance* – the strength of diffusion of practices increases with the economic strength of the home country (i.e. when a country is doing well economically, other countries are keen to learn from its experience);
- *pressure for international integration and consistency* – firms are increasingly centralizing their approach to employment relations to facilitate the global sharing of best practice;
- *host-country effects* – where there are legal, institutional and cultural differences between home and host countries, these differences can lead to constraints or opportunities for MNCs, whilst the receptiveness of the host country, the strategic role of the subsidiary, and the skills and knowledge of local employees can either support or clash with the introduction of imported ER practices;
- *micro-level organizational effects* – specific characteristics of each firm help to shape its policies regarding employment relations; these include the company's size and sector, the level of discretionary autonomy over employment relations granted to subsidiary managers, and the extent to which the subsidiary is integrated into the company's global value chain.

The country-of-origin effect is thus mediated by economic, integration, host–country, and organizational effects. For example, not all US multinationals operating overseas are anti–union. Companies may decide that local legitimacy in the host country is more important than home-country influences for companies to operate successfully in their new environment. Instead, innovations in ER can result, such as IBM becoming the first in the UK to establish a single status union agreement (Edwards and Ferner 2002).

In general, ER practices are probably the most difficult area of HRM to transfer across national boundaries because of tight national regulations (Muller-Camen *et al.* 2001). It is an area in which corporate executives may have strong principled views, such as upholding the managerial 'right to manage' or a conviction in the importance of 'employee voice'.

In the sections immediately below, we begin to explore examples of ER practices in MNCs, drawing from our first data source, which includes interviews and surveys of high-performing MNCs operating across all regions of the globe. The examples we include from this initial data source focus on:

1   The extent to which there is evidence of the adoption of ER 'best practice' across national boundaries in MNCs;
2   Trade union recognition patterns amongst MNCs operating in different countries (unitarist, partnership, contingency approaches);
3   The extent of use by MNCs of direct, individual communication to and from employees compared to more indirect, collective approaches;
4   And the fit between ER policy and MNC corporate goals and objectives.

MNC research project[1]

Our first series of results come from a research study of prominent MNCs, selected based on their superior business performance and reputation as an employer as defined through *Fortune* listings and equivalent rankings. Interviews in 16 MNCs with human resource management and other senior managers took place at corporate, regional, country, and site level within these firms. In addition, an online survey was carried out amongst 20 MNCs giving 263 responses, spread across three major geographic regions (Americas, Asia–Pacific, and EMEA – Europe, Middle East and Africa). Across the interview and survey data, in total 33 firms participated in this project, with headquarters in 11 countries (UK, USA, Korea, India, Japan, China, Netherlands, Switzerland, France, Sweden, and Germany).

Employment relations best practice

Although the notion of what is 'best practice' can be disputed across national boundaries due to the complexities of the national institutional context as described earlier, there are certain approaches to employment relations which are suggested to be examples of good practice in academic and practitioner circles alike. We explore here the extent of usage of these practices, and their effectiveness, in the MNCs surveyed.

As can be seen from Table 7.1, the most widespread use is made of reporting results of employee surveys back to the employees themselves, and of equal employment opportunities policies. Most infrequently used are formal no-layoff policies. Union consultation about significant strategic decisions, and alternative dispute-resolution procedures are also rarely used.

Table 7.2 presents the same practices, but in terms of how effective they are perceived to be, rather than just their level of usage. This table demonstrates that the commonly used practice of sharing results of employee surveys with employees, and having a policy on equal employment opportunities, are also seen as very effective. Amongst the acknowledged best practices, formal no-layoff policies are least popular and are not seen as effective. This might be expected given the dynamic nature of many national economies and a lack of ability to predict the future requirement for staffing in many companies. What may be slightly more notable is the second least widely used best practice: consultation with trade unions about significant strategic decisions. This is seen as an ineffective practice by 44 per cent of the companies surveyed (see Table 7.2). As we have seen, the spread particularly of US MNCs across the globe is encouraging

Table 7.1 Percentage of MNCs using a range of ER 'good practices'

ER practice	Little use (%)	Moderate use (%)	Wide use (%)
Formal no-layoff policy	75	14	11
Upward information flow	20	34	46
Union consultation about significant strategic decisions	55	18	27
Consultation with employees through formal bodies	39	24	37
Flexible work patterns	35	34	31
Alternative dispute resolution	52	30	18
Results of employee surveys provided to employees	9	16	75
Direct participation of employees	22	37	41
Policy on work/life balance	45	25	30
Policy on equal employment opportunities	11	16	73

Table 7.2 Perceived effectiveness of ER practices for managing people (% of MNCs)

ER practice	Not effective (%)	Somewhat effective (%)	Very effective (%)
Formal no-layoff policy	60	22	18
Upward information flow	8	33	59
Union consultation about significant strategic decisions	44	27	29
Consultation with employees through formal bodies	31	32	37
Flexible work patterns	12	27	61
Alternative dispute resolution	31	37	32
Results of employee surveys provided to employees	3	19	78
Direct participation of employees	9	22	69
Policy on work/life balance	14	24	62
Policy on equal opportunities	9	20	71

a non–union approach to employment relations which appears very much to be the case in the majority of the companies surveyed.

Table 7.2 also shows that a number of other practices are considered to be very effective, such as work/life balance policies, direct participation of employees, flexible work patterns, and upward flow of information from employees to management. These practices are somewhat innovative, recent approaches, which are perceived to be more effective than more established, traditional approaches such as consultation with trade unions and other formal employee bodies, and alternative dispute resolution. We might therefore conclude that in MNCs, the pattern of ER practices is changing. One reason may be because trade unions are mainly effective at the industry sector or national level, and so encounter difficulties in dealing with organizations which transcend these boundaries. In the following section we look in more detail at how MNCs are dealing with this complex issue of how to approach collective employee representation.

Trade union recognition[2]

Three approaches to employment relations were discernible amongst the companies interviewed: unitarist, contingent, and partnership. The unitarist approach, observed clearly in four of the case companies (headquartered in the USA, India, and South Korea), involves active non–unionism. The need to become unionized in these companies is being replaced largely by extensive direct employee communications channels, such as town hall meetings, newsletters, and intranet communications. However, these firms do point out that where legislation requires trade union recognition, this is the route that they usually take, rather than an even more active anti–union stance taken, for example, by the well-known case of McDonalds.

In two of the firms studied, a contingent approach is more actively sought as there is no central policy on union recognition: unions are recognized where mandated by law. One MNC was keen to point out the importance of having the correct ER manager in place to match the ER culture within a subsidiary in order to ensure relationships with trade unions are effective.

This last point is even truer of the case of the final approach to ER: the partnership approach. A number of UK, Japan, and Netherlands-based MNCs all described their approach to ER as proactively and deliberately involving trade unions in management decisions which impinge on employee working life. In this partnership approach, the key to success appears to be the creation of trust relationships between management and trade unions.

Table 7.3 Trade union and collective bargaining agreement (CBA) coverage

	Employees who are a member of a trade union (%)	Employees covered by a CBA (%)
Mean	20	36
Median	5	20
Mode	0	0

Table 7.4 Percentage of MNCs with bargaining arrangements for employment terms and conditions

	Site level (%)	Country level (%)	Region level (%)	Corporate level (%)
Manual/clerical staff	22	57	10	10
Managerial/ professional staff	12	60	13	14

In addition to trade union relationships, the extent of trade union membership and the coverage of collective bargaining agreements (CBA) were explored in the online survey. The results presented in Table 7.3 demonstrate very low percentages of membership density and CBA coverage, again supporting the earlier finding that non-unionism or low representation is dominant amongst these MNCs. Where collective agreements are in place, for all grades of employees these agreements are most commonly made at country level (see Table 7.4).

One Swedish MNC, found its own innovative solution to the trade union consultation and negotiation requirements being made of it in a particular host country, the Netherlands. In 1992, the firm was being pressured to work closer with trade unions in the Netherlands, and at that time decided to establish its own workers association (not affiliated to the larger national trade union confederations). The workers association had 2,200 members, compared with the main Dutch trade union FNV which had around 100 members in the firm. As a result, the firm's management negotiated the CBA with the workers association on a national level, determining the minimum employment terms and conditions for all the firm's employees in the Netherlands.

The value of individuals participating in employee representative bodies, such as workers associations, is seen as a positive development exercise in some MNCs. For example, works councils can be viewed as an employee development tool for future management positions. Other firms also recognized the importance of developing the skills of the employee representatives themselves, to ensure that they are effective negotiation partners. Some MNCs provide union members with special training to improve their skills and opportunities for mobility or promotion within the company, as well as ensuring the skill of negotiation partners. Occasionally, firms provide funds to the trade unions to help increase membership levels to ensure the representativeness of this compulsory negotiating body. This may appear unusual at first sight, however, CBAs negotiated with trade unions in some countries (such as the Netherlands) apply to all employees covered by the agreement irrespective of whether or not they are trade union members, hence there is little motivation for employees to become members.

Communication channels

Amongst the MNC managers interviewed, there was evidence of a wide range of techniques for employee communication, particularly those facilitated by information technologies. In particular, the following methods of communication were most frequently mentioned: widespread use of intranet/bulletin boards; information and problem-solving meetings; and printed magazines and newsletters. Another form of communication being used widely to gather employee feedback is employee engagement surveys or suggestion schemes.

A couple of particularly innovative approaches to employee communication were observed during company interviews and visits. In one division of a large MNC, based in the home country of Germany, information is provided to and fed back from employees on a very regular basis: monthly through management meetings, weekly in group meetings, daily in problem-solving meetings, and constantly via online systems. Information is displayed around the factory environment continuously monitoring the achievement of targets at any point in time. There is also a global printed magazine distributed to all employees within the division to ensure cross-border information sharing.

In another manufacturing plant in the Netherlands, as well as putting information about targets and measures publicly visible around the factory, it had also been made clear that it was an individual's responsibility to be proactive about finding information if they needed it. There was a culture being developed in which everyone is both a trainer and a trainee, and people are encouraged to share their learning. This was an initiative running at the sites in the US, now being adopted at the European plant. The culture within the plant was one of open sharing of information and continuous improvement. Ownership of processes by all employees was encouraged, providing people with the necessary information to be able to make decisions. For example, the cost of waste was made clearly visible in tangible terms as part of a programme to eliminate waste completely. This encourages appropriate employee behaviour, explaining both the reasons for changes in policy, and making clear the implications of not achieving the new waste targets.

Fit between ER policy and corporate goals

The discussion so far has focused largely on how ER activities can be affected by home and host-country effects. There are of course strategic choices to be made by MNC managers as to what particular approach they want to adopt (see: Paauwe and Farndale (2006) for an example of the relationship between external and internal drivers of strategy development). The most effective ER practices will be seen as legitimate and accepted by employees, but will also be designed to support corporate strategy and structure, have the commitment of line management, and be flexible enough to adapt to constantly changing business environments.

In the online survey, MNC representatives were asked to what extent their ER policies and practices met these three requirements. Somewhat surprisingly, only around half or less of the companies surveyed, meet all three (see Table 7.5). Over half (55%) of companies see their ER policies as being highly aligned with corporate strategy and structure, but around a third (35%) think this is only somewhat being achieved. Line management commitment to ER policies is also high in only 46 per cent of organizations, with a further 41 per cent believing that line management are only somewhat committed. The flexibility of policies is equally concerning:

Table 7.5 Employment relations policies and practices

	Strategic alignment with corporate strategy and culture (%)	Line management commitment to policies (%)	Flexibility of policies to meet shifting business demands (%)
Very little	10	13	14
Somewhat	35	41	44
Great amount	55	46	42

although 42 per cent believe their policies are highly flexible, that leaves 58 per cent that believe they have either limited or virtually no flexibility to changing business needs.

In summary, the data gathered from the MNC sample here show that ER activities are a highly complex dimension of international HRM practice which requires very careful consideration of both the complex country and company settings. Successful practice in the field varies from firm to firm, but those most satisfied with ER practices are the MNCs that find an appropriate fit between both home- and host-country demands.

Cranet survey results on employment relations and IHRM

The second data source we use to explore the relationship between IHRM and employment relations comes from surveys conducted by the Cranfield Network on International Human Resource Management (Cranet). The network, which began in 1989, consists of over forty universities which regularly survey the HRM practices of organizations worldwide. Although the network has a strong European presence, its reach extends to portions of the Middle East, Asia, Australia, Africa, and North America. Firms included in the sample must have at least 200 employees (or 100 in smaller countries).

Surveys are conducted by Cranet at regular intervals (usually around once every four years) and touch on many of the main subcomponents of HRM, including staffing and recruitment, compensation and benefits, training and development, communication, and, most importantly for our purposes, employment relations (Steinmetz et al. 2011). Early phases of the project tended to focus most heavily on questions related to HRM convergence or divergence within the European Union (Brewster 2004; Brewster and Hegewisch 1993; Gooderham et al. 1999; Steinmetz et al. 2011). The survey has broadened in recent years to explore a wider range of concerns, such as ties between culture and HRM (Beck et al. 2009; Nikandrou et al. 2008; Steinmetz et al. 2011) and considerations of the linkage between HRM practices and firm performance (Apospori et al. 2008; Nikandrou et al. 2008; Steinmetz et al. 2011). In total, seven rounds of survey have occurred since the network began, yielding a sample of nearly 50,000 responses emanating from as many as 40 countries (Parry et al. 2013). The data explored in this chapter come from the 2008–2010 survey wave.

We use the Cranet data to study five research questions. The first asks whether the company recognizes unions for the purposes of collective bargaining. The second considers the percentage of employees that are members of unions within each firm. The third explores amount of influence unions have on the organization. The fourth assesses the extent to which this influence has changed over the past three years. Finally, the fifth question looks at whether a joint consultative committee or works council is present at the company. For each of these questions, we create regional groupings of responses. Regions covered include: Scandinavia (Denmark, Finland, Iceland, Norway, and Sweden); Russia and portions of the Baltic States (Estonia and Lithuania); Eastern Europe (Bulgaria, Czech Republic, Hungary, and Slovakia); Southern Europe (Cyprus, Greece, Italy, Serbia, and Slovenia); Western Europe (Austria, Belgium, France, Germany, Netherlands, and Switzerland); Ireland and the UK; a small portion of the Middle East (Israel and the Turkish Cypriot community); portions of Asia (Japan, Philippines, and Taiwan); Australia; the United States; and South Africa. Where possible, the composition of these regions was chosen based on United Nations geographic groupings. Occasionally, a country's responses were omitted for one of the five questions if no data were available; however, in almost every case, the organizations surveyed in each of the above countries responded to all five questions on employment relations.

Trade union recognition

The first question we explore asks whether the company recognizes unions for collective bargaining purposes. Unlike the earlier data set, which uses surveys and interviews with specific MNCs, the Cranet data we explore in this section considers the aggregate levels of union recognition amongst all respondent MNCs within a given country. Respondents could choose to answer either 'yes' or 'no' to the question of whether they recognize unions for collective bargaining purposes. Figure 7.1 provides the results. The survey responses indicate a significant degree of regional convergence, notwithstanding some key country-specific deviations. For instance, in Scandinavia, union recognition was extremely high across all countries, with Denmark having the lowest union recognition level at 80.2 per cent and fully 100 per cent of companies recognizing unions in Finland. This is in line with the strong tradition of unionism in Scandinavian countries (Allern *et al.* 2007) which is based on its coordinated market economy in which employer representatives, employee representatives (e.g. unions), and the government work together to coordinate the employment relationship (Hall and Soskice 2001). Conversely, union recognition was considerably lower in the Baltic States and Russia. Only about a quarter of firms in Russia (24.2 per cent) and three in ten companies in Estonia (29.3 per cent) recognized unions for bargaining purposes; in Lithuania, the number was higher (58 per cent), but nowhere near as high as even the lowest response from Scandinavia. Due to the history of Soviet control over the Baltic States, whereby trade unions were closely aligned with the Communist regime, this has resulted in a lack of allegiance with trade unions since they regained their sovereignty in 1991 (Alas and Vanhala 2013).

In Eastern Europe, responses varied more substantially than in most of the other regions. At the low end, Bulgarian firms tended to be union-averse (33.5% recognition), whereas companies
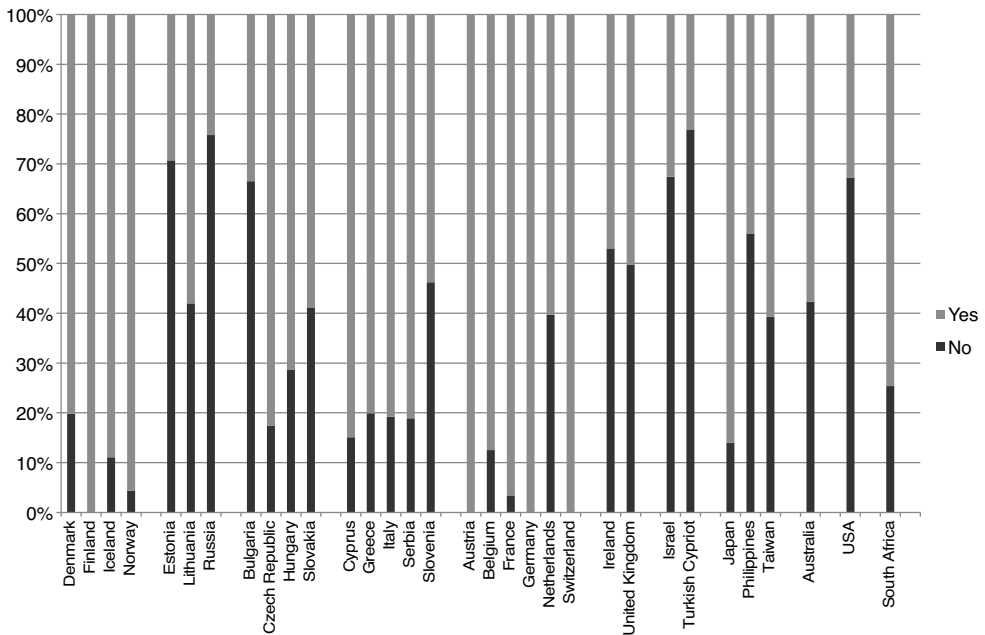
Figure 7.1 Union recognition for bargaining purposes by country

operating in the Czech Republic were quite union-friendly (82.6% recognition). Hungarian companies recognized unions at levels lower than their Czech counterparts, though still at a relatively high percentage (71.3 per cent), while Slovakian firms dealt with unions only 58.8 per cent of the time. By and large, companies in Eastern Europe recognized unions for bargaining purposes less often than did firms operating in Southern Europe or Western Europe. This may again be due to the history of the dominance of socialist regimes across Eastern Europe, which in recent years has been undermined by a strong focus on increasing global economic competitiveness across these countries (Brewster *et al*. 2010), eroding union membership levels (Poor *et al*. 2011).

In Southern Europe, there was a strong degree of convergence in all countries except Slovenia, where unions were present for only 53.8 per cent of respondents; in Cyprus, Greece, Italy, and Serbia, companies bargained with unions approximately 80 per cent of the time. In Western Europe, 100 per cent of organizations in Austria, Germany, and Switzerland indicated a union presence, and 96.6 per cent of French companies also recognized labour groups. In similar vein, 87.5 per cent of Belgian respondents bargained with unions. However, only 60.3 per cent of companies in the Netherlands indicated that they recognized unions. Firms operating in Ireland and the UK shared very similar union recognition levels; 47 per cent of Irish firms and 50.3 per cent of UK companies had a union presence. As coordinated market economies (Hall and Soskice 2001), it is not surprising to see this high level of unionization across countries like Germany, the Netherlands and Austria. Equally, the UK and Ireland represent examples of liberal market economies (ibid.) in which corporate autonomy is highly valued, explaining lower levels of union presence (although not as low as in the US, as indicated below, which is seen as the archetypal liberal market economy).

Beyond Europe, companies in Israel and the Turkish Cypriot community tended to not recognize unions. Only 32.6 per cent of Israeli respondents indicated a union presence, and less than a quarter of Turkish Cypriot firms (23.1 per cent) dealt with labour groups. In Israel, these figures are indicative of the decline in trade union influence since the 1980s, as the country shifted towards a less centralized system of industrial relations (Mundlak *et al*. 2013). Responses were far more varied amongst companies operating in Asia. At the high end, Japanese firms bargained with unions in 86 per cent of cases (typical again of a coordinated market economy – Hall and Soskice 2001). At the low end, companies in the Philippines recognized unions only 44 per cent of the time. Firms in Taiwan sat in the middle, at 60.7 per cent union recognition. Finally, we find that companies in Australia (at 57.7 per cent union recognition) and South Africa (at 74.6 per cent union recognition) were far more likely to bargain with labour groups than were firms operating in the United States (at 32.8 per cent recognition).

In all, these results indicate that, on the question of whether firms recognize unions for the purposes of collective bargaining, considerable variations occur across countries, though a degree of regional convergence also appears to be occurring (certain exceptions notwithstanding). Firms with a presence in Scandinavia, Western Europe, and portions of Eastern Europe (Hungary and the Czech Republic) and Southern Europe (Cyprus, Greece, Italy, and Serbia) tend to bargain with unions; however, companies operating in Russia/Estonia, Bulgaria, the Middle East, and the US tend to not bargain with labour groups.

Percentage union membership

The second question explored within this analysis concerns the percentage of employees who are members of unions at companies operating within each country. Respondents were asked what percentage of their workforce would be considered unionized. The available response
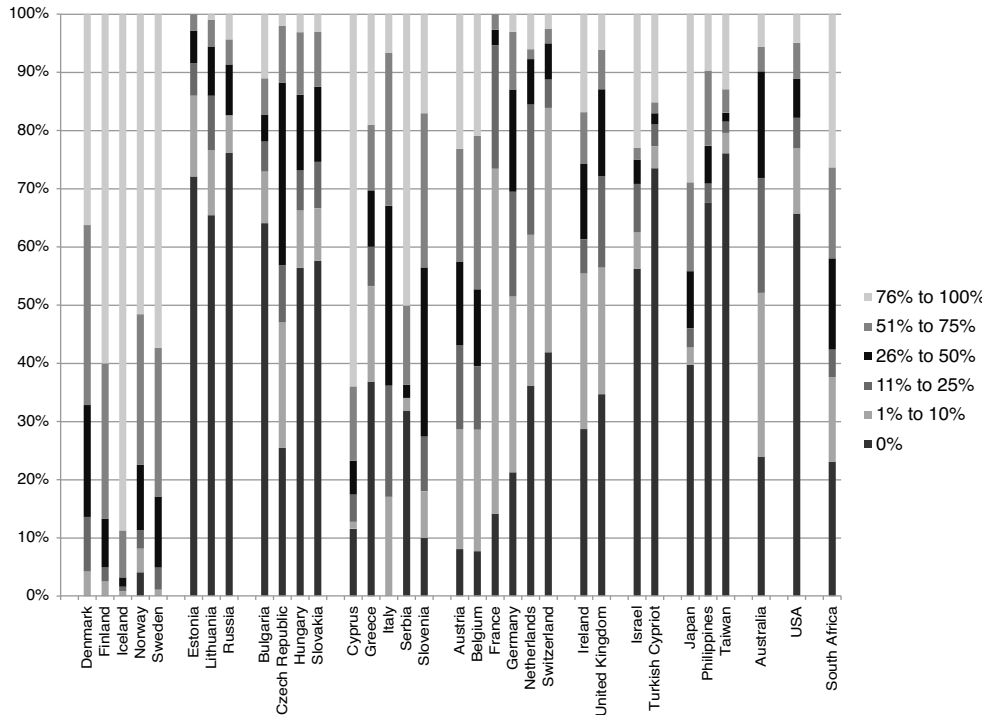
Figure 7.2 Percentage trade union membership by country

bands were 0 per cent; 1 to 10 per cent; 11 to 25 per cent; 26 to 50 per cent; 51 to 75 per cent; and 76 to 100 per cent. Figure 7.2 provides the results, again subdivided by region.

We find considerably more variation with regards to the percentage of employees represented by unions than we did when considering simply whether the firm recognized unions or not in each country. In Scandinavia, for example, membership levels are very high on the whole, though firms in Iceland are considerably more likely to recognize 76 to 100 per cent of their workers then are firms in any of the other Scandinavian countries. Conversely, in Russia and the Baltic States, there is only a small degree of variation in employee coverage, primarily because the majority of firms in each country indicate low coverage or no coverage at all.

Similarly, in Eastern Europe, results are relatively stable with the exception of the Czech Republic, where the proportion of unionized employees is much higher than that found amongst other Eastern European countries. However, in Southern and Western Europe, no clear trend in workforce union recognition levels emerges. The result for Southern Europe is particularly surprising, given that these countries were very consistent in their recognition of unions for bargaining purposes. However, with regards to their coverage levels per workforce, we find that, in countries like Italy and Greece, only a small proportion of employees are actually covered by collective bargaining, even if most firms say they recognize unions. In Western Europe, coverage levels are similar in Austria and Belgium, but differ substantially between these countries and France, Germany, the Netherlands, and Switzerland. Again, this result is somewhat surprising given the consistency with which firms in Western Europe indicated that they recognized labour groups for bargaining purposes. Though this may be the case, it appears that

union membership is applied to relatively smaller proportions of workers, rather than the majority of the firm's employees. In Ireland and the UK, proportional coverage of workers was quite similar.

Outside of Europe, patterns of divergence continue. Although both Israel and the Turkish Cypriot community were unlikely to have unions at all, respondents indicate that, in Israel, if union coverage exists, there is a reasonably good chance that over three quarters of employees will be included within the coverage. We also find considerable variation amongst firms operating in Asia. Japanese firms are more likely to cover any workers at all, and are also more likely to cover 76 per cent or more of their workforce through collective bargaining. Both the Philippines and Taiwan are relatively similar in that there is a strong likelihood that few if any workers will be covered by union contracts. Finally, our results for Australia, the United States, and South Africa mirror those reported earlier. The proportion of workforces in which most or all employees are covered by collective bargaining is very small in the US, though Australian firms are also highly unlikely to provide bargaining to 76–100 per cent of workers. Conversely, in South Africa, a significant proportion of organizations have very high percentages of employees covered by union contracts.

Union influence on organizations

Our third question concerns the extent to which unions exert influence over the organization. Respondents were asked if unions influenced the firm (a) not at all, (b) to a small extent, (c) to some extent, (d) to a great extent, or (e) to a very great extent. Results are found in Figure 7.3.

We find interesting variations with regards to this question, as compared against previous queries asked about union recognition. For one, aside from the Scandinavian region, in very few countries do we see unions influencing organizations to either a great or very great extent. Indeed, only in Cyprus and Germany did 25 per cent or more respondents offer that unions operated in these highest two categories of influence. In Scandinavia, on the other hand, all surveyed countries but Denmark suggested significant levels of union influence on their organizations.

Conversely, in regions like the Baltic States, Russia, Eastern Europe, most of Southern Europe, and the UK/Ireland, union influence was muted. In Russia, for instance, over three quarters of respondents (76.1 per cent) said that unions had no influence at all on the organization. Similar numbers are found in Estonia and Lithuania. The Czech Republic, perhaps expressing its higher relative levels of recognition and proportional worker representation, stands out amongst Eastern European countries insofar as unions have at least some influence on organizations. Patterns of labour organization influence in Southern Europe (with Cyprus excepted) are quite similar; by and large, unions affect organizations to only a mild extent. In Western Europe, this influence is stronger, particularly in countries like Austria, the Netherlands, and France (along with Germany, as noted). Surprisingly, in Switzerland, where companies are substantially more likely to recognize unions than they are in other countries, union influence is far less pronounced; over half (54.6 per cent) of firms operating in Switzerland indicate no labour group influence at all. Similarly, in the UK and Ireland, responses broadly mirror each other and downplay the role of unions in shaping organizations in any real way.

Outside the European context, we find relatively close patterns of union influence, with the exception of South Africa. In the Middle East, union influence is mild at best. Firms operating in Asia are much more aligned on this question than on others; unions do not tend to play a major role in influencing organizations, irrespective of whether the company is located in Japan, the Philippines, or Taiwan. Similar patterns are found in the US and, to a slightly more union-
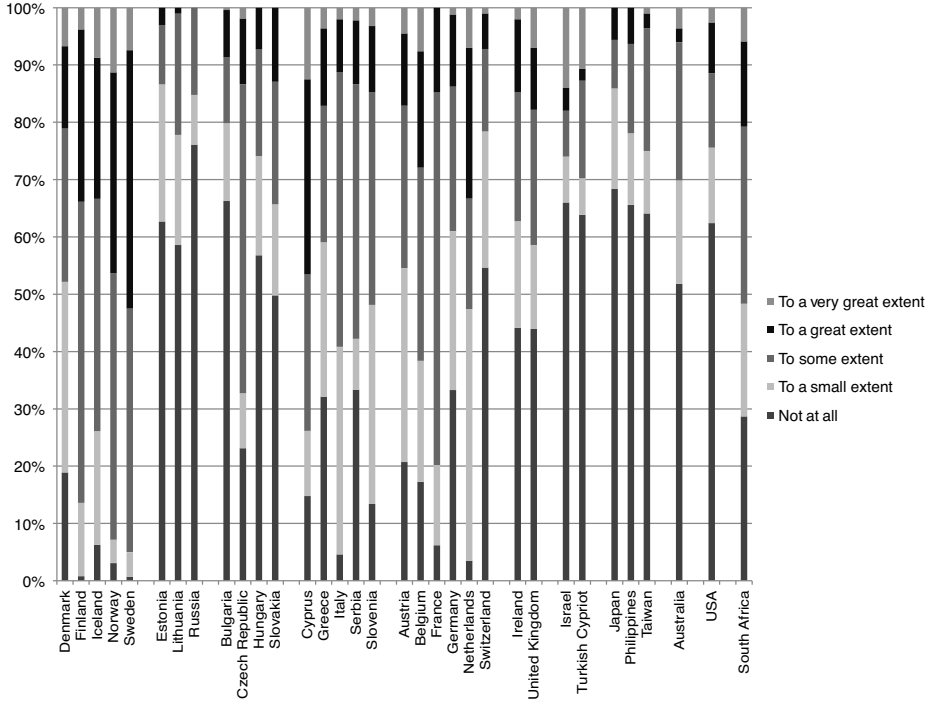
Figure 7.3 Extent to which unions influence the organisation

influential degree, in Australia. Only in South Africa do we see labour groups substantially impacting on a number of organizations, though only 20.8 per cent of respondents offer that unions influence their firms to a great or very great extent.

In all, it appears that, with notable exceptions in Scandinavia and a few other European countries, union influence on organizations is only moderate, irrespective of the extent to which the company recognizes union representation amongst some, or all, of its workforce. Following on from this, a question we ask is: has this influence changed at all over the past three years? Figure 7.4 provides the results regarding recent changes in union influence over organizations.

We find much more consistency amongst respondents when they are asked this question. Almost uniformly, the answer is that union influence has stayed the same in recent years. This may be seen as relatively good news for unions operating in countries like Norway and Sweden, but also means bad news for labour groups in places like Lithuania and Russia. The only notable exceptions to this status quo come from respondents in France and Ireland – 81 per cent of those surveyed in France offer that union influence has decreased over the past three years. So, although recognition levels are very high in France, and a significant number of workers are covered by bargaining, the influence unions have over the organization is clearly waning, according to these results. In Ireland, the opposite appears to be true. Nearly a third (32.6 per cent) of respondents indicate that union influence over organizations has increased in recent years. This represents a clear decoupling of responses between Ireland and the UK, where results to this point had essentially mirrored each other. The suggestion that union influence in Ireland is growing is particularly interesting given that we offer a case study of the Irish experience later
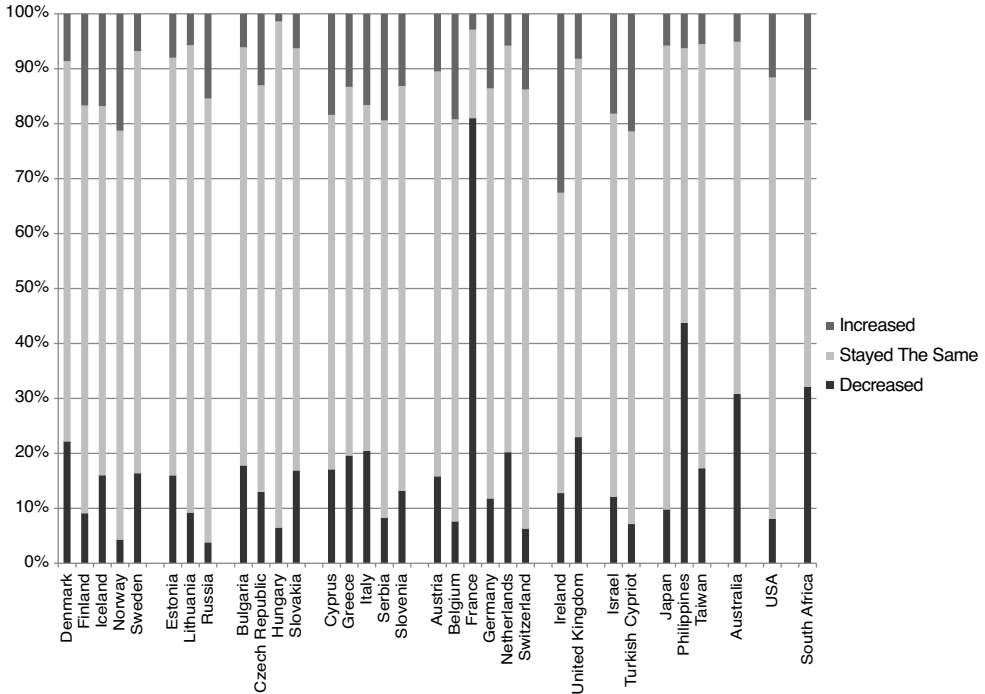
Figure 7.4 Change in union influence over the past three years

in this chapter, much of which runs contrary to the idea that labour groups exert substantial power over policymaking within Ireland. One explanation for this may relate to the timing of the Cranet survey relative to the case study documented below; the Cranet survey occurred largely during a time of social partnership in Ireland, which might explain the perception that union influence in Ireland was becoming stronger. However, additional analysis of the Cranet data, beyond the broad scope of this chapter, may be required to more fully explore this discrepancy between what the data show and what has been suggested elsewhere.

Joint consultative committee or works council presence

Our final question from the Cranet data asks whether a joint consultative committee or works council is present at each company operating in the given country surveyed. Firms were asked simply to indicate presence or absence, but not degree of influence. Results can be found in Figure 7.5.

A cursory review of the responses immediately suggests a degree of regional conformity, but, generally speaking, considerable variation in responses across all countries. In Scandinavia, with the exception of Iceland, works councils or joint consultative committees are extremely popular. Similarly, in Western Europe, respondents suggest that these entities are likely to be present, though less so in the Netherlands and Switzerland than elsewhere. At the opposite end of the spectrum, in places like the Baltic States and Russia, Eastern Europe, and Southern Europe, there is a general absence of works councils or joint consultative committees, with small country-
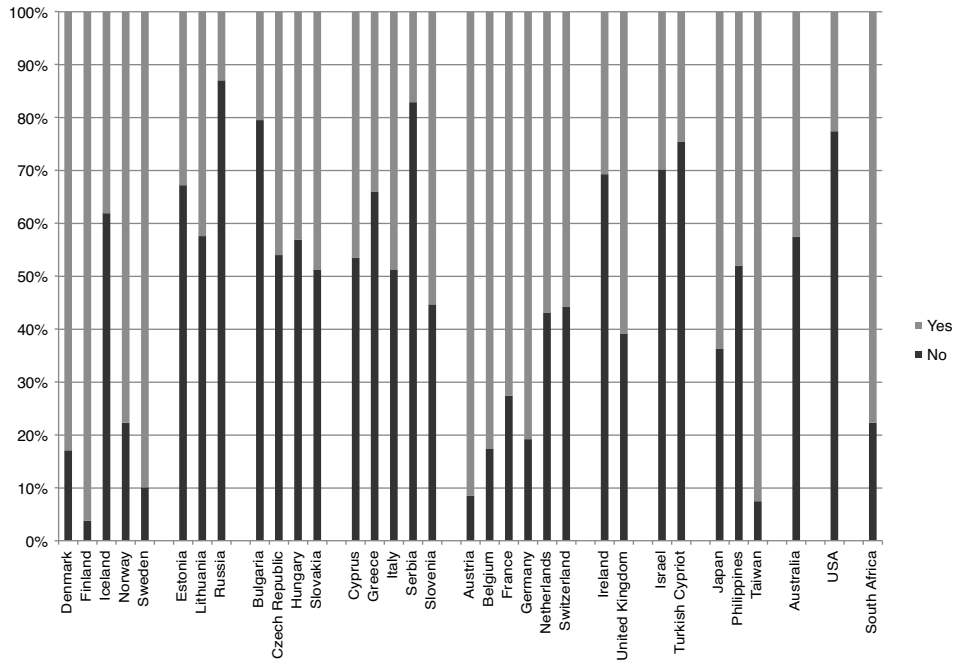
Figure 7.5 Presence of a joint consultative committee or works council

specific variations. In Ireland and the UK, the decoupling of responses continues; whereas 60.8 per cent of firms indicate that works councils or joint consultative committees are present in the UK, only 30.7 per cent indicate the same in Ireland.

Outside of Europe, we see some regional (and within-region) variation in responses. Few companies in the Middle East have works councils or joint consultative committees. In Asia, their presence is stronger, particularly in Japan (with a presence of 63.7 per cent) and especially in Taiwan (with a presence of 92.5 per cent). These entities are less popular in the Philippines, at only 48 per cent. Perhaps unsurprisingly, firms in the US are unlikely to have works councils or joint consultative committees; these entities are also relatively uncommon in Australia. However, in South Africa, presence levels are high, at 77.7 per cent, putting South Africa in line with regions like Scandinavia and Western Europe in this regard.

A case study from Ireland[3]

We consider a case study emanating from Ireland as emblematic of the growing, and complex, ties between MNCs and trade unions, particularly where companies expand into new territories with different contextual arrangements than their home environment. Our Irish case study involves PharmaMed, a large and successful US pharmaceutical and healthcare company with an extensive network of international operations. Its espoused business model places great weight on research and development (R&D). However, much of this R&D activity takes place in the US with its foreign subsidiaries largely focused on manufacturing, marketing, and distribution. From a corporate employment relations (ER) perspective, PharmaMed strongly favours trade union avoidance, preferring to 'deal with employees on an individual basis'.

The Irish context

For much of the period since achieving independence from Britain (1922) until the late 1950s, Ireland pursued largely protectionist policies with regard to foreign trade and the country was quite introspective concerning international trade and investment. Public policy encouraged domestic industry with imports the subject of considerable tariffs and duties. Much of this period was characterized by sluggish economic performance and limited industrial development.

The late 1950s witnessed a sea change in Irish industrial policy, moving from a protectionist stance to a more open economy. Because of the country's historically weak industrial base, this was achieved by what has been termed 'industrialization by invitation'. Essentially, the state provided various incentives to encourage inward foreign direct investment (FDI) in targeted sectors to establish facilities in Ireland. The most significant incentive was an extremely favourable (low) corporation tax regime.

This provision of preferential incentives to multinational corporations (MNCs) to locate in Ireland has remained a consistent plank of public policy ever since. Ireland is now one of the world's most FDI-dependent economies and has continued to attract FDI despite being severely hit by the global financial crisis. Ireland was recently ranked the second most economically globalized county in the world (KOF 2010). It has the fifth highest ratio of inward FDI stock to GDP amongst OECD nations and the highest ratio of employment in foreign subsidiaries (OECD 2010). Most of this FDI in Ireland comes from the US. Approximately one fifth of US global investment in the professional and technical services sector is located in Ireland while US MNC subsidiaries contribute approximately one third of Ireland's corporation tax 'take' and over a quarter of GDP. The MNC sector has therefore secured a very powerful position in the Irish economy.

PharmaMed in Ireland

As part of its global expansion over recent decades, PharmaMed sought to establish a significant presence in Europe. Ireland became the preferred location for its production operations. This choice related to a number of factors. Specifically, Ireland's entry to the then European Economic Community (EEC) in the early 1970s brought it to the attention of PharmaMed, who were then seeking to access this market but avoid paying import duties. Concurrently Ireland's main industrial promotions agency, the Industrial Development Authority, were very aggressive in courting PharmaMed with the offer of an attractive grants package combined with the promise of zero tax on profits that was 'just too good to refuse'.

Having settled on Ireland as the location for their European production operations, PharmaMed were faced with a number of important operational decisions relating to the plant's ER policies and practices. It was clear that corporate preference was to establish its Irish operations on a non-union basis, similar to its existing US plants. However, the management team with responsibility for the Irish plant consulted widely, taking counsel on ER matters from the Industrial Development Authority, government officials, employer associations, and Irish ER/HR practitioners. The advice they received overwhelmingly suggested that establishing on a non-union basis would be decidedly problematic. Rather, the company was encouraged to recognize trade unions and engage in collective bargaining. This advice was based on a number of factors:

1   Trade unions had a long established pedigree in Ireland and had widespread political support and legitimacy;
2   Trade union density levels in the private sector were high;

3   All parties were acutely aware of the then recent (late 1960s) case of EI Ireland, another US MNC who had failed to establish an Irish subsidiary on a non-union basis to much adverse publicity.

PharmaMed followed the advice and concluded a so-called 'pre-production' recognition agreement with particular trade unions. The decision to recognize trade unions and engage in collective bargaining clearly aligned ER in PharmaMed Ireland with practice amongst other inward-investing MNCs of the period. However, the decision represented a departure from practice in the US where PharmaMed was considered 'solidly non-union'. This decision had a knock-on impact on a number of other important areas of ER practice. Most notably, pay increases for unionized employees were agreed through collective bargaining with the trade unions as opposed to individual performance-related pay systems which prevailed in the US operations. Many other HR and ER issues were also handled via collective bargaining with employee representatives rather than directly with employees (as would have been the preference of corporate management).

Recent Expansion

PharmaMed's Irish operations have, since their founding, been highly successful and profitable, and have attained an important position in the company's global portfolio. The Irish plants are the primary locations for the production and manufacture of a number of the company's key products for the global market. Owing largely to this aforementioned success and to the incentive package available for new FDI, Ireland was chosen from a number of alternatives as the site for a new plant in 2007. While the other Irish plants had played a key part in the manufacturing process, this was the first time that the entire production process would be completed in a single site outside the US. Thus, the decision had strategic implications, both for the PharmaMed Corporation itself and particularly for PharmaMed Ireland and its position in the corporation's portfolio. An important ER/HR factor which helped influence the decision in favour of Ireland as the favoured location for new investment was the prospect of the new facility being established on a non-union basis. The claimed local management rationale for non-union status in the new facility was their desire to 'ensure high levels of flexibility' and also to minimize the 'potential for disruption to production' due to ER issues. However, arguably the main factor underscoring local management's decision to propose a 'union-free' new facility was their view that this better fitted corporate preference and would therefore enhance the likelihood of the new facility being located in Ireland.

A broader macro-level but equally critical consideration was the fact that the industrial, political, and economic climate in Ireland at this time was significantly different to when PharmaMed's first Irish operation was established in the early seventies. We have already noted how the longstanding policy of attracting FDI means that the Irish economy has become increasingly dependent on MNCs and how these firms possess considerable economic and political clout. The profile of inward-investing MNCs had also changed considerably. The period from the late 1980s saw an increasing number of American high-technology companies establish new greenfield establishments in Ireland on a non-union basis. This was made possible in no small way by the more favourable 'climate' with regard to ER. This has progressively shifted from being comparatively prescriptive with regard to the ER approaches expected from inward-investing MNCs, to one which increasingly affords such firms the freedom and scope to pursue their preferred ER approach, be it union engagement or union avoidance. The union avoidance

strategies which characterized investments by high-tech US firms from the mid- to late 1980s in many ways paved the way for firms such as PharmaMed to establish new operations on a non-union basis, despite having previously operated unionized plants in Ireland.

PharmaMed opened its new non-union plant on a greenfield site close to its other unionized Irish sites in 2008. The implications of non-status are manifest in a number of areas of ER and HRM policy and practice which differ substantially from practice in its older unionized sites. This is particularly evident in terms of the management of pay and performance on an individual basis, with pay increases determined on the basis of performance reviews as opposed to collective bargaining with trade unions. Communications too are largely focused on direct interaction with employees, while employee complaints and related issues are handled under the terms of detailed non-union grievance procedures.

This new facility continues to operate on a non-union basis and there has been little concerted effort by any trade union to gain a foothold in the plant to date. Since conditions of employment are largely similar to the unionized facilities, potential tensions between employees in the unionized plants and their non-union counterparts in the new facility have not emerged to any significant degree. However, it will be interesting to see how these issues play out in the future.

Conclusion

The primary aim of this chapter has been to profile the relationship between research on employment relations and international HRM, using the multinational company as a focal point. We turned to three distinct strands of research (a research study of prominent MNCs; the Cranet database; and a case study from the pharmaceutical industry in Ireland) in order to add new insights into this relationship. Our findings explore a variety of issues, such as employment relations 'best practices' amongst firms, trade union recognition at both the micro (firm-specific) and macro (country-based) levels, union membership rates, and a number of questions related to both union influence on firms and efforts at communication between labour groups and managers.

Within and across these strands of data, we find, broadly speaking, very complex ties between labour groups and multinational companies. On the one hand, there is some evidence of convergence in the relationship depending on national and regional contexts. As just one example from the results discussed above, almost all MNCs operating in Scandinavia and other coordinated market economies recognize unions, whereas those based in liberal market economies are much more varied in their recognition rates. On the other hand, focusing solely on the macro or aggregate level of analysis fails to capture effectively the nuances of these relationships. These nuances might include firm-specific innovative practices (see, for example, our earlier discussion of the Swedish MNC's solution to Dutch union consultation requirements). Or, as in the case of PharmaMed, the nuances might involve an initial acceptance of unions followed by the firm's expansion on a non-union basis (creating what is commonly known as a 'double-breasted' operation).

In sum, our efforts within this chapter have been to both document and add to the literature on the complex and varied ties between the fields of ER and IHRM. We have done so by turning to a number of micro- and macro-oriented data sources, each of which adds value to our understanding of these ties. Our dual-level research strategy has allowed us to explore aggregate, country-based approaches to trade unions by MNCs, as well as firm-specific practices. We recommend that future research into the topic consider using similar approaches where possible, in order to capture more comprehensively the nuanced and complex relationship between labour organizations and multinational firms.

Notes

1 Based on research by the Global Human Resource Research Alliance, involving Elaine Farndale, Shad Morris, Jaap Paauwe, Guenther Stahl, Philip Styles, Jonathan Trevor and Patrick Wright.
2 While this term (relating to contracts with trade unions) is widely used and understood particularly in the Anglo-Saxon world, this is not the case in many continental European countries where partnership with trade unions is more common.
3 © Patrick Gunnigle, David G. Collings and Michael J. Morley (2008), Kemmy Business School, University of Limerick.

References

Alas, R. and Vanhala, S. 2013. Converging and diverging trends in HRM between Nordic countries and Estonia. In E. Parry, E. Stavrou, and M. Lazarova (eds), *Global Trends in Human Resource Management* (pp. 122–146). Basingstoke, UK: Palgrave Macmillan.

Allern, E. H., Aylott, N. and Christiansen, F. J. 2007. Social democrats and trade unions in Scandinavia: The decline and persistence of institutional relationships. *European Journal of Political Research* 46(5): 607–635.

Almond, P., Edwards, T. and Clark, I. 2003. Multinationals and changing national business systems in Europe: Towards the 'shareholder value' model? *Industrial Relations Journal* 34(5): 430–445.

Almond, P., Edwards, T., Colling, T., Ferner, A., Gunnigle, P., Muller-Camen, M., Quintanilla, J. and Wächter, H. 2005. Unravelling home and host country effects: An investigation of the HR policies of an American multinational in four European countries. *Industrial Relations* 44(2): 276–306.

Amable, B. 2003. *The Diversity of Modern Capitalism*. Oxford: Oxford University Press.

Apospori, E., Nikandrou, I., Brewster, C. and Papalexandris, N. 2008. HRM and organizational performance in northern and southern Europe. *International Journal of Human Resource Management* 19(7): 1187–1207.

Beck, N., Kabst, R. and Walgenbach, P. 2009. The cultural dependence of vocational training. *Journal of International Business Studies* 40: 1374–1395.

Botero, J., Djankov, S., La Porta, R., Lopez-de-Silanes, S. and Shleifer, A. 2004. The regulation of labor. *The Quarterly Journal of Economics* 119(4): 1339–1382.

Brewster, C. 2004. European perspectives on human resource management. *Human Resource Management Review* 14(4): 365–382.

Brewster, C. and Hegewisch, A. 1993. A continent of diversity: Personnel management in Europe. *Personnel Management* January: 36–40.

Brewster, C., Morley, M., and Bučiūnienė, I. 2010. The reality of human resource management in central and eastern Europe. *Baltic Journal of Management* 5(2): 145–155.

Brewster, C., Wood, G. and Brookes, M. 2013. *Country of Domicile Institutions, MNCs, and Work and Employment Relations: Diversity and Change*. Working paper, Middlesex University.

Clark, I., Colling, T. Almond, P. Gunnigle, P. Morley, M. Peters, R. and Portillo, M. 2002. Multinationals in Europe 2001–2: Home country, host country and sector effects in the context of crisis. *Industrial Relations Journal* 33(5): 446–464.

Cooney, S., Gahan, P. and Mitchell, R. 2010. Legal origins, labour law and the regulation of employment relations. In A. Wilkinson and M. Townshend (eds), *The Future of Employment Relations: New Paradigms, New Developments*. London: Palgrave Macmillan.

Dibben, P., Wood, G., Le, H. and Williams, C. 2011. MNCs in central, southern, and eastern Europe and the former Soviet Union: Investment decisions and the regulation of employment. *Human Resource Management Journal* 21(4): 379–394.

Dunlop, J. T. 1958. *Industrial Relations Systems*. New York: Holt, Rinehart and Winston.

Dunlop, J. T. 1984. *Dispute Resolution: Negotiation and Consensus Building*. Westport, CT: Praeger.

Edwards, P. 2005. The challenging but promising future of industrial relations: Developing theory and method in context-sensitive research. *Industrial Relations Journal* 36(4): 264–282.

Edwards, T. 2004. The transfer of employment practices across borders in multinational companies. In A.-W. Harzing and J. Van Ruysseveldt (eds), *International Human Resource Management* (2nd edn, pp. 389–410). London: Sage.

Edwards, T. and Ferner, A. 2002. The renewed American challenge: A review of employment practice in US multinationals. *Industrial Relations Journal* 33(2): 94–111.

Farndale, E., Brewster, C. J. and Poutsma, E. 2008. Coordinated vs. liberal market HRM: The impact of institutionalization on multinational firms. *International Journal of Human Resource Management* 19(11), 2004–2023.

Geppert, M., Williams, K. and Matten, D. 2003. The social construction of contextual rationalities in MNCs: An Anglo-German comparison of subsidiary choice. *Journal of Management Studies* 40: 617–641.

Gooderham, P., Nordhaug, O. and Ringdal, K. 1999. Institutional and rational determinants of organizational practices. *Administrative Science Quarterly* 44: 507–531.

Gunnigle, P., Collings, D. G. and Morley, M. J. 2006. Accommodating global capitalism? State policy and industrial relations in American MNCs in Ireland. In A. Ferner, J. Quintanilla and C. Sanchez-Runde (eds), *Multinationals and the Construction of Transnational Practices: Convergence and Diversity in the Global Economy*. Basingstoke, Hampshire and New York: Palgrave Macmillan.

Gunnigle, P., Collings, D. G. and Morley, M. J. 2008. Different times, different choices: trade union recognition and avoidance in a US multinational company. Kemmy Business School, University of Limerick, working paper.

Hall, P. A., and Soskice, D. (eds) 2001. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press.

Harzing, A.-W. and Sorge, W. 2003. The relative impact of country of origin and universal contingencies in internationalization strategies and corporate control in multinational enterprises: Worldwide and European perspectives. *Organization Studies* 24(2): 187–214.

Hyman, R. 2009. How can we study industrial relations comparatively? *Bulletin of Comparative Labour Relations* 70: 3–23.

Katz, H. C. and Darbishire, O. 2000. *Converging Divergences: Worldwide Changes in Employment Systems*. Ithaca, NY: ILR Press/Cornell University Press.

Kerr, C., Dunlop, J. T., Harbison, F. H. and Myers, C. A. 1960. *Industrialism and Industrial Man*. Cambridge, MA: Harvard University Press.

Kochan, T. A., Katz, H. C. and McKersie, R. 1986. *The Transformation of American Industrial Relations*. New York: Basic Books.

KOF – Swiss Economic Institute. 2010. *KOF Index of Globalization*. Available online at http://globalization. kof.ethz.ch/media/filer_public/2013/03/25/rankings_2013.pdf.

Lamare, J. R., Gunnigle, P., Marginson, P. and Murray, G. 2013. Union status and double-breasting at multinational companies in three liberal market economies. *Industrial and Labor Relations Review* 66(3): 696–722.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A. and Vishny, R. 1998. Law and finance. *Journal of Political Economy* 106(6): 1113–1155.

Lipsky, D. B., Seeber, R. L. and Fincher, R. 2003. *Emerging Systems for Managing Workplace Conflict: Lessons from American Corporations for Managers and Dispute Resolution Professionals*. San Francisco, CA: Jossey-Bass.

Mills, M., Blossfeld, H., Buchholz, S., Hofacker, D., Bernardi, F. and Hofmeister, H. 2008. Converging divergences? An international comparison of the impact of globalization on industrial relations and employment careers. *International Sociology* 23(4): 561–595.

Muller-Camen, M., Almond, P., Gunnigle, P., Quintanilla, J. and Tempel, A. 2001. Between home and host country: Multinationals and employment relations in Europe. *Industrial Relations Journal* 32(5): 435–448.

Mundlak, G., Saporta, I., Haberfeld, Y. and Cohen, Y. 2013. Union density in Israel 1995–2010: The hybridization of industrial relations. *Industrial Relations* 52(1): 78–101.

Nikandrou, I., Apospori, E., Panayotopoulou, L., Stavrou, E. T. and Papalexandris, N. 2008. Training and firm performance in Europe: The impact of national and organizational characteristics. *International Journal of Human Resource Management* 19(11): 2057–2078.

OECD. 2010. *OECD Factbook 2010: Economic, Environmental and Social Statistics*. Paris: OECD.

Paauwe, J. and Farndale, E. 2006. International human resource management and firm performance. In G. Stahl and I. Björkman (eds) *Handbook of Research in International Human Resource Management* (pp. 91–112). Cheltenham, UK: Edward Elgar Publishing.

Parry, E., Stavrou, E. and Lazarova, M. 2013. Introduction: Human resource management across time and context: Comparative research and global trends in HRM. In E. Parry, E. Stavrou, and M. Lazarova (eds), *Global Trends in Human Resource Management* (pp. 1–7). Basingstoke, UK: Palgrave Macmillan.

Poor, J., Karoliny, Z., Alas, R. and Vatchkova, E. K. 2011. Comparative international human resource management (CIHRM) in the light of the CRANET regional research survey in transitional economies. *Employee Relations* 33(4): 428–443.

Steinmetz, H., Schwens, C., Wehner, M. and Kabst, R. 2011. Conceptual and methodological issues in comparative HRM research: The Cranet project as an example. *Human Resource Management Review* 21(1): 16–26.

Tüselmann, H.-J., McDonald, F. and Heise, A. 2002. Globalization, nationality of ownership and employee relations: German multinationals in the UK. *Personnel Review* 31(1): 27–43.

Tüselmann, H.-J., McDonald, F. and Thorpe, R. 2006. The emerging approach to employee relations in German overseas affiliates: A role model for international operation? *Journal of World Business* 41: 66–80.

Whitley, R. 1999. *Divergent Capitalisms: The Social Structuring and Change of Business Systems*. Oxford: Oxford University Press.

Whitley, R. 2010. Changing competition in market economies. In G. Morgan, J. Campbell, C. Crouch, O. Pedersen and R. Whitley (eds), *The Oxford Handbook of Comparative Institutional Analysis*. Oxford: Oxford University Press.

Comparative HRM and international HRM

Chris Brewster and Geoffrey T. Wood

Introduction

International human resource management (HRM) concerns the people management policies and practices of organisations that operate across international boundaries. A key component of IHRM is the management of expatriates (Dowling, 1999) but, as this book illustrates, the subject goes much wider (Brewster *et al.*, 2005; Brewster *et al.*, 2011). This has been contrasted with comparative studies of HRM (Boxall, 1995), the study of the way that HRM is thought about, works and the effects that various practices have in various settings (Brewster and Mayrhofer, 2012). It further concerns the relative impact of specific societal features on the practice of HRM, and how these vary between contexts (cf. Goergen *et al.,* 2009a; 2009b). As these various fields have developed there have been increasing numbers of explorations of the way that these topics overlap (Brewster, 2012; Brewster and Mayrhofer, 2011). At the same time, the classic globalisation/ differentiation debate (mainly) within multinational corporations (MNCs) (Bartlett and Ghoshal, 1998) has been echoed in HRM as elsewhere (Bae *et al.*, 1998; Brewster *et al.*, 2008; Farndale *et al.*, 2008; Festing *et al.*, 2007); in other words, to what extent do MNCs serve as agents of homogenising global process. However, as the classic HRM literature alerts us, HRM is the issue on which local influences have most impact on MNCs (Rosenzweig and Nohria, 1994).

Thus, we will argue in this chapter that the study of international human resource management is incomplete without an understanding of comparative HRM, and the analytical frameworks that might be deployed for comparative analysis. We will, briefly, identify the meaning of comparative HRM, we will explore the competing explanations of it, we will consider its overlap with IHRM and we will provide some examples. Finally, we will examine the practical and theoretical implications of our analysis.

The meaning of comparative HRM

Management, and human resource management in particular, vary with context. Indeed, 'it seems unlikely that one set of HRM practices will work equally well no matter what the context' (Gerhart, 2005; 178). A key context, because of the reinforcing complementarities that occur within each state, is country. A classic text in IHRM noted early on that HRM is the most

localised of practices encountered within MNCs (Rosenzweig and Nohria, 1994). The early leaders in the study of HRM recognised this and included the country level context in their frameworks (Beer *et al.*, 1984) but, almost as soon as the topic of HRM had been conceptualised, its frame became narrowed to deal with the HRM policy choices and HRM outcomes within the firm – dubbed strategic HRM (Batt and Banerjee, 2012; Boxall, 1992; Fombrun *et al.*, 1984). The implication was that context was of considerably less importance than what the firm chose to do and, indeed, that firms had considerable autonomy in deciding what to do irrespective of context.

This 'false universalism' (Rose, 1991) is important because the concept of human resource management itself and most of our information about it comes from the United States of America. Whilst we owe much of our understanding of HRM to researchers from the USA, and the USA forms the template for the prescriptions of management consultants, business schools and management 'gurus' around the world, in fact, in many areas and on most analyses the USA is an outlier. What works there may have very different effects in different contexts.

Comparative human resource management privileges the context, arguing that the way HRM is understood, its objectives, the parties involved, the policies, the practices and the outcomes will be significantly affected by the national context in which the organisation operates. It is likely that much of the confusion around what HRM actually is (Goss, 1994; Guest, 1990; Storey, 1992) arises from the fact that researchers from different countries have been using the same term to mean different things. Comparative HRM is in many ways a critical strand of HRM, challenging the hegemony of the 'standard' (USA-based) understanding of the topic.

This is not to argue that comparative HRM based on the nation state is the only, or even the best, way to understand HRM – there are of course many studies of HRM across sectors or (though far fewer) across sizes of organisations. A 'telescope' analogy has been used (Brewster, 1995): changing the focus of study does not invalidate the other views but blurs some aspects in order to provide greater clarity on others. The growth in nationally comparative HRM studies is relatively recent, though more common in related areas such as industrial relations. We also note that there are also comparative studies that cut across national borders – for example, comparing HRM in the Flemish-speaking and Francophone regions within Belgium with those in the Netherlands and in France (Dewettinck *et al.*, 2004). However, generally, comparative HRM works by comparing the topic across countries or across clusters of countries.

Research on the meaning and objectives of HRM rapidly uncovers different approaches between nations. This should not be a surprise: even amongst the presumably mainly profit driven heads of corporations, key differences in their objectives have been found (Hofstede *et al.*, 2002). Thus, at the definitional level, some countries include industrial relations as one of the topics that HRM has to manage, others see it as an entirely separate discipline; some countries include care for the natural environment or corporate social responsibility within HRM, others exclude it; some countries expect line managers to play a significant role in HRM, others do not. These variations are found amongst both practitioners and academics.

These variations apply also to the objectives of HRM. It is recognised that for nearly all organisations people are the largest single operating cost item, the one that can most readily be varied, and also the single source of making sense and use of the organisation's other resources. The early leaders in the field (Beer *et al.*, 1984) not only, as already noted, included context in their analysis but also pointed to the long-term outcomes of HRM as being organisational effectiveness, individual well-being and societal well-being. These long-term effects were widely ignored, at least in the Anglo-Saxon world, in the rush to study strategic HRM. In simple words, is the purpose of HRM focused on the human resources part of the topic or on the resource management side of it? In other words, is the task of the study of HRM and the

work of the HRM department to improve the management of people within organisations so that their well-being and that of society is improved, or is it to ensure that the people cost as little as possible and deliver as much value as they can? Or do we assume that the two are compatible? There is variation everywhere of course but in broad terms different countries tend to have different answers to these questions.

Practices also differ between countries and there is plenty of evidence now about that (Brewster, Brookes, *et al.*, 2007; Brewster *et al.*, 2006; Croucher *et al.*, 2010; Croucher *et al.*, 2012; Goergen *et al.*, 2009a) that we will refer to in more detail below. For those who take a more universalist position on HRM (Brewster, 1999) this may be evidence that some countries need to catch up with best practice – which it is generally assumed is found in the United States of America (Smith and Meiksins, 1995). For the proponents of comparative HRM, by contrast, this may be a recognition that different objectives being sought in different environments will require different practices.

And the outcomes of HRM practices will be different too. It is perhaps something of a surprise to find that even within a similar set of objectives people assume that the same practice will have the same effect in different contexts. We do not expect that the same ingredients will produce the same pudding if the oven temperature is different. It is a mark of the hegemony of the 'one best way' approach to the much more complicated contexts of human resource management that organisations continue to believe that a single practice will produce the same result in different contexts. It will not (Stavrou *et al.*, 2010). The thinking is so pervasive that many of our academic studies assume that the practices are more important that the location, so that, bizarrely, we are now finding studies of (US style) 'high performance work practices' in the emerging economies: one thing we know for sure is that such practices are not widespread there and do not reflect the way that most people in those countries are managed. We need more studies of what is actually happening in such countries.

The competing explanations of comparative HRM

If the differences in the meaning, objectives, practices and outcomes of HRM between nations are accepted, then the next issue concerns the reasons for, or the antecedents of, these differences. Two broad sets of theories have been advanced, the cultural and the institutional (Brewster, 2004; Sorge, 2004). These are indeed broad categorisations and within each field there is a raft of competing and often incompatible theories. It is argued that different values and different relationships between people are clustered in countries and, inevitably, reflected in the way that people manage other people. Whilst not ignoring the manifest importance of this approach we note the difficulties in defining and measuring culture (Vaiman and Brewster, 2014) and the competing, and inconsistent, scales in use (Avloniti and Filippaios, 2012). A further limitation of cultural accounts, the fact that many national boundaries do not accurately coincide with ethnic variations, has not deterred writers in this tradition from categorising cultural characteristics according to country (McSweeney, 2012). Importantly for us here they assume strong path dependence: culture is something that is not readily changed. This may easily lead to assumptions that countries characterised by poor economic performance are in some manner culturally defective, and that others may be so irrevocably different as to preclude sustainable and peaceful long-term economic relations (McSweeney, 2012).

Given these limitations, we prefer the institutional approach. Wood *et al.* (2012) note that the new institutionalism is at least as multi-faceted as the cultural literature and has similar problems of definition and measurement but they also note that there is a consistency to the notion that certain factors within society create a degree of isomorphism in organisations searching for

legitimacy and resources (DiMaggio and Powell, 1983; Strauss and Hanson, 1997) and that this in turn creates a certain path dependence in the directions that the society can take; however, this does not discount the possibility of periodic ruptures and discontinuities (Hollingsworth, 2006). As Hollingsworth (2006) suggests, it is likely that national institutional frameworks evolve in a non-linear fashion that combines continuity with change. Vaiman and Brewster (2014) argue that companies have considerable, if not unlimited, scope to manage cultural differences (by only recruiting certain cultural types, for example), but much less opportunity to ignore educational systems, labour markets, government regulations, legislation and other institutional aspects of a society.

Some institutional theories prioritise a single institutional feature, which, they believe will override all others in impacting on owner and managerial choices and firm-level practices. Such approaches may be referred to as rational-hierarchical and, they primarily see institutions as incentivisers or disincentivisers of rational profit maximising individuals (Goergen *et al.,* 2009a, 2009b). What also characterises these approaches is a focus on formal rules, above all, private property rights, whilst discounting the effects of informal societal conventions. A particularly dominant point of view is the argument that the legal system will be a determinant of much else that occurs within society (Djankov *et al.*, 2003; La Porta *et al.*, 1998; La Porta *et al.*, 2000) with countries' systems ranged on a scale from the Anglo-Saxon common law system to the French constitutional law system. The former will give more rights to shareholders and therefore, it is argued, will create more successful businesses and societies; this argument is based on a very selective usage of evidence, concentrating in the speculative boom years that the liberal markets enjoyed during the 1990s. Other theories argue that politics will be the key determinant, either because of the political leanings of the government (Roe, 2003) or because of the electoral system (Pagano and Volpin, 2005). These theories suggest that shareholders rights will be promoted by right-wing governments and majoritarian voting systems. A limitation of the former is that it is difficult to categorise political parties: in retrospect, would Blair's New Labour be categorised as of the left or the right?

As is apparent, the rights of shareholders pay a prominent part in this literature (Jackson and Deeg, 2008; North, 1990) and they have also been given prominence in the comparative capitalisms literatures, albeit that the latter sees societal restraints on shareholder rights as being potentially beneficial, rather than pathological (cf. Dore, 2000). The latter constitute a (varied) set of synthetic theories aiming to encompass a wider variety of reasons for the differences between societies and to capture a wider variation in the outcomes. Key distinctions between the different national archetypes adduced by these theories lie in the quality and density of relationships between organisations, government and societal associations.

The most cited version of the comparative capitalisms theory is a simple dichotomous distinction between the liberal market economies (LMEs) of the Anglo-Saxon world and the coordinated market economies (CMEs) of the Rhineland, Scandinavia and Japan (Hall and Soskice, 2001). For LMEs, shareholder value is pre-eminent, contractual relationships tend to be short-term and are trumped by the need for competition and the government is expected to play just a facilitating role (Almond *et al.*, 2003; Brewster, Wood, *et al.*, 2007). In CMEs relationships between organisations are less competitive and adversarial, the government accepts more responsibility for the way business is conducted (which is meant to be in the interests of a wider group of stakeholders than just the owners of the business) and for the way people at work are treated (Hall and Soskice, 2001; Lane and Wood, 2012; Dore, 2000). According to Hall and Soskice (2001) the complementarity of institutional factors at either end of the scale allows for successful economies but, between the two extremes, societies will find it difficult

to be economically successful and will be pressured to move in one direction or the other. Other authors (Albert, 1993; Dore, 2000; Lincoln and Kalleberg, 1990) have developed similar dichotomous critiques.

These dichotomous models have been found wanting by other authors (Amable, 2003; Whitley, 1999) who have argued that the mature economies cannot be readily divided into two archetypes, and that countries that fall in neither category will not necessarily converge towards one or the other. Amable (2003) divides the CME category up between the developed East Asian economies, Scandinavia (social democratic economies), Mediterranean economies, and the Rhineland ones (Continental European capitalism). Hancke *et al.* (2007) similarly highlight the distinct features of Mediterranean mixed market economies (MMEs), and provide a further category to encompass the post state socialist economies, emergent market economies (EMEs). Although some of these latter have moved towards either the LME (Estonia) or CME category (Slovenia, Slovakia), most others have retained very distinct characteristics, over two decades after democratisation (Lane and Myant, 2007).

The models that we have so far tend to be very Euro-centric, or to cover only the WEIRD (Western, Industrialised, Educated, Rich, Developed) countries (Henrich *et al.*, 2010), meaning that they ignore most of the world (Jackson and Deeg, 2006). Recently there have been attempts to spread the net, including looking for Latin American models, dubbed 'Hierarchic Market Economies' (Schneider, 2009), and tropical Africa, dubbed 'Segmented Business Systems' (Wood and Frynas, 2006; Wood, 2010). Russia has been classified as Kremlin Capitalism (Blasi *et al.*, 1997), although could also be seen, along with Serbia, Moldova, Albania and Kosovo as examples of 'wild capitalism' (Upchurch and Marinković, 2011), or even criminal states. Indian capitalism seems to remain unclassified and it is unclear where the capitalist/communist states of China and Vietnam fit in (Collins *et al.*, 2012). There have also been recent attempts to unpack the liberal market category, with Konzelmann *et al.* (2012) arguing that Australia, Canada and New Zealand are further from the LME ideal type than the USA.

These theories find it difficult to explain internal diversity in different market economies (Crouch, 2005; Lane and Wood, 2012; Walker *et al.*, 2013). Furthermore, the early literature on comparative capitalism tended to take a static view of things, since societies were conceived of as consisting of reinforcing complementarities, which makes it difficult to explain systemic change (Boyer, 2006; Streeck and Thelen, 2005). The more recent literature has sought to redress this lacunae and it can be argued that a broad consensus has emerged that institutional mediation is temporary, fluid and contingent, as pointed out by the early works of the Parisian regulation school (see Boyer, 1990; Jessop, 2001). However, unlike the latter, contemporary comparative institutional analysis is not only a theory of time, but also of scale, with it being recognised that, whilst certain ways of doing things may attain global ecosystemic dominance, their effects, and responses thereto, will vary from setting to setting (Jessop, 2012). Whilst contemporary global capitalism may be unhappy, each national system is unhappy in its own way.

Some of the criticisms of these comparative capitalisms theories have also come from people concerned about the mismatch between the theoretical attempt to explain firm-level behaviour and the fact that much of the evidence adduced is drawn from broad trends in labour markets, legislation, limited panels of case studies and/or broad macro-economic indicators (Thompson and Vincent, 2010; Wood *et al.*, 2013). In other words, although the literature on comparative capitalisms makes broad assumptions as to how work and employment relations vary from setting to setting, there is very little on what really goes inside the firm (Wood *et al.*, 2013). Again, from the mid-2000s onwards, a strand of literature has sought to redress this shortfall, bringing to bear firm-level survey data to systematically explore differences in approaches to people

management according to setting (Brewster, Brookes, *et al.*, 2007; Brewster *et al.*, 2006; Brewster, Wood, *et al.*, 2007; Croucher *et al.*, 2010; Croucher *et al.*, 2012; Goergen, Brewster, *et al.*, 2012; Goergen, Chahine, *et al.*, 2012; Richbell *et al.*, 2011; Ferner *et al.*, 2006, 2011; Ferner *et al.*, 2001)

Comparative HRM: some examples

International HRM centres on people management within the multinational firm. In contrast, comparative HRM seeks to systematically compare variations in firm practice between national settings. Even within Europe, there is plenty of evidence of the differences in HRM practice between countries and groups of countries and that these do not always correspond to the multi-archetype approaches of Amable (2003) and Hancke *et al.* (2007). To take a few examples, we have solid evidence of the differences between countries in financial participation schemes (Croucher *et al.*, 2010; Festing *et al.*, 1999; Poutsma *et al.*, 2006; Welz and Fernández-Macías, 2008). They are more widespread in some contexts than in others, they are more likely to be broad-based rather than narrow-based in some countries than in others and they have different antecedents and effects depending on country. There is similar evidence in the more widely conceived notion of employee participation or employee voice. Whilst much of the industrial relations research has focused on single countries, this literature has emphasised a comparative element (Bamber *et al.*, 2011; Brewster, Brookes, *et al.*, 2007; Conway *et al.*, 2008; Dore, 1973; Morley *et al.*, 2006; Poole, 1986; Wood, 2008; Wood and Brewster, 2007) and this has been replicated in studies of voice and participation more generally (Brewster, Brookes, *et al.*, 2007; Brewster *et al.*, 2013; Goergen *et al.*, 2009b; Poutsma *et al.*, 2003). Other aspects of HRM also show comparative variations. On training, significant differences between clusters of countries have been noted in terms of the investment in training, the numbers of days training, the purpose and kind of the training and the hierarchical levels that receive it (Goergen *et al.*, 2009a; Goergen, Brewster, *et al.*, 2012). There is similar variation in flexible working practices (Kalleberg, 2001; Richbell *et al.*, 2011; Tregaskis and Brewster, 2006). And at the end of the employment relationship, when dismissals and redundancies or downsizing occur there are also clear differences between nations and clusters of nations (Croucher *et al.*, 2012; Goergen *et al.*, 2013). Differences in HRM have been found between the north and south of Europe (Apospori *et al.*, 2008) and between combinations of clusters of countries (Brewster *et al.*, 2006).

In broad terms, the evidence shows the value of the comparative capitalisms approach. Generally, whilst the dichotomous (LME vs the rest) models have some validity, as noted above, in most cases the more complex models suggested by writers such as Amable (2003) seem to match the variations in HRM quite well. However, there are three limitations surrounding the use of Amable. The first is that Amable's categories are largely derived from a comparative cluster analysis of labour market and other societal features. Hence, it could be argued that it would be much simpler to skip the use of such country archetypes altogether and simply explore which societal features correspond to what specific sets of HRM practice. However, recent work suggests that whilst specific labour market features can be linked to specific HRM practices, the effects are neither direct nor exclusive, and that regulatory features in some areas are closely inter-related. A second limitation is that whilst recognising an EME category, the approach fails to take sufficient account of the varying extent to which some countries have been more able to converge – at least in some core dimensions – with one or two mature models, others have retained very distinct features that represent the product of both continuity and Europeanisation (e.g. Czech, Hungary, Poland), and still others have lapsed into criminal

states. A third limitation is that the unpacking of previously comprehensive archetypes is confined to the CME category; the rather heterogenous LME category is still presented as a single archetype (cf. Konzelmann *et al.*, 2012).

What about beyond Europe? We know much less about the People's Republic of China, Venezuela or Niger, but what we do know would suggest even more internal diversity than encountered in the mature economies (Lane and Wood, 2012).

Does this matter? If the process of globalisation is bringing these different national systems or groups of national systems increasingly into line, we should perhaps be less concerned to spend time on identifying these differences. And there are arguments that the process of management is becoming more similar around the world. Institutional theory argues that institutions reflect power relationships and so there will be a coercive pressure to ensure that similar structures and practices are adopted throughout the world (such as the de-regulation 'strings' typically tied to IMF loans to underdeveloped countries). Normative pressures (from professional bodies, international associations and the growing internationalisation of executive education) and cognitive isomorphism (as international organisations attempt to spread their policies and cultures around the world) reinforce this trend (DiMaggio and Powell, 1983). Transaction cost theorists 'argue that there is one best organisational form for firms that have similar or identical transaction costs' (Boyer and Hollingsworth, 1997: 34; see also Scott, 1995). However, we should not expect any simple answers in these complex topics: some aspects of industrial societies may converge whilst others diverge (Piore and Sabel, 1984). As Wood and Lane (2012) argue, there are broad processes at work with far reaching implications for the global economy: these include fundamental changes in the relative availability and price of specific energy sources and associated technological developments and implications. Such changes favour owners of highly fungible assets – rentiers and sovereign wealth funds – over those with non-fungible ones – longer term investors with capital tied up in specific industries and processes (Wood and Lane, 2012). Workers with organisation and industry specific human capital similarly fall in the latter category, and are likely to see a deterioration in their position as they are replaced by, or subsumed into, the growing mass of unskilled, occupationally and geographically insecure 'precariate' (Standing, 2011). This would suggest a general tendency towards lower value added HRM. However, despite such structural changes, some industries and regions are more resilient than others, and have been able to maintain or develop old or newer types of higher value added HRM approach.

Hence, even global market forces are reshaped, resisted, and redeployed by the socially embedded processes of the host locale (D'Aunno *et al.*, 2000; Comaroff and Comaroff, 2001). In HRM, we need to consider whether some parts of the overall HRM system might be converging, in some regions or geographies, whilst other parts might be diverging. Moreover, since HRM operates at multiple levels (Schuler, 1992), there might be convergence at one level, philosophy, say, but divergence at another, for example, practices, maybe even within one firm, never mind between nations.

Most management research concentrates on a particular locale or time, or on the identification of similar trends across countries. Logically, these cannot prove movement towards greater similarity. Attempts to disaggregate the notion of convergence in comparative HRM have suggested three forms of convergence (Mayrhofer *et al.*, 2002). First, there is directional convergence, in which broad trends follow the same direction (but different starting points may mean that countries remain parallel, staying in the same relationship to each other, or even become less alike). Second, there is final convergence, where the practice of HRM in these countries becomes more similar (even though that might, on occasion, mean that different

countries are heading in different directions). Third, there is majority convergence, where on average organisations within one country become more alike (again, perhaps by some heading in opposite directions to others). The Cranet research network has conducted consecutive surveys of HRM practice (Mayrhofer *et al.*, 2011), which show that the significant differences between European countries in all major functional areas of HRM have continued over more than a decade. Whilst there may be some directional convergence in areas such as increases in the use of various forms of contingent pay and rewards or the extent of communication with employees, there is no evidence of final convergence. So understanding the differences becomes of critical importance to understanding HRM and international HRM.

Comparative HRM and international HRM

Studies using comparative HRM and studies of international HRM have developed more or less independently. There have been overlaps at the margins. Comparative HRM has begun to pay more attention to the role of MNCs in particular (Brewster *et al.*, 2008; Farndale *et al.*, 2008; Poutsma *et al.*, 2005) and to questions about the balance between on the one hand their role as innovators in the host country, bringing in HRM practices from their home country, and on the other their requirement to adapt to the local institutions and, to a lesser extent (Vaiman and Brewster, 2014), culture. Similarly, international HRM has begun to be more aware of the need for a fuller understanding of comparative difference in the never-ending dilemma of standardisation of practices versus adaptation to local environments (see Ashkenas *et al.*, 1995; Prahalad and Doz, 1987; Yip, 1995) and this has been applied to HRM specifically (Bae *et al.*, 1998; Evans, 1991; Festing *et al.*, 2007; Kim and Gray, 2005; Parry *et al.*, 2008).

Early analysts of international business predicted that there would be a general global spread of isomorphism and that this would apply to HRM too (Kidger, 1991). Later experts noted that the globalisation of international business is, in fact, often regionalisation (Rugman and Collinson, 2008; Rugman and Oh, 2013; Shenkar and Luo, 2008). The concentration of this literature was on the specific advantages that firms got from operating internationally. There was a widespread assumption that MNCs would introduce change into the host country – change towards the US, 'one best way', model. Hence, firms were expected to lean heavily towards the standardisation side of the standardisation/differentiation dilemma (Ashkenas *et al.*, 1995; Hamel and Prahalad, 1986; Yip, 1995). Pressures to conform to local norms are seen as a limitation to be overcome and firms operate 'guided by unambiguous preferences' for standardisation and with 'bounded rationality' (Gooderham *et al.*, 1999: 507). In strands of the IHRM literature too there are assumptions that MNCs will attempt to gain international advantage by diffusing what they see as the most efficient ways of handling HRM (usually the way it is done at headquarters) in other countries (Jain *et al.*, 1998; Smith and Meiksins, 1995).

It would seem that both in the actions of employers and in the assumptions of many researchers the standardisation side of the argument is winning the battle for hearts and minds (Sparrow *et al.*, 2004); neo-liberalism has attained ideological dominance within the realm of ideas (Jessop, 2012). In large part, this would reflect the above mentioned increased power of owners of highly fungible assets over more patient investors, but this also reflects changes in the nature of elites. Within many national contexts, politicians and senior civil servants have become convinced of the utility of light regulation of labour and other markets, in line with their quasi-cooption by global financial elites (Streeck, 2011; 2012). This matters: if internationally operating organisations apply standard policies in different contexts they will either spread modern practices around the world; or it will mean that they are applying inappropriate policies that will not achieve what they hope. Indeed, the adoption of hard-line HRM policies associated

with highly deregulated labour markets appears, within many sectors, including key areas of manufacturing, a triumph of short-termist hopes over long-term realities.

The policies may be standardised but there is a lot of evidence that practices are not. The literature is beginning to develop and investigate the argument that there is a difference between HRM policies (set by the central HRM department specialists), HRM practices (what line managers actually do and how they treat their subordinates), employee reactions, and ultimate outcomes (Gollan *et al.*, 2013; Wright and Nishii, 2013). Thus to take a simple example, the HRM policy may be that there will be no discrimination between employees or potential employees on grounds of sex, race, religion, sexual orientation, and so on. But individual line managers will continue to operate in various prejudiced ways. And employee reactions may be positive or negative: in the USA discrimination against women on the part of the line manager, after the company has indicated that it will not be tolerated, will create a strong negative reaction from employees, whilst in similar circumstances in the same company's Saudi Arabia office, employees may see the line managers actions as more acceptable than the company policy. It is not just the line managers who may be more concerned to adapt the HRM policies to the local environments – local HRM specialists who see those line managers as their main constituency will tend to try to absorb and adapt global policies as well (Makela *et al.*, 2013). Crucial to this discussion is the fact that it is the employees' perceptions that will determine their behaviour – and this is likely to be more heavily influenced by their line manager's actions that the company HRM policies.

It seems therefore that even in the most centralised MNCs there is a considerable variation in practice; things like forms of control (Harzing and Sorge, 2003), work systems (Geppert *et al.*, 2003) and team work (Woywode, 2002) vary from country to country despite the existence of 'worldwide' policies. Such policies are in fact subject to a range of different responses from local managers and employees (Oliver, 1991). HRM policies get either explicitly or more often implicitly negotiated or varied at a national level (Ferner, 1997; Wächter *et al.*, 2003). Finally, in terms of the usage of expatriates, an important development has been in the activities of Chinese multinationals in Africa, where weak national political and regulatory institutions have facilitated the large-scale import of labour from China even into unskilled positions. Such approaches eliminate language differences and cultural misunderstandings, and disarticulate wages from local economic realities or currency fluctuations. At the same time, it means that few locals have a stake in the activities of such MNCs, raising the possibility of local protests, or even, in some instances, such as in the agri-industrial sector, outright guerrilla war. In Ghana in 2012, the situation degenerated into gun battles between Chinese miners and the local unemployed. Again, in the most recent Zambian election campaign, the ultimate winner of the presidency, Sata, fought an explicitly anti-Chinese MNC campaign, although the realities of power have forced him to backtrack on his position.

There are few large survey comparisons of MNCs with local businesses, but in those that there are the evidence (Brewster *et al.*, 2008; Farndale *et al.*, 2008; Poutsma *et al.*, 2005) is that MNCs do indeed seem to behave a little differently from the majority of indigenous local businesses – though not very differently from locally based MNCs – but that the difference is not very great. In other words, in HRM at least, although there is some indication that MNCs act as norm entrepreneurs, there is also considerable evidence that they adapt to the local practices of the host country much more than is understood in much of the literature. This makes sense. The MNCs will either be in the country to take advantage of some feature of the country – what are called subsidiary-specific advantages (Rugman and Verbeke, 2001). They may be attracted by very low wages, to take advantage of resources, local production networks and/or to access a market (Morgan, 2012). Resource and market seeking MNCs will be less concerned with

local HRM realities, those seeking to harness local production networks will inevitably seek to fit in with their local peers, whilst those after cheap labour will adjust their policies downwards. In seeking market access, organisational legitimacy (Dowling and Pfeffer, 1975; Kostova and Zaheer, 1999; Suchman, 1995) becomes vital and that is achieved by adjusting to the local employment system and following local rules and regulations. In many cases, the MNC may have little choice: it is too expensive to do other than cope with the levels of education, social security systems, mobility of the population and the local legislation – bringing in large numbers of foreign workers to enable the MNC to work in the new territory as it has in others becomes prohibitively costly and, as we have seen, in many settings increasingly difficult. In other circumstances, where institutions are new, weak or fragile, as they are in many of the ex-communist countries of central and eastern Europe (Lane and Myant, 2007), or in some of the newer states of Asia or Africa, then MNCs may have more scope to vary their behaviour towards their employees. At the same time, those seeking to operate within criminal states have invariably to make corrupt accommodations with local elites, which can range from the granting of sinecures to the politically well-connected to the use of preferred local labour bureaux. Nor is this process a passive one; there are many examples of MNCs pro-actively bankrolling paramilitary death squads in Latin American states under right-wing governments as a mechanism for disciplining workers and eliminating troublesome union officials. An even more extreme example would be tacit or active MNC instigation and support for right-wing military coups with, again, the intention of deposing democratically elected governments that happened to take worker rights more seriously or property right as less than immutable. In both Honduras and Paraguay, recent right-wing coups were followed by a wave of assassinations of trade unionists and community activists. Although the international HRM literature has tended to ignore the endemic nature of such occurrences in many Latin American and tropical African states, or treat it as an aberration, an alternative point of view is that within specific corporations – and types of corporation – this represents a normal part of business activity, and one that may be imposed within any context where institutions are particularly weak and/or the military particularly corrupt. In other words, MNCs may, and, indeed, sometimes do, adopt a very much more extreme position towards workers – and, indeed, any association that represents a potentially countervailing power to their own – than traditional hard-line HRM, or conventional autocratic management. A fertile area for future comparative research would include the identification of typologies of MNCs particularly prone to this type of excess, and the extent to which the latter represents the product of circumstances that lend themselves to opportunism, or deliberate and long-term strategic choices.

Discussion and implications

Although comparative and international HRM are distinct fields of study, they are inter-woven and any serious study of one field has to incorporate elements of the other. Studies of IHRM that take no account of comparative differences are inherently flawed. Equally, studies of comparative HRM that ignore the role of the international organisations are limited. It is impossible to understand one without some understanding of the other. An awareness of the overlap is creating some convergence in thinking between comparative HRM and international HRM (Budhwar and Sparrow, 2002). We are as yet a long way from being able to contemplate an integrated theory covering both fields. To do so, we first of all need a better understanding of interlocking global political, property owning and managerial elites. Second, we need to understand the historical nature, and implications, of the economic crisis that began in 2008 and what the implications of this will be for the relative bargaining position of employees.

Although the decline in conditions of work and employment may be well documented, the question as to why some firms chose not to opportunistically debase labour standards (and, indeed, where, in which sectors, and who, such firms are) is perhaps a more interesting one.

Practically, the task for the policy makers is complicated. Without an understanding of the context in which the policies will be applied and administered all policy becomes little more than an act of faith. But a full and detailed understanding of HRM in one country is difficult enough: understanding the expectations, requirements and restrictions of HRM in several dozen countries becomes impossible. The policies may be filtered through the HRM chain (the headquarters HRM hierarchy, the local HRM department hierarchy and maybe also site HRM specialists), but the evidence is that even here local HRM specialists will 'distort' the global policy through their adherence to the requirements of local line managers (Makela *et al.*, 2013). Line managers, as we have seen, have a role in the management of human resources that is and remains distinct from that of the HRM specialists (Gollan *et al.*, 2013) and they will also be reacting to the global policy as applied to their own country. HRM specialists and/or line managers locally may accept, reject or pay lip service to the policies (Oliver, 1991). They may feel that whilst they are appropriate for the headquarters operation the policies do not meet local requirements and they adapt or subvert them accordingly even as, in some cases, they report back that they have been followed in full. One effect is that the specialists in headquarters may assume that their policies are having an effect when in practice it is the adapted policy that is working. The local managers' understanding of the situation they face and the consequent bending of policy may be what creates the positive result, not the original global policy. MNCs understand this, at least intuitively, and devote a lot of attention and resources to trying to ensure that the subsidiaries follow the laid down policies. This is one of the reasons behind the surge in expensive e-HRM systems that, theoretically at least, leave less room for local managers and specialists to do anything other than follow the policies exactly (Bondarouk and Ruël, 2009; Ruël and Bondarouk, 2012).

References

Albert, M. 1993. *Capitalism vs. Capitalism: How America's Obsession with Individual Achievement and Short-Term Profit Has Led It to the Brink of Collapse*. New York: Four Walls Eight Windows.

Almond, P., Edwards, T. and Clark, I. 2003. Multinationals and changing national business systems in Europe: Towards the 'shareholder value' model? *Industrial Relations Journal*, 34(5): 430–445.

Amable, B. 2003. *The Diversity of Modern Capitalism*. Oxford: Oxford University Press.

Apospori, E., Nikandrou, I., Brewster, C. and Papalexandris, N. 2008. HRM and organizational performance in northern and southern Europe. *International Journal of Human Resource Management*, 19(7): 1187–1207.

Ashkenas, R., Ulrich, D., Jick, T. and Kerr, S. 1995. *The Boundaryless Organization: Breaking the Chains of Organizational Structure*. San Francisco: Jossey-Bass.

Avloniti, A. and Filippaios, F. 2012. Evaluating the effects of cultural difference on corporate performance: A meta-analysis of the existing literature. *New Global Developments and the Changing Geography of International Business: Proceedings of the Academy of International Business UK & Ireland Chapter 39th Annual Conference*. Liverpool, UK.

Bae, J., Chen, S.-J. and Lawler, J. J. 1998. Variations in human resource management in Asian countries: MNC home-country and host-country effects. *International Journal of Human Resource Management*, 9(4): 653–670.

Bamber, G. J., Lansbury, R. D. and Wailes, N. (eds.). 2011. *International and Comparative Employment Relations*. London: Sage.

Bartlett, C. A. and Ghoshal, S. 1998. *Managing across Borders: The Transnational Solution* (2nd edn). Boston: Harvard Business School Press.

Batt, R. and Banerjee, M. 2012. The scope and trajectory of strategic HR research: evidence from American and British journals. *International Journal of Human Resource Management*, 23(9): 1739–1762.

Beer, M., Spector, B., Lawrence, P. R., Quinn Mills, D. and Walton, R. E. 1984. *Human Resource Management*. New York: Free Press.

Blasi, J. R., Kroumova, M. and Kruse, D. 1997. *Kremlin Capitalism: Privatizing the Russian Economy*. Ithaca: Cornell University Press.

Bondarouk, T. and Ruël, H. 2009. Electronic human resource management: Challenges in the digital era. *The International Journal of Human Resource Management*, 20(3): 505–514.

Boxall, P. F. 1992. Strategic human resource management: Beginnings of a new theoretical sophistication? *Human Resource Management Journal*, 2(3): 60–79.

Boxall, P. 1995. Building the theory of comparative HRM. *Human Resource Management Journal*, 5(5): 5–17.

Boyer, R. 1990. Introduction to the English language edition. In Boyer, R. (ed.), *The Regulation School*. New York: Columbia University Press.

Boyer, R. 2006. How do institutions cohere and change. In G. Wood and P. James (eds.), *Institutions and Working Life*. Oxford: Oxford University Press.

Boyer, R. and Hollingsworth, J. R. 1997. From national embeddedness to spatial and institutional nestedness. In J. R. Hollingsworth and R. Boyer (eds.), *Contemporary Capitalism: The Embeddedness of Institutions*. Cambridge: Cambridge University Press.

Brewster, C. 1995. Towards a 'European' model of human resource management. *Journal of International Business Studies*, 26(1): 1–21.

Brewster, C. 1999. Different paradigms in strategic HRM: Questions raised by comparative research. In P. M. Wright, L. D. Dyer, J. W. Boudreau and G. T. Milkovich (eds.), *Strategic Human Resource Management in the Twenty First Century. Research in Personnel and Human Resource Management*, Supplement 4 (pp. 213–238). Stamford, CT: JAI Press.

Brewster, C. 2004. European perspectives on human resource management. *Human Resource Management Review*, 14(4): 365–382.

Brewster, C. 2012. Comparing HRM policies and practices across geographical borders. In G. Stahl, I. Björkman and S. Morris (eds.), *Handbook of Research in International Human Resource Management* (2nd edn, pp. 76–96). Cheltenham: Edward Elgar.

Brewster, C., Brookes, M., Croucher, R. and Wood, G. 2007. Collective and individual voice: Convergence in Europe? *International Journal of Human Resource Management*, 18 (7): 1246–1262.

Brewster, C., Brookes, M., Johnson, P. and Wood, G. 2013. Direct involvement, partnership and setting: A study in bounded diversity. *International Journal of Human Resource Management*, 25(6): 759–809.

Brewster, C. and Mayrhofer, M. 2011. Comparative HRM: The debates and the evidence. In G. T. Wood. and D. G. Collings (eds.), *Human Resource Management: A Critical Introduction* (pp. 278–295). London: Routledge.

Brewster, C. and Mayrhofer, M. 2012. *A Handbook of Research on Comparative Human Resource Management*. Cheltenham: Edward Elgar.

Brewster, C., Sparrow, P. R., Guy, V. and Houldsworth, L. 2011. *International Human Resource Management* (3rd edn). Wimbledon: CIPD.

Brewster, C., Sparrow, P. and Harris, H. 2005. Towards a new model of globalizing HRM. *Journal of Human Resource Management*, 16(6): 949–970.

Brewster, C., Wood, G. and Brookes, M. 2006. Varieties of capitalism and varieties of firms. In G. Wood and P. James (eds.), *Institutions, Production and Working Life*. Oxford: Oxford University Press.

Brewster, C., Wood, G. and Brookes, M. 2008. Similarity, isomorphism and duality? Recent survey evidence on the HRM policies of MNCs. *British Journal of Management*, 19(4): 320–342.

Brewster, C., Wood, G., Croucher, C. and Brookes, M. 2007. Are works councils and joint consultative committees a threat to trade unions? A comparative analysis. *Economic and Industrial Democracy*, 28(1): 49–77.

Budhwar, P. S. and Sparrow, P. R. 2002. An integrative framework for understanding crossnational human resource management practices. *Human Resource Management Review*, 12(3): 377–403.

Collins, N., Zhu, Y. and Warner, M. 2012. HRM and Asian socialist economies in transition: China, Vietnam and North Korea. In C. Brewster and W. Mayrhofer (eds.), *Handbook of Comparative Human Resource Management*. Cheltenham: Edward Elgar.

Comaroff, J. and Comaroff, J. L. 2001. *Millennial Capitalism and the Culture of Neoliberalism*. Durham, NC: Duke University Press.

Conway, N., Deakin, S., Konzelmann, S., Petit, H., Reberioux, A. and Wilkinson, F. 2008. The influence of stock market listing on human resource management: Evidence for France and Britain. *British Journal of Industrial Relations*, 46(4): 631–673.

Crouch, C. 2005. Models of capitalism. *New Political Economy*, 10(4): 439–456.

Croucher, R., Brookes, M., Wood, G. and Brewster, C. 2010. Context, strategy and financial participation: A comparative analysis. *Human Relations*, 63(6): 835–855.

Croucher, R., Wood, G., Brookes, M. and Brewster, C. 2012. Employee turnover, HRM and institutional contexts. *Economic and Industrial Democracy*, 33(4): 605–620.

D'Aunno, T. Succi, M. and Alexander, J. 2000. The role of institutional and market forces in divergent organizational change. *Administrative Science Quarterly*, 45(4): 679–703.

Dewettinck, K., Buyens, D., Dany, F. and Quinodon, B. 2004. Belgium and France: Language, culture and differences in HR practices. In C. Brewster, W. Mayrhofer and M. J. Morley (eds.), *European Human Resource Management: Evidence of Convergence* (pp. 111–134)? London: Butterworth Heinemann.

DiMaggio, P. J. and Powell, W. W. 1983. The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48(2): 147–160.

Djankov, S., Glaeser, E., La Porta, R., Lopez-de-Silane, F. and Shleifer, A. 2003. The new comparative economics. *Journal of Comparative Economics*, 31(4): 595–619.

Dore, R. 1973. *British Factory, Japanese Factory: The Origins of National Diversity in Industrial Relations*. Los Angeles: University of California Press.

Dore, R. 2000. *Stock Market Capitalism: Welfare Capitalism: Japan and Germany Versus the Anglo-Saxons*. Oxford: Oxford University Press.

Dowling, P. J. 1999. Completing the puzzle: Issues in the development of the field of international human resource management. *Management International Review*, 39(4): 27–43.

Dowling, J. and Pfeffer, J. 1975. Organizational legitimacy: Social values and organizational behavior. *Pacific Sociological Review*, 18(1): 122–136.

Evans, P. 1991. Duality theory: New directions for human resource and organizational management. In B. Staffelbach and P. Benz (eds.), *Die Personalfunktion der Unternehmung im Spannungsfeld von Humanität und wirtschaftlicher Rationalität* (pp. 97–125). Heidelberg: Physica-Verlag.

Farndale, E., Brewster, C. and Poutsma, E. 2008. Coordinated vs liberal market HRM: The impact of institutionalisation on multinational firms. *International Journal of Human Resource Management*, 19(11): 2004–2023.

Ferner, A. 1997. Country of origin effects and HRM in multinational companies. *Human Resource Management Journal*, 7(1): 19–37.

Ferner, A., Quintanilla, J. and Varul, M. Z. (2001) Country-of-origin effects, host-country effects, and the management of HR in multinationals: German companies in Britain and Spain. *Journal of World Business*, 36 (2): 107–127.

Ferner, A., Almond, P. and Colling, T. 2006. Institutional theory and the cross-national transfer of employment policy: The case of 'workforce diversity' in US multinationals. *Journal of International Business Studies*, 36: 304–321.

Ferner, A., Tregaskis, O., Edwards, P., Edwards, T., Marginson, P., Adam, D. and Meyer, M. 2011. HRM structures and subsidiary discretion in foreign multinationals in the UK. *International Journal of Human Resource Management*, 22: 483–509.

Festing, M., Groening, Y., Kabst, R. and Weber, W. 1999. Financial participation in Europe-determinants and outcomes. *Economic & Industrial Democracy*, 20(2): 295.

Festing, M., Eidems, J. and Royer, S. 2007. Strategic issues and local constraints in transnational compensation strategies: An analysis of cultural, institutional and political influences. *European Management Journal*, 25(2): 118–131.

Fombrun, C. J., Tichy, N. M. and DeVanna, M. A. 1984. *Strategic Human Resource Management*. New York: John Wiley & Sons.

Geppert, M., Williams, K. and Matten, D. 2003. The social construction of contextual rationalities in MNCs: An Anglo-German comparison of subsidiary choice. *Journal of Management Studies*, 40(3): 617–641.

Gerhart, B. 2005. Human resource management and business performance: Findings, unanswered questions and an alternative approach. *Management Review*, 16, 174–185.

Goergen, M., Brewster, C. and Wood, G. 2009a. Corporate governance and training. *Journal of Industrial Relations*, 51(4): 461–489.

Goergen, M., Brewster, C. and Wood, G. 2009b. Corporate governance regimes and employment relations in Europe. *Relations Industrielles/Industrial Relations*, 64(4): 620–640.

Goergen, M., Brewster, C., Wood, G. and Wilkinson, A. 2012. Varieties of capitalism and investments in human capital. *Industrial Relations* 51(2): 501–527.

Goergen, M., Chahine, S., Brewster, C. and Wood, G. T. 2012. Trust, owner rights, employees and firm performance. *Journal of Business Finance and Accounting,* 40(5/6): 589–619.

Goergen, M., Brewster, C. and Wood, G. T. 2013. The effects of the national setting on employment practice: The case of downsizing. *International Business Review*, 22(6): 1051–1067.

Gollan, P., Wright, P. M. and Brewster, C. 2013. HRM and the line (Editorial to Special Issue). *Human Resource Management*, 52(6): 829–838.

Gooderham, P. N., Nordhaug, O. and Ringdal, K. 1999. Institutional and rational determinants of organizational practices: Human resource management in European firms. *Administrative Science Quarterly*, 44(3): 507–531.

Goss, D. 1994. *Principles of Human Resource Management*. London: Routledge.

Guest, D. 1990. Human resource management and the American dream. *Journal of Management Studies*, 27(4): 377–397.

Hall, P. and Soskice, D. 2001. Introduction. In Hall, P. and Soskice, D. (eds.), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. New York: Oxford University Press.

Hamel, G. and Prahalad, C. K. 1986. Do you really have a global strategy? *Harvard Business Review* (July): 139–148.

Hancke, B., Rhodes, M. and Thatcher, M. 2007. Introduction. In B. Hancke, M. Rhodes and M. Thatcher (eds.), *Beyond Varieties of Capitalism: Conflict, Contradiction and Complementarities in the European Economy*. Oxford: Oxford University Press.

Harzing, A.-W. and Sorge, A. 2003. The relative impact of country of origin and universal contingencies on internationalization strategies and corporate control in multinational enterprises: Worldwide and European perspectives. *Organization Studies*, 24(2): 187–214.

Henrich, J., Heine, S. J. and Norenzayan, A. 2010. The weirdest people in the world? Working paper. *Series des Rates für Sozial- und Wirtschaftsdaten*, 139.

Hofstede, G., Deusen, C. A., Mueller, C. B. and Charles, T. A. 2002. What goals do business leaders pursue? A study in fifteen countries. *Journal of International Business Studies*, 33(4): 785–803.

Hollingsworth, R. 2006. Advancing our understanding of capitalism with Niels Bohr's thinking about complementarity. In G. Wood and P. James (eds.), *Institutions, Production and Working Life*. Oxford, Oxford University Press.

Jackson, G. and Deeg, R. 2006. *How Many Varieties of Capitalism? Comparing the Comparative Institutional Analyses of Capitalist Diversity*. Discussion Paper 06/2: MPIfG.

Jackson, G. and Deeg, R. 2008. Comparing capitalisms: Understanding institutional diversity and its implications for international business. *Journal of International Business Studies*, 39: 540–561.

Jain, H., Lawler, J. and Morishima, M. 1998. Multinational corporations, human resource management and host-country nationals. *International Journal of Human Resource Management*, 9(4): 533–566.

Jessop, B. 2001. Series preface. In B. Jessop (ed.), *Regulation Theory and the Crisis of Capitalism. Volume 4: Country Studies*. Cheltenham: Edward Elgar.

Jessop, B. 2012. Rethinking the diversity and variability of capitalism: On variegated capitalism in the world market. In C. Lane and G. Wood (eds.), *Capitalist Diversity and Diversity within Capitalism*. London: Routledge.

Kalleberg, A. 2001. Organizing flexibility: The flexible firm in a new century. *British Journal of Industrial Relations*, 39(4): 479–504.

Kidger, P. J. 1991. The emergence of international human resource management. *International Journal of Human Resource Management*, 2(2): 149–163.

Kim, Y. and Gray, S. J. 2005. Strategic factors influencing international human resource management practices: An empirical study of Australian multinational corporations. *International Journal of Human Resource Management*, 16(5): 809–830.

Konzelmann, S., Fovargue-Davies, M. and Schnyder, G. 2012. Anglo-Saxon capitalism in crisis? Models of liberal capitalism and the preconditions for financial stability. In M. Demirbag and G. Wood (eds.), *Handbook of Institutional Approaches to International Business*. Cheltenham: Elgar.

Kostova, T. and Zaheer, S. 1999. Organizational legitimacy under conditions of complexity: The case of the multinational enterprise. *Academy of Management Review*, 24(1): 64–81.

Lane, D. and Myant, M. R. 2007. Introduction. In D. Lane, and M. Myant, (eds.), *Varieties of Capitalism in Post-Communist Countries*. London: Palgrave.

Lane, C. and Wood, G. 2012. Preface. In G. Wood and C. Lane (eds.), *Capitalist Diversity and Diversity within Capitalism*. London: Routledge.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A. and Vishny, R. 1998. Law and finance. *Journal of Political Economy*, 106(6): 1113–1155.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A. and Vishny, R. 2000. Investor protection and corporate governance. *Journal of Financial Economics*, 58: 3–27.

Lincoln, J. and Kalleberg, A. 1990. *Culture, Control and Commitment: A Study of Work Organization in the United States and Japan*. Cambridge: Cambridge University Press.

Mäkelä, K., Björkman, I., Ehrnrooth, M., Smale, A. and Sumelius, J. 2013. Explaining stakeholder evaluations of HRM capabilities in MNC subsidiaries. *Journal of International Business Studies*, 44(8): 813–832.

Mayrhofer, W., Müller-Camen, M., Ledolter, J., Strunk, G. and Erten-Buch, C. 2002. The diffusion of management concepts in Europe: Conceptual considerations and longitudinal analysis. *Journal of Cross-Cultural Competence & Management*, 3: 315–345.

Mayrhofer, W., Brewster, C., Morley, M. J. and Ledolter, J. 2011. Hearing a different drummer? Convergence of human resource management in Europe – a longitudinal analysis. *Human Resource Management Review*, 21(1): 50–67.

McSweeney, B. 2012. Constitutive contexts: The myth of common cultural values. In Demirbag, M. and Wood, G. (eds.), *Handbook of Institutional approaches to International Business*. Cheltenham: Edward Elgar.

Morgan, G. 2012. International business, MNCs and national systems. In Demirbag, M. and Wood, G. (eds.), *Handbook of Institutional approaches to International Business*. Cheltenham: Edward Elgar.

Morley, M. J., Gunnigle, P. and Collings, D. G. (eds.). 2006. *Global Industrial Relations*. London: Routledge.

North, D. C. 1990. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press.

Oliver, C. 1991. Strategic responses to institutional processes. *Academy of Management Review*, 16: 145–179.

Pagano, M. and Volpin, P. 2005. The political economy of corporate governance. *American Economic Review*, 95(4): 1005–1030.

Parry, E., Dickmann, M. and Morley, M. 2008. North American MNCs and their HR policies in liberal and coordinated market economies. *International Journal of Human Resource Management*, 19(11): 2024–2040.

Piore, M. J. and Sabel, C. F. 1984. *The Second Industrial Divide: Possibilities for Prosperity*. New York: Basic Books.

Poole, M. 1986. *Industrial Relations – Origins and Patterns of National Diversity*. London: RKP.

Poutsma, E., Hendrickx, J. and Huijgen, F. 2003. Employee participation in Europe: In search of the participative workplace. *Economic and Industrial Democracy*, 24(1): 45–76.

Poutsma, E., Ligthart, P. and Schouten, R. 2005. Employee share ownership in Europe. The influence of US multinationals. *Management Revue*, 16(1): 99–122.

Poutsma, E., Ligthart, P. M. and Veersma, U. 2006. The diffusion of calculative and collaborative HRM practices in European firms. *Industrial Relations*, 45(4): 513–546.

Prahalad, C. and Doz, Y. 1987. *The Multinational Mission: Balancing Local Demands and Global Vision*. New York: The Free Press.

Richbell, S., Brookes, M., Brewster, C. and Wood, G. 2011. Non-standard working time: An international and comparative analysis. *International Journal of Human Resource Management*, 22(4): 945–962.

Roe, M. 2003. *Political Determinants of Corporate Governance*. Oxford: Oxford University Press.

Rose, M. J. 1991. Comparing forms of comparative analysis. *Political Studies*, 39: 446–462.

Rosenzweig, P. M. and Nohria, N. 1994. Influences on human resource management practices in multinational corporations. *Journal of International Business Studies*, 25(2): 229–251.

Ruël, H. J. M. and Bondarouk, T. 2012. A cross-national perspective on the intersection between information technology and HRM. In C. Brewster and M. Mayrhofer (eds.), *A Handbook of Research On Comparative Human Resource Management* (pp. 416–450). Cheltenham: Edward Elgar.

Rugman, A. M. and Verbeke, A. 2001. Subsidiary-specific advantages in multinational enterprises. *Strategic Management Journal*, 22(3): 237–250.

Rugman, A. M. and Collinson, S. 2008. *International Business* (5th edn). Harlow: Pearson Education.

Rugman, A. M. and Oh, C. H. 2013. Why the home region matters: location and regional multinationals. *British Journal of Management*, 24(4): 463–479.

Schneider, B. R. 2009. Hierarchical market economies and varieties of capitalism in Latin America. *Journal of Latin American Studies*, 41(3): 553–575.

Schuler, R. S. 1992. Strategic human resources management: Linking the people with the strategic needs of the business. *Organizational Dynamics*, 21(1): 18–32.

Scott, W. 1995. *Institutions and Organizations*. London: Sage.

Shenkar, O. and Luo, Y. 2008. *International Business*. Los Angeles: Sage.

Smith, C. and Meiksins, P. 1995. System, society and dominance effects in cross-national organisational analysis. *Work, Employment and Society*, 9(2): 241–267.

Sorge, A. 2004. Cross-national differences in human resource management and organization. In A.-W. Harzing and V. Ruysseveldt (eds.), *International Human Resource Management* (2nd edn). London: Sage.

Sparrow, P., Brewster, C. and Harris, H. 2004. *Globalizing Human Resource Management*. London: Routledge.

Standing, G. 2011. *The Precariat: The Dangerous Class*. London: Bloomsbury Academic.

Stavrou, E., Brewster, C. and Charalambous, C. 2010. Human resource management and firm performance in Europe through the lens of business systems: Best fit, best practice or both? *International Journal of Human Resource Management*, 21(7): 933–962.

Storey, J. 1992. *Developments in the Management of Human Resources: An Analytical Review*. Oxford: Blackwell Publishers.

Strauss, G. and Hanson, M. 1997. American anti-management theories of organization: a critique of paradigm profiferation (Review Article). *Human Relations*, 50(9): 1426–1429.

Streeck, W. 2011. The crisis of democratic capitalism. *New Left Review*, 71: 5–29.

Streeck, W. 2012. Capitalizing on crisis: Review symposium. *Socio-Economic Review*, 10(2): 407–418.

Streeck, W. and Thelen, K. A. 2005. Introduction: Institutional change in advanced political economies. In *Beyond Continuity: Institutional Change in Advanced Political Economies*. Oxford: Oxford University Press.

Suchman, M. C. 1995. Managing legitimacy: Strategic and institutional approaches. *Academy of Management Journal*, 20: 571–610.

Thompson, P. and Vincent, S. 2010. Labour process theory and critical realism. In P. Thompson and C. Smith (eds.), *Working Life: Renewing Labour Process Analysis* (pp. 47–70). London: Palgrave.

Tregaskis, O. and Brewster, C. 2006. Converging or diverging? A comparative analysis of trends in contingent employment practice in Europe over a decade. *Journal of International Business Studies*, 37(1): 111–126.

Upchurch, M. and Marinković, D. 2011. Wild capitalism, privatization and employment relations in Serbia. *Employee Relations*, 33(4): 316–333.

Vaiman, V. and Brewster, C. (2014). How far do cultural differences explain the differences between nations? Implications for HRM. *International Journal of Human Resource Management*, DOI: 10.1080/09585192.2014.937969.

Wächter, H., Peters, R., Tempel, A. and Müller-Camen, M. 2003. *The 'Country-of-Origin Effect' in the Cross-National Management of Human Resources: Results and Case Study Evidence of Research on American Multinational Companies in Germany*. Munich: Rainer Hampp Verlag.

Walker, J. T., Brewster, C. and Wood, G. T. 2013. Diversity between and within varieties of capitalism: Transnational survey evidence. *Industrial and Corporate Change*, 23(2): 493–533.

Welz, C. and Fernández-Macías, E. 2008. Financial participation of employees in the European Union: Much ado about nothing? *European Journal of Industrial Relations*, 14(4): 479–496.

Whitley, R. 1999. *Divergent Capitalisms: The Social Structuring and Change of Business Systems*. Oxford: Oxford University Press.

Wood, G. 2008. Introducing employment relations in Africa. *Employee Relations*, 30(4): 329–332.

Wood, G. 2010. Employee participation in developing and emerging countries. In A. Wilkinson, P. Gollan, M. Marchington and D. Lewin (eds.), *Oxford Handbook of Participation in Organizations*. Oxford: Oxford University Press.

Wood, G. and Frynas, G. 2006. The institutional basis of economic failure: Anatomy of the segmented business system. *Socio-Economic Review*, 4(2): 239–277.

Wood, G. and Brewster, C. (eds.). 2007. *Industrial Relations in Africa*. Basingstoke: Palgrave Macmillan.

Wood, G. and Lane, C. 2012. Institutions, change and diversity. In G. Wood and C. Lane (eds.), *Capitalist Diversity and Diversity within Capitalism*. London: Routledge.

Wood, G., Psychogios, A., Szamosi, L. T. and Collings, D. G. 2012. Institutional approaches to comparative HRM. In C. Brewster and W. Mayrhofer (eds.), *Handbook of Reserach on Comparative Human Resource Management*. Cheltenham: Edward Elgar.

Wood, G., Dibben, P. and Ogden, S. 2013. Comparative capitalism without capitalism and production without workers: The limits and possibilities of contemporary institutional analysis. *International Journal of Management Reviews* (published online).

Woywode, M. 2002. Global management concepts and local adaptations: Working groups in the French and German car manufacturing industry. *Organization Studies*, 23(4): 497–524.

Wright, P. M. and Nishii, L. 2013. Strategic HRM and organizational behavior: Integrating multiple levels of analysis. In D. E. Guest, J. Paauwe and P. M. Wright (eds.), *HRM and Performance: Building the Evidence Base* (pp. 97–110). San Francisco, CA: Wiley.

Yip, G. S. 1995. *Total Global Strategy*. Englewood Cliffs, NJ: Prentice-Hall.

9

International HRM
A cross-cultural perspective
Terence Jackson

Introduction

Concepts of organizing and managing people, managing change and managing resources have to come from somewhere. They cannot just appear from nowhere. The 'cultural' concept of 'human resource management' and its almost universal spread appears to represent globalization at the highest peak of Western pre-eminence in the world: or more accurately America's postwar pre-eminence described by Boyacigiller and Adler (1991). Even up until the current date, human resource management is often presented as a 'given', while recognizing that there are comparisons to be made across industrialized countries with different institutions. Yet this approach is becoming less viable.

Global dynamics are rapidly changing with a growing importance of countries in the 'developing' world that are seen mostly as emerging 'markets' but increasingly also as global competitors. Yet there is still little scholarship on what happens in organizations and in the management of people, when international companies from emerging economies go out into the world. This aspect is beginning to change the way we should be thinking about and studying international HRM. We can no longer count on the universalism of Anglo–American HRM, if we ever could.

It is at this juncture, with an increase in the importance of a changing global dynamic, that it is necessary to evaluate a cross-cultural perspective of international HRM, starting at the beginning with an examination of Hofstede's contribution and focusing on its current relevance, and looking at how contemporary developments in cross-cultural management scholars can inform the way we look at HRM in its international context. In so doing it is necessary to formulate a number of questions:

- Is human resource management appropriate in an international context?
- Should people be regarded as commodities (resources, capital) in a cross–cultural context?
- Can we speak of separate 'cultures' in a globalized world?
- How can we understand multiple cultural realities?
- Culturalists versus institutionalists: is this a false debate?
- Why are geopolitical power relations important in cultural crossvergence?

- Do we need a new theory for a new world?
- What is indigenous HRM: local or global?
- What is the new 'global'?
- Whither international HRM?

These questions are now examined, together with an explanation as to why they are important to developing international HRM.

Is human resource management appropriate in an international context?

One of Hofstede's (1980a, 1980b) main contributions to management scholarship has been to introduce a cross-cultural critique of the transferability of Western (American) management principles to non-Western (non-American) countries. This has led to asking not simply if management is effective, but also if it is appropriate within a particular cultural context? In HRM he provides the example of management by objectives (MBO) which transferred easily enough from the United States to the culturally similar United Kingdom, but had problems when attempts were made to introduce it into France, which Hofstede argued had a higher power distance index, leading to MBO not being readily accepted. It provided the possibility of managers of a lower status earning more than those of higher status where pay was related to achieving annual targets.

Jackson (2002) has argued that this question of appropriateness is even more acute when Anglo-American HRM is taken outside Western cultures as there are fundamental differences regarding the notion of what a human being is, and how people are valued. This he termed the 'locus of human value'. This leads on to the next question.

Should people be regarded as commodities (resources, capital) in a cross-cultural context?

Tayeb (2000) pointed out that the concept of human resource management is a product of a particular Anglo-American culture. There is a problem if companies operating abroad are unable to break out of this paradigm. The problem arises when managers educated in the Western tradition try to implement 'Western' human resource practices in cultures that have a different *locus of human value* (Jackson, 2002). That is, the value placed on people in non-Western cultures may be different to that in the home (Western) country. Incompatibilities are likely to be revealed through a lack of motivation and alienation of employees leading to low productivity and labour conflicts. The fundamental difference appears to be between an *instrumental* view of the utilitarian value of people in organizations (managing people as a resource), whereby people are seen as a means to an end and where human 'resources' are used to meet the executive objectives of the organization; and, a *humanistic* view of the intrinsic value of people in their own right (developing the potential of people in organizations as an end in itself), whereby people are seen as having a value for who they are, rather than what they can do for the organization (Jackson, 1999, 2002; and also previously reflected in the work of Koopman, 1991; Lessem, 1994; and, Saunders, 1998). As there appears to be a connection between what Hofstede (1980a) and others have termed collectivist societies and humanistic values (Jackson, 2002) the valuing of people for themselves, as part of a collective or community, is likely to be pertinent.

The distinction between instrumentalism and humanism is quite different from the classic distinction made in the strategic human resource management literature between 'hard' and

'soft' perspectives: the 'hard' approach reflecting a utilitarian instrumentalism and seeing people in the organization as a mere resource to achieve the ends of the organization; the 'soft' developmental approach seeing people more as valued assets capable of development, worthy of trust, and providing inputs through participation and informed choice (this distinction is reflected in the work of Beer and Spector, 1985; Tyson and Fell, 1986; Hendry and Pettigrew, 1990; Storey, 1992; Vaughan, 1994, Ishak *et al.*, 2011). Within an instrumental concept of people in organizations these two approaches can be used contingently in different situations.

The concept of locus of human value provides the basis of a critique of the appropriateness of human resource management in countries that have cultures substantially different from its Western and predominantly American origins. Yet there are difficulties in simply using any broad description of culture. There are many different varieties of HRM, including substantial contrasts between American and European varieties, and of course major differences among European countries. The way HRM has been transferred to newer European Union (EU) countries such as Poland, Czech Republic and Romania, and to those outside the EU like Russia, and its products in these countries are quite unique. Sometimes this has tended towards the 'harder' side of HRM, despite indications of humanism being a feature of countries such as Poland and Russia (Jackson, 2002). Cultural factors such as individualism and achievement orientation may impact on, for example, instrumentalism, while collectivism and loyal commitment may impact on humanism, yet these different influences may crossverge, together with such as aspects as the maturity of the HRM system in place (for example, we would expect that systems in the United States would have developed over a number of years, and not have been adopted rapidly as appeared to be the case in, for example Russia through the 1990s and 2000s).

Yet distinctions that have been made among different 'cultures' within the cross-cultural management literature, mainly stemming from Hofstede's seminal work, have assumed that these are distinct entities that can be conceptualized, examined and compared as such. This leads to the next question that should be asked.

Can we speak of separate 'cultures' in a globalized world?

Hofstede's (1980a) dimensional approach assumes that country cultures remain distinct from each other. Hence, there are fundamental differences assumed between, for example, French and Italian managers, or American and Japanese managers. The difficulties in identifying the 'culture' of a location such as Hong Kong, at an interface of Western and Chinese influence, suggest that things might be more complicated.

Hong Kong represents a complex interface of Western and Chinese culture, business practices and management processes. This may be why theories of cultural crossvergence have been developed by management academics focusing on Hong Kong (Ralston *et al.*, 1994; Priem *et al.*, 2000). This concept brings together opposing views of globalization, namely *convergence* and *divergence* theories.

- *Convergence* is based on an assumption that all societies are following the same trajectory. As societies industrialize they embrace capitalism and technology and evolve towards the (Western) industrialized societies (from Kerr *et al.*, 1960). Contained within this is the influence of television, Hollywood, the global reach of multinational companies, global brands such as Coca-Cola and McDonald's, American/Western management education programmes, and in 'developing' countries conditional financial aid, structural adjustment

programmes, as well as migration, cosmopolitanization, and so on. These all influence a tendency towards cultural convergence.

- *Divergence* theories argue that national cultures continue to be a primary influence on values, beliefs and attitudes despite globalizing forces and industrialization, and that culture is a long-lived rather than a transient phenomenon. Successive studies that focus on comparing national cultures have sought to demonstrate this (i.e. wider societal values, e.g. Inglehart *et al.*, 1998, and Schwartz, 1999; and work-related values, e.g. Hofstede, 1980a, Trompenaars, 1993, House *et al.*, 2004).

Yet both concepts, of convergence or divergence, do not appear to consider the process of what goes on during cross-cultural interactions. Rather than trying to identify the nature of a cultural entity, such as a country, it would seem more legitimate to discover the nature of intercultural interactions at different levels of analysis, and (to borrow from a phrase from Hofstede, 1980a) their consequences. A third perspective therefore presents itself in cultural *crossvergence* theory (Beals, 1953; Ralston *et al.*, 1994; Priem *et al.*, 2000). This suggests that culture and industrialization will interact to produce a new value system (or systems), such as in the case of Hong Kong. Crossvergence, or the interaction of different cultural influences, in countries such as South Korea and Hong Kong (Ralston *et al.*, 1993; Priem, *et al.*, 2000) have given rise to apparently successful hybrid management systems. The level of industrial development of a country, its cultural values and the level and nature of cultural interactions may all play a part in the nature of people management systems and their appropriateness to the economic and cultural context within which they operate. The extent to which they prioritize stakeholders' interests and balance, for example, the potential conflicts between work and home/community life may be a function of cultural values as much as the level of industrial development of a country.

Crossvergence theory, when stressing the importance of interaction at different levels, may well be the key to understanding culture, not as a product or characteristic of a discrete cultural entity such as a nation, but as an interface between or interfaces among different cultural influences; between attitudes, beliefs and values, and institutions as cultural manifestations; and within relationships containing power dynamics. This leads to the next question.

How can we understand multiple cultural realities?

'Interaction' as a term is normally applied at the social psychological level of interpersonal relations (Adler and Graham, 1989; Fink *et al.*, 2006). Hence the term 'interfaces' implies a broader conceptual framework whereby geopolitical dynamics at the macro level are considered, through to the meso-levels of inter-organizational interactions, and micro level of interpersonal interactions; and, whereby these different levels further interact to produce diverse hybrid social forms of organization, and multiple forms of individual cultural identity.

Drawing on Long's (1989, 2001) concept of social interfaces Bartsch *et al.* (2007: 28) suggest that 'interfaces imply the clash of cultural paradigms and different world views', but 'the conflicts could also be due to differences in the constraining or enabling properties defined by different governance modes to which actors are related'. They go on to say that 'The term "interface" refers to a specific space, where two different social systems or fields of social order interact . . . which are characterized by specific institutions and specific backgrounds' (p. 29). They see interfaces as representing 'the intersections of modes of life, worldviews, interests and strategies in which power relations are important for the emergence of new institutional contexts' (p.30), with a particular emphasis on the influences of state and other types of institutional regulation.

Institutional perspectives of social interfaces are useful but incomplete. Before considering this in more detail, it is necessary to discuss the relationship between what is considered 'cultural' and what is considered 'institutional': hence the next question.

Culturalists versus institutionalists: is this a false debate?

There appears to be a continuing debate between 'culturists' and 'institutionalists' (see Sorge, 2004, on human resource management and organization, and Barry and Wilkinson, 2011, on employment relations). Differences across nations are either attributed to institutional arrangements, which are seen as fundamental (e.g. Hickson and McMillan, 1981); or, differences are attributed to cultural factors or, in Hofstedian parlance, to differences in the 'software of the mind' (Hofstede, 1991). Sorge (2004) believes that the two approaches should be complementary. He cites Giddens (1986) in saying that individual behaviour and social structure are reciprocally constituted: that is, normative customs that are instituted to be binding are kept in place by acting individuals. Sorge (2004) believes that such an integrative approach will consider both the construction of actors, that is, people with values, preferences and knowledge, and the construction of social and societal systems as reciprocally related to an extent that they cannot be separated from each other. However, to see culturalist approaches as focusing 'on the mind of the individual as the place where differences reside', and institutionalist approaches focusing 'on wider norms and standards supported or enforced by institutional machineries' (p. 119) may in itself be seeing the issue from an institutionalist perspective.

Harré *et al.* (1985), for example, saw an intimate connection between what they termed the 'social order' (at the macro level) and 'deep structure of the mind' (at the micro level). They presented this as a hierarchical structure of control of human action. They suggested that structure of mind and the social order have developed hand in hand, mostly through the facility of language. The implied rules by which this top level controls the two lower levels (conscious awareness, and behavioural routines) are discoverable. This has implications for the way we might view institutions and culture as being parts of the same phenomenon. This view can be traced back to the work of the sociologist Durkheim (1915/1971) on totemism among the indigenous societies of Australia and North America. The members of each clan worshipped a particular animal (e.g. crow), which was also the name of the clan. Durkheim argued that the origins of the religious beliefs by which the lives of the people in each clan were governed were derived from the identification with the society (clan). The clan was seen to be greater and more powerful than the individuals within the clan. Ritual (associated, for example, with dancing round the totem pole) reinforced and drove these beliefs home. Thus the deep-seated beliefs that were acted upon unconsciously were no more than a set of implicit rules derived from the society in which the individual lived.

To a certain extent this 'deep structure' can be discerned through institutional manifestations. From this point of view the concept of culture should take in 'that complex whole which involves knowledge, beliefs, art, morals, law, customs and other capabilities and habits acquired by man as a member of society' (Tylor, 1871), or indeed the 'human-made part of the environment' (Herskovits, 1948). In other words, institutions as part of 'culture' are created by sentient human beings in interaction interpersonally, inter-organizationally, and inter-nationally. Their rules reflect societal values, and the societal values reflect institutional rules.

Jack Goody (1994), a prominent British social anthropologist, points to the dichotomy in the American tradition of *cultural* anthropology between 'cultural studies' concerned with symbols and meaning, and the social (social structures, organizations, etc.). He maintains that in the European tradition, of *social* anthropology this dichotomy is not readily accepted, and has tended

to treat these two categories as virtually synonymous. Certainly this is reflected in Tylor's classic definition (above), and for example Firth's (1951) view where culture is seen as the content of social relations, not as some distinct entity. Hence the institutional context both shapes meaning and is shaped by it. Both are what can be described as culture. Institutions are cultural constructs with rules that are applied in society, and they also shape and are shaped by values, which are part of the meaning systems of society. This is different, for example, from the conceptualization of the American cultural anthropologist Geertz (1973:89) who sees culture as 'an historically transmitted pattern of meaning embodied in symbols of inherited conceptions expressed in symbolic forms by means which men communicate', and distinguishes between cultural symbols as 'vehicles of thought' and social structure as 'forms of human association' with a 'reciprocal interplay' occurring between them. Goody (1994: 252) therefore maintains that 'attempts to differentiate the cultural from the social, or the symbolic from other forms of human interaction, seem open to question. The terms may serve as general signposts to areas of interest within a wider field of social action. In terms of this debate Hofstede seems to be firmly in the American camp, distinguishing 'the software of the mind' as meaning/value systems and juxtaposing himself to the institutionalists.

However, in societies that were colonized by Europeans, there appears to be a clear distinction between imposed institutions and local cultures. For example, Dia (1996) takes the view that institutions were imposed on African societies during the colonial period. They have largely remained and evolved through the postcolonial period, and mostly are seen as still inappropriate to African societies and their context. Here, rules seem to be at odds with values; institutions appear to be at odds with symbolic culture. The split between (local) culture and 'global' or 'Western' institutions in Africa and other postcolonial countries can only be explained by geopolitical power relations.

The introduction of colonial institutions into Africa and other regions appear to involve a number of elements: first, the (cultural) background of the colonizing countries; second, the interaction of colonizers with colonized societies and institutions (for example, African institutions such as chiefdoms were integrated into colonial administrations to enlist the help of local chiefs to keep law and order and to collect taxes: Gluckman, 1956/1970); and third, the wielding of (economic, military and then ideological) power by the colonizers within the interactions with local communities. There is no doubt also that these institutions have an influence on African communities today, and that they have helped to shape modern and urban African cultures. Through interactions these institutions have also been shaped by African cultural influences which include African institutions (Ayittey, 1991). Some 80 per cent of the globe has been defined as 'developing' and most have been subject to some kind of colonization by a Western imperialist country. This process and its outcomes can be applied to many countries that international human resource managers operate in.

The interaction effects among institutional 'rules', cultural 'values', and 'control' (power), may therefore be the way forward in understanding culture as a dynamic, rather than a static entity. In other words, culture is created/recreated at the point of intersection – the interface. Central to this is 'power', in Foucault's (1979: 194) terms, for example: 'power produces, it makes reality; it produces domains of objects and rituals of truth'. He contends that power relations do not stand apart from other relations, but power is inherent in all relations and is the effect of divisions, inequalities and imbalances found in these relations, and at the same time are preconditions for these differentiations. Dominance in a power relationship has a legitimizing effect. Yet, for Foucault power also infers the possibility of resistance, and that resistance is always part of a power relationship. Hence values (for example, within local African communities) come into conflict with (imposed) institutional rules.

Although crossvergence theory has become current in cross-cultural management studies, it does appear to be lacking this critical element, and does not consider the aspect of power that is essential in understanding wider issues of cultural interaction, cultural interfaces and the generation and transfer of knowledge, including knowledge about human resource management: especially in understanding how HRM has become so widely adopted internationally, why the idea of human beings as a resource has explicitly been embraced, and why resistance to this may be causing so many problems to international HR managers. This leads to the next question.

Why are geopolitical power relations important in cultural crossvergence?

Any scholarly study that involves concepts of 'the other', for example, local staff or managers in an overseas subsidiary, is a product of geopolitical power dynamics. Postcolonial theory has provided a critique of these power dynamics initially within literary studies (Said's, 1978, *Orientalism* is the landmark study), also in development studies (e.g. Mohan, 2002, provides an outline) and more recently in organization studies (Prasad, 2003; Jack and Westwood, 2009). Mohan (2002: 157), for example, puts it bluntly saying that 'Postcolonial studies alerts us to the epistemic violence of Eurocentric discourses of the non-West and the possibilities of recovering the voices of the marginalized'.

Postcolonial theory (Said, 1978/1995; Bhabha, 1994; Spivak, 1996) proposes that the 'developing' world is represented in the eyes of the 'developed' world. Western imperialism, through Western culture has developed a systematic 'body of theory and practice' that constructs or represents the 'Orient' (in Said's, 1978/1995: 49, terms). In colonial times this portrayed images of the 'noble savage', the 'wily oriental', where Westerners were regarded as 'rational, peaceful, liberal, logical . . . without natural suspicion and Easterners as irrational, degenerate, primitive, mystical, suspicious, sexually depraved'. These representations are carried over to Western intellectual and cultural production including research, and management studies (for example, Jackson, 2004, points to the derogatory light in which 'African' management is seen in the literature). The acceptance and internalization of such representations by the developing world, and other non-Western cultures themselves can mean two things. First, there is both an acceptance and challenging of these representations that constitute hybrid forms of presentation of the nature of people of non-Western countries. Second, because this challenging itself grows out of the cultural and intellectual representations of Western discourse, this 'contamination' of the non-West means that they can never refer back to an 'authentic' identity of pre-colonial times. Any conceptualization of this identity would be by definition seen through the eyes of the colonizer's representations (Kapoor, 2002).

This is similar to the dependency theory critique of modernization theory: that the 'developing' world was created by imperialism (as a form of globalization) and does not exist apart from a developing-developed world dependency. Dependency theory (Frank, 1969) suggests that today's Third World underdevelopment is the underside of the same globalizing conditions that led to the First World being developed. The latter's development is dependent on the former's underdevelopment. The prime mover in this is capital seeking profits, and this is easiest in countries where labour and resources are cheap and governments are weak. The structural consequence of this is to reproduce the process, and to block local initiatives pursuing their own development paths (Schech and Haggis, 2000). This represents an economic or institutional theory, originally based on Marxist critique of modernization theory. Modernization theorists see the Third World as originally underdeveloped or untouched, and whose trajectory, and the aim of international development, is to modernize in the same direction as the First World.

In a way modernization theory can be seen as a justification for globalization (or imperialism), and is reflected in many international management and international business texts. In fact, modernization theory appears to be tacitly accepted in international management studies, and has not been specifically critiqued in the manner it has, for example, in other social sciences such as sociology and development studies.

The 'culturalist' view, represented by postcolonial theory, brings us to the same point as dependency theory: a concept of purity of local or indigenous thought or practice in the Third World (and perhaps the Second World) does not exist apart from thought or practice in the First World. This causes problems when studying values and knowledge across cultures because rather than looking at 'indigenous' knowledge, we are really looking at a reflection of dominant ideologies, and often this dominant knowledge denigrates 'local' knowledge in whatever form this may still exist. Escobar (1995) sees the dominance of Western knowledge not through a privileged proximity to the truth but as a result of historical and geographic conditions coupled with the geopolitics of power. This questions whether there can ever really be a true 'indigenous' knowledge (Spivak, 1988) such as *Ubuntu* in South Africa (Mbigi, 1997) given the dominance of Western management practices through universalized management training and education.

This does not just apply to the Third World. Japanese management practices have been lauded in the West, particularly in the United States, since the early 1980s (e.g. Pascale and Athos's book *The Art of Japanese Management,* published in 1981). Yet the view that there is something intriguingly (and exotically) unique about Japanese management has been disabused in the more critical literature, for example, by Clegg and Kono (2002: 271), who remind us that much of what passes as 'Japanese' management was taken from American versions of rational thinking such as Taylorism, and reshaped by the more paternalistic and cooperative Japanese traditions, and that practices such as management committees and quality control were transplanted from the US or Europe.

Much as disciplines such as management studies, organizational behaviour and industrial psychology would like to remain isolated from geopolitics, this is difficult as major world events and processes including world wars, imperialism and financial crises change things. To what extent is it possible to study 'Japanese' management, before first considering the influences on this, including the contributions from America after World War II? The same argument is applied to any international study, which involves focusing on 'the other' as noted above. The argument, however, goes deeper if we consider this from a postcolonial theory perspective: dominant geopolitical influences disparage local contributions, and this disparaging is internalized by local people. This discourages the articulating of local views, knowledge(s) and practices, and goes some way in explaining the (often inappropriate) adoption of Western HRM practices in many parts of the world, with often some hybrid adaptations.

Hybridity, through a process of cultural crossvergence is not the result of an equal dialogue, or a reasoned and equal negotiation. It occurs through a process involving 'the epistemic violence of Eurocentric discourses of the non-West' as we saw above (Mohan, 2002: 157). Concepts of crossvergence as discussed in management studies (Ralston *et al.*, 1994; Priem *et al.*, 2000) are inadequate in the way they treat this process without reference to power relations. The concept of cultural crossvergence is implicit within postcolonial theory. Bhabha's (1994) concept of 'mimicry' applies predominantly to a colonizing power's ability to get the colonized to mimic the colonizer, in order to control better the unfamiliar, and to gain acceptance of transferred-in knowledge. Yet as Frenkel (2008) points out this is also a function of the acceptance that the colonizers are the natural repository of (technical and management) knowledge, and the colonized need this knowledge. This could equally be applied to what appears to be happening

in post-Soviet countries such as Russia: a perceived need to catch up, and to emulate the West, adopting Western management methods in the extreme, often the 'harder' aspects of human resource management.

In Bhabha's (1994) view the process of mimicry leads to hybrid cultures as an ongoing process of colonial imposition and resistance from the colonized. It is never possible therefore to speak about an authentic or innate culture, and is an ongoing product of a conflictual process between the powerful, and less powerful. The product of crossvergence, in postcolonial theory is the 'Third Space' (Bhabha, 1994). When we focus on human resource management around the world we are predominantly looking at this Third Space, or more accurately, Third Spaces.

In order to understand why Anglo-America HRM has tended to dominate in the world, and why HRM as a concept might not be appropriate in countries other than those that have similar cultures to the dominant American cultures from which this has arisen, it is necessary to understand the process of cultural crossvergence involving both a power dynamic, and its products in the form of cultural Third Spaces. Yet the dynamics that have led to these different hybrid cultural spaces, and indeed which gave rise to critical theories such as postcolonial theory, which themselves may be time-bound, are changing. Iconic (Western) brands such as Jaguar and Land Rover acquired by an Indian MNE, and IBM computers, taken over by the Chinese firm Lenovo, as well as other major investments by 'emerging' nations in countries that used to dominate the world's economies, are indicative of those changes. Hence the following question.

Do we need a new theory for a new world?

If postcolonial theory, and dependency theory, are time limited and beginning to run their natural course; and if such theories are just beginning to gain some currency among management scholars of a more critical persuasion, what can we now say about how we can develop critical cross-cultural management theory, and how can this be applied to the study of human resource management?

In political science and international relations the concept of a global North–South divide, which arose after World War II, was consolidated in what has been referred to as the Brandt Line, conceptualized by the former West German Chancellor Willy Brandt in 1980 as an imaginary line delineating the boundary between the industrial North and the poorer South, a political geography that had mostly eclipsed the divide between East and West, (Lees, 2011). With countries such as China and India, which were placed at the South of this divide, Lees (2011) argues that despite considerable growth in the economies of both these countries, the concept of a North–South divide still is relevant today when considering both economic inequalities within nation-states and political and military inequalities in international relations. Connell's (2007: 212) concept of an emerging southern theory in social science is also premised on the persisting relevance of this conceptual global divide which she says constitutes an expression of 'the long-lasting pattern of inequality in power, wealth and cultural influence that grew historically out of European and North American imperialism'. That China and India are emerging as major geopolitical and geo-economic players is not a reason to deny historical circumstance and reclassify them as 'Northern' states. It is a reason to unpack the implications of South-North-South interactions as they emerge as a more powerful force in geopolitics, if we are to successfully scrutinize, for example, Chinese employment practices in Africa (South-on-South), or Indian HRM practices in the UK (South-on-North). The dominance of the United States and Europe may increasingly be less relevant, although this does remain important. Correspondingly, management theories and policies developed in the geographical North may have less significance in a world whose dynamics are rapidly changing.

How can we start to explore South-on-South, and South-on-North interaction in the field of international HRM? The first step should be to understand people management from cultures that are not globally dominant. For this we need a further question.

What is indigenous HRM: local or global?

The need to study indigenousness and indigenous knowledge is growing in importance within international and cross-cultural management (Jack and Westwood, 2009). This is becoming more important as emerging economies such as China and India come to the fore; as countries, societies and organizations within the global 'South' increasingly find a voice on the world stage; and, as regions such as sub-Saharan Africa become more integrated into a changing global economy (Carmody, 2011). It is perhaps because of the view that indigenous knowledge is backward and not relevant to modern management (Marsden, 1991) that its serious study has been previously neglected in the management literature. Yet as it emerges as a legitimate area of study, there are two main problems that appear to be surfacing.

The first is that within the management literature, it is not really clear what 'indigenous' actually refers to. This term has been used extensively in the international management literature with little explanation. For example, where Stening and Skubik (2007: 115) states, that there are 'moves to create *indigenous* theories and research instruments in management' there is no attempt to discuss what this concept actually means. Much of the current interest in 'indigenous' management may not be focused on the indigenous at all, but on what may be regarded as 'endogenous' which conveys a meaning of arising from within the society (Maruyama, 1981) or organization (Schuler *et al.*, 1993). In the wider social science literature 'indigenous' conveys a relationship between the local and global, with indigenous people or knowledge being marginalized from the global. Hence, to have a concept of indigenous as being defined by its localness (Tsui, 2004) is too simplistic, as indigenous knowledge and indigenous people are always such within a power relationship in a globalized world, and one defined by its colonial history. Hence those who wish to steer clear of such a global relationship may be better to use the term 'endogenous'. *Endogenous* refers to that which comes from within a given society (Maruyama, 1981), and refers to the specific characteristics, values, ideas, knowledge, institutions and practices that pertain within a society. It is normally distinguished from *exogenous* aspects (e.g. Schuler *et al.*, 1993) that come from outside the society being studied. Such examples could be a focus on concepts like *guanxi* or *ubuntu*, or on specific countries (e.g. China) or parts of countries, but sometimes continents (e.g. Africa), that are regarded as emerging or developing, although not excluding First World countries.

Indigenous, on the other hand, refers to the ongoing product of a relationship between geopolitical control and local resistance, of marginalization of a society or people with common interests, values, knowledge, institutions and practices, and defence of these against encroachment from global or national control (Jackson, 2013). We may have to dig deeper beyond the normal remit of international HRM studies and look towards the informal economy to more fully explore indigenous management and organization. Schneider (2002) estimates the size of the informal economy, as a percentage of official GNI as 41 per cent, in developing countries, 38 per cent in transition countries and 18 per cent in OECD countries. In sub-Saharan Africa it is estimated to account for 72 per cent of total employment (Verick, 2006). Areas such as traditional apprenticeships, which account for an estimated 70 per cent of all those trained in the informal sector in Africa, may yield some clues to what could be indigenous HRM.

The second problem that appears to have emerged with the upsurge in interest in indigenous management and organization, originally with an upsurge in interest in China in the 1990s and

particularly with the much used concept of *guanxi* (for example, Tsang, 1998, asking in the title of his article: 'Can guanxi be a source of sustained competitive advantage for doing business in China') is the commoditization of 'indigenous' management concepts. *Ubuntu* has more recently been thus packaged to show its commercial usefulness to a Western management consumer context, giving rise to titles such as 'Building competitive advantage from ubuntu: management lessons from South Africa' (Mangaliso, 2001) in Western management journals. This may not necessarily be regarded as negative, yet it may submerge some very real issues in developing a more informed and critical study of the nature and role of indigenous management thought and the way it relates to concepts of people in organizations, how they are valued, and how they are managed. It may serve to disguise the dynamic nature of the indigenous within a global and changing world arena.

This last point relates back to the discussion on cultural crossvergence above. Anything regarded as 'indigenous' cannot be considered frozen in time, although often it is. 'Indigenous' knowledge is not an artefact to be preserved (Briggs and Sharp, 2004), nor one that can easily be packaged for Western consumption (Briggs, 2005). Rather it is part of a dynamic within a cultural interface that constantly produces new knowledge and social forms (Jackson, 2011) albeit through geopolitical power dynamics that have a profound effect on this production. Yet, as argued above, this power dynamic appears to be changing, it is necessary to ask a further question.

What is the new 'global'?

Mostly, when considering the nature of indigenous knowledge and management, the attention is on the so-called 'developing' regions and countries. This has implications for looking at the nature of Chinese or Indian HRM practice both in situ in their countries of origin, or increasingly what these practices might look like when organizations from these countries in the South go out to do business in other Southern countries (South-on-South) or countries of the global North. With practices in India and China, for example, influenced by Western HRM practices through the process of crossvergence and global power dynamics discussed above, are MNEs from these countries simply transferring Western HRM practices abroad?

Shen (2007) proposes that although international HRM and industrial relations practices are informed by home-country practices, MNE managers cannot assume a simple transfer of systems to overseas subsidiaries because of political, legal, economic and socio-cultural differences. Studying eleven Chinese MNEs with subsidiaries in a range of developed and developing nations, his research indicated that the companies generally paid higher rates than the market average in developed countries to compensate for the lack of training and development opportunities which the MNEs were weak in as well as employment participation and involvement. These higher wages attracted host country nationals while those 'soft' aspects rarely caused labour disputes. Yet subsidiaries in developing countries paid low wages with poor working conditions, in contrast to the generally good working conditions they operated in developed countries.

There was a tendency therefore to localize employment standards but also in the developing countries these standards tended to be lower than their Western counterparts. This explained why most labour disputes took place in the MNEs' developing country subsidiaries rather than in their developed country ones, even though disputes were less than in the home country. However, Shen (2007) also maintains that labour standards were to a certain extent influenced by the low labour standards in China, and that the (generally negative) attitudes of senior managers towards unions in the host country subsidiaries, including recognition and involvement in negotiating employment terms, were mainly influenced by the home-country industrial relations system.

However, although interest is growing among management scholars in Chinese organizations in developing regions such as Africa, there is still little research at organizational level. There is still a need to look at HRM practices at this level, and determine the outcome of crossvergence in such practice. A similar need also exists with Indian MNEs operating in developing countries, although some research exists on Indian MNEs in developed countries. This remains a continuing challenge for HRM scholarship.

Having now discussed issues, through a number of questions, which appear to be impacting on HRM practice in a rapidly changing world that international HRM scholars need now to address, and having provided a view through contemporary cross-cultural management scholarship, it is now necessary to consolidate this by addressing our final question.

Whither international HRM?

When looked at from a cross-cultural perspective, one of the major concerns confronting managers, as well as scholars, is the appropriateness of Western HRM practices. Working in regions of the world where the value-base of societies may be different to those in many Western European and North American societies, the relevance of regarding people as a resource must increasingly be questioned. In some ways, in Western, individualistic cultures where individual human rights are considered paramount, some (particularly looking at this from a non-Western perspective) may look askance at the idea that people can become commoditized to the extent of being regarded as human resources or human capital. Yet this appears to fit well with the instrumental valuing of people in many Western cultures that is little challenged and little studied in management studies. Mainstream management studies tends to be quite conservative, but even this conservatism may start to be challenged from HRM practice itself, as it begins to reflect a changing global dynamic that itself may contest accepted Western principles and practices. Hence, as company HRM practices such as Huawei (China), Tata (India) are studied by scholars in the West, and as Western HR managers look on as such companies increasingly compete with their companies in labour markets in many regions of the world, they will be looking towards these scholars for insights into reasons for the competitive advantage of these companies.

Yet, although the cross-cultural management studies in the mode of Hofstede may provide clues about the inappropriateness of Western HRM, it provides only blunt conceptual tools to examine these issues. In order to more fully understand the way the management of people in organizations needs to develop in an international context, answers should be sought to the questions this chapter has begun to pose. The following provides a summary of potential answers provided in this chapter, together with the implications for needed developments in international HRM.

- HRM appears less appropriate in a globalized world as the nature of this globalization changes. HRM practice (if not the term HRM itself) must change to reflect this.
- The commoditization of people within the concept of human resources and human capital may not be accepted in non-Western regions where more humanistic values prevail. Alternative approaches that may reflect better an intrinsic valuing of people, often as part of a collective, can be studied by scholars and explored by practitioners.
- Focusing on discrete 'cultures', as many scholars do, may not be useful in the real world to practising international managers. HRM practice around the world, although dominated by Western scholarship and management principles, is often the result of cultural crossvergence and hybridization. Yet global power dynamics often provides a very weak

voice to local ideas and practices. HRM scholars can help managers to find ways of understanding and incorporating these weaker voices into their local practices.

- Theories of cultural 'interfaces' may provide insights into both the institutional and cultural intersections where international HRM managers are working, as well as an understanding of the power dynamics involved at these interfaces. By exploring the nature of these interfaces (that is, the network of various stakeholders, institutional and cultural influences on the specific situation and power relations involved) managers can better develop and implement appropriate and effective practices.

- Yet this involves a more critical understanding of how and why Western HRM principles and practice have become dominant (postcolonial theory has been offered as a possible lens to look through), and international HRM scholarship can incorporate these theories and provide better understanding of the difficulties of incorporating local practices.

- However, in a number of ways, these critical theories are becoming out of date. Scholars should start to develop new theories about new global dynamics that can help managers work differently and adapt to developments in practices from the South. This would include a better understanding of how to study and incorporate indigenous practices into mainstream HRM.

References

Adler, N. J. and Graham, J. L. (1989) Cross-cultural interaction: The international comparison fallacy? *Journal of International Business Studies* 20(3): 515–537.

Ayittey, G. B. N. (1991) *Indigenous African Institutions*. New York: Transnational Publishers.

Barry, M. and Wilkinson, A. (2011) *Research Handbook of Comparative Employment Relations*. Cheltenham: Edward Elgar.

Bartsch, S., Hein, W. and Kohlmorgen, L. (2007) Interfaces: A concept for the analysis of global health governance. In W. Hein, S. Bartsch and L. Kohlmorgen (eds) *Global Health Governance and the Fight Against HIV/AIDS*. London: Palgrave, pp. 18–37.

Beals, R. (1953), Acculturation. In A. L. Kroebner (ed.) (1953) *Anthropology Today*. Chicago: University of Chicago Press.

Beer, M. and Spector, B. (1985) Corporate wide transformations in human resource management. In R. E. Walton and P. R. Lawrence (eds) *Human Resource Management: Trends and Challenges*. Boston, MA: Harvard Business School Press, pp. 219–253.

Bhabha, H. K. (1994) *The Location of Culture*. New York: Routledge.

Boyacigiller, N. A. and Adler, N. J. (1991) The parochial dinosaur: organizational science in a global context. *Academy of Management Review* 16(2): 262–290.

Briggs, J. (2005) The use of indigenous knowledge in development: Problems and challenges. *Progress in Development Studies* 5(2): 99–114.

Briggs, J. and Sharp, J. (2004) Indigenous knowledge and development: A postcolonial caution. *Third World Quarterly* 25(4): 661–676.

Carmody, P. (2011) *The New Scramble for Africa*. Cambridge: Polity.

Clegg S. and Kono, T. (2002) Trends in Japanese management: An overview of embedded continuities and disembedded discontinuities. *Asia Pacific Journal of Management* 19: 269–285.

Connell, R. (2007) *Southern Theory*. Cambridge: Polity.

Dia, M. (1996) *Africa's Management in the 1990s and Beyond*. Washington, DC: World Bank.

Durkheim, E. (1915/1971) *The Elementary Forms of the Religious Life* (Trans. J. W. Swain). London: Allen and Unwin.

Escobar, A. (1995) *Encountering Development: The Making and Unmaking of the Third World*. Princeton, NJ: Princeton University Press.

Fink, G., Neyer, A.-K. and Kolling, M. (2006) Understanding cross-cultural management interaction: Research into cultural standards to complement cultural value dimensions and personality traits. *International Studies of Management and Organization* 36(4): 38–60.

Firth, R. (1951) *Elements of Social Organization*. London: Watts.

Foucault, M. (1979) *Discipline and Punish*. New York: Vintage Books, p. 194.

Frank, A. G. (1969) *Capitalism and Underdevelopment in Latin America*. New York: Monthly Review Press.

Frenkel, M. (2008) The multinational corporation as a third space: Rethinking international management discourse on knowledge transfer through Homi Bhabha. *Academy of Management Review* 33(4): 924–942.

Geertz, C. (1973) *The Interpretation of Cultures*. New York: Basic Books.

Giddens, A. (1986) *The Constitution of Society*. Berkeley and Los Angeles: University of California Press.

Gluckman, M. (1956/1970) *Custom and Conflict in Africa*. Oxford: Basil Blackwell.

Goody, J. (1994) Culture and its boundaries: A European perspective. In R. Borofsky (ed.) *Assessing Cultural Anthropology*. New York: McGraw-Hill, pp. 250–261.

Harré, R., Clarke, D. and De Carlo, N. (1985) *Motives and Mechanism: An Introduction to the Psychology of Action*. London: Methuen.

Hendry, C. and Pettigrew, A. (1990) Human resource management: An agenda for the 1990s. *International Journal of Human Resource Management* 1(1): 17–44.

Herskovits, M. J. (1948) *Man and His Works: The Science of Cultural Anthropology*. New York: Knopf.

Hickson, D. J. and McMillan, C. J. (eds.) (1981) *Organization and Nation: The Aston Programme IV*. Aldershot, UK: Gower.

Hofstede, G. (1980b) Motivation, leadership and organization: Do American theories apply abroad? *Organizational Dynamics* Summer: 42–63.

Hofstede, G. (1980a) *Culture's Consequences: International Differences in Work Related Values*. Beverly Hills, CA: Sage.

Hofstede, G. (1991) *Cultures and Organizations: Software of the Mind*. London: McGraw-Hill.

House, R., Hanges, P. J., Javidan, M. and Dorfman, P. W. (2004) *Leadership, Culture and Organizations: The GLOBE Study of 62 Societies*. Thousand Oaks: Sage.

Inglehart, R., Basanez, M. and Moreno, A. (1998) *Human Values and Beliefs: A Cross-Cultural Sourcebook*. Ann Arbor: The University of Michigan Press.

Ishak, N. K., Abdullah, F. Z., and Ramli, Z. A. (2011) The association between hard and soft human resource management orientations in the Malaysian hotel organizations. *International Journal of Business and Social Science* 2(22): 213–220.

Jack, G. and Westwood, R. (2009) *International and Cross-Cultural Management Studies: A Postcolonial Reading*. Basingstoke: Palgrave Macmillan.

Jackson, T. (1999) Managing change in South Africa: Developing people and organizations. *International Journal of Human Resource Management* 10(2): 306–326.

Jackson, T. (2002) The management of people across cultures: Valuing people differently. *Human Resource Management* 41(4): 455–475.

Jackson, T. (2004) *Management and Change in Africa: A Cross-cultural Perspective*. London: Routledge.

Jackson, T. (2011) From cultural values to cross-cultural interfaces: Hofstede goes to Africa, *Journal of Organization Change Management* 24(4): 532–558.

Jackson, T. (2013) Reconstructing the indigenous in African management research: Implications for international management studies in a globalized world. *Management International Review* 53(1): 13–38.

Kapoor, I. (2002) Capitalism, culture, agency: Dependency versus postcolonial theory. *Third World Quarterly* 23(4): 647–664.

Kerr, C., Dunlop, J. T., Harbison, F. H. and Myers, C. A. (1960) *Industrialism and Industrial Man*. Cambridge, MA: Harvard University Press.

Koopman, A. (1991) *Transcultural Management*. Oxford: Basil Blackwell.

Lees, N. (2011) The dimensions of the divide: Theorising inequality and the Brandt Line in international relations. Paper presented as part of the Panel 'South-South Cooperation: History, Concepts, Trends' at the IPSA-ECPR Joint Conference 'Whatever Happened to North-South?', Sao Paulo 2011, online at http://saopaulo2011.ipsa.org/sites/default/files/papers/paper-817.pdf (accessed 19 July 2012).

Lessem, R. (1994) Four worlds: The Southern African businesssphere. In P. Christie, R. Lessem and L. Mbigi (eds) *African Management: Philosophy, Concepts and Applications*. Cape Town: Knowledge Resources.

Long, N. (1989) *Encounters at the Interface: A Perspective on Social Discontinuities in Rural Development*. Wageningen: Agricultural University Press.

Long, N. (2001) *Development Sociology: Actor Perspective*. London: Routledge.

Mangaliso, M. P. (2001). Building competitive advantage from Ubuntu: Management lessons from South Africa. *Academy of Management Executive* 15(3): 23–33.

Marsden, D. (1991). Indigenous management. *The International Journal of Human Resource Management* 2(1): 21–38.

Maruyama, M. (1981) Endogenous research: Rationale. In P. Reason and J. Rowan (eds) *Human Inquiry: A Sourcebook of New Paradigm Research*. Chichester, UK: John Wiley.

Mbigi, L. (1997) *Ubuntu: The African Dream in Management*. Randburg, South Africa: Knowledge Resources.

Mohan, G. (2002) Beyond participation: Strategies for deeper empowerment. In B. Cooke and U. Kothari (eds) *Participation: The New Tyranny?* London: Zed Books, pp. 153–167.

Prasad, A. (ed.) (2003) *Postcolonial Theory and Organizational Analysis: A Critical Reader*. London: Palgrave Macmillan.

Priem, R. L., Love, L. G. and Shaffer, M. (2000) Industrialization and values evolution: The case of Hong Kong and Guangzhou, China. *Asia Pacific Journal of Management* 17(3): 473–492.

Ralston, D. A., Gustafson, D. J., Terpstra, R. H., Holt, D. H. (1993) The impact of managerial values on decision-making behavior: A comparison of the United States and Hong Kong. *Asia Pacific Journal of Management* 10(1): 21–37.

Ralston, D. A., Gaicalone, R. A. and Terpstra, R. H. (1994) Ethical perceptions of organizational politics: A comparative evaluation of American and Hong Kong managers. *Journal of Business Ethics* 13: 989–999.

Said, E. (1978/1995) *Orientalism*. London: Penguin.

Saunders, E. (1998) Leadership the South African way. *People Dynamics*, February: 31–34.

Schech, S. and Haggis, J. (2000) *Culture and Development: A Critical Introduction*. Oxford: Blackwell.

Schneider, F. (2002) Size and measurement of the informal economy in 110 countries around the world. Paper presented at a Workshop of the Australian National Tax Centre, Australian National University, Canberra, Australia, 17 July 17 2002. Available online at http://www.relooney.info/SI_Expeditionary/Shadow-Economy_13.pdf (Accessed 18 July 2012).

Schuler, R. S., Dowling, P. J., and De Cieri, H. (1993) An integrative framework of strategic international human resource management. *International Journal of Human Resource Management* 4(4): 717–764.

Schwartz, S. H. (1999) A theory of cultural values and some implications for work. *Applied Psychology: An International Review* 48(1): 23–47.

Shen, J. (2007) Approaches to international industrial relations in Chinese multinational corporations. *Management Revue* 18(4): 410–426.

Sorge, A. (2004) Cross-national differences in human resources and organization. In A.-W. Harzing and J. van Ruysseveldt (eds) *International Human Resource Management*. London: Sage, pp. 117–140.

Spivak, G. C. (1988) Can the subaltern speak? In C. Nelson and L. Grossberg (eds) *Marxism and the Interpretation of Culture*. Basingstoke, UK: Macmillan, pp. 271–313.

Spivak, G. C. (1996) *The Spivak Reader: Selected Works of Gayatri Chakravorty Spivak* (ed. D. Landry and G. M. MacLean). New York: Routledge.

Stening, B. W. and Skubik, D. W. (2007) Do international management researchers need a code of ethics? *Management International Review* 47(1): 103–126.

Storey, J. (1992) *Developments in Management of Human Resources*. Oxford: Blackwell.

Tayeb, M. H. (2000) The internationalisation of HRM policies and practices: The case of Japanese and French companies in Scotland, 11éme Congrés de l'AGRH, 16–17th November 2000, ESCP-EAP, Paris.

Trompenaars, F. (1993) *Riding the Waves of Culture: Understanding Cultural Diversity in Business*. London: Nicholas Brealey.

Tsang, E. K. (1998) Can guanxi be a source of sustained competitive advantage for doing business in China? *Academy of Management Executive* 12(2): 64–73.

Tsui, A. S. (2004) Contributing to global management knowledge: A case for high quality indigenous research. *Asia Pacific Journal of Management* 21: 491–513.

Tylor, E. B. (1871) Primitive culture, cited in C. Levi-Strauss (1963) (Trans. C. Jacobson and B. G. Schoel), *Structural Anthropology*. Harmondsworth: Penguin.

Tyson, S. and Fell, A. (1986) *Evaluating the Personnel Function*. London: Hutchinson.

Vaughan, E. (1994) The trial between sense and sentiment: A reflection on the language of HRM. *Journal of General Management* 19: 20–32.

Verick, S. (2006) *The Impact of Globalization on the Informal Sector in Africa*. Economic and Social Policy Division, United Nations Economic Commission for Africa (ECA) and Institute for the Study of Labor (IZA). Available online at http://www.iza.org/conference_files/worldb2006/verick_s872.pdf (accessed 18 July 2012).

Part II

Managing IHRM

This page intentionally left blank

10

Recruitment and selection in global organizations

A resource-based framework

Robert E. Ployhart and Jeff A. Weekley

Introduction

Having the right people in the right place at the right time is vital to the long-term performance of any firm. This is true to an even greater degree for firms that compete internationally. Global firms face all of the same challenges as domestic organizations, *plus* those unique to adapting to different cultures, countries, and people (Torbiörn, 1997). For example, issues related to human resources (HR) are complicated enough within a single country, but increase geometrically when the workforce exists across countries. It is the human element that is perhaps the most variable and uncertain of the numerous resources a firm needs to implement a global competitive strategy. After all, talent cannot be owned by the firm, so it creates a set of unique challenges for building, maintaining, and leveraging this resource (Coff, 1997). Indeed, many firms cannot grow internationally in the manner they wish due to talent challenges (Miller & Guo, 2014; Scullion & Collings, 2011). At the same time, firms that are able to do so effectively are likely to see above average returns. Thus, talent, or as it is often called, *human capital resources*, is an important determinant of competitive advantage for most firms, but even more so in global firms.

If a firm's human capital resources are an important determinant of its ability to compete, then the *staffing* function (i.e., talent acquisition in terms of recruitment and selection) largely determines whether a firm will be competitive. Staffing sets the "upper limit" on what a firm is able to do with its talent because it defines the quality of that talent (Heneman *et al.*, 2012). Firms that are unable to acquire sufficient numbers of quality applicants will need to devote disproportionate resources to addressing talent deficiencies through training, compensation, outsourcing, joint venturing, and related activities. Staffing in large part "sets the tone" for all later HR activities and, by extension, the firm's ability to execute its strategy.

Staffing a global organization presents a number of challenges that are quite different from those facing domestic firms. The basic challenge is the same: how to identify, attract, and obtain the desired types of talent in a manner that is efficient, fair, and offers an acceptable economic return on costs. But the implementation of staffing across countries and cultures presents a number of additional challenges (Collings & Scullion, 2012; Torbiörn, 1997). For example, consider a

firm that is expanding into a new country, and this country is in a region of the world that has very different cultural values and laws. Expansion into this new international market will require knowledge about the host country's laws and political infrastructure, culture, values, demographics, and educational system, not to mention consumer preferences. The parent organization then faces an important decision: should it transport its existing talent into the new country, hire the necessary talent from within the host country, or try to combine the two approaches? If it decides to hire locally, will the recruitment and selection practices of the home country be effective or even accepted? So although the need for firms to recruit and hire talented employees is a global universal, *how* firms do this is not.

The purpose of this chapter is to provide a review of what is known about staffing in global organizations. For our purposes, global organizations include multinational corporations (MNCs), but also firms that may seek to expand their operations into new markets outside of the home country (i.e., subsidiaries). We will review the scientific literature that speaks to this topic, but we also consider the perspective of the HR manager who must deal with strategic and implementation issues. We have adopted this perspective intentionally. First, there are already many excellent reviews for specific pieces of the broader global staffing puzzle. For example, Ryan and Tippins (2009) provide an in-depth treatment of the issues surrounding global selection. Likewise, an edited book by Scullion and Collings (2006) discusses many broader strategic staffing issues, and a book by Caligiuri (2013) considers global talent management more generally. Review articles on recruiting across cultures are provided by Ma and Allen (2009) and Miller and Guo (2014). We summarize and build from these sources, but leave many of the specific details to those other publications. Second, many scientific publications report empirical findings that show differences between one country and another, or comparative differences in recruiting or selection practices across cultures and countries (Miller & Guo, 2014; Ryan *et al.*, 1999). These publications are important for understanding cross-cultural differences, and we review them briefly, but we try to avoid presenting a list of similarities and differences across countries to focus instead on the broader framework within which global staffing occurs. Finally, we have consulted with a number of organizations who are already MNCs or are pursuing new opportunities in global markets for the first time. In all such situations, we have found many similarities and difficult questions for which there are few direct answers. For example, the scientific literature has more to say about how to establish the psychometric equivalence of an assessment than whether the assessment should be used in the first place.

Thus, this chapter presents a broad framework to structure and organize thinking about global staffing. We consider both what we know, and what we still need to know, about global staffing. We frame the issues with global staffing from the perspective of HR managers challenged with implementing global staffing strategies and practices. A key feature of our model is that we do not view recruitment and selection as stand-alone activities. We do not emphasize the practices simply for the purpose of attracting and hiring better people—although that is clearly an important goal. Rather, we take the position that staffing should be strategic, and the manner in which it is strategic is by its influence on human capital resources (Ployhart, 2006). This is particularly true for global organizations because their staffing choices must often involve choices about whether to make (hire at the entry level and grow internally), buy (hire experienced workers or acquire companies with the needed talent), or rent (through outsourcing or joint ventures with firms possessing the needed talent) human capital (Colakoglu *et al.*, 2009; Tarique *et al.*, 2006). In this manner, our approach is similar to Colakoglu *et al.* (2009) and Scullion and Collings (2006). Figure 10.1 presents an overview of the framework used to organize the literature review below.

HR strategy for global organizations

Figure 10.1 shows that a firm's strategy is the ultimate influence on how it manages and implements its selection and recruiting programs. Yet strategy does not exist in a vacuum; it is a function of the firm's history, current market position, cultural/legal/political environment, geographic environment, and competitive environment. We do not go into great detail about the broader environment only to keep the emphasis on selection and recruiting in global organizations. However, this does not mean the environment is of lesser importance. For example, national culture clearly has a dramatic influence on organizations and the people within those organizations. For our purposes, we consider culture within the context of Hofstede's work (Hofstede, 2001; Hofstede & Hofstede, 2005), which focuses on the cultural dimensions of individualism–collectivism, power distance, uncertainty avoidance, masculinity-femininity, and long-term orientation. Countries differ on their relative standing on these five cultural dimensions, and cultural distance refers to how different two countries are on a particular dimensions. Generally speaking, the greater the cultural distance, the more dissimilar people and organizations from those countries will be. Because there are already large literatures surrounding these environmental features (e.g., House *et al.*, 2004), we move more directly into organizational strategy and human capital resources.
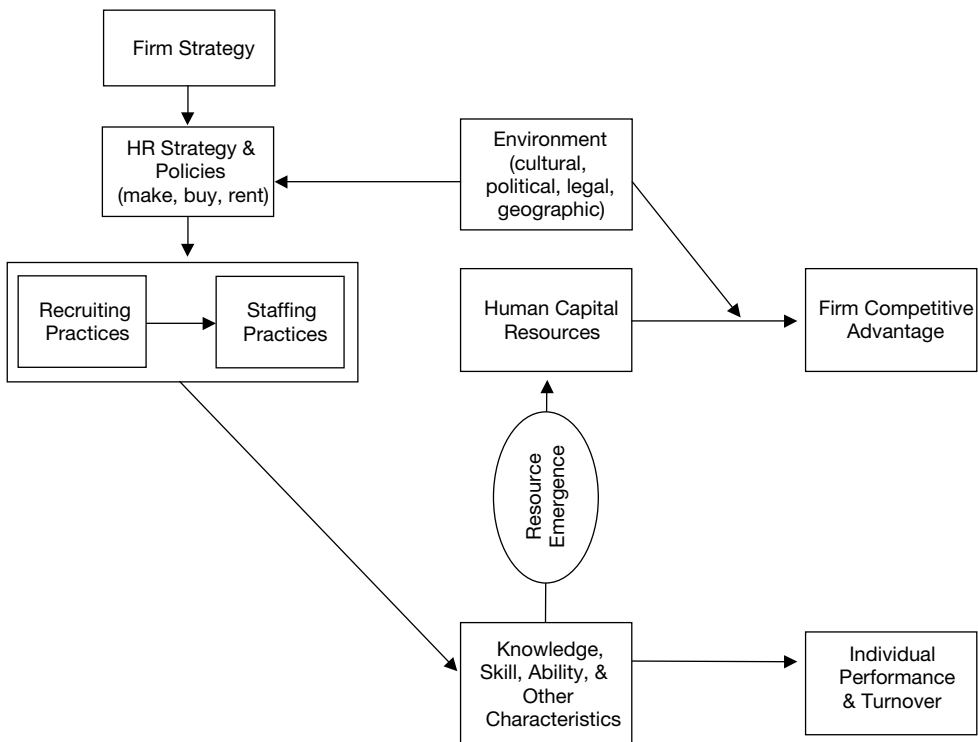
Figure 10.1 A resource-based framework for global staffing

What we know

Organizational strategy is ultimately about competitive advantage, defined here in terms of generating above-normal returns (see Peteraf & Barney, 2003). While it is expected that higher firm operational performance will advance competitive advantage, enhancing operational performance is usually not the target of strategy. Instead, the key emphasis for strategy is one of differentiation, because it is through differentiation that a firm is able to increase customer willingness to pay in a manner that generates above-normal returns (Schmidt & Keil, 2013). HR strategy is a subcomponent of the firm's broader strategy (Barney & Wright, 1998). HR strategy is the means by which a firm utilizes its human talent to achieve its strategic goals. HR *policies* are the guiding principles that underlie the implementation of the firm's HR strategy. For example, a firm may have strategies emphasizing customer service, lowest cost, or innovation (Lepak *et al.*, 2006). These strategies, in turn, dictate the types of HR practices that are employed. For our purposes, HR *practices* include the specific types of recruiting or selection methods and techniques that we discuss in a later section (as well as those for training, compensation, etc.). There is ample literature showing that various HR policies and practices are related to firm performance (Jiang *et al.*, 2012). Thus, the broader strategic goals of the organization should influence the manner in which recruiting and selection are implemented.

A firm's strategy determines the manner in which it will acquire, build, bundle, leverage, or divest of resources to obtain a competitive advantage (Sirmon *et al.*, 2007). According to resource-based theory (RBT), firms are heterogeneous in their outcomes due to differences in their resource endowments (Barney, 1991; Sirmon *et al.*, 2007; Wernerfelt, 1984). Resources are capacities for action (Kraaijenbrink *et al.*, 2010). Resources that are valuable and rare may allow firms to create a competitive advantage. Valuable resources are those that enable the firm to conceive of or implement strategy (Barney, 1991). This is not to be confused with the value of a resource, which refers to the purchase price of the resource from a strategic factor market (Barney, 1986; Schmidt & Keil, 2013). Strategic factor markets are simply markets where resources are exchanged or acquired (e.g., labor markets). Rare resources are those that are not commonly available or easily obtained from a strategic factor market. Resources that are also inimitable and nonsubstitutable may contribute to a sustained competitive advantage. Inimitability is the extent to which the resource can be copied by competitors. Resources that are based on socially complex, causally ambiguous, and path-dependent processes are harder to imitate (Dierickx & Cool, 1989). Resources that cannot be easily substituted with different resources also enhance the sustainability of competitive advantage. These points are easy to obverse in firms with well-established brands, such as Coca-Cola or Google, which can leverage their brand to generate above-normal returns. These points are also well described in prior journal publications and will not be considered further (see Barney, 1991; Dierickx & Cool, 1989; Peteraf & Barney, 2003).

Human capital comprises the most important resource for many firms' competitive advantage. This is not true for all firms (e.g., those where human capital resources may be substituted for other types of resources), but in many knowledge-based or customer-transaction intensive industries, human capital resources are the primary determinant of competitive advantage (Barney & Wright, 1998). Human capital resources are "a unit-level resource that is created from the emergence of individuals' knowledge, skills, abilities, and other characteristics (KSAOs)" (Ployhart & Moliterno, 2011: 128). Human capital resource emergence refers to the process through which a unit-level resource comes to exist from individual KSAOs. Emergence is a multilevel concept that explains how phenomena at lower levels come to form distinct higher-level phenomena (Kozlowski & Klein, 2000). In the model of Ployhart and Moliterno (2011),

human capital resources emerge from KSAOs due to task demands that require interaction and a supportive social context (e.g., trust, cohesion). In general, the more interaction and coordination between employees, and the more supportive the social context (e.g., trust), the more likely that KSAOs will come to form human capital resources. Examples of emergence are easy to observe in sports, where teams with star players oftentimes do not outperform teams with lesser-ability players. Because emergence is based on aggregations of member interactions that develop over time, human capital resources are very socially complex, causally ambiguous, and path dependent—the exact recipe needed for competitive advantage.

For human capital resources to exist at the firm level, they must have at some point been accumulated. Figure 10.1 alludes to this fact by showing that recruiting and selection practices influence the KSAOs of individuals admitted to the firm, but these KSAOs will only become human capital resources through the process of emergence. Thus, human capital resources need to be built through HR systems. On the other hand, a firm may acquire human capital resources by purchasing another firm or merging with another organization. However, even in this example, the firm being purchased or merged has already built the human capital resources.

The importance of human capital resources is particularly critical for strategy in global organizations. The reason is because the cultural, political, legal, and geographic barriers that exist between countries often require knowledge that is not easily built or developed internally within the parent organization. Oftentimes, this knowledge is tacit hence can only be obtained by acquiring talent with the existing knowledge (Grant, 1996). This in turn requires a much greater reliance on key managers, or employee groups, than may be true in domestic firms (Dowling *et al.*, 1999; Gong, 2003a; 2003b). In general, employees may harbor two main types of human capital resources. Generic human capital resources are applicable to many different contexts and organizations (e.g. cognitive ability, personality). Specific human capital resources are useful only for a particular context or organization (e.g., knowledge of social norms in India). Generally speaking, generic human capital resources may be acquired (bought) from labor markets, whereas specific human capital resources need to be accumulated (built).

The seminal work of Perlmutter (1969; Heenan & Perlmutter, 1979) is often used as a means for thinking about the strategic staffing goals of global organizations (see Colakoglu *et al.*, 2009; Collings & Scullion, 2006). In this research, there are four major types of global organizations. At one extreme are organizations that emphasize the culture and strategy of the home culture (*ethnocentric* organizations). At the other extreme are organizations that emphasize the culture and strategy of the host cultures (*polycentric* organizations). Between these two extremes are the geocentric and regiocentric organizations. Both offer a blend of parent and host country personnel staffing key positions, but the regiocentric organization places more emphasis on the geographic region than the broader global environment. Note that organizations that tend to be more ethnocentric tend to be more centralized in their HR policies and practices, while those that are more polycentric tend to be more decentralized (Bartlett & Ghoshal, 1989; Caligiuri & Paul, 2010; Prahalad & Doz, 1987).

The manner in which a firm adopts centralized (ethnocentric) or decentralized (polycentric) approaches will affect the nature of HR policies (see Colakoglu *et al.*, 2009; Collings & Scullion, 2006). Ethnocentric firms will emphasize centralization of HR policies and be more likely to implement universalistic practices. It has been argued that these kinds of firms tend to staff key positions with parent country nationals (PCNs). These types of firms are also more likely to use the parent country's existing recruiting and staffing practices, because the candidates eligible for the position will come from the parent company's country and share its language and cultural values (Dowling *et al.*, 1999). In many respects, staffing positions in the ethnocentric firm are primarily about expatriation and a willingness of key talent to relocate. In contrast, polycentric

firms will emphasize decentralization of HR policies and be more likely to implement culture-specific practices. These types of firms will staff key positions using talent from the host country (host country nationals; HCNs). This will in turn require use of recruiting and staffing practices consistent with the host country, and thus different practices will be required in each country where the MNE operates subsidiaries. Obviously the geocentric and regiocentric approaches will blend these two perspectives.

Firms do not choose these approaches arbitrarily; they choose them based upon their perceived ability to gain advantage given a firm's market position, competitive environment, and contingencies that may exist in that environment (Ghoshal & Nohria, 1989; Schuler *et al.*, 1993; Teece *et al.*, 1997). That said, it should be emphasized that HR managers have a greater choice than the extant literature seems to suggest. HR managers need to consider the types of human capital resources needed to achieve the firm's specific goals for different positions (see Collings & Scullion, 2012). For example, a firm may be ethnocentric and choose to place its own managers (PCNs) in key positions within the host country, but staff lower-level positions using HCNs using recruiting and staffing practices specific to the culture. The firm may further introduce third country nationals (TCNs) for the purposes of leveraging insights from similar operations in different countries. Finally, the firm may send some key HCNs back to the parent corporation (inpatriation; Harvey *et al.*, 1999).

What we need to know

We are proposing that research in this area fully integrate the insights gleaned from RBT, with the insights gleaned from global staffing, to better offer solutions to the many challenges identified within global staffing. In terms of stimulating such research, we offer the following suggestions that we believe are particularly fruitful.

First, strategic global staffing research needs to move beyond thinking of staffing decisions based on nationality, to instead thinking in terms of human capital resources. For example, what kinds of human capital resources are needed to manage a greenfield site in a new country? Starting from this vantage point, the question becomes one of identifying the types of strategically valuable human capital needed to fill this position (or positions), and then searching for the right portfolio of talent. This will also require more than a "simple" emphasis on job requirements; it will require an emphasis on strategic competency models and future-oriented job analyses (Sanchez & Levine, 2012). Clearly issues surrounding the nationality of the candidates are important, but we would argue, tertiarily so. We suggest focusing first on the talent and emergent competencies required and second on the best option for sourcing such talent/competence (i.e., make, buy, import, or rent).

Second, the research on managing resource portfolios offers a different perspective on the staffing of international positions. Firms are composed of multiple resources, and it is the management of this resource portfolio that can be as important as the resources themselves (Sirmon *et al.*, 2007). Research on dynamic capabilities or resource management helps address questions of when to acquire, develop, or divest of resources (e.g., Teece, 2007). For example, human capital resources may either be accumulated (built) or acquired (bought). When is it most feasible to build versus buy? The answer lies in understanding how resource accumulation and acquisition fit together to underlie human capital resources and generate competitive advantage (e.g., Dierickx & Cool, 1989; Maritan & Peteraf, 2011). This in turn requires an understanding of whether the KSAO elements that comprise the human capital resource exist within the host country or parent country, whether there is sufficient time and managerial competence to build the human capital resources, and whether the costs of building the resource are greater than the costs of

buying the resource. Further, all of these questions are interrelated. For example, one may build some resources (e.g., inpatriation) while buying others (e.g., TCNs), and through strategic rotations develop a more complex resource that is more strategically valuable (Denrell *et al.*, 2003). If one conceptualizes key managers as strategically valuable resources (e.g., Colakoglu *et al.*, 2009), then one realizes that these human capital resources must be bundled with other resources to be maximally effective.

Third, in this manner, the research on resource complementarities becomes important. Resource complementarities occur when two or more resources are combined or interact in a way that a synergy is created; the combination is greater than the sum of the parts (Adegbesan, 2009; Denrell *et al.*, 2003). This is important for two reasons. First, key managers represent only one type of human capital. Subsidiaries will also need to be staffed (if starting a new operation), or possibly divested (if acquiring a firm). Therefore, the human capital resources that exist among key managers must be considered in conjunction with other human capital resources that represent the subsidiary and MNC. Similarly, a firm may need to develop complementarities among PCNs, HCNs, and TCNs, to create new strategically valuable resources that are more important as a combination than any one person individually. Second, the valuation of human capital resources is largely subjective, based on market position, and based on the firm's ability to develop complementarities with other existing resources (Schmidt & Keil, 2013). In this manner, it may be possible to hire "lesser quality" key managers if the subsidiaries' broader workforce is of higher quality, thereby saving costs for obtaining the manager. Or, one may move a manager into an international position before he or she is ready, if the manager's human capital can be combined with the human capital resources of a strong supporting team. The point is that resources may be "undervalued" within the strategic factor market, and so a given firm that may acquire these resources at a lower cost and bundle them with existing resources to generate above-normal returns (i.e., competitive advantage; Campbell *et al.*, 2012).

Overall, these approaches are novel for three reasons. First, they draw more directly from the strategy literature on human capital resources, strategic factor markets, and competitive advantage. This ties existing scholarship on global staffing into the broader RBT literature. Second, it connects staffing (recruiting and selection) more directly into firm strategy. Finally, it provides a "top-down" framework for understanding the application of recruiting and selection practices globally, as discussed next. Thus, this perspective is important because it contradicts the received wisdom connecting ethnocentric (centralized) and polycentric (decentralized) approaches to universalistic versus culture-specific practices. Instead, if one takes the human capital resource as the target, then there are actually a number of ways one might develop universal, culture-specific, or hybrid approaches to recruiting and selection.

Recruiting in global organizations

In this section we consider how recruiting practices may differ across countries and cultures. Recruiting is the process of attracting a large number of qualified individuals and convincing them to apply to the firm, remaining in the selection process, and for those given the opportunity, ultimately accepting a job offer (Breaugh, 2013). It is increasingly recognized that recruiting is strategically valuable, and can be used to differentiate firms as a means to enhance their competitive advantage (Williamson *et al.*, 2010). Indeed, if human capital resources are valuable and rare, and if they must be acquired from strategic factor (labor) markets, then it stands to reason that recruiting should be strategically important as well. Thus, topics such as

organizational brand, reputation, and image (Highhouse *et al.*, 2009) are important insofar as they differentiate the organization from competitors and reinforce the organization's strategy (Martin & Groen-In't Woud, 2011). Recruiting practices and methods, such as use of word-of-mouth (WOM) or social media, further reinforce and implement the organization's strategy.

What we know

Much of the literature we review here is described in detail by Ma and Allen (2009) and Miller and Guo (2014), so we focus on summarizing major themes. Miller and Guo (2014) review the considerable literature on recruiting in and across different cultures, and conclude that most of recruitment methods (e.g., WOM, websites) are present in most countries and cultures. Specifically, they note that recruiting practices such as campus recruiting, WOM/personal contacts, and reputation/image are present in nearly every culture or country. However, countries and cultures differ in the degree to which they use these different methods. Some techniques, such as the job fairs used commonly in some Western countries, are not used in other parts of the world (in India, for example) because of the chaos the rush of applicants would create. They also noted that work values and preferences tend to be related to recruiting outcomes in most cultures and countries, but the specific values and preferences may differ (see Stone *et al.*, 2007).

The extent to which a particular recruiting practice or work value is effective in a particular country appears to be highly affected by that country's cultural values (Ma & Allen, 2009). For example, applicants in collectivistic cultures tend to focus more on relational elements of a company's recruiting message, and they may be more likely to use personal networks to learn of job openings, so organizations should emphasize these features in their recruiting (e.g., Han & Han, 2009; Warner, 2009). Likewise, Miller and Guo (2014) note that the MNC's choice to emphasize its own culture, brand, or image, relative to the local subsidiaries' culture, brand, or image, is one determined by cultural values and cultural distance. In collectivistic cultures, it may be better to promote the subsidiary, while in individualistic cultures it may not matter as much as salary and career opportunities for individuals.

What we need to know

The reviews by Ma and Allen (2009) and Miller and Guo (2014) clearly demonstrate that many recruiting practices are similar across cultures and countries. Further, the evidence is quite clear that variations in recruiting practice prevalence and effectiveness exist across cultures and countries, caused at least in part by cultural values. However, there is considerably more that we need to know.

First, more research needs to examine the interplay of recruiting strategy between MNC and subsidiary operations. Research needs to provide more guidance as to when a MNC should use a centralized versus decentralized recruiting strategy. Research also needs to uncover which cultures and countries will require local recruiting strategies. Pursuing a different recruiting strategy for each subsidiary is unlikely to be feasible or realistic for large MNCs. Therefore, research needs to uncover which elements of recruiting strategy may be universal and which may need to be decentralized. Broader macro factors, such as cultural distance, surely influence these relationships (Colakoglu & Caligiuri, 2008). The questions of how global organizations develop recruiting strategies with subsidiaries, and which strategies are likely to be most effective, should be the focus of future research.

Second, beyond exploring the MNC-subsidiary connection, much more needs to be learned about how to use recruiting strategically within a particular cultural context (Ployhart & Kim, 2014). For example, it appears that organizational reputation, image, or brand can be a strong influence on candidate perceptions of organizational attractiveness and choice (Chapman *et al.*, 2005), but do applicants in all cultures place equal weight on organizational information? It is unlikely that they do, and furthermore, the types of organizational information that applicants attend to is likely to be affected by culture (Miller & Guo, 2014).

Third, are recruiting practices equally effective across cultures? Even if most cultures and countries use similar practices, it does not mean they are implemented the same way, or with equal effectiveness. Take, for example, social media. Recruiting using social media is causing a revolution in developed countries, but may be applicable to a much smaller population in developing countries. Likewise, the actual nature of the recruiting practices and methods may differ across cultures. For example, both individualistic and collectivistic countries may use college recruiting, but the manner in which such recruiting is conducted in each country is quite different (Robinson, 2003).

Finally, these suggestions take the point of view of trying to understand applicants within a local culture. A different line of research is needed to understand the recruiting of TCNs. For example, why might a citizen of Japan want to work for a company headquartered in Germany but deployed in the United States? This type of individual may not react to any one type of recruiting strategy or method, and in fact an entirely new set of recruiting approaches may be required. Although there is a large literature on expatriates, there is still much to learn about recruiting for "a global mindset." We discuss some of the characteristics of these individuals in the next section.

Selection in global organizations

In this section we consider the cross-cultural generalizability of key selection constructs and methods. Personnel selection is most fundamentally concerned with identifying the knowledge, skills, abilities, and other characteristics (KSAOs) of applicants to determine their fit with a specific position (although in some cultures, selection is largely irrelevant as jobs go to those with connections to the hiring manager, such as family and friends). Oftentimes there will also be a desire to determine fit with the broader team, organization, or even culture. In either case, the logic of selection is one of using scores on KSAOs to make inferences or predictions about future performance-related outcomes (Binning & Barrett, 1989). These scores may be obtained using predictor constructs or predictor methods; the major difference being that predictor methods will often (but not always) tap several constructs simultaneously (Arthur & Villado, 2008; Ployhart *et al.*, 2006).

The majority of research conducted on selection in international contexts focuses on selection assessments or tests. Further, of this research, the majority compares the validity of scores obtained by a particular assessment in a given country, to scores obtained by the same assessment in the US. Thus, the US is oftentimes the "comparison group" because the majority of research on selection practices has been published within the United States. A slightly less common type of research compares scores on a specific test or assessment across cultures. In this approach the selection practices are based on an *imposed-etic* approach to culture, which means that the parent company's practices are applied identically to other countries and cultures (notwithstanding necessary translation issues) (e.g., Katigbak *et al.*, 1996; Triandis, 1994; Triandis & Marin, 1983).

What we know: predictor constructs

Cognitive ability

Cognitive ability in the areas of management and applied psychology is usually focused on measures of general cognitive (or mental) ability, and usually defined within a psychometric tradition (Drasgow, 2013). In this manner, general cognitive ability is the general (first) factor among a set of more specific abilities (e.g., verbal, quantitative) (e.g., Jensen, 1998). This research has found that general cognitive ability scores are invariant across different cultures and countries, provided appropriate translations have been conducted (Jensen, 1998). Meta-analyses have also shown that the high criterion-related validities of cognitive ability tests found in the US are observed in Europe (Bertua *et al.*, 2005; Salgado & Anderson, 2002; Salgado *et al.*, 2003). User reactions also tend to also be highly similar between the US and European countries (Salgado & Anderson, 2002; see also Steiner & Gilliland, 1996). However, the actual use of cognitive ability tests differs quite dramatically across cultures. In particular, the US is substantially *less* likely to use cognitive ability tests relative to many European countries (Ryan, McFarland *et al.*, 1999; Salgado & Anderson, 2002). There is almost no research in organizational settings that compares cognitive ability scores from countries or cultures outside of the United States and Europe.

Personality

Personality captures stable or consistent patterns of behavior. Most personality research today focuses on some variant of the Five Factor Model (FFM). In this model there are five "higher order" personality traits that subsume many more specific traits. The five traits are conscientiousness, agreeableness, openness to experience, emotional stability, and extraversion. There is a considerable amount of research demonstrating the invariance of these traits across cultures (McCrae & Costa, 1997; Schmit *et al.*, 2000). The criterion-related validity of personality traits appears to be similar across US and European countries (Salgado, 1997). However, there is considerable variability in personality test usage across countries (Ryan *et al.*, 1999). Bartram (2008) discusses several issues relating to use of personality tests across cultures, including discussions of equivalence and norming.

Vocational interests are similar to personality traits, except that they focus more directly on preferences for work environments (Holland, 1997). Recent meta-analyses have helped establish the criterion-related validity of vocational interests (Van Iddekinge *et al.*, 2011). However, research that demonstrates the cross-cultural equivalence of work values has been more mixed (e.g., Rounds & Tracey, 1996). As with cognitive ability, there have been few studies examining the FFM or vocational interests in work settings outside of the US and Europe.

Compounds

In contrast, there has been a dramatic increase in research seeking to understand "compound" constructs more directly related to individual differences in adaptability across cultures. These constructs are known by several different names, and there are both similarities and differences across them, but in general they share a few common features. First, they are multidimensional and based on a variety of different KSAOs. It is for this reason that they are referred to as "compounds." Second, they are "criterion-referenced" in that they are focused on predicting adaptability across cultures. *Cultural agility* refers to an individual's ability to adapt and effectively interact with members from different cultures (Caligiuri, 2013; Caligiuri & Tarique, 2012). A closely related construct is cultural intelligence (Ang & Van Dyne, 2008; Earley, 2002;

Earley & Mosakowski, 2004). Cultural intelligence involves both a knowledge and understanding of other cultures and cultural differences, and the capability to use this knowledge to interact more effectively with people from different cultures. Finally, cultural adaptability is a subset of a more general adaptability construct (Ployhart & Bliese, 2006). These approaches are important because they isolate the focus on only those KSAOs needed for cultural adaptation. However, there is considerably more research that needs to be conducted to understand how they are similar to and different from more basic personality traits (particular with respect to criterion-related validity).

What we know: methods

Predictor methods include such practices as interviews, situational judgment tests (SJTS), assessment centers, biodata/background checks, and simulations (Ployhart *et al.*, 2006). These methods capture a range of KSAOs and are usually not homogenous in terms of their KSAO content—hence the label "methods." Interestingly, there is not a lot of research that examines the cross-cultural equivalence of predictor methods. This is not to say that different cultures use different methods. For example, Ryan *et al.*'s (1999) study shows that most countries use interviews, while fewer countries use simulations. Rather, it suggests that most research on predictor methods either does not examine cross-cultural equivalence, or takes for granted the validity of a given method in the US, and then sees if the validity will also be found in a different culture.

We suspect a major reason for this neglect is that there is no universal form to predictor methods. That is, an interview developed in Sweden will reflect the content of the job, organization, and Swedish culture. An interview developed in Vietnam will reflect the content of the job, organization, and Vietnamese culture. Likewise, assessment centers are developed according to tasks that reflect the nature of job, but the language, exercises, and rating forms (if used) will likely already reflect the dominant culture. Thus, because predictor methods tend to be developed for specific applications, there tends to not be much comparative research across cultures, except for prevalence and "do they work here?" kinds of questions. The study of predictor methods thus uses an *emic* approach, in contrast to the imposed-etic approach used to study predictor KSAOs. To illustrate, consider the research on SJTs. SJTs are measurement methods that present applications with a work-related scenario, and then ask them how they should or would respond to the scenario. There has been a large amount of research on SJTs over the last 20 years, and a fair amount of this research has been conducted in difficult countries and cultures. However, almost none of this research makes cross-cultural comparisons of SJTs (see Lievens, 2006).

What we need to know

There is a large literature demonstrating the psychometric equivalence and invariance of popular predictor KSAOs scores, and for specific measures such as the Wonderlic Personnel Test. But there is much more we need to know about the cross-cultural generalizability of selection. First, considerably more comparative research is needed on predictor usage across cultures. Nearly everything we know about this topic is based on Ryan *et al.* (1999), a study that is now over a decade old. Further, we need to know more about what types of predictors are used by different MNCs versus their subsidiaries. In our own experience, we find firms outside of the US often prefer to use cognitive ability and personality tests more than those within the US. It would be helpful to understand whether ethnocentric and polycentric organizations differ in the nature

of their selection systems and practices—and why. It would additionally be helpful to consider these questions and whether the findings differ across job levels (e.g., managerial versus non-managerial).

Second, we need to start conducting research on the cross-cultural equivalence of predictor methods. There is research of this type being conducted, but our sense is that most of it is conducted by test vendors or private firms and never published. We believe this kind of research is particularly important because many organizations use interviews, assessment centers, and simulations for selection and development. In our own experience, global firms will use methods such as simulations as an opportunity to identify developmental needs, particularly as it relates to cultural awareness and flexibility. For example, an assessment center may be focused on development and bring together employees from several different cultures, to see how they work together. However, the actual creation of the development center is from the organization's point of view, and nearly always represents the cultural values of the MNC. Research needs to examine whether in such cases, those from different cultures are affected in a manner that benefits or disadvantages them. Thus, we need research on the cross-cultural equivalence of predictor methods.

Finally, research needs to examine whether the content of predictor methods is affected by culture. For example, are interview questions in collectivistic cultures more relationship-focused? Is the design of assessment center exercises affected by long-term orientation? Are the scoring keys of SJTs affected by uncertainty avoidance? We simply do not know how national culture may influence the design, implementation, scoring, or validity of predictor methods. Answers to these questions are important for MNCs that may seek to standardize their selection or promotion systems for key positions, or to use predictor methods for leadership development and training.

An agenda for research to inform practice

Recruiting and selecting the right talent, in the right place, and at the right time, within global organizations is extremely difficult. There is a large academic literature that speaks to this topic, and it has generated many important insights. However, the extensiveness of this literature simultaneously creates a potential problem for practitioners, in that the literature is so large and is becoming so specialized that it is hard for those outside the literature to find direct answers to their questions. The academic literature tends to take the puzzle and dissect it into the corresponding pieces, but the practitioner wants to take those pieces and put the puzzle back together. Figure 10.1 offered a resource-focused approach to recruitment and selection that sought to link these two activities to the broader strategic orientation of the firm. This figure offers a framework for tying together diverse academic literatures, but it does not fully illustrate the practical challenges facing the global firm. Therefore, in Figure 10.2 we illustrate how recruiting and selection issues compound in a global firm trying to implement the various research findings.

In Figure 10.2, there is an MNC with three subsidiaries operating in three distinct cultures. Therefore, the cultural distance between the MNC and each subsidiary, and between each of the three subsidiaries, is very high. The arrows follow the general logic of the framework shown in Figure 10.1, but it is clear that these activities are duplicated within each subsidiary. However, Figure 10.2 is different in that it illustrates the various tensions or conflicts that may exist between cultures. These tensions are represented by "explosion" symbols in the figure. The symbol is chosen intentionally to illustrate the areas of challenge in operating a MNC. These tensions occur due to differences in the environment: culture, political systems, and legal systems.
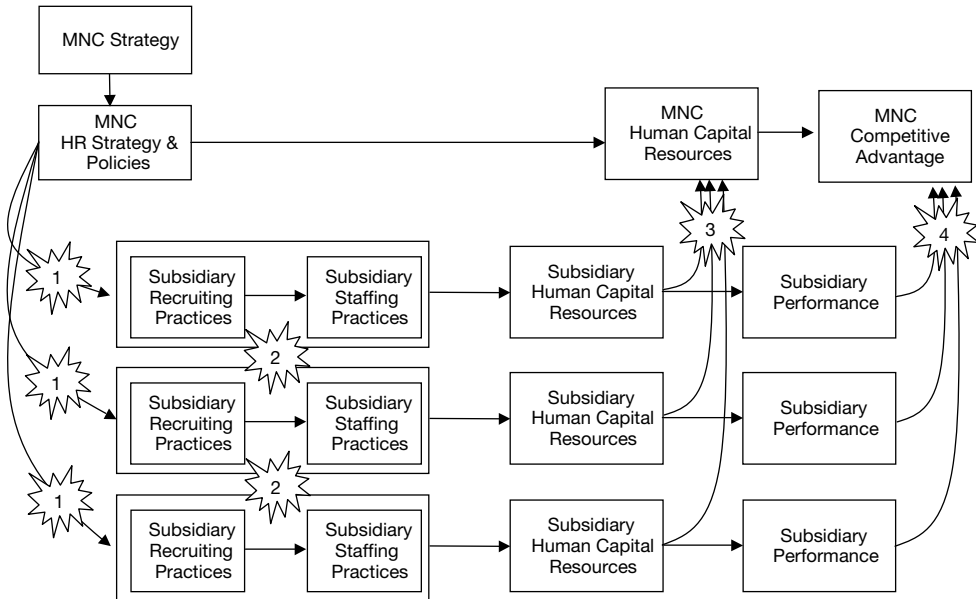
Figure 10.2 The MNC-subsidiary connection in a resource-based framework for global staffing. The "explosion" symbols indicate areas where there may be clashes due to between-country differences in environment (cultural values, politics, legal)

Tension 1 illustrates how the HR strategy of the PNC may conflict with each subsidiaries' recruiting and staffing practices (see Hillman & Want, 2005). For example, in an ethnocentric organization, the use of a standardized recruiting and selection system may conflict with the values or even the laws of the local country and culture. Yet these conflicts may be greater or smaller for different subsidiaries, and hence these tensions must be balanced accordingly. This may be particularly challenging when the cultural norms in one subsidiary allow centralization while those in another subsidiary require customization.

Tension 2 illustrates how the HR strategy of each subsidiary may conflict with the other subsidiaries. The easiest way to appreciate this tension is to consider the differences in recruiting and selection for subsidiaries that are in highly collectivistic and highly individualistic cultures. The heterogeneity that exists at the subsidiary level may put these organizations at odds with each other, and may lead to interpersonal and political conflicts with the broader MNC.

Tension 3 illustrates how the human capital resources from within each subsidiary reflect the human capital resources of the parent organization. That is, each subsidiary is going to have its own portfolio of human capital resources, which (depending on the recruiting and staffing practices) may comprise a mix of PCNs, HCNs, and TCNs. These "component" resources come to comprise a higher level, MNC–human capital resource. The tension is one of managing this resource portfolio from the MNC perspective. For example, how might the various human capital resources be bundled in a way to create complementarities and synergies (e.g., Adegbesan, 2009)? How might these synergies influence the valuation of the resources (e.g., Denrell *et al.*, 2003; Campbell *et al.*, 2012)? Orchestrating this human capital resource portfolio to ensure it contributes to competitive advantage will require an understanding of how to acquire, accumulate, develop, and divest of these resources (Sirmon *et al.*, 2007).

Tension 4 illustrates how the performance of the subsidiaries may influence the competitive advantage of the overall firm. Here, the challenge is one of ensuring that each subsidiary is performing well, but that the performance in combination supports the firm's strategy and contributes to competitive advantage. Therefore, the tension is again one of orchestrating the performance capabilities of different subsidiaries in a manner that supports the broader organizational goals. Further, it should be recognized that each subsidiary does not have to provide above average performance; it may be the combination of performance outcomes across subsidiaries that generates more value than the simple sum of the parts.

The framework shown in Figure 10.2 thus helps put the scholarship on global staffing, strategy, recruiting, selection, into perspective. It does not provide an answer to specific practitioner questions, but rather a way to structure how to answer them. For example, the vast literature on psychometric cross-cultural equivalence captures only one very small piece in the puzzle—an important piece for certain, but still just one small piece. Likewise, the firm's strategy and the environment of the MNC and subsidiaries must all be jointly understood if the implementation of recruiting and selection will be maximally effective (Tension 1). On the other hand, decisions about how to combine or bundle the resource portfolio (Tension 3) help determine what types of changes to recruiting and selection may be necessary.

Conclusion

Global organizations realize, more than most, that talent is critical to the effectiveness of the firm. Research provides many insights for better managing the recruitment and selection of employees and managers in a global organization. We have a reasonable sense of the major questions and tensions to be addressed, models for conceptualizing HR strategy in MNCs, and considerable information about the methods, practices, and principles needed to assess talent internationally. But there is still much to learn. Our main point has been to try to connect strategy with implementation, to argue for a resource-based framework for understanding recruiting and selection in global organizations. It is our hope that the framework helps stimulate more integrative research because it is this type of research that offers practitioners more direct and actionable guidance.

References

Adegbesan, J. A. (2009). On the origins of competitive advantage: Strategic factor markets and heterogeneous resource complementarity. *Academy of Management Review*, 34: 463–475.

Ang, S., & Van Dyne, L. (2008). *Handbook of Cultural Intelligence*. Armonk, NY: M. E. Sharpe.

Arthur, W., & Villado, A. J. (2008). The importance of distinguishing between constructs and methods when comparing predictors in personnel selection research and practice. *Journal of Applied Psychology*, 93: 435–442.

Barney, J. B. (1986). Strategic factor markets: Expectations, luck, and business strategy. *Management Science,* 32: 1231–1241.

Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17: 99–120.

Barney, J. B., & Wright, P. M. (1998). On becoming a strategic partner: The role of human resources in gaining competitive advantage. *Human Resource Management*, 37: 31–46.

Bartlett, C., & Ghoshal, S. (1989). *Managing across Borders: The Transitional Solution*. Boston, MA: Harvard Business School Press.

Bartram, D. (2008). Global norms: Towards some guidelines for aggregating personality norms across countries. *International Journal of Testing*, 8: 315–333.

Bertua, C., Anderson, N., & Salgado, J. F. (2005). The predictive validity of cognitive ability tests: A UK meta-analysis. *Journal of Organizational and Occupational Psychology*, 78(3): 387–409.

Binning, J. F. & Barrett, G. V. (1989) Validity of personnel decisions: A conceptual analysis of the inferential and evidential bases. *Journal of Applied Psychology*, 74(3): 478–494.

Breaugh, J. A. (2013). Employee recruitment. *Annual Review of Psychology*, 64, 389–416.

Caligiuri, P. (2013). *Cultural Agility: Building a Pipeline of Successful Global Professionals*. San Francisco, CA: Jossey-Bass.

Caligiuri, P., & Paul, K. B. (2010). *Selection in Multinational Organizations*. New York: Routledge.

Caligiuri, P., & Tarique, I. (2012) Dynamic cross-cultural competencies and global leadership effectiveness. *Journal of World Business*, 47(4): 612–622.

Campbell, B. A., Coff, R., & Kryscynski, D. (2012). Rethinking sustained competitive advantage from human capital. *Academy of Management Review*, 37: 376–395.

Chapman, D. S., Uggerslev, K. L., Carroll, S. A., Piasentin, K. A., & Jones, D. A. (2005) Applicant attraction to organizations and job choice: A meta-analytic review of the correlates of recruiting outcomes. *Journal of Applied Psychology*, 90(5): 928–944.

Coff, R. W. (1997). Human assets and management dilemmas: Coping with hazards on the road to resource-based theory. *Academy of Management Review*, 22*:* 374–402.

Colakoglu, S., & Caligiuri, P. M. (2008). Cultural distance, expatriate staffing, and subsidiary performance: The case of US subsidiaries of multinational corporations. *International Journal of Human Resource Management*, 2: 223–239.

Colakoglu, S., Tarique, I., & Caligiuri, P. M. (2009). Towards a conceptual framework for the relationship between subsidiary staffing strategy and subsidiary performance. *International Journal of Human Resource Management*, 6: 1288–1305.

Collings, D., & Scullion, H. (2006). Approaches to international staffing. In H. Scullion & D. G. Collings (Eds.), *Global Staffing* (pp. 17–38). London: Routledge.

Collings, D., & Scullion, H. (2012). Global Staffing. In G. Stahl, I. Björkman & S. Morris (Eds.) *Handbook of Research in International Human Resource Management* (2nd ed., pp. 142–157). London: Routledge.

Denrell, J., Fang, C., & Winter, S. G. (2003). The economics of strategic opportunity. *Strategic Management Journal*, 24: 977–990.

Dierickx, I., & Cool, K. (1989). Asset stock accumulation and sustainability of competitive advantage. *Management Science*, 35: 1504–1511.

Dowling, P. J., Welch, D. E. & Schuler, R. S. (1999) *International Human Resource Management*. Cincinnati, OH: South-Western.

Drasgow, F. (2013). Intelligence. In N. Schmitt & S. Highhouse (Eds.), *Handbook of Psychology* (Vol. 12). Hoboken, NJ: Wiley & Sons.

Earley, P. C. (2002). Redefining interactions across cultures and organizations: Moving forward with cultural intelligence. In B. M. Staw & R. M. Kramer (Ed.), *Research in Organizational Behavior* (Vol. 24, pp. 271–299). Oxford: Elsevier.

Earley, P., and Mosakowski, E. (2004). Cultural Intelligence. *Harvard Business Review*, 82: 139–146.

Ghoshal, S., & Nohria, N. (1989). Internal differentiation within multinational corporations. *Strategic Management Journal*, 10: 323–337.

Gong, Y. (2003a). Subsidiary staffing in multinational enterprises: Agency, resources, and performance. *Academy of Management Journal*, 46: 728–739.

Gong, Y. (2003b). Toward a dynamic process model of staffing composition and subsidiary outcomes in multinational enterprises. *Journal of Management*, 29: 259–280.

Grant, R. M. (1996). Toward a knowledge-based theory of the firm. *Strategic Management Journal*, 17: 109–122.

Han, J., & Han, J. (2009). Network-based recruiting and applicant attraction in China: Insights from both organizational and individual perspectives. *The International Journal of Human Resource Management*, 20: 2228–2249.

Harvey, M., Speier, C., & Novicevic, M. (1999). The impact of emerging markets on staffing the global organization: A knowledge-based view. *Journal of International Management*, 5: 167–186.

Heenan, D. A., & Perlmutter, H. (1979). *Multinational Organizational Development*. Reading, MA: Addison-Wesley.

Heneman, H. G., Judge, T. & Kammeyer-Mueller, J. D. (2012) *Staffing Organizations*. Burr Ridge, IL: McGraw-Hill Irwin.

Highhouse, S., Brooks, M. E., & Greguras, G. (2009). An organizational impression management perspective on the formation of corporate reputations. *Journal of Management*, 35: 1481–1493.

Hillman, A. J., & Wan, W. P. (2005). The determinants of MNE subsidiaries' political strategies: Evidence of institutional duality. *Journal of International Business Studies*, 36: 322–340.

Hofstede, G. (2001). *Culture's Consequences: Comparing Values, Behaviors, Institutions and Organizations across Nations* (2nd ed.). Thousand Oaks, CA: Sage.

Hofstede, G., & Hofstede, G. J. (2005). *Cultures and organizations: Software of the mind* (2nd ed.). London: McGraw-Hill.

Holland, J. L. (1997). *Making Vocational Choices: A Theory of Vocational Personalities and Work Environments* (3rd ed.). Odessa, FL: PAR.

House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. (2004). *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies*. Thousand Oaks, CA: Sage.

Jensen, A. R. 1998. *The G Factor*. Westport, CT: Praeger.

Jiang, K., Lepak, D. P., Hu, L., & Baer, J. C. (2012). How does human resource management influence organizational outcomes? A meta-analytic investigation of mediating mechanism. *Academy of Management Journal*, 55: 1264–1294.

Katigbak, M. S., Church, A. T., & Akamine, T. X. (1996). Cross-culture generalizability of personality dimensions: Relating indigenous and imported dimensions in two cultures. *Journal of Personality and Social Psychology*, 70: 99–114.

Kozlowski, S. W. J., & Klein, K. J. (2000). A multilevel approach to theory and research in organizations: Contextual, temporal, and emergent processes. In K. J. Klein & S. W. J. Kozlowski (Eds.), *Multilevel Theory, Research, and Methods in Organizations: Foundations, Extensions, and New Directions* (pp. 3–90). San Francisco: Jossey-Bass.

Kraaijenbrink, J., Spender, J. C., & Groen, A. J. (2010). The resource-based view: A review and assessment of its critiques. *Journal of Management*, 36: 349–372.

Lepak, D. P., Liao, H., Chung, Y., & Harden, E. E. (2006). A conceptual review of human resource management systems in strategic human resource management research. *Research in Personnel and Human Resources Management*, 25: 217–271.

Lievens, F. (2006). International situational judgment tests. In J. A Weekley & R. E. Ployhart (Eds.), *Situational Judgment Tests: Theory, Measurement and Application* (pp. 279–300). Mahwah, NJ: Lawrence Erlbaum.

Ma, R., & Allen, D. (2009). Recruiting across cultures: A value-based model of recruitment. *Human Resource Management Review*, 19: 334–346.

Maritan, C. A., & Peteraf, M. A. (2011). Building a bridge between resource acquisitions and resource accumulation. *Journal of Management*, 37: 1374–1389.

Martin, G., & Groen-In't Woud, S. (2011). Employer branding and corporate reputation management in global companies: A signaling model and case illustration. In H. Scullion & D. G. Collings (Eds.), *Global Talent Management* (pp. 87–110). New York: Routledge.

McCrae, R. R., & Costa, P. T., Jr. (1997). Personality trait structure as a human universal. *American Psychologist*, 52: 509–516.

Miller, J. K. & Grace Guo, G. (2014) Recruitment: International cross-cultural perspective. In K. Yu & D. Cable (Eds.) *The Oxford Handbook of Recruitment* (pp. 402–422). Oxford: Oxford University Press.

Perlmutter, H. (1969). The tortuous evolution of the multinational corporation. *Columbia World Journal of Business*, 4: 9–18.

Peteraf, M. A., & Barney, J. B. (2003). Unraveling the resource-based tangle. *Managerial & Decision Economics*, 24: 309–323.

Ployhart, R. E. (2006). Staffing in the 21st century: New challenges and strategic opportunities. *Journal of Management*, 32: 868–897.

Ployhart, R. E., & Bliese, P. D. (2006). Individual adaptability (I-ADAPT) theory: Conceptualizing the antecedents, consequences, and measurement of individual differences in adaptability. In S. Burke, L. Pierce, & E. Salas (Eds.), *Understanding Adaptability: A Prerequisite for Effective Performance within Complex Environments* (pp. 3–39). London: Elsevier.

Ployhart, R. E., & Moliterno, T. P. (2011). Emergence of the human capital resource: a multilevel model. *Academy of Management Review*, 36: 127–150.

Ployhart, R. E., & Kim, Y. (2014). Recruitment strategy for organizations. In D. Cable & K. Y. T. Yu (Eds.), *The Oxford Handbook of Recruitment*. New York: Oxford.

Ployhart, R. E., Schneider, B., & Schmitt, N. (2006). *Staffing Organizations: Contemporary Practice and Research*. Mahwah, NJ: Lawrence Erlbaum.

Prahalad, C. K., & Doz., Y. L. (1987). *The Multinational Mission: Balancing Local Demands and Global Vision*. New York: The Free Press.

Robinson, P. (2003). The embeddedness of Japanese HRM practices: The case of recruiting. *Human Resource Management Review*, 13: 439–465.

Rounds, J., & Tracey, T. J. (1996). Cross-cultural structural equivalence of RIASEC models and measures. *Journal of Counseling Psychology*, 43: 310–329.

Ryan, A. M., & Tippins, N. (2009). *Designing and Implementing Global Selection Systems*. Malden, MA: Wiley-Blackwell.

Ryan, A. M., McFarland, L. A., Baron, H., & Page, R. (1999). An international look at selection practices: Nation and culture as explanations for variability in practice. *Personnel Psychology*, 52: 359–391.

Salgado, J. F. (1997). The five factor model of personality and job performance in the European community. *Journal of Applied Psychology*, 82: 30–43.

Salgado, J. F., & Anderson, N. (2002). Cognitive and GMA testing in the European community: Issues and evidence. *Human Performance*, 15: 75–96.

Salgado, J. F., Anderson, N., Moscoso, S., Bertua, C., & De Fruyt, F. (2003). International validity generalization of GMA and cognitive abilities: A European Community meta-analysis. *Personnel Psychology*, 56: 573–605.

Sanchez, J. I., & Levine, E. L. (2012). The rise and fall of job analysis and the future of work analysis. *Annual Review of Psychology*, 63: 397–425.

Schmidt, J., & Keil, T. (2013). What makes a resource valuable? Identifying the drivers of firm-idiosyncratic resource value. *Academy of Management Review*, 38: 206–228.

Schmit, M. J., Kihm, J. A., & Robie, C. (2000). Development of a global measure of personality. *Personnel Psychology*, 53: 153–193.

Schuler, R., Dowling, P., & De Cieri, H. (1993). An integrative framework of strategic international human resource management. *Journal of Management*, 19: 419–458.

Scullion, H., & Collings, D. (2006). *Global Staffing*. London: Routledge.

Scullion, H., & Collings, D. (2011). *Global Talent Management*. London: Routledge.

Sirmon, D. G., Hitt, M. A., & Ireland, R. D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review*, 32: 273–292.

Steiner, D., & Gilliland, S. W. (1996). Fairness reactions to personnel selection techniques in France and the United States. *Journal of Applied Psychology*, 81: 134–141.

Stone, D., Stone-Romero, E., & Lukaszewski, M. (2007). The impact of cultural values on the acceptance and effectiveness of human resource management policies and practices. *Human Resource Management Review*, 17: 152–165.

Tarique, I., Schuler, R. S., & Gong, Y. (2006). A model of multinational enterprise subsidiary staffing composition. *International Journal of Human Resource Management*, 17: 207–224.

Teece, D. J. (2007). Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal*, 28(13): 1319–1350.

Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18: 509–533.

Torbiörn, I. (1997) Staffing for international operations. *Human Resource Management Journal*, 7(3): 42–51.

Triandis, H. C. (1994). Cross-cultural industrial and organizational psychology. In H. C. Triandis, M. D. Dunnette, & L. M. Hough (Eds.), *Handbook of Industrial and Organizational Psychology* (Vol. 4, pp. 103–172). Palo Alto, CA: Consulting Psychologists Press.

Triandis, H. C., & Marin, G. (1983). Etic plus emic versus pseudoetic: A test of a basic assumption of contemporary cross-cultural psychology. *Journal of Cross-Cultural Psychology*, 14: 489–500.

Van Iddekinge, C. H., Roth, P. L., Putka, D., & Lanivich, S. E. (2011). Are you interested? A meta-analysis of relations between vocational interests and employee performance and turnover. *Journal of Applied Psychology*, 96: 1167–1194.

Warner, M. (2009). "Making sense" of HRM in China: Setting the scene. *The International Journal of Human Resource Management*, 20: 2169–2193.

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5: 171–180.

Williamson, I., King, J., Lepak, D., & Sarma, A. (2010). Firm reputation, recruitment web sites, and attracting applicants. *Human Resource Management*, 49: 669–687.

11

Performance management in the global organization

Arup Varma, Pawan S. Budhwar and
Christopher McCusker

Introduction

In order to achieve and sustain high levels of employee performance over time, organizations worldwide need to continually strive to find the best ways to set goals, coach and give feedback, evaluate work and distribute rewards (DeNisi, Varma, & Budhwar, 2008). This chapter explores the key challenges of managing performance in global organizations. We begin by discussing performance management systems (PMSs) in multinational enterprises (MNEs), followed by a discussion of the global context, with special reference to national culture. We then discuss two key determinants of individual performance – motivation, and supervisor-subordinate relationships. Finally, we discuss the unique features of PMSs for expatriates, followed by a brief introduction to PMSs in three leading economies – namely USA, China, and India.

Performance management systems

Performance management is the key process by which organizations assign work to employees, set goals for them, determine standards, review and evaluate work, and distribute rewards (Varma & Budhwar, 2014). Relatedly, PMSs typically have two purposes: (i) administrative decisions, such as promotions, merit raises, and bonuses, and (ii) developmental goals, such as feedback, coaching, and counseling (Murphy & Cleveland, 1995). Clearly, PMSs that are designed and implemented according to the organization's unique context and needs are essential for the successful implementation of business strategies (Schuler & Jackson, 1987). In this connection, it is worth noting that research has found that organizations with strong PMSs are significantly more likely to do better than their competitors on both financial and operational measures (Bernthal, Rogers, & Smith, 2003). While some form of performance appraisal (PA) seems to be used by almost every organization (Armstrong & Baron, 1998; Locker & Teel, 1988), it is critical to distinguish PA from PM. While PA forms a critical piece of the PM process, in order to successfully motivate employees to optimal levels of performance, organizations must implement comprehensive PMSs.

The rise of multinational enterprises

The continuing globalization of the world economy has led to the rise of truly multinational enterprise. MNEs − organizations with headquarters in one country and operations and subsidiaries in one or more other countries − have become ubiquitous. In the early years of globalization, MNEs were primarily large privately held firms, but the MNE has since evolved − and they now come in all shapes and sizes, from small to large, and are present in every industry and sector and in every step of the value chain. Not surprisingly, managing a multinational workforce continues to be one of the critical issues facing MNEs. However, globalizing HR systems such as staffing, performance management, and training, often prove to be especially difficult. While organizations are often able to comport financial and technical systems to a new location, HR systems seem to present unique challenges. Indeed, the literature on international HR issues has seen a steady stream of articles (e.g., Budhwar & Sparrow, 2002; Schuler, Budhwar, & Florkowski, 2002) and books (e.g., Briscoe & Schuler, 2004) addressing the issues faced by MNEs in their people management processes (e.g., expatriate selection, hiring, etc.).

As globalization continues to accelerate, so does the interest in accessing emerging markets. Both researchers and policy makers are interested in finding out about the kind of HR and PM systems relevant to firms operating in different national contexts. To address this issue, we next examine a model for understanding the complexity of PMSs in MNEs. Much of this examination is informed by a recent literature review on PM in the international arena performed by Claus and Briscoe (2009), as well as a model offered by them in an earlier book looking at PMSs from a global perspective (Claus & Briscoe, 2008). We believe their model can help identify critical challenges of implementing a PM system in an MNE and is of interest for both academics and practitioners. We pay special attention to challenges around culture and its influence on motivation and performance appraisal, two areas that have received much attention in research. And we use the model to identify questions about how the global context might influence cutting-edge problems of managing expatriates and accessing leading emerging markets.

Performance management systems and MNEs

The pace of globalization has created a sense of urgency about how to address issues associated with managing the performance of managers and employees in MNEs (Martin & Bartol, 2003). One solution to such problems could be that MNEs simply implement PM systems developed in the one part of the world (e.g., a home country) for use in another (e.g., a host country). This would be an example of cultural assimilation, which is the process of cultural adaptation in which one culture (A) absorbs another (B): $A + B = A$. While it might be a quick and efficient practice for expanding into foreign territory, such forced assimilation is problematic. Most MNEs are based in the US, and performance may be difficult to evaluate appropriately outside the US context by adopting US based models (Murphy & Cleveland, 1995). As we address in this chapter, the global context, and national culture in particular, has been shown to impact the design, implementation, and evaluation of PM systems. In this connection, scholars have long argued for *cultural integration*: the idea that organizations must create human resources techniques, policies and practices that are appropriate to the setting (see for example, Hofstede, 1993). Cultural integration is a process of cultural adaptation that involves mutual influence: $A + B = C$. This means that a PM system designed in one part of the world (A) should be influenced by the local cultural context (B), and, its use in the new host culture essentially creates a new PM system (C).

One challenge with an approach based on cultural integration is that it is likely to take more work and more time than assimilation. The numerous concerns related to divergent cultures, varying legal and political systems, different performance criteria, and varying task environments require considerations which go above and beyond those generally associated with domestic performance management (Dowling & Welch, 2005; Oddou & Mendenhall, 2000). For example, in the management of expatriates, these differences present significant challenges, such as the major differences that arise between host national perceptions and those of the home office regarding what was being accomplished and the circumstances under which it was being achieved.

In this connection, the Claus and Briscoe (2008) model suggests that the PM process in MNEs (design, implementation, and evaluation) takes place in a global (external) context (primarily national culture and structure) as well as an organizational (internal) context (primarily corporate culture, strategy, and design). Employee PM consists of three phases: design, implementation, and evaluation. The design phase deals with the choices that management of an MNE make with regard to its PM system. These decisions relate to identifying the purpose of PM (the why), performance criteria (the what), method of evaluation and instrument (how), frequency of evaluation (how often), rater identification (who), and whether a standardized or localized approach will be used. The implementation stage includes moderators of the PM process. This stage includes communicating performance expectations, identifying cognitive processes that affect PA, frame of reference training for the participants in the PM process, and establishing the role of performance feedback. In the implementation phase, cognitive processes related to PA (such as motivation, self-efficacy, affective regard, and the rater–ratee context) play a dominant role. Finally, the evaluation phase consists of identifying outcomes of the PM process. Fit, alignment, fairness, performance outcomes, and rewards play an important role in the evaluation phase. This model provides the framework within which this chapter explains and describes the practice of PM in MNEs. As the model illustrates, the global context (including national cultures and languages and global business and political infrastructure) can influence every aspect of the PM system. Clearly then, it is critical that organizations analyze the global context critically, so they can identify the best mix of PMS components in developing their systems.

The global context

PESTEL analysis

The global environment can be analyzed in many different ways. Research on strategic management highlights the importance of doing PESTEL analyses (Luffman, Lea, Sanderson, & Kenny, 1996; Lynch, 1997). PESTEL is an acronym for the Political, Environmental, Social, Technological, Economic, and Legal dimensions of a business environment. Clearly, when it comes to MNEs, the outer-most layer consists of the "culture" and the "structure" of a society in which organizations operate. External culture includes elements such as beliefs, values, practices, and norms dictated by the national culture. This would correspond to the social aspects of a PESTEL analysis.

The external "structure" relates to those other contextual elements, such as government regulations, legislation, industry, sector, type of ownership, unionization, technological and economic conditions, and demographics and so on. These other structural elements are often glossed over in designing PMSs for global organizations, whereas they deserve critical focus, since they can shape the practice of PM in MNEs (Murphy & DeNisi, 2008). Though there is little research on the role of such external, structural factors on PM systems, there are many

possible practical implications. The legal environment, for instance, can affect PM systems, in numerous ways – for example, consideration of the legal environment might include key process choices (such as why PM is done), moderators (such as job performance expectations), and outcomes (such as perceptions of organizational justice). Another possible structural factor to consider might be technology and its use in PM systems. Technological capacity is different between nations and could limit the ability of organizations to transfer practices from one nation to another.

Culture and language

Culture and language are fundamentally about meaning (Shweder, 1991). As such, culture and language are issues that impact all areas of PM (as well as all other areas of HRM). The fundamental importance of culture is reflected in its research prominence. Culture and cultural differences are the most studied variable (in terms of the number of studies) when the global context has been analyzed in performance management research. Research has addressed explicit questions about culture, such as: can PM/PA from one country be transferred effectively to another? Or how do various cultural traits influence the practice of PA and PM systems? Language is a topic closely linked to culture, but it has not received much research attention. Very few studies have dealt specifically with the impact of language differences on PM and PA, yet language can present practical problems. There are potentially many ways in which language differences can influence a PM system. Such differences can occur between parent firm and subsidiary, between raters and ratees, between ratees and colleagues/subordinates and/or customers. Language differences can produce misunderstandings, cause a need for translation and localization (and all the potential problems that attend language translation), and, thus, threaten the reliability or validity in performance appraisals and or other aspects of a PM system.

Cultural and language differences can lead to gaps in understanding, or a lack of coordinated thinking, among participants in a PM system. So, implementing PM systems across the globe requires that MNEs spend more time doing the additional communication needed to bridge those gaps. In addition to language, the very meaning of performance may vary significantly across cultures. The very construct of performance is multi-dimensional (Rao, 2004) and, not surprisingly, there is some evidence to suggest its meaning varies between cultures (Aycan, 2006). Even within a cultural group, it is highly likely that both employees and their supervisors view performance differently. Thus, managers should expect both inter-cultural and intra-cultural differences in the definition and interpretation of performance, and be prepared to address these differences.

One source of cultural difference in the meaning of performance comes from the "why", or purpose, of performance management systems. The goals of PM can impact how individuals view performance. For example, in the US, performance appraisals are primarily used to determine individual rewards (Cardy & Dobbins, 1994), thus motivating individuals to work harder in the short run so they may achieve the desired rewards. On the other hand, in Japan, performance appraisals emphasize long-term potential (Pucik, 1984), and thus are more likely to encourage individuals to develop their skills and competencies.

Culture and PMS

Culture has been the most pervasive way that the global context has been incorporated into research on PM systems. And since performance is viewed differently in different cultures, it is clear that performance management systems must make allowances for the unique circumstances

and cultural norms of the location. However, conceptualizing culture and cultural differences is an on-going challenge for both researchers and practitioners. Below we provide an overview of how culture has been studied and offer some practical advice for managers.

Primacy of national culture

The success of HR initiatives depends on whether they are context-dependent and culture-sensitive. But which level of analysis is important for diagnosing culture's role in PMSs? Analyzing culture at the level of a nation has practical significance. Most of our knowledge about cultural differences comes from research that has compared national cultures. In addition, the legal environment is a national concern and can have significant impact on the implementation and practice of PM systems. National culture is all the more critical as evaluations are the primary tool for the organization to assess performance, and thus assess the degree to which the MNE's objectives are being met by its members, who are typically classified as either host country nationals or expatriates (Dowling & Schuler, 1990; Gregersen, Hite, & Black, 1996).

Hofstede's dimensions of cultural difference (Hofstede, 1980; 1993; see also Trompenaars, 1993) can help predict how a nation's culture might impact on practices related to PMSs. For example, the United States scores 31 on power distance, meaning low acceptance of status and hierarchy differences, while India scores a rather high 71, and China scores a slightly higher 74. Therefore we might expect that individuals are more likely to accept, often without argument, downward supervisor feedback in both China and India, and less so in the US. Clearly, companies that operate in these three nations will have to adapt their PMS practices and feedback mechanisms. For example, giving negative feedback in the US might require softening it up a little bit by giving positive feedback first (e.g., The Center for Creative Leadership in North Carolina suggests giving four positive feedback items for every negative one). Similarly, we might expect that giving one's superior negative feedback during a staff meeting may be viewed as appropriate and desirable in a low power distance culture like the USA, but such behavior would be deemed out of place and highly inappropriate in high power distance cultures such as China and India (see also Bailey, Chen, & Dou, 1997). Of course, culture has more than one dimension, so assuming that individuals from China and India would behave in the same fashion in the workplace, because the two countries' scores on the power distance index are close, would be a mistake and set managers up for disappointment. For example, on another of Hofstede's dimensions, individualism versus collectivism, China (16) and India (49) score quite differently. Thus, individuals from China are less likely to be motivated by individual rewards and/or training (Earley, 1994) and may respond better to group-based, rather than individual-focused feedback (Van de Vliert, Shi, Sanders, Wang, & Huang, 2004), as compared to individuals from India. It should be pointed out the USA scored 100 on this dimension, meaning that individuals in the USA are much more individualistic than those in China and India. As Hempel (2001) has argued, Western appraisal methods should not be implemented in China, since the Chinese and Western views of performance are rather different.

Clearly, the culture of a nation can have a significant impact on how performance is viewed, evaluated, and managed, and organizations should take national cultural differences into account. However, national culture is not static – instead it is continually changing and evolving, and the rate of this change can depend on a number of factors. In this connection, it has been argued that mobility and affluence are the most important antecedents of individualism (Triandis, 1995). For example, recent economic growth and increased mobility in China is likely creating a group of individuals who are slowly moving away from collectivistic values – a shift that is often reported among those working for MNEs. Thus, managers must also attend to the *shifts* in cultural attitudes as they attempt to adjust and adapt their HR systems to national culture.

Cultural metaphors

Another way that national culture can be analyzed is through the use of cultural metaphors. Metaphors are symbols and include a system of concepts that give meaning to cultural patterns (Lakoff & Johnson, 2003). The use of metaphor by managers to make sense of their organizations has been advocated by many management scholars (Akin & Palmer, 2000). Cultural metaphors can be used to complement the dimensions approach and engage in more in-depth analysis of a particular culture (Gannon & Pillai, 2013). For example, Kashima and Callan (1994) have argued that Japanese work groups can be understood using the metaphor of a traditional Japanese "*ie*" household. Cultural metaphors can be a helpful way for managers to gain a deeper understanding of differences in national culture.

Cultural metaphors can be used as a basis for thinking through design issues of PM systems. One can imagine that a PM system designed on the basis of a cultural metaphor such as an "Italian opera" might be quite different from one based on "American football" (see Gannon & Pillai, 2013). Finally, cultural metaphors might also reduce misunderstandings about the meaning of performance and other aspects of PM. As a system of concepts, metaphors provide a practical tool for devising communication strategies. Using the same metaphor for making sense of and talking about PM systems should help managers bridge gaps of understanding that arise from cultural and language differences.

Culture in the "here and now"

One way to think about culture is to focus on the content of cultural differences (such as Hofstede's dimensions or Gannon's metaphors) and predict how those differences might impact PM systems. Another approach would be to consider the function of culture, or what culture does for us when we share it. Culture creates shared meaning or coordinated thinking (Malinowski, 1931). As we have argued earlier, culture and cultural differences are likely to affect every aspect of a PM system, including the meaning of performance itself. So how do we manage when we do not share culture? One managerial response is structured communication. The larger the cultural distance, the more important it will be for PM systems to include explicit over-communication using multiple sources to reduce possible cultural misunderstanding. Managers should organize communication efforts around the different stages of a PM system: design, implementation, and evaluation. Communication challenges in MNEs can be managed by sending additional formal messages (e.g., making presentations or sharing written guidelines) to those who are likely to hold different views.

However, effective cross-cultural communication should do more. For cultural integration to occur, it is important for managers to learn local perspectives as a first step. For example, during the design stage, managers can conduct workshops and focus groups to understand local perspectives. Through such workshops, facilitators can be on the receiving end of the communication process. Managers should ask lots of questions and listen for understanding. This type of listening is non-directive and its purpose is to manufacture an understanding. Non-direct listening can be very effective as long as managers avoid the tendency to evaluate differences that they are learning about (see, e.g., Rogers & Roethlisberger, 1952). The goal is to keep the other side talking and gain an accurate understanding.

Non-directive listening seems especially important in the design stage because early input of host country nationals can uncover differences that are not easily predicted. This could be especially important for national cultures that defy easy categorization. India, for example, is undergoing sweeping changes in its economy, includes a huge variety of organizational types, and contains high cultural diversity (see, e.g., Varma, Dasgupta, & Budhwar, 2011). Non-directive

listening during the design stage may also improve implementation. It is important that host country nationals develop commitment to the plan, as their participation in the early stages should increase buy-in and ownership of the plan (e.g., Vroom & Jago, 1988). In addition, their expertise about local practices is likely to be greater than managers of a foreign based MNE.

Implementation challenges of PMS in MNEs

Below we review how analyzing the national cultural context can identify new challenges to implementation of PM systems in MNEs. We focus on motivation and performance appraisal systems because both have received considerable attention in research to date. Both are cognitive processes that are likely to be influenced by cultural contexts and both have been shown to dramatically affect implementation of PM systems.

The importance of motivation in performance management

One of the primary objectives of a PM system is to maximize employees' contributions to the organization. Motivation is the process of allocating one's energy to actions or tasks – about the *level* of effort one imparts to the job, the *direction* of that effort – or how effort is allocated across actions or tasks, and the *persistence* over time of that effort allocation (DeNisi & Pritchard, 2006). Managing motivation involves changing behaviors to make optimal contributions (Locke & Latham, 2002). Clearly, managers can better manage performance if they understand motivation. This becomes even more critical in global organizations, as the meaning of perform-ance and the determinants of motivation are likely to vary significantly across nations/cultures.

Cultural influences on motivation in PM systems

The ways in which culture can impact motivation in general is a broad topic that has received much attention (Morling & Kitayama, 2008). Cross-cultural theorists have tended to link cultural differences in motivation to differences in self-concepts (Triandis, 1989; Markus & Kitayama, 1991). Thus, collectivist self-concepts are group oriented and motivation should focus on group needs, goals, and outcomes, such as in China, whereas more individualist self-concepts would suggest an individual focus, as in the USA.

One promising direction in cross-cultural studies of motivation is based on self-determination theory (Deci & Ryan, 1985, 2000; Ryan & Deci, 2000). This theory emphasizes how a social and cultural environment can facilitate or discourage an individual's sense of volition and initiative. Three basic psychological needs are addressed in this theory: autonomy, competence, and relatedness. The highest quality of motivation and engagement is predicted when conditions are in place that meet those basic needs. The basic tenets of the theory have received support in cross-cultural studies (Deci & Ryan, 2012), suggesting that PM systems could be structured in global organizations using a self-determination framework because the needs for autonomy, competence, and relatedness appear to be universal (Deci & Ryan, 2012). However, there are cultural differences in how important those needs are in a particular cultural group. For instance, in relatively individualist cultures, PM systems should focus more on needs for autonomy, but in collectivist cultures, relatedness needs are likely to be a higher priority.

Performance appraisal systems

As we note above, performance appraisals are an integral part of PM systems. However, the literature has emphasized the cognitive perspective (Rynes, Gerhart, & Parks, 2005), focusing

primarily on the way in which raters attend to, encode, and retrieve performance-related information in memory and how this affects performance ratings (cf. DeNisi, Cafferty, & Meglino, 1984; DeNisi & Williams, 1988). While the cognitive models have been helpful to our understanding of the appraisal process, they do not fully account for the variance in performance ratings. Indeed, research has demonstrated that interpersonal variables explain unique variance in ratings even after ratings were made more accurate through training and instrument development. In this connection, several scholars have argued that both scholars and practitioners need to pay closer attention to the socio-cultural context within which the appraisal occurs (e.g. Dipboye, 1985; Guion, 1983; Wexley & Klimoski, 1984). These and other scholars advocate studying how social relationships between supervisors and subordinates impact performance ratings (e.g. Cleveland & Murphy, 1992; Murphy & Cleveland, 1995). Indeed, growing evidence supports the assertion that the social context of performance appraisals is crucial for understanding their effectiveness in implementation. In this connection, Borman, White, and Dorsey (1995) reported that while ability, knowledge, and task proficiency were all related to performance ratings as previous research had suggested, the addition of interpersonal variables to a model of supervisor ratings significantly increased the predictive accuracy and explanatory power of the model.

Interpersonal affect and rater–ratee relationships

Given that the workplace interaction between supervisors and subordinates is ultimately about two people, interpersonal and social factors are likely to have much practical significance for managing PM across cultures. Performance evaluations naturally involve interpersonal processes, where subordinates are typically active participants and make efforts to influence this process through impression and information management (Ilgen & Feldman, 1983; Wayne & Ferris, 1990). Two approaches for understanding interpersonal and social factors on performance appraisals are Byrne's (1971) similarity attraction paradigm, and the leader–member exchange model (Graen & Cashman, 1975; Graen, 1976). Relatedly, interpersonal affect (or, liking) is central to the study of rater–ratee relationships in performance appraisal because affect is "the major currency in which social intercourse is transacted" (Zajonc, 1980).

The question to examine is – how does interpersonal liking influence performance appraisal ratings? Scholars have traditionally characterized interpersonal affect as a source of unconscious bias or inaccuracy in performance ratings (Dipboye, 1985; Landy & Farr, 1980; Latham & Wexley, 1981). For example, Tsui and Barry (1986) found that interpersonal liking was systematically related to rating errors, that is, halo, leniency, and inter-rater agreement. When a rater had positive (or high) affect towards a ratee, s/he displayed leniency in rating that subordinate's performance. Similarly, Jacobs and Kozlowski (1985) found that halo increased as a function of interpersonal familiarity. One explanation for this is that raters seek performance-related information that reaffirms their favorable or unfavorable impressions of ratees (Feldman, 1981).

Another related topic is demographic similarity, which is such a strong predictor of interpersonal liking in general (Byrne, 1971). Because of this higher degree of interpersonal liking, demographic similarity can also influence performance ratings. This general hypothesis has been examined repeatedly. For instance, Varma and Stroh (2001) developed a process model of the relationship between gender and performance ratings which posited that gender similarity influenced likeability, which in turn influenced leader-member exchange, which ultimately influenced ratings of performance. The authors found support for each component part of their model, indicating that supervisors rate subordinates of the same sex higher than those of the opposite sex as a function of the higher quality relationship that is developed among same-sex dyads.

Culture and rater–ratee relationships

Culture can influence performance appraisals because culture is likely to influence the type of relationship supervisors develop with their subordinates. In their study, Varma, Pichler, and Srinivas (2005) found that performance ratings of low performers in India were systematically inflated when they were liked by their supervisors, whereas this was not the case in their US sample. One explanation is that the need to protect and support members of one's in-group is more important in collectivist cultures (e.g., India) than it is in individualist ones (e.g., the US). Similarly, Law, Wong, Wang, and Wang (2000) reported that managers in China are likely to go out of their way to help subordinates with whom they share high quality relationships. The influence of culture on performance appraisal ratings has practical implications for how PM systems are implemented. Research findings suggest that in some cultures there are unique cultural demands, such as group cohesiveness, that may increase the likelihood of a relationship between interpersonal liking and performance ratings. For example, managers in MNEs that operate in collectivist cultures should carefully consider interventions that would improve the quality of cross-cultural relationships. Additional team and relationship building activities in the early stages of relationships could help mitigate possible bias in collectivist cultures. This would especially be relevant to expatriates who are, by definition, required to operate in a culture different from their own.

PMS for expatriates

Expatriate assignments are critical to the success of MNEs, yet developing and implementing PMSs for expatriates presents unique challenges. In this connection, scholars (e.g., Gregersen *et al.*, 1996) have noted that little scholarly attention has been paid to the development of performance evaluation systems specifically for expatriate assignments. In addition to designing PM systems based on the expatriate's specific job objectives, expatriate PMSs should incorporate the unique environmental factors related to the host country, such as laws, technology (Shen, 2005), and cultural norms (Tahvanainen, 2000). Not only do expatriate PM systems provide an important means of evaluating the expatriate's actual on-the-job performance, they also can provide critical measures of the success of an organization's strategic objectives. That is, the "why" or purpose of PM systems for expatiates includes assessment of a company's strategy and how well that strategy is being implemented overseas.

In this connection, Tung and Varma (2008) have noted that expatriate performance evaluations seem to be primarily based on an assimilation model: systems developed for domestic purposes are comported to foreign operation, in both US origin and non-US MNEs. As we have argued, this is an issue that warrants attention both from MNE executives and scholars since PM systems are context-driven and should be evaluated accordingly (see also Murphy & Cleveland, 1995). Another key design challenge is the "what" in our model. It is important that MNEs clearly define the parameters of expatriate performance (Shaffer, Harrison, Gregersen, Black & Ferzandi, 2006). Many different criteria have been used to measure expatriate effectiveness, and there seems to be little consensus or consistency across organizations (Gregersen *et al.*, 1996; Shih, Chiang, & Kim, 2005). Of course, as Yan, Zhu, and Hall (2002) argue, the expatriate's own goals should also form an integral part of the evaluation system.

Finally, another issue that needs to be addressed is the issue of how host country nationals (HCN) categorize and relate to expatriates. Several scholars (see, e.g., Toh & DeNisi, 2007) have argued that expatriates often have to rely on HCNs for information that can help them on their assignments. However, as Varma and colleagues have argued (see, e.g., Varma,

Grodzicki, Pichler, and Kupferer, 2012), HCNs are likely to share information only with those expatriates whom they accept into their in-groups, due to perceived values similarity, or other similarities. Indeed, HCN categorization of expatriates as in-group or out-group can be based on a whole range of factors, such as collectivism, and ethnocentrism (Zeira, 1979), and so on.

Recent empirical investigations of HCN categorization have reported that this phenomenon operates in numerous countries, and thus clearly is worthy of further attention. For example, Varma, Toh, and Budhwar (2006) examined HCN attitudes towards expatriates in India. These authors found that Indian HCNs (both male and female) would prefer to work with female expatriates from the US, rather than male expatriates. In another study, Varma, Pichler, Budhwar, and Kupferer (2012), found that Chinese HCNs categorized expatriates from both the US and India into in-groups and out-groups, based on their personal levels of collectivism, and guanxi. Finally, Varma, Pichler, and Budhwar (2011) report similar results from their investigation in the United Kingdom. Clearly, how expatriates are treated by host country nationals will have a huge impact on their job performance, and the treatment of expatriates is likely to depend on how the expatriates are categorized. Managers can foster greater collaboration between expatriates and HCNs by emphasizing how both are members of the same team, family, or organization.

In the next section, we look at PMSs in three leading economies (USA, China, and India) to examine convergence and/or divergence of PMS practices and philosophy.

PMSs in three leading economies

In this section, we present brief discussions of PMS practices in the USA, China, and India to demonstrate some of the differences in how PMSs operate in these countries, and thus emphasize the general importance of creating systems that serve corporate objectives while at the same time ensuring they remain consistent with local realities. PM systems outside of the US may be driven by the same philosophies as different economies, but as we have argued throughout, the same logic applies: the practice and processes of PM systems should be context-relevant and culture-sensitive. When MNEs access emerging economies, some unique challenges can arise however. Pressures for growth and competition may force organizations and individuals to cut corners and take shortcuts. As we have argued earlier, a process of cultural integration – sensitivity to the global context and cultural differences – will take more time and extra work. That may be at odds with an overall strategy rooted in short term thinking and speed as a top priority.

Also, MNEs in emerging economies are likely to occupy the steepest parts of the learning curve. Concepts related to PMS, such as hierarchy and formal reporting mechanisms, are likely to be changing constantly in a developing organization in an emerging economy. A process of adapting PMSs to local national and organizational culture should be especially difficult when they are moving targets.

In the following section we will discuss PMS in the US and the leading emerging economies of China and India.

PMS in USA

A comprehensive summary of PMSs in the USA was provided by Pulakos, Mueller-Hanson, and O'Leary (2008). They point out that its culture of individualism (e.g., the US scored highest on this dimension in Hofstede's research; see also Triandis, 1995) has had a significant impact on PM practices. An emphasis on the individual – in performance goals, accountability, and performance-linked rewards, is an integral part of PM systems in the US. As Pulakos *et al.* (2008)

observe, US companies are very diverse and it is difficult to analyze the US according to a single PM system. However, there are some clear themes that emerge from a review of the PM systems in the USA.

In the US there is a strong emphasis on using PM systems for informing administrative HR decisions, such as awarding merit raises and making promotions. The use of PM for developmental purposes remains rather limited. This administrative focus is combined with a very strong focus on results. Rather than focusing on desired behavior or competencies, PM systems in the US tend to evaluate performance solely on the basis of objective results. This may explain why PM systems in the US are largely unpopular and viewed with mistrust. With so much at stake, and little attention to the "how" aspects of getting work done, employees in the US may view PM systems as more of a burden than helpful tool.

Another key aspect for PM systems in the US is the importance of the legal environment. Companies must be aware of the possibility that there could be legal challenges to performance related decisions. For example, Title VII of the 1964 US Civil Rights Act requires that companies closely monitor how HR decisions affect protected minorities. Virtually every aspect of a PM system could potentially create disparate impact on protected groups and a great deal of attention must be paid to ensuring that elements of a PM system are not discriminatory.

As Pulakos *et al.* (2008) note, US companies tend to value speed, efficiency and results. This "bottom-line" focus, combined with a legal environment that requires everyone being treated the same way, has led to an emphasis on automation in PM systems. Standardized methods of performance management are common even when companies might operate in various parts of the world. As we have recommended earlier, MNEs should attempt cultural integration in their PM systems. An emphasis on automation may lead MNEs headquartered in the US to attempt cultural assimilation instead.

Unlike the US, both China and India are relatively collectivist nations, with an emphasis on relationship-building in the workplace. Interestingly, PMSs have existed in both these countries for much longer than one might expect. As Cooke (2008) notes, a Chinese version of assessment tools in performance appraisal has been practiced in China for a very long time. The key features of current PMS practice in China follow.

PMS in China

In an extensive review of PM systems in China, Cooke (2008) notes that performance management is largely seen as a Western idea, yet there is a long tradition of this activity in China. Historically, PM systems were primarily managed by the state. Centralized planning and administration of PM systems characterized China until reforms began in the late 1970s. Since the 1980's there has been widespread implementation of PM systems at the enterprise level in the private sector. In addition, Chinese culture tends to be more collectivistic. The legacy of the state planned economy, combined with a relatively collectivist culture, are themes that pervade PM in China.

During the period of the state planned economy in China, PM was done mostly to monitor attendance and test whether workers had necessary skills. Other aspects of PM were less important in a society where workers expected a job for life and promotions were based on party loyalty and political ideology. As Cooke (2008) notes, this legacy can be seen in PM systems in China today, where there is less emphasis on results than in the US. But, a focus on "how" work is done is more likely. Traits and behaviors seem to be emphasized more than in the US. In addition, consistent with its history, performance appraisals are seen as more of an administrative formality than an opportunity to improve implementation of business strategies.

As a collectivist culture, Chinese managers tend to emphasis relationships, saving face, harmony, and respect for age, seniority, and authority. Cooke (2008) points out that this emphasis on relationships can lead to a high degree of subjectivity in managerial ratings. And the emphasis on saving face and respect for authority can lessen the importance of candid discussions of performance and disagreement with supervisors. In addition, group-based evaluations and feedback are often preferred to individual evaluations and feedback. This poses challenges for using PM systems for individual administrative decisions such as merit increases or promotions. Those factors can threaten the validity and reliability of PM systems in China.

PMS in India

As we note above, PM systems have existed in India for rather a long time. Indeed, the public sector has used confidential evaluations of civil servants and other government employees for over a century. Several private sector organizations (e.g., Tata Steel) have also had formal evaluations in place for the same period. Sharma, Budhwar, and Varma (2008) provided a comprehensive review of current PM systems in India. They observe that Indian companies are making rapid progress in implementing state-of-the-art PM systems. Diversity, in its various forms, continues to be one of the main challenges faced by MNEs operating in India.

In a 1968 survey of PM systems in India (see Bolar, 1978), less than 25 percent of companies in the survey had a PM system that was used on a regular basis. However, a recent survey by Hewitt and associates (*Hewitt Report*, 2005) provides a much different picture of PM systems in India. They found that PM systems are pervasive in that 99 percent of the companies surveyed had some formal PM system and over 60 percent conduct formal annual performance reviews. Relatedly, Budhwar and Varma (2011) also reported that most companies have adopted formal PM systems and they have adapted those systems for local use in India. However, as Sharma *et al.* (2008) note, it is hard to conclude that there is much overall consistency in how PM systems are designed and used in India due to the wide variety of types of business organizations in the Indian economy. So, while the overall trend is positive for the use of PM systems, it is difficult to reach conclusions about specific trends in how those systems are designed, implemented, and evaluated.

Culturally, India is one of the most diverse countries in the world with 15 formal languages and hundreds of dialects as well as ample religious and ethnic diversity. A relatively weak legal environment, rapid economic development, and technological innovation have also contributed to the cultural complexity within Indian society (Sharma *et al.*, 2008). Nonetheless, we can identify some common themes from research on Indian cultural patterns and explore how those patterns might impact PM systems in India.

In India, collectivism, and its emphasis on social norms and saving face, may contribute to a lack of transparency described by Sharma *et al.* (2008). Often PM systems are closed and heavily influenced by senior managers who make administrative decisions. Individuals may not be given as much information about how their performance has been evaluated and how those evaluations are used, compared to other national cultures. Opacity in PM systems may contribute to an overall distrust (see Amba-Rao, Petrick, Gupta, & Von der Embse, 2000). Yet, there is some evidence that individual rather than group rewards are on the rise, as is a tendency to link individual performance to individual rewards (Sharma *et al.*, 2008). Finally, the hierarchical, paternalistic nature of the culture continues to influence PM systems, as many blue-collar employees rely on their supervisors to "take care of them." And the emphasis on relationships can lead to subjectivity and an increased tendency to inflate ratings for subordinates who are well liked.

Summary and conclusions

In this chapter, we have discussed PM systems in a global context, and tried to emphasize the unique nature of such systems. We started by discussing the core components of PM systems, followed by a discussion of the key factors that can impact on such systems. We included the all-important discussion of national culture, especially as it relates to motivation and performance appraisals. This was followed by a discussion of the unique nature and requirements of expatriate evaluations. We also provided an overview of PM systems in the US, China, and India to establish the principal differences that one might see in PMSs implemented in different cultures. Throughout the chapter, we have presented relevant research on PMSs, with special emphasis on multinational enterprises (MNEs). A common theme in our analysis is that organizations need to develop unique systems for each country in which they operate (cultural integration), rather than simply transferring systems developed for the home country environment (cultural assimilation).

As Tung and Varma (2008) have argued, globalization is here to stay, and will continue to grow for the foreseeable future. Further, as Peretz and Fried (2012) reported, the culture of a nation has a significant impact on PM practices. This makes the role of the multinational enterprise (MNE) critical in the economic and socio-political well-being of nations around the world. While organizations may be able to adapt home-based financial and technical systems to the new location, people-related systems do not lend themselves so easily to cross-national transfer, as they are the most context-driven of all organizational systems. Specifically, the subject of performance management presents unique challenges, as it is heavily impacted by local issues, such as national culture and practices – yet, performance management is the primary process through which organizations set goals, assign and evaluate work, and measure successful implementation of business strategy. While all organizations face similar challenges, the strategies adopted to address the challenges will often depend on the organization's home country and host countries. In other words, the differences in culture, laws, technology, or simply past practices makes it very difficult to directly apply systems from one setting, to another.

We concentrated on MNEs in our discussion above, as these organizations are the ones most affected by the issues. For organizations that operate solely in a domestic region, the issues are different and much more localized. They have the luxury of deciding whether to develop their own systems, adopt foreign-developed systems, or even having no system at all. As long as their practices conform to local legal and social requirements, they are not "burdened" by the necessity to adapt or adopt other systems. Due to their global reach and diversity, MNEs need to operate according to a different set of principles and rules.

At first sight, it may seem that the transfer of PMSs across countries is relatively easy, since the majority of MNEs originated in the US, and the majority of other nations seem to have adopted some version of PMSs first developed in the US. Thus, one might suggest that all MNEs have to do is to take their existing systems and tweak them slightly to account for cultural differences. However, this is an overly simplistic view. First, it is reasonable to assume that as economies like China and India grow and become leaders, some influential individuals and groups in these nations will demand more "local" systems that address locally relevant issues such as collectivism, deference to seniority, and issues of face. At the same time, employees of MNEs in these and other similar nations will also demand that they be treated on par with their counterparts in Western nations, in terms of compensation, and evaluation and promotion practices. Coordinating and satisfying this set of conflicting demands placed on organizations and their HR departments will require the finesse of a fine balancing act. These systems cannot be developed and left alone to run themselves, they have to be maintained and improved to

ensure that they remain current and appropriate. This is not to say that MNEs have solely emerged from the West or the US in particular, but there is no denying that such MNEs have dominated global business for more than 50 years. Indeed, there is a new generation of MNEs emerging on the global business scene – as demonstrated by acquisitions such as the purchase of IBM's personal computer division by China's Lenovo, and India's Tata group acquiring Tetley Tea. This new "global organization" emerging from countries around the world is adding a new and somewhat complex dimension to the development and implementation of appropriate systems for managing people. We hope we have been able to make it clear why PMSs should be adopted only after critical evaluation and after making appropriate modifications. As should be clear by now, in addition to ensuring that organizations have proper PMSs in place, it is critical that the PMS be relevant to the environment – especially in the case of global organizations.

As Bloomquist of PwC notes "establishing consistent performance ratings across all countries is the first step an organization should take when sharing global resources. Second, to be perceived as fair, a performance management system must be tied to the performance goals set forth by the organization at the beginning of the performance year" (see box).

PMS – a practitioner's perspective

In order to compete globally, organizations must develop a performance management system that is consistent, fair, and balanced. Providing consistency is critical to the process of selecting individuals for expatriate assignments. If an office in one country has a different rating scale than an office in another, comparing employee performance to ensure the higher performer is selected becomes much more difficult than if all global entities are on the same performance scale. Therefore, establishing consistent performance ratings across all countries is the first step an organization should take when sharing global resources.

Secondly, to be perceived as fair, a performance management system must be tied to the performance goals set forth by the organization at the beginning of the performance year. Employees should be rated on how well they contribute to the organization's overall goals. It is important to note, these goals should be clearly defined and communicated to all employees at the beginning of the year. Being a high performer is about making an "impact." When an employee makes a significant "impact" to their organization, it should be easy to show others how the employee's contribution was specifically aligned to the organization's overall goals.

Finally, a performance management system must support and encourage balanced feedback. It should summarize areas of development for future growth, as well as recognize one's strengths and contributions. Failure to acknowledge an employee's strengths and only focus on areas of improvement is extremely de-motivating. Employees should always be recognized for what they do well in order to ensure sustained high performance, as well as provide role-model behavior for other employees to follow. In my 18 years as an HR professional, I have learned that recognizing both individual and team contributions is imperative to motivating employees and should be an important aspect of every performance management system.

Lisa Bloomquist, HR Talent Manager, PwC

References

Akin, G., & Palmer, I. (2000). Putting metaphors to work for change in organizations. *Organizational Dynamics*, Winter: 67–79.

Amba-Rao, S. C., Petrick, J. A., Gupta, J. N. D., & Von der Embse, T. J. (2000). Comparative performance appraisal practices and management values among foreign and domestic firms in India. *International Journal of Human Resource Management*, 11(1): 60–89.

Armstrong, M., & Baron, A. (1998). *Performance Management*. London: IPD.

Aycan, Z. (2006). Paternalism: Towards conceptual refinement and operationalization. In K. S. Yang, K. K. Hwang & U. Kim (Eds.), *Scientific Advances in Indigenous Psychologies: Empirical, Philosophical, and Cultural Contributions* (pp. 445–466). London: Cambridge University Press.

Bailey, J. R., Chen, C. C., & Dou, S. G. (1997). Conceptions of self and performance-rated feedback in the US, Japan, and China. *Journal of International Business Studies*, 3rd quarter: 605–625.

Bernthal, P. R., Rogers, R. W., & Smith, A. B. (2003). *Managing Performance: Building Accountability for Organizational Success*. Pittsburgh, PA: Development Dimensions International.

Bolar, M. (Ed.) (1978). *Performance Appraisal: Readings, Case Studies and a Survey of Practices*. India: Vikas Publishing.

Borman, W. C., White, L. A., & Dorsey, D. W. (1995). Effects of ratee task performance and interpersonal factors on supervisor and peer performance ratings. *Journal of Applied Psychology*, 80(1): 168–177.

Briscoe, D. R., & Schuler, R. S. (2004). *International Human Resource Management* (2nd edn). London/New York: Routledge.

Budhwar, P., & Sparrow, P. (2002). An integrative framework for understanding cross-national human resource management practices. *Human Resource Management Review*, 12(3): 377–403.

Budhwar, P., & Varma, A. (2011). Emerging HR management trends in India and the way forward. *Organizational Dynamics,* 40(4): 317–325.

Byrne, D. (1971), *The Attraction Paradigm*. New York: Academic Press.

Cardy, R., & Dobbins, G. (1994). *Performance Appraisal: Alternative Perspectives*. Cincinnati, OH: South-Western.

Claus, L., & Briscoe, D. (2008). Employee performance management policies and practices in multinational enterprises. In A. Varma, P. S. Budhwar, & A. S. DeNisi (Eds.), *Performance Management Systems: A Global Perspective* (Global HRM Series), London: Routledge.

Claus, L., & Briscoe, D. (2009). Employee performance management across borders: A review of relevant academic literature. *International Journal of Management Reviews*, 11(2): 175–196.

Cleveland, J. N., Murphy, K. R. (1992). Analysing performance appraisal as goal-directed behavior. *Research in Personnel and Human Resources Management*, 10: 121–185.

Cooke, F. L. (2008). Performance management in China. In A. Varma, P. S. Budhwar, & A. S. DeNisi (Eds.), *Performance Management Systems: A Global Perspective* (Global HRM Series). London: Routledge.

Deci, E. L., & Ryan, R. M. (1985). *Intrinsic Motivation and Self-Determination in Human Behavior*. New York: Plenum.

Deci, E. L., & Ryan, R. M. (2000). The "what" and "why" of goal pursuits: Human needs and the self-determination of behavior. *Psychological Inquiry*, 11: 227–268.

Deci, E. L., & Ryan, R. M. (2012). Motivation, personality, and development within embedded social contexts: An overview of self-determination theory. *The Oxford Handbook of Human Motivation* (pp. 85–107). New York: Oxford University Press.

DeNisi, A. S., & Williams, K. J. (1988). Cognitive approaches to performance appraisal. In G. R. Ferris, & K. M. Rowland (Eds.), *Research in Personnel and Human Resource Management* (Vol. 6, pp. 109–155). Greenwich, CT: JAI Press.

DeNisi, A. S., & Pritchard, R. D. (2006). Performance appraisal, performance management and improving individual performance: A motivational framework. *Management and Organization Review*, 2(2): 253–277.

DeNisi, A. S., Cafferty, T. P., & Meglino, B. M. (1984). A cognitive view of the performance appraisal process: A model and research propositions. *Organizational Behavior and Human Performance,* 33: 360–396.

DeNisi, A. S., Varma, A., & Budhwar, P. S. (2008). Performance management around the globe: What have we learned? In A. Varma, P. S. Budhwar, & A. S. DeNisi (Eds.), *Performance Management Systems: A Global Perspective* (Global HRM Series). London: Routledge.

Dipboye, R. L. (1985). Some neglected variables in research on discrimination in appraisals. *Academy of Management Review*, 10: 116–127.

Dowling, P. J., & Schuler, R. S. (1990). *International Dimensions of Human Resources Management*. Boston, MA: PWS Kent.

Dowling, P. J., & Welch, D. E. (2005). *International Human Resource Management* (4th edn). Mason, OH: South-Western.

Earley, P. C. (1994). The individual and collective self: An assessment of self-efficacy and training across cultures. *Administrative Science Quarterly*, 39: 89–117.

Feldman, J. M. (1981). Beyond attribution theory: Cognitive processes in performance appraisal. *Journal of Applied Psychology*, 66(2): 127–148.

Gannon, M. J., & Pillai, R. (2013). *Understanding Global Cultures: Metaphoric Journeys Through 31 Nations, Clusters of Nations, Continents, and Diversity* (5th edn). Los Angeles, CA: Sage.

Graen, G. (1976). Role making processes within complex organizations. In M. D. Dunette (Ed.), *Handbook of Industrial and Organizational Psychology* (pp. 1201–1245). Chicago: Rand McNally.

Graen, G., & Cashman, J. (1975). A role-making model of leadership in formal organizations: A developmental approach. In J. G. Hunt & L. L. Larson (Eds.), *Leadership Frontiers* (pp. 143–165). Kent, OH: Kent State University Press.

Gregersen, H. B., Hite, J. M., & Black, J. S. (1996). Expatriate performance appraisal in US multinational firms. *Journal of International Business Studies*, 27: 711–738.

Guion, R. (1983). Comments on Hunter. In F. L. Landy, S. Zedeck and J. Cleveland (Eds.) *Performance Measurement and Theory* (pp. 267–275). Hillsdale, NJ: Lawrence Erlbaum.

Hempel, P. S. (2001). Differences between Chinese and Western managerial views of performance. *Personnel Review*, 30(2): 203–226.

Hewitt Report (2005). Salary increase survey. New Delhi: Hewitt.

Hofstede, G. H. (1980). *Culture's Consequences: International Differences in Work-Related Values*. Beverly Hills, CA: Sage.

Hofstede, G. H. (1993). Cultural constraints in management theories. *Academy of Management Perspectives*, 7(1): 81–94.

Ilgen, D. R., Feldman, J. M. (1983). Performance appraisal: A process focus. *Research in Organizational Behavior*, 5: 141–97.

Jacobs, R., & Kozlowski, W. J. (1985). A closer look at halo error in performance ratings. *The Academy of Management Journal*, 28(1): 201–212.

Kashima, Y., & Callan, V. (1994). The Japanese Work Group. In H. C. Triandis, M. D. Dunnette, & L. M. Hough (Eds.), *Handbook of Industrial/Organizational Psychology* (Vol. 4, pp. 610–646). Palo Alto, CA: Consulting Psychologists Press.

Lakoff, G., & Johnson, M. (2003). *Metaphors We Live By* (2nd edn). Chicago: University of Chicago Press.

Landy, F. J., & Farr, J. L. (1980). Performance rating. *Psychological Bulletin*, 87(1): 72–107.

Latham, G. P., & Wexley, K. N. (1981). *Increasing Productivity through Performance Appraisal*. Reading, MA: Addison-Wesley.

Law, K. S., Wong, C. S., Wang, D., & Wang, L. (2000). Effect of supervisor–subordinate guanxi on supervisory decisions in China: An empirical investigation. *International Journal of Human Resource Management*, 11(4): 751–765.

Locke, E. A., & Latham, G. P. (2002). Building a practically useful theory of goal setting and task motivation: A 35-year odyssey. *American Psychologist*, 57: 705–717.

Locker, A. H., & Teel, K. S. (1988). Appraisal trends. *Personnel Journal*, 21(2): 139–143.

Luffman, G., Lea, E., Sanderson, S., & Kenny, B. (1996). *Strategic Management: An Analytical Introduction*. Oxford: Blackwell.

Lynch, R. (1997). *Corporate Strategy*. London: Pitman Publishing.

Malinowski, B. (1931). Culture. In E. Seligman & A. Johnson (Eds.), *Encyclopedia of the Social Sciences* (Vol. 4, pp. 621–646). New York: Macmillan.

Markus, H. R., & Kitayama, S. (1991). Culture and the self: Implications for cognition, emotion, and motivation. *Psychological Review*, 98(2): 224–253.

Martin, D. and Bartol, K. (2003). Factors influencing expatriate performance appraisal system success: An organizational perspective. *Journal of International Management*, 9: 115–132.

Morling, B., & Kitayama, S. (2008). Culture and motivation. In J. Y Shah and W. L. Gardner (Eds.), *Handbook of Motivation Science* (pp. 417–433). New York: Guilford Press.

Murphy, K. R., & Cleveland, J. N. (1995). *Understanding Performance Appraisal: Social, Organizational, and Goal-Based Perspectives*. Thousand Oaks, CA: Sage.

Murphy, K. R., & DeNisi, A. (2008). A model of the appraisal process. In A. Varma, P. S. Budhwar and A. DeNisi (Eds.), *Performance Management Systems: A Global Perspective* (pp. 81–94). Abingdon: Routledge.

Oddou, G., & Mendenhall, M. (2000). Expatriate performance appraisal: Problems and solutions. In M. Mendenhall & G. Oddou (Eds.), *Readings and Cases in International Human Resource Management* (3rd edn). Cincinnati, OH: South–Western College Publishing.

Peretz, H., & Fried, Y. (2012). National cultures, performance appraisal practices, and organizational absenteeism and turnover: A study across 21 countries. *Journal of Applied Psychology*, 97(2): 448–459.

Pucik, V. (1984). White collar human resource management: A comparison of the US and Japanese automobile industries. *Columbia Journal of World Business*, 19: 87–94.

Pulakos, E. D., Mueller-Hanson, R. A., & O'Leary, R. S. (2008). Performance management in the United States. In A. Varma, P. S. Budhwar, & A. S. DeNisi (Eds.), *Performance Management Systems: A Global Perspective* (Global HRM Series). London: Routledge.

Rao, T. V. (2004). *Performance Management and Appraisal Systems: HR Tools for Global Competitiveness*. New Delhi: Sage.

Rogers, C. R., & Roethlisberger, F. J. (1952). Barriers and gateways to communication. *Harvard Business Review*, July/August: 28–34.

Ryan, R. M., & Deci, E. L. (2000). Self-determination theory and the facilitation of intrinsic motivation, social development, and well-being. *American Psychologist*, 55: 68–78.

Rynes, S. L., Gerhart, B., & Parks, L. (2005). Personnel psychology: Performance evaluation and pay for performance. *Annual Review of Psychology*, 56: 571–600.

Schuler, R. S., & Jackson, S. (1987). Linking competitive strategies with human resource management practices. *Academy of Management Executive*, 1: 207–219.

Schuler, R. S., Budhwar, P. S., & Florkowski, G. W. (2002). International human resource management: Review and critique. *International Journal of Management Reviews*, 4(1): 41–70.

Shaffer, M. A., Harrison, D. A., Gregersen, H., Black, J. S., & Ferzandi, L. A. (2006). You can take it with you: Individual differences and expatriate effectiveness. *Journal of Applied Psychology*, 91: 109–125.

Sharma, T., Budhwar, P. S., & Varma, A. (2008). Performance management in India. In A. Varma, P. S. Budhwar, & A. S. DeNisi (Eds.), *Performance Management Systems: A Global Perspective* (Global HRM Series). London: Routledge.

Shen, J. 2005. Effective international performance appraisals: Easily said, hard to do. *Compensation & Benefits Review*, 37(4): 70–79.

Shih, H. A., Chiang, Y.H., & Kim, I. S. (2005). Expatriate performance management from MNEs of different national origins. *International Journal of Manpower*, 26: 157–176.

Shweder, R. M. (1991). *Thinking through Cultures: Expeditions in Cultural Psychology*. Cambridge, MA: Harvard University Press.

Tahvanainen, M. (2000). Expatriate performance management: The case of Nokia Telecommunications. *Human Resource Management*, 37: 267–275.

Toh, S. M., & DeNisi, A. S. (2007). Host country nationals as socializing agents: A social identity approach. *Journal of Organizational Behavior*, 28: 281–301.

Triandis, H. C. (1989). The self and social behavior in differing cultural contexts. *Psychological Review*, 96(3), 506–520.

Triandis, H. C. (1995). *Individualism and Collectivism*. Boulder: Westview Press.

Trompenaars, F. (1993). *Riding the Waves of Culture*. London: Nicholas Brealey.

Tsui, A. S., & Barry, B. (1986). Interpersonal affect and rating errors. *Academy of Management Journal*, 29(3): 586–599.

Tung, R. L., & Varma, A. (2008). Expatriate selection and evaluation. In P. B. Smith, M. F. Peterson, & D. C. Thomas (Eds.), *Handbook of Cross-Cultural Management Research* (pp. 367–378). Los Angeles: Sage.

Van de Vliert, E., Shi, K., Sanders, K., Wang, Y., & Huang, X. (2004). Chinese and Dutch interpretations of supervisory feedback. *Journal of Cross-Cultural Psychology*, 35: 417–435.

Varma, A., & Stroh, L. K. (2001). The impact of same-sex LMX dyads on performance evaluations. *Human Resource Management*, 40: 309–320.

Varma, A., & Budhwar, P. (2014). Performance management and motivation. In J. Crawshaw, P. Budhwar, & A. Davis (Eds.), *Human Resource Management: Strategic and International Perspectives* (pp. 235–253). Los Angeles: Sage.

Varma, A., Pichler, S., & Srinivas, E. S. (2005). The role of interpersonal affect in performance appraisal: Evidence from two samples – US and India. *International Journal of Human Resource Management*, 16: 2029–2044.

Varma, A., Toh, S. M., & Budhwar, P. S. (2006). A new perspective on the female expatriate experience: The role of host country national categorization. *Journal of World Business*, 41: 112–120.

Varma, A., Dasgupta, B. D., & Budhwar, P. (2011). Living abroad. In P. Budhwar, & A. Varma (Eds.), *Doing Business in India* (pp. 238–249). London: Routledge.

Varma, A., Pichler, S., & Budhwar, P. S. (2011). The relationship between expatriate job level and host country national categorization: An investigation in the United Kingdom. *International Journal of Human Resource Management*, 22(1):, 103–120.

Varma, A., Grodzicki, J., Pichler, S., & Kupferer, S. (2012). Expatriate categorization and evaluation: An empirical investigation in Poland and India. *European Journal of International Management*, 6(1): 63–82.

Varma, A., Pichler, S., & Budhwar, P. S., & Kupferer, S. (2012). Expatriate–local interactions: An investigation in China. *Journal of Managerial Psychology*, 27(7): 753–768.

Vroom, V. H., & Jago, A. (1988). *The New Leadership: Managing Participation in Organizations*. New York: Prentice-Hall.

Wayne, S. J., & Ferris, G. R. (1990). Influence tactics, affect and exchange quality in supervisor–subordinate interactions: A laboratory experiment and field study. *Journal of Applied Psychology*, 75: 487–499.

Wexley, K. N., & Klimoski, R. (1984). Performance appraisal: An update. In K. M. Rowland & G. R. Ferris (Eds.), *Research in Personnel and Human Resources Management* (Vol. 2, pp. 35–79). Greenwich, CT: JAI Press.

Yan, A., Zhu, G., & Hall, D. T. (2002). International assignments for career building: A model of agency relationships and psychological contracts. *Academy of Management Review*, 27: 373–391.

Zajonc, R. B. (1980). Feeling and thinking: Preferences need no inferences. *American Psychologist*, 35: 151–175.

Zeira, Y. (1979). Ethnocentrism in host-country organizations. *Business Horizons*, 22(3): 66–75.

12

Compensation and benefits in the global organization

Yoshio Yanadori

Introduction

Employee compensation is defined as "all forms of financial returns and tangible services and benefits employees receive as part of employment relationship" (Milkovich *et al.*, 2011: 10). Narrowly speaking, employee total compensation consists of cash compensation and benefits; the former includes various forms of direct payments to employees (e.g., base pay, profit sharing, and stock awards) and the latter includes tangible services provided to employees other than pay for time worked (e.g., insurances, retirement benefits, and leaves of absence). On top of these monetary elements, employees also obtain nonmonetary rewards such as job security, career development, recognition, and autonomy (Bloom & Milkovich, 1996). Collectively, these various forms of monetary and nonmonetary elements shape total rewards (Giancola, 2009). Figure 12.1 illustrates various forms included in total rewards. While this article focuses primarily on monetary compensation (i.e., cash compensation and benefits) in multinational corporations (MNCs)[1] recognizing their central importance to employees (Gerhart, 2009), it also considers nonmonetary rewards.

Research context – developments in compensation research

As a key function of organizational human resource management (HRM) activities, compensation practices have been studied extensively by researchers in various disciplines such as economics, psychology, sociology, and industrial relations (Gerhart & Rynes, 2003). These researchers are interested in understanding both antecedents (i.e., factors that influence organizations' decisions on compensation practices) and consequences (i.e., implications of these decisions for employee- and organization-level outcomes). This is somewhat unique to compensation research because, at least in the domestic context, research on other HRM functions usually examines the consequences of relevant practices (Wright & Boswell, 2002). Given the fact that the compensation budget in most organizations accounts for more than 50 percent of operating expenses (Milkovich *et al.*, 2011), understating how organizations allocate their compensation budget (= antecedents) is equally important to understanding how these decisions influence employee- and organization-level outcomes (= consequences).

```
                                              ┌─ Cash compensation
                                              │    ▪ Base pay
                                              │    ▪ Short-term incentives (e.g.
                                              │      profit sharing, gain sharing)
                    ┌─ Monetary compensation ─┤    ▪ Long-term incentives (e.g.
                    │                         │      stock awards)
                    │                         │
                    │                         └─ Benefits
 Total rewards ─────┤                              ▪ Insurances
                    │                              ▪ Retirement benefits
                    │                              ▪ Leaves of absence
                    │
                    └─ Nonmonetary rewards
                         ▪ Job security
                         ▪ Career development
                         ▪ Recognition
                         ▪ Autonomy
```
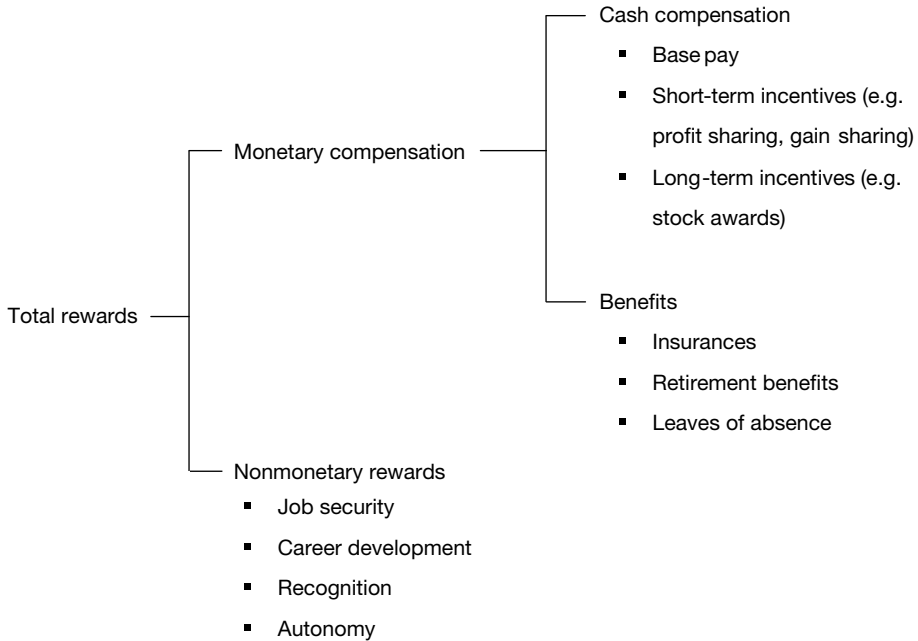
Figure 12.1 Total rewards

While organization compensation practices are characterized by a number of dimensions (Gomez–Mejia *et al.*, 2010; Milkovich *et al.*, 2011), the majority of studies examined two dimensions: pay level and pay mix. Pay level is concerned with the amount of pay employees receive from their organizations. Although neoclassical economics posits that pay levels are determined at labor markets, and both organizations and employees must accept market pay levels (Ehrenberg & Smith, 2012), organizations have discretion in setting pay levels (Groshen, 1991; Weber & Rynes, 1991). That is, organizations determine their market position by either leading (= paying above), matching (= paying at), or lagging (= paying below) market pay levels considering the advantages and disadvantages of each option (Lawler, 1990). Empirical studies have demonstrated that organizations intentionally deviate from market pay levels, and various work and organizational contexts explain these organizational decisions (e.g., Gerhart & Milkovich, 1990; Van Jaarsveld & Yanadori, 2011).

Pay mix is concerned with how different pay elements (e.g., base salary, financial incentives, benefits, and nonmonetary rewards) are mixed to shape total rewards. Unlike pay levels, there is no "market pay mix" organizations and employees follow; consequently, organizations have more discretion in determining pay mix than in setting pay levels (Gerhart & Milkovich, 1990). Empirical research on pay mix typically focuses on a use of financial incentives such as profit sharing (e.g., Kruse, 1996) and stock awards (e.g., Kroumova & Sesil, 2006) or the relative emphasis on financial incentives in employee compensation packages (e.g., Zenger & Marshall, 2000). While financial incentives have the potential to improve performance (Jenkins *et al.*, 1998), workers often resist the adoption of (or increase in) this pay element because its payment is variable and thus uncertain. Given the costs and benefits of financial incentives, numerous studies have explored what internal and external factors encourage organizations to adopt (or to increase an emphasis on) financial incentives in compensation packages (e.g., Barkema & Gomez–Mejia, 1998; Eisenhardt, 1988).

With respect to the consequences, studies have demonstrated that compensation practices have significant impacts on workers' job choice (Barber & Bretz, 2000) and work motivation (Bartol & Locke, 2000). At the organization-level, these influences are translated into the quality of organizational workforces and their performance. Wright *et al.* (1994) argued that there are two primary mechanisms through which HRM practices contribute to organizational efforts to enhance performance: improving the quality of employees, and motivating them to work effectively for the goal of the organizations. Evidence supports that compensation practices have strong influences on both mechanisms (Gerhart & Rynes, 2003). With regard to performance implications of the pay level and pay mix dimensions, empirical studies have demonstrated that organizational decisions on these dimensions are both associated with subsequent organizational performance (Gerhart & Milkovich, 1990; Lazear, 2000).

Building on these developments in compensation research, the current chapter reviews the antecedents of compensation practices in MNCs and their consequences separately. For both antecedents and consequences, I address primarily two key dimensions of compensation practices: pay level and pay mix. I further distinguish between compensation for managerial employees and non-managerial employees. In MNCs' foreign subsidiaries, the staffing policies are often different between managerial positions and non-managerial positions (Dowling & Welch, 2004). As a result, their compensation practices are likely to differ. Before discussing MNCs' compensation decisions, I briefly overview cross-national differences in compensation and benefits practices. This is an important context for MNCs' compensation management because MNCs often operate in countries where local compensation and benefits practices are different from those in their headquarters' countries.

Cross-national differences in compensation and benefits

Evidently compensation and benefits practices are different across countries (e.g., Brown & Heywood, 2002; Lowe *et al.*, 2002), and researchers attribute the cross-national differences to a number of country-specific factors including labor market, government regulations, and culture (see Milkovich *et al.*, 2011, for a list of factors contributing to cross-national differences in compensation and benefits practices). Employee pay levels are set not only to satisfy minimum wage regulations but also to be aligned to relevant market pay levels. Market pay levels are determined by labor demand and supply for respective occupations (Ehrenberg & Smith, 2012). Both labor demand and supply will differ across countries due to the differences in economic development and industry composition (factors that are likely to influence labor demand) and those in worker demographics and skill levels (factors that are likely to influence labor supply). Collectively, a market pay level for a given occupation varies across countries.

Government regulations and social security and tax systems also have considerable influence on national compensation and benefits practices. For instance, under the US tax law, a salary (fixed component of pay) that exceeds one million dollars is not tax deductible for a firm, and consequently executive compensation in US firms tend to emphasize financial incentives such as bonus and stock awards. In contrast, stock options were prohibited by the government regulations in some countries (e.g., Germany, Japan) until relatively recently. The influence of government regulations and social security system is particularly strong on employee benefits. The length of paid leave required by employment laws varies considerably across countries. While medical insurance is provided by government in many countries, it is provided by employers as an employee benefit in the US. The coverage of public health insurance also varies across countries. Dental treatment is not covered by the public health insurance in some countries (e.g., Canada, Australia), whereas it is covered by the public health insurance in others

(e.g., Japan). Employers in the former countries often provide private insurances as part of discretionary benefits (refer to Martocchio & Pandey, 2008, for detailed information about cross-national differences in benefits practices).

Apart from these influences, national compensation practices appear to reflect various aspects of national cultures (Hofstede, 1980). In countries with a high uncertain avoidance culture (e.g., those in East Asia), seniority-based pay was traditionally common because future pay levels are highly predictable under this pay system. In countries with a feminine culture, work and family practices (e.g., childcare support, maternity leaves), which allow workers to manage both work and family responsibilities, are more prevalent (Schuler & Rogovsky, 1998). In high power distance culture, pay structure is more hierarchical, with large pay differentials between job ranks (Tosi & Greckhamer, 2004). It is possible that the influence of culture is more complex, with multiple dimensions having interactive effects. Using the qualitative comparative analysis, Greckhamer (2011) finds that certain combinations of cultural dimensions are associated with high compensation levels as well as pay differentials across occupations.

Conceivably cross-national differences in HRM practices are becoming smaller due to the globalization of the economy (Katz & Darbishire, 2002). The economic success of US firms has motivated organizations in other countries to copy US-based compensation practices, especially the use of various financial incentive programs, for both managers (e.g., Fiss & Zajac, 2004) and non-managerial employees (e.g., Kang & Yanadori, 2011). Yet, research evidence is supportive that cross-national differences in compensation practices do not disappear. Several studies that drew on the Cranet Survey, a network of comparative HRM surveys coordinated by Cranfield University, illuminate cross-national differences in compensation systems (Brewster et al., 2011). Examining compensation practices in 13 European countries (e.g., UK, France, Germany, Italy) from 1992 to 2004, Mayrhofer et al. (2011) found that the extent of the use of financial incentives is statistically different across these countries although these countries consistently increased the use of financial incentives. Similarly, by comparing among compensation practices in 13 countries (e.g., Australia, Germany, New Zealand, US, UK, Sweden) in 2004, Kalmi et al. (2012) found that the use of different financial incentives (i.e., profit sharing, team-based pay, individual-based pay, share ownership) varies significantly between countries with a centralized collective bargaining regime (e.g., Australia, Germany, Sweden) and countries with a decentralized collective bargaining regime (e.g., US, UK, New Zealand).

Overall, cross-national differences in compensation practices appear to persist, and the differences are likely to be attributable to the differences in local contexts (e.g., labor markets, government regulations, culture).

Antecedents of compensation and benefits in MNCs

Local responsiveness and global integration logics

Interests in antecedents of organizational compensation and benefits practices are particularly strong among international HRM researchers because one dominant research question in this field surrounds the extent to which foreign subsidiaries' HRM practices resemble their headquarters' practices (Pudelko & Harzing, 2007). When designing subsidiaries' HRM practices, MNCs need to consider two distinct, seemingly conflicting, logics: local responsiveness and global integration (Evans et al., 2011; Taylor et al., 1996). On the one hand, HRM practices in foreign subsidiaries need to accommodate host countries' local environmental factors. This line of argument suggests that MNCs' foreign subsidiaries should adopt local HRM practices

because these practices have been developed to support unique local contexts. As a result of localization, HRM practices will be different between MNC headquarters and their foreign subsidiaries. On the other hand, MNCs are motivated to transfer their headquarters' HRM practices to foreign subsidiaries with the expectation that doing so helps them maintain internal consistency and promote shared mindsets among employees in different locations. As a result of global integration, HRM practices will become similar between MNC headquarters and their foreign subsidiaries.

The tension between local responsiveness and global integration logics is highly relevant to MNCs' compensation decisions (Bloom *et al.*, 2003). As I reviewed, compensation and benefits practices are distinctly different across countries due to the differences in labor markets, government regulations, and culture. Recognition of the influence of these local contexts extends to the argument that foreign subsidiaries' compensation practices should be customized to support these contexts. Simply exporting headquarters' compensation practices to other countries will not be successful because these practices may clash with local contexts, and the misfit between compensation practices and local contexts will evoke negative worker reactions. A Harvard Business School case on Lincoln Electric (Bartlett & O'Connell, 1998) describes the challenges the company encountered when it exported a piece-rate incentive system to its foreign subsidiaries. While the management in the headquarters believed that its piece-rate incentive system was a key driver of superior productivity, it often met strong resistance from local employees.

In contrast, as MNC employees transfer across countries (Gaur *et al.*, 2007) or engage in transnational project teams (Hambrick *et al.*, 1998) more frequently, designing consistent compensation practices between headquarters and subsidiaries (or among subsidiaries) will facilitate these international transfers and collaborations among project members (Rosenzweig & Nohria, 1994). Compensation research has demonstrated that when employees evaluate their pay levels, other employees' pay levels serve as important references (Adams, 1965). Although systematic empirical evidence is yet to come, MNC employees may compare their compensation (e.g., pay levels, pay mix) with colleagues in different locations. According to Goodman (1974), the choice of comparative pay referents is influenced by two factors: availability of pay information and relevance of referents. As information technology advances, MNC employees obtain other offices' pay information more easily than before (Watson & Singh, 2005), and closer interactions with colleagues in other countries make pay comparisons with these colleagues more relevant (Fryer *et al.*, 2003). By using the same compensation practices in headquarters and subsidiaries, MNCs may be able to prevent potential negative reactions that may stem from pay comparisons that go beyond national boundaries.

Furthermore, the strategic perspective of compensation management argues that compensation practices should be developed to support organizational strategies (Gomez-Mejia & Balkin, 1992; Milkovich, 1988). Because desirable employee behaviors vary according to organizational strategies, organization compensation practices will vary according to these strategies at least in the domestic context. Several researchers posit that the same logic applies to MNCs' compensation practices. That is, foreign subsidiaries' compensation practices should support their MNCs organizations' global business strategies (Bloom & Milkovich, 1999). If MNCs develop corporate-wide strategies that overarch their subsidiaries, both headquarters' and subsidiaries' compensation practices should support these global business strategies. For instance, Novartis uses merit bonuses in their subsidiaries irrespective of national cultures as the company believes that this pay program is instrumental to promoting performance-oriented organizational culture (Siegel, 2008). Unilever developed an online portal system through which employees in different countries can access their compensation and benefits information. In so doing, Unilever

ensures that their employees receive a consistent message from management regardless of locations (WorldatWork, 2013). Collectively, these explanations lead MNCs to develop similar compensation practices between headquarters and subsidiaries. This perspective does not necessarily mean MNCs neglect the influence of host countries' local contexts. Rather, MNCs and their subsidiaries tactically manage the influences of local contexts to minimize the negative repercussions from local stakeholders (Bloom *et al.*, 2003).

In the following sections, I review specific findings for the antecedents of compensation practices in MNCs for managerial and non-managerial employees. Most of these studies examine MNC compensation practices in terms of how MNCs balance between local responsiveness and global integration. Several other studies, however, investigate MNCs' compensation practices applying theories used in domestic compensation research (e.g., agency theory).

Managerial compensation and benefits

In theory, managerial positions in foreign subsidiaries are held by host country nationals (HCNs), parent country nationals (PCNs), or third country nationals (TCNs), and the choice depends on MNCs' staffing policies (Dowling & Welch, 2004). Traditionally, foreign subsidiaries' managerial positions are held by PCNs to ensure headquarters' control over subsidiaries' operations (Collings *et al.*, 2010). When MNCs transfer headquarters employees to subsidiaries, these employees are usually offered expatriate compensation packages, which build on their compensation at the headquarters but also include a number of financial adjustments to ensure the same level of purchasing power in their host countries (Bonache & Stirpe, 2012; Milkovich *et al.*, 2011). Other than financial adjustments, expatriate compensation packages essentially mirror the packages the expatriates used to receive while they worked at the headquarters. In this case, compensation practices for expatriates closely resemble those of the headquarters. In response to the increased globalization of economy, some MNCs adopt a global pay system with which expatriates are paid in a consistent manner regardless of locations (Watson & Singh, 2005). For details about the compensation practices for expatriates, see Chapter 18 "Compensation Package of International Assignees" in this volume.

When subsidiary managers are not expatriates – they could be either HCNs or TCNs – the design of their compensation practices has attracted researchers' attention. As I elaborated, these researchers are typically interested in understanding how MNCs balance the local responsiveness and global integration logics. As far as pay levels are concerned, the localization logic is likely to dominate. According to major compensation textbooks (Martocchio, 2011; Milkovich *et al.*, 2011), organizations usually consider two factors when setting pay levels: the relative worth of the positions in organizations (i.e., internal alignment) and their market pay levels (i.e., external competitiveness). For internal alignment, some MNCs conduct job evaluations globally and evaluate jobs in different locations by applying the same criteria (Fay, 2008). However, consideration of external competitiveness yields sizable differences in pay levels across locations. To the extent that MNCs define relevant labor markets locally, subsidiary managers' pay levels are aligned to those in respective local markets. As a result, the pay levels for managers with the same level of responsibilities (i.e., same job evaluation points) will vary across locations within MNCs. This variation in pay levels is generated even if MNCs apply consistent market positions across locations. According to Yanadori (2011), who examined a US MNC's ten subsidiaries in the Asia Pacific region, a subsidiary's location accounts for a significant proportion of variance in managers' base pay levels even after controlling for job rank, job function, and organizational tenure.

In contrast, evidence seems to support a greater influence of the global integration logic for the pay mix in managerial compensation, particularly for the use and emphasis on financial incentives. Examining the subsidiaries located in the US, Rosenzweig and Nohria (1994) demonstrated that executive bonus practices resemble headquarters' practices to a greater extent than other practices do (e.g., time off, benefits, training). Similarly, examining subsidiaries located in the UK, Ferner and Almond (2013) found that the nationality of headquarters accounts for significant variance in managers' financial incentive practices, indicting MNCs' tendency to export incentive practices from headquarters countries to host countries. While these two studies examined subsidiaries located in one country, Yanadori (2011) examined one MNC's subsidiaries located in different countries. Analyzing the compensation data from a US firm's ten subsidiaries in the Asia Pacific region, the author reported that the proportion of financial incentives in managerial pay does not vary significantly across subsidiaries. While his study did not directly measure the resemblance between foreign subsidiaries' pay practices and headquarters' pay practices, the resemblance among subsidiaries implies that these subsidiaries' incentive practices mirror headquarters' practices. Yanadori (2011) explained that given the critical role of subsidiary managers in the operation of MNCs and the performance implications of financial incentives, MNCs will consider the alignment of compensation practices to their global strategies more seriously. As a result, the emphasis on financial incentives in total rewards becomes consistent across subsidiaries.

So far, this review examined managerial compensation in MNCs in terms of the degree to which subsidiaries' practices resemble headquarters' practices. A line of research departs from this framework and draws on agency theory (Jensen & Meckling, 1976), which is a primary theoretical underpinning for managerial compensation in domestic compensation research (Bartol & Locke, 2000). Assuming the divergent interests between principals (firm shareholders) and agents (firm managers), agency theory posits that shareholders need to develop a mechanism that aligns managers' interests with shareholders' interests. This theory essentially argues that financial incentives that link managers' pay to organizational performance induce managers to work effectively to achieve higher performance because doing so also increases their income. Agency theory also posits that the use of financial incentives becomes more effective when there is large information asymmetry between shareholders and managers (Eisenhardt, 1988). In this situation, monitoring managerial behaviors becomes more difficult. Rather, paying these managers based on the results they achieve is the most efficient arrangement to promote appropriate behaviors. Roth and O'Donnell (1996) extended this premise to the relationship between MNC headquarters and subsidiaries by framing the former as principals and the latter as agents. They argued that when MNCs have difficulty in effectively monitoring subsidiaries, they use financial incentives in subsidiary managers' compensation. In support of this argument, the authors' analysis demonstrated that the proportion of financial incentives in subsidiary managers' compensation becomes higher when subsidiaries are responsible for specific products. Because managers in such subsidiaries have specialized knowledge about the products and retain considerable discretion, it is more difficult for headquarters to evaluate the appropriateness of subsidiary managers' behaviors. As a result, headquarters use financial incentives in which payment is tied to the results achieved by subsidiaries. Similarly, O'Donnell (2000) found that when subsidiary performance is easily specifiable and quantifiable, MNCs are more likely to use financial incentives in subsidiary managers' compensation because of the ease and accuracy with which subsidiary performance is measured.

Compared with financial incentives, researchers have devoted much less effort to other reward forms in managerial compensation. Information about benefits provided in MNCs is frequently published by compensation consulting firms' reports. Yet, to my knowledge, there are no

systematic academic studies that investigate the antecedents of benefits or perquisites for MNCs' managers that work in different locations. Lack of research in this area is similar to insufficiency of research that examines the benefits and perquisites for managers in domestic organizations (Dulebohn *et al.*, 2009). With respect to nonmonetary rewards, O'Donnell (2000) found that MNCs are more likely to use nonmonetary rewards (e.g., good career development, increased authorities) as part of their subsidiary managers' total rewards when their headquarters and foreign subsidiaries are highly interdependent. The author argued that these nonmonetary rewards promote the sense of belonging among subsidiary managers. Because these managers feel that they are part of the entire MNC, they are more likely to act for the goal of the MNC rather than the goal of their subsidiaries.

Finally, rather than focusing specifically on MNCs, some scholars examined how internationalization of firms impacts headquarters managers' compensation drawing on agency theory. In this research context, internationalization refers to the degree to which an organization's operation relies on foreign markets (i.e., the proportion of foreign sales to total sales, the proportion of foreign assets to total assets). Analyzing US firms' CEO pay, Sanders and Carpenter (1998) found that the level of firm internationalization is positively associated with CEO pay levels. Their analysis also revealed that the proportion of long-term incentives in CEO pay becomes greater as firms become more internationalized. According to the authors, internationalization of firms increases the complexity of firm operations. In order to attract and retain CEOs that can effectively manage complex operations, international firms need to offer higher pay. Because the complexity of operations also increases monitoring difficulty for shareholders, they are more likely to use financial incentives to ensure that their CEOs are induced to increase their firms' economic value.

Non-managerial compensation and benefits

Unlike managerial positions, non-managerial positions are typically held by HCNs except for the positions that require special technical expertise because most countries have an immigration policy that protects local workers (Dowling & Welch, 2004). Given the limited cross-national mobility of non-managerial employees, MNCs usually define the relevant labor markets as those in local markets (Fay, 2008). The unique characteristics of each country's labor markets (i.e., labor supplies and demands), as well as other economic factors (e.g., cost of living, tax systems), yield the significant difference in local market pay levels. Indeed, many MNCs take advantage of this difference in local pay levels and pursue cost advantages by operating in low wage countries (Bhagwati *et al.*, 2004; Bognanno *et al.*, 2005). As a result of aligning subsidiaries' pay levels to respective local market pay levels, non-managerial employees' pay levels vary across locations. Yanadori's study (2011) on a US MNC's subsidiaries in the Asia Pacific region reported that location accounts for 13.2 percent of the variance in non-managerial employees' base pay levels. This is much bigger than the proportion of variance in managerial employees' base pay levels explained by location (i.e., 3.7 percent). Because non-managerial employees have relatively limited cross-national mobility, these employees are less likely to find the pay levels in other locations relevant to their internal pay comparison.

Even if non-managerial employees' pay levels are determined in line with local market pay levels, MNCs still have discretion in market positions. Considering the fact that local contexts have limited influence on organizational decisions on market positions, it is possible that MNCs apply consistent market positions across locations. To my knowledge, however, no academic study has explored market positions adopted by MNCs' subsidiaries in different locations. An exception is Yanadori (2004), who found that foreign ownership is positively associated with

pay levels by examining the pay levels for new college graduates in firms operating in Japan. The author explained that MNCs often have less employment branding to workers compared with local established employers. To make up low employment branding, their foreign subsidiaries may offer pay packages that are more attractive than those offered by local employers. In addition to the issue of employment branding, the author also explained that local employees recognize limited job security in foreign (mainly US) firms compared with local Japanese firms; consequently, they expect higher pay levels to compensate for reduced job security.

The pay mix in non–managerial employees' compensation, particularly the use and emphasis of financial incentives, has been widely studied in the fields of international HRM and compensation management. Consistent with the local responsiveness logic, subsidiaries' local contexts may support or oppose the philosophy of pay for performance. Comparing the HRM practices adopted by subsidiaries located in three countries (i.e., Russia, Finland, and US), Bjorkman *et al.* (2007) found that financial incentives are more aggressively used in subsidiaries that operate in Russia. The difference across locations suggests that MNC subsidiaries adjust the use of financial incentives according to locations. Similarly, Ferner and Almond (2013) examined subsidiaries operating in the UK and showed that financial incentive practices are not significantly different based on the nationality of MNCs. Thus, despite the difference in incentive practices in headquarters, their foreign subsidiaries in the same country (i.e., UK) use similar practices. It is interesting to note that Ferner and Almond's (2013) analysis revealed the difference in the effects of host countries' contexts between managerial compensation and non–managerial employees' compensation. While managerial employees' financial incentive practices are significantly different based on the nationality of MNCs (consistent with the global integration logic), non–managerial employees' financial incentive practices are not (consistent with the local responsiveness logic). Thus, MNCs may take different approaches between managerial incentives and non–managerial employees' incentives. Consistently, Yanadori (2011) found that the proportion of financial incentives in managerial compensation is not significantly different across subsidiaries (consistent with the global integration logic), whereas that of non–managerial employees' compensation is significantly different across subsidiaries (consistent with the local responsiveness logic). Thus both studies indicate that MNCs prioritize the global integration logic (= standardizing practices across locations) for managerial employees' financial incentives, but the local responsiveness logic (= customizing practices according to locations) for non–managerial employees' financial incentives.

Other than financial incentives, employee benefits practices are strongly influenced by host countries' local contexts, particularly government regulations, social security, and tax systems (Martocchio & Pandey, 2008). Because it is difficult for MNCs to neglect these regulations, they usually localize benefits programs in their subsidiaries (Rosenzweig & Nohria, 1994). One interesting phenomenon is that MNCs occasionally attempt to influence government regulations relevant to employee benefits. To reduce administrative complexity, MNCs sometimes request policy-makers to coordinate relevant regulations with other countries. For instance, several countries, including the US, have established treaties with other countries that allow globally mobile employees to make contributions to their retirement accounts in countries of their choice (usually their home countries) irrespective of their work location.

Finally, one study examined the compensation practices at MNC headquarters rather than their subsidiaries. If MNCs operate in low wage countries to achieve cost advantage, one important question is the effect of foreign operations on headquarters employees' pay levels. One may expect that as a result of transferring some of the organizational work to foreign locations, these organizations experience labor surplus, and are motivated to reduce headquarters employees' pay levels. The finding in Hayami and Nakamura (2012), however, offers a different

picture. Their analysis on Japanese firms demonstrated that firms' foreign direct investment is positively associated with the pay levels of their employees in Japan, and the pay premiums are greater among managerial employees than non-managerial employees. Similar to the argument in Carpenter and Sanders's research (2004), which examined the effects of firm internationalization on CEO pay, employees in MNC headquarters need to handle complex tasks including the coordination between headquarters and subsidiaries. Consequently, these MNCs offer higher pay to their headquarters employees to reward increased complexity.

Consequences of compensation and benefits in MNCs

In the domestic context, scholars explore the consequences of compensation practices to answer the "so what" question. Compensation is known to influence employee attitudes and behaviors, which subsequently influence group- and organization-level outcomes (Gerhart & Rynes, 2003). Similar to the research on antecedents, extant research on the consequences of compensation generally treats managerial compensation and non-managerial employees' compensation separately due to the different implications for organizations. Managerial compensation research usually focuses on organization-level outcomes (Finkelstein & Hambrick, 1996), whereas non-managerial employee compensation research traditionally focuses on employee-level outcomes (Rynes & Gerhart, 2000). As the strategic perspective on HRM evolves (Wright & Boswell, 2002), researchers increasingly examine the effects of non-managerial employees' compensation on organization-level outcomes recognizing the role employees play in enhancing organizational performance (Gomez-Mejia *et al.*, 2010).

Managerial compensation and benefits

The primary interest of managerial compensation research is identification of compensation practices that enhance organizational performance (Gomez-Mejia *et al.*, 2010). In the domestic context, these studies commonly examine the effect of incentive alignment on organizational effectiveness (Bebchuk & Fried, 2004). According to agency theory (Jensen & Meckling, 1976), an emphasis on financial incentives in managerial compensation will induce senior managers to work effectively for enhanced organizational performance. A number of empirical studies have been conducted to test this proposition using the samples collected from countries around the world. Although empirical evidence is somewhat mixed (Gomez-Mejia *et al.*, 2010), there is evidence that supports the effectiveness of incentive alignment. Gerhart and Milkovich (1990) found that the proportion of bonuses in senior managers' total pay is positively associated with subsequent organizational performance. Nyberg *et al.* (2010) demonstrated that a tight link between executives' wealth and firm performance leads to enhanced firm performance.

Compared to domestic compensation research, limited research effort has been devoted to understanding the effect of incentive alignment in the international contexts. One exception is Roth and O'Donnell (1996), who examined both antecedents and consequences of subsidiary managers' compensation building on agency theory (Jensen & Meckling, 1976) and viewing MNC headquarters as principals and subsidiaries as agents. While the authors' analysis examined managerial incentives, the market position of managerial pay levels, non-managerial employees' financial incentives, and the performance measurement simultaneously, their results demonstrate that tight incentive alignment in subsidiaries' compensation practices is associated with better subsidiary performance.

Limited research on the consequences of managerial compensation may be attributable to the difficulty in collecting managerial compensation information. In many countries, information

on senior executives' compensation is publicly available; however, subsidiaries of MNCs often remain as private firms in their host countries, and information about their managers' compensation and benefits is inaccessible to researchers. Rather than examining subsidiary managers' compensation, Carpenter and Sanders (2004) focused on the implications of headquarters managers' compensation for MNC performance. In their previous study (Sanders & Carpenter, 1998), the authors reported that as firms increase their reliance on international markets, their CEOs receive higher pay and the proportion of long-term incentives in total pay also increases. The authors explained that this is because these firms' operations become more complex and require long-term commitment of high quality CEOs. To augment their explanation, Carpenter and Sanders (2004) tested if these CEO pay arrangements (i.e., higher pay and a greater emphasis on long-term incentives) are associated with enhanced MNC performance. Consistent with their expectation, CEO pay levels and the proportion of long-term incentives in total pay are both positively associated with subsequent firm performance, and this relationship is stronger as firms become internationalized.

Other than subsidiary performance, international HRM researchers are increasingly interested in understanding how MNCs manage knowledge across national boundaries. In strategic management research, knowledge management has emerged as a key area because of its potential to generate sustained competitive advantage (Grant, 1996). Several scholars argue that knowledge management is particularly salient to MNCs, and effective generation, transfer, and exploitation of knowledge among geographically dispersed operations enable MNCs to achieve higher performance (Bartlett & Ghoshal, 1989; Kogut & Zander, 1993). While MNCs establish various mechanisms to facilitate the transfer of knowledge across locations, the success of knowledge management hinges on the commitment of subsidiary managers. Examining foreign subsidiaries located in China and Finland, Fey and Furu (2008) found that when subsidiary managers' compensation emphasizes financial incentives whose payment is tied to MNCs' overall performance, as opposed to their subsidiaries' performance, knowledge sharing between subsidiaries and headquarters is greater. The authors explained that when subsidiary managers' income is strongly tied to MNCs' overall performance, they become more willing to share their knowledge with managers in the other subsidiaries because performance improvement in other subsidiaries will also contribute to MNC performance, and thus will enhance their income.

Overall, much of the research on the consequences of managerial pay practices, while limited, focuses on the effects of financial incentives in promoting managerial behaviors that are beneficial to MNCs. Despite researchers' strong interests in the resemblance of managerial compensation practices between headquarters and subsidiaries, its performance implications are not well-understood.

Non-managerial compensation and benefits

The review of literature suggests that MNCs often prioritize the localization logic when designing compensation for non-managerial employees. While this approach appears to be effective in preempting the misfit between compensation practices and local contexts, it potentially stimulates two types of equity problem. First, compensation and benefits practices between expatriates and local employees are likely to be significantly different because the former is typically based on the headquarters practices (with various financial adjustments), whereas the latter is based on local practices. Second, as a result of prioritizing localization, compensation and benefits practices will differ among employees holding similar positions depending on their work locations.

The inequity between expatriates and local employees has been widely studied. Compensation packages for expatriates include various financial adjustments, and as a result their total rewards are significantly greater than local employees' total rewards (Milkovich *et al.*, 2011). For instance, to allow US expatriates to live in a house that is comparable to the one they used to live prior to assignment, subsidiaries in Asia or Europe will need to provide large financial adjustments. The large pay differential between expatriates and local employees may evoke a sense of unfairness among local employees. In general, expatriates may not be relevant comparative referents to local employees given the difference in employment status. According to Toh and Denisi (2003), however, local employees may engage in pay comparison with expatriates under certain circumstances such as the case when expatriates are highly integrated in their subsidiaries and increase interactions with local employees. In support of this argument, several empirical studies showed that local employees often regard the pay differentials between expatriates and local employees inequitable (e.g., Bonache *et al.*, 2009; Chen *et al.*, 2011; Leung *et al.*, 2009). These studies also reported that the sense of inequity extends to lower job satisfaction (Chen *et al.*, 2011), organizational commitment (Leung *et al.*, 2009), and evaluation of their expatriates (Leung *et al.*, 2009).

Thus, the pay disparity between expatriates and local employees is problematic for MNCs and their foreign subsidiaries. Expatriates undertake important responsibilities and their performance influences the effectiveness of subsidiaries and entire MNCs (Dowling & Welch, 2004). Considering the high probability of expatriate failure (Bhaskar-Shrinivas *et al.*, 2005), MNCs often offer generous expatriate pay packages to facilitate successful expatriation. Indeed, research shows that generous support for expatriates, including financial ones, positively influences expatriates' adjustment and performance in host countries (Takeuchi *et al.*, 2009). However, doing so may have negative by-products if local employees view the arrangements as overly generous. One potential strategy to mitigate local employees' negative reactions to this pay disparity seems to be offering generous pay to local employees. Even if local employees find their subsidiaries' pay practices unfair in terms of internal equity (i.e., based on pay comparison with expatriates), if their market positions are favorable (i.e., based on pay comparison with workers in local labor markets), their negative reactions may be mitigated. Bonache *et al.* (2009) showed that higher pay levels relative to local market pay levels alleviate the sense of pay unfairness that stems from the pay differential between expatriates and local employees (Bonache *et al.*, 2009).

In contrast to the volume of research on the equity between expatriates and local employees, research on the inequity among employees in different locations as a result of localizing subsidiary compensation practices is limited. While this possibility is discussed in professional magazines (e.g., Fryer *et al.*, 2003), systematic empirical evidence is lacking. This is somewhat unfortunate because one of the rationales for using consistent compensation and benefit practices across locations is preventing the sense of inequity that may be caused by the difference in compensation and benefits practices across locations. This issue will be later discussed as one of the key future research questions.

Other than the equity issues in MNCs' compensation practices, Simonin and Ozsomer (2009) explored the effects of HRM practices on knowledge management in MNCs. The authors found that learning incentives, which reward employees for sharing their knowledge with colleagues, facilitate the transfer of knowledge from subsidiaries to their headquarters. This result is consistent with Fey and Furu (2008), who found that subsidiary managers' incentive practices influence knowledge sharing within MNCs. Thus, appropriate incentive designs, both in managers' and non-managerial employees' compensation, promote an efficient knowledge transfer across national boundaries.

Overall, research on the consequence of MNCs' compensation and benefit practices for non-managerial employees is relatively scarce except for the equity issue between expatriates and local employees. The lack of research on the consequences of non-managerial employees' compensation and benefits is primarily because non-managerial positions are usually held by HCNs, and the boundary between domestic compensation research and MNC compensation research becomes ambiguous.

Future research

Increasingly, organizational operations go beyond their home countries and they manage employees in multiple countries. Despite this trend, the majority of compensation research to date has been undertaken in the domestic context. In this sense, compensation research lags behind actual organizational practices (Bonache & Stirpe, 2012). Admittedly there are a number of challenges international compensation researchers face. Collecting data from subsidiaries located in different countries is expensive and time consuming. Even if researchers successfully collect pay information from subsidiaries operating in different countries, accurate comparison of pay levels across countries is complicated because of the differences in currencies used and cost of living across locations. In spite of these challenges, extant studies have illuminated interesting differences in compensation practices across MNCs and their subsidiaries. Empirical studies have also demonstrated that compensation and benefits practices, both for managers and non-managerial employees, have important implications for employee- and organization-level outcomes. Researchers are encouraged to further delve into antecedents and consequences of compensation practices in MNCs (see Table 12.1).

Antecedents of compensation and benefits practices

With respect to the antecedents of compensation practices, most studies follow the tradition of international HRM and examine how subsidiaries balance between the local responsiveness and

Table 12.1 Future research needs

Antecedents of Compensation and Benefits Practices

- Identification of factors that account for MNCs' compensation decisions for the balance between localization and global integration logics
- Increase in the variation of theoretical approaches to understanding MNCs' compensation and benefits practices
- Research on MNCs' decisions on benefits and nonmonetary rewards
- Continuation of research on cross-national comparison of compensation and benefits practices (e.g., Cranet Survey)

Consequences of Compensation and Benefits Practices

- Research on the performance implications of MNCs' choice for their compensation and benefits practices
- Research on the possible negative impact of the misfit between MNCs' compensation practices and national culture on employee behavior
- More research on the implications of pay inequity (e.g. the differentials between expatriates and local employees, the differentials among employees in different locations) for employee-, subsidiary-, and corporate-level outcomes

---

global integration logics. While this line of research offers a useful insight, empirical research appears to suggest that the balance varies according to aspects of compensation practices and employee groups (Ferner & Almond, 2013; Rosenzweig & Nohria, 1994; Yanadori, 2011). Rather than examining the degree of resemblance for each aspect individually, researchers are encouraged to develop a theoretical model that explains organizational decisions about the balance between the two logics. For instance, Yanadori (2011) argued that MNCs prioritize the global integration logic for the aspects that have greater performance implications (e.g., the emphasis on financial incentives in compensation packages). Considering that his study examined only one MNC's subsidiaries, a more systematic research that explores subsidiaries of multiple MNCs will enrich our knowledge about MNCs' compensation practices.

Researchers are also encouraged to go beyond the local responsiveness-global integration framework and explore other theoretical perspectives. As this article reviewed, several studies drew upon agency theory to explain MNCs' decisions on their managers' compensation practices (Roth & O'Donnell, 1996; Sanders & Carpenter, 1998). This exemplifies the potential usefulness of extant compensation theories in the MNC context. For instance, domestic compensation studies have demonstrated that business strategies are key determinants of various aspects of compensation practices (Gomez-Mejia & Balkin, 1992). Building on this model, the global integration logic posits that compensation practices in MNCs and their subsidiaries are determined to support their global business strategies. Interestingly, however, we know very little about the relationship between global business strategies and compensation practices in MNCs. One possibility is Adler's (2002) three stage model of global participation (i.e., international, multinational and global). These stages might be associated with MNCs' compensation decisions, including their choice between local responsiveness and global integration.

Because the majority of the studies on the antecedents of compensation practices examined the use of (or an emphasis on) financial incentives, more studies are encouraged on other pay programs such as employee benefits and nonmonetary rewards. While employee benefits are highly subject to government regulations, social security, and tax system, MNCs still have some discretion. We know that employers in European countries provide longer vacation days than those in the US. Do the MNCs from these European countries simply localize benefits practices in their subsidiaries in the US? (Or, what factors lead European MNCs to offer a similar level of benefits to their US employees?) What if they establish a subsidiary in developing countries where government regulations are relatively loose? Besides benefits, future research is encouraged to explore how MNCs manage nonmonetary rewards. In the context of MNCs, other than cash compensation and benefits, nonmonetary rewards such as career development (e.g., international experiences) and support for employees' family members may become key components of total rewards. If this is the case, just focusing on one pay program (i.e., financial incentives) and examining how it varies across subsidiaries may offer only a partial picture of MNCs' compensation management. Consideration of total rewards, which include both monetary and nonmonetary elements, will inform us of the "deal" employers and employees implicitly form (Bloom & Milkovich, 1996). Employee–organization relationship research, which examines the employment relationships as reciprocal resource exchanges, posits that the type of resource exchanges shapes employee perceptions about their relationships to the organizations (Shore et al., 2004). It would be interesting to examine whether or not an MNC's employees form similar types of employee-organization relationship across locations.

Finally, a systematic research effort to compare among countries' compensation and benefits practices should be continued. An important premise surrounding MNCs' compensation management is that the differences in national compensation and benefits practices persist. To this end, data provided by the Cranet Survey are highly informative. I particularly encourage

future research to undertake a longitudinal study (e.g., Mayrhofer *et al.*, 2011) to examine how national compensation and benefits practices change over time.

Consequences of compensation and benefits practices

With respect to the consequences of compensation practices, the implications of resemblance of subsidiaries' practices to headquarters' practices for organizational performance should be explored. Surely, exploring the degree of similarity between headquarters and subsidiaries is theoretically important to understand MNCs' decisions on their compensation practices. Yet, it is equally important to understand how MNCs' decisions influence the effectiveness of subsidiaries and MNCs as a whole. Does the resemblance of compensation practices between headquarters and subsidiaries have any positive (or negative) implications for subsidiary employees' performance? Viewed differently, does the difference between subsidiaries' practices and local practices have any impacts on subsidiary employees' performance? The influence of subsidiary compensation practices on employee performance will be translated to subsidiary performance. While adopting host countries' practices ensures the legitimacy of subsidiaries, deviating from local practices helps subsidiaries develop a strong organizational culture through self-selection (Schneider, 1987). Researchers are encouraged to investigate the performance implications of these two strategies.

To this end, the rationales for the localization and global integration logics should be more carefully examined. With respect to the localization logic, one prominent justification is that the misfit between headquarters-based compensation and benefits practices and local culture could stimulate negative employee reactions. For instance, because financial incentives transfer income risk from employers to employees, an emphasis on this reward form in a high uncertainty-avoidance culture may evoke negative reactions from employees (Gomez-Mejia & Welbourne, 1991). Yet, empirical evidence to support this line of argument is limited. In theory, this is aligned with the contingency model, which posits that the effectiveness of compensation and benefits practices depend on work and organizational contexts (Gomez-Mejia & Balkin, 1992; Milkovich, 1988), and national culture is potentially one of such contexts. Indeed, several studies support that employee reactions to work practices vary across cultures (Taras *et al.*, 2010). To support the localization logic, the ramification of the misfit between compensation and benefit practices and national culture needs to be empirically identified. The extent of the negative effect may vary across cultures because culture also varies in the level of tolerance to behaviors that deviate from cultural norms (Gelfand *et al.*, 2011). According to the study by Gelfand *et al.* (2011), Pakistan, India, Malaysia, Singapore, and South Korea have low tolerance (tight) culture, whereas Ukraine, Estonia, Hungary, Netherlands, and Venezuela have high tolerance (loose) culture. Negative reactions to compensation and benefit practices that misfit with local culture might be greater in low tolerance culture.

It is important to note that Gerhart and his colleagues (Gerhart, 2008; Gerhart & Fang, 2005) complain that extant cross-cultural management research overestimates the influence of national culture. By re-examining Hofstede's study, Gerhart and Fang (2005) demonstrated that country accounts for less than 5 percent of the variance in individual values. Given the wide variation in individual values within countries, it may not be difficult for MNC subsidiaries to develop compensation practices based on their global strategies and hire local workers whose values fit with the compensation practices. Consistent with the recent development in strategic human resource management, research may need to capture various HR practices as a set. In our context, the effect of compensation and benefits practices in foreign subsidiaries is likely to be contingent on the subsidiaries' selection practices.

One justification for the global integration logic is that localization of compensation and benefits practices creates the equity problem among employees that undertake similar work in different locations. Such negative employee reactions are likely to be observed at the subsidiary level; that is, employees in certain subsidiaries are likely to feel underpaid and treated unfairly. If this is the case, the performance of such subsidiaries will decrease. Besides, employees in these subsidiaries may be unwilling to collaborate or share knowledge with those in other subsidiaries, culminating in a decrease in the entire organization's performance. Future research needs to explore whether or not localization of compensation practices creates this problem.

In addition, the performance implications of the pay differentials between expatriate employees and local employees need to be further examined. As already noted, there is an interesting conflict for the compensation practices in MNC subsidiaries. Generous expatriate compensation packages are likely to improve expatriate performance; however, the gap between expatriate compensation and local employee compensation stimulates the sense of inequity among local employees. If so, what is the subsidiary-level performance implication of generous expatriate compensation packages? In most organizations, work is completed through the collaborations among organizational members. If local employees exhibit negative reactions to generous expatriate compensation packages, their positive effects on expatriates' performance may not lead to enhanced subsidiary performance. Are there any pay arrangements that alleviate the negative reactions from local employees other than paying them more?

In sum, there are plenty of research questions that surround compensation practices in MNCs. More studies, both theoretical and empirical, are needed to better understand MNC decisions regarding compensation practices and their implications for employees and organizations.

Note

1   This article uses multinational corporations (MNCs) to refer to organizations that operate and manage employees at the global level.

References

Adams, J. S. (1965). Inequity in social exchange. In L. Berkowitz (Ed.), *Advances in experimental social psychology* (vol. 2, pp. 267–300). Orlando, FL: Academic Press.

Adler, N. J. (2002). *International dimensions of organizational behavior* (4th ed.). Cincinnati, OH: South-Western.

Barber, A. E., & Bretz., R. D. Jr. (2000). Compensation, attraction, and retention. In S. Rynes & B. Gerhart (Eds.), *Compensation in organizations: Current research and practices* (pp. 32–60). San Francisco, CA: Jossey-Bass.

Barkema, H. G., & Gomez-Mejia, L. R. (1998). Managerial compensation and firm performance: A general research framework. *Academy of Management Journal*, *41*: 135–146.

Bartlett, C. A., & Ghoshal, S. (1989). *Managing across borders: The transnational solution*. Boston: Harvard Business School Press.

Bartlett, C. A., & O'Connell, J. (1998). *Lincoln Electric: Venturing abroad*. *Case study*. Boston: Harvard Business Publishing.

Bartol, K. M., & Locke, E. A. (2000). Incentives and motivation. In S. Rynes & B. Gerhart (Eds.), *Compensation in organizations: Current research and practices* (pp. 104–147). San Francisco, CA: Jossey-Bass.

Bebchuk, L. A., & Fried, J. M. (2004). *Pay without performance: The unfulfilled promise of executive compensation*. Cambridge, MA: Harvard University Press.

Bhagwati, J., Panagariya, A., & Srinivasan, T. N. (2004). The muddles over outsourcing. *Journal of Economic Perspectives*, *18*: 93–114.

Bhaskar-Shrinivas, P., Harrison, D. A., Shaffer, M. A., & Luk, D. M. (2005). Input-based and time-based models of international adjustment: Meta-analytic evidence and theoretical extensions. *Academy of Management Journal*, *48*: 257–281.

Bjorkman, I., Fey, C. F., & Park, H. J. (2007). Institutional theory and MNC subsidiary HRM practices: Evidence from a three-country study. *Journal of International Business Studies*, *38*: 430–446.

Bloom, M. C., & Milkovich, G. T. (1996). Issues in managerial compensation research. In C. L. Cooper & D. Rousseau (Eds.), *Trends in organizational behavior* (Vol. 3, pp. 23–47). New York: Wiley.

Bloom, M., & Milkovich, G. T. (1999). A strategic human resource management perspective on international compensation and rewards. In G. R. Ferris (Ed.), *Research in personnel and human resource management* (Suppl. 4). Greenwich, CT: JAI Press.

Bloom, M., Milkovich, G. T., & Mitra, A. (2003). International compensation: Learning from how managers respond to variations in local host contexts. *International Journal of Human Resource Management*, *14*: 1350–1367.

Bognanno, M. F., Keane, M. P., & Yang, D. (2005). The influence of wages and industrial relations environments on the production location decisions of US multinational corporations. *Industrial and Labor Relations Review*, *58*: 171–200.

Bonache, J., & Stirpe, L. (2012). Compensating global employees. In G. K. Stahl, I. Bjorkman, & S. Shad (Eds.), *Handbook of research in international human resource management*. Cheltenham, UK: Edward Elgar Publishing Ltd.

Bonache, J., Sanchez, J. I., & Zarraga-Oberty, C. (2009). The intention of expatriate pay differential and expatriate inputs on host country nationals' pay unfairness. *International Journal of Human Resource Management*, *20*: 2135–2149.

Brewster, C., Mayrhofer, W., & Reichel, A. (2011). Riding the tiger? Going along with Crantet for two decades – a relational perspective. *Human Resource Management Review*, *21*: 5–15.

Brown, M., & Heywood, J. S. (2002). *Paying for performance: An international comparison*. Armonk, NY: M. E. Shape.

Carpenter, M. A., & Sanders, W. G. (2004). The effects of top management team pay and firm internationalization on MNC performance. *Journal of Management*, *30*, 509–528.

Chen, C. C., Kraemer, J., & Gathii, J. (2011). Understanding locals' compensation fairness vis-à-vis foreign expatriates: The role of perceived equity. *International Journal of Human Resource Management*, *22*: 3582–3600.

Collings, D. G., McDonnell, A., Gunningle, P., & Lavelle, J. (2010). Swimming against the tide: Outward staffing flows from multinational subsidiaries. *Human Resource Management*, *49*: 575–598.

Dowling, P. J., & Welch, D. E. (2004). *International human resource management: Managing people in a multinational context* (4th ed.). London: Thomson Learning.

Dulebohn, J. H., Molloy, J. C., Pitchler, S. M., & Murray, B. (2009). Employee benefits: Literature review and emerging issues. *Human Resource Management Review*, *19*: 86–103.

Ehrenberg, R. G., & Smith, R. S. (2012). *Modern labor economics: Theory and public policy* (11th ed.). Boston: Pearson Prentice Hall.

Eisenhardt, K. M. (1988). Agency- and institutional-theory explanations: The case of retail sales compensation. *Academy of Management Journal*, *31*: 488–511.

Evans, P., Pucik, V., & Bjorkman, I. (2011). *The global challenge* (2nd ed.). New York: McGraw-Hill.

Fay, C. H. (2008). The global convergence of compensation practices. In L. R. Gomez-Mejia & S. Werner (Eds.), *Global compensation: Foundations and perspectives*. Oxon, UK: Routledge.

Ferner, A., & Almond, P. (2013). Performance and reward practices in foreign multinationals in the UK. *Human Resource Management Journal*, *23*: 241–261.

Fey, C. F., & Furu, P. (2008). Top management incentive compensation and knowledge sharing in multinational corporations. *Strategic Management Journal*, *29*: 1301–1323.

Finkelstein, S., & Hambrick, D. C. (1996). *Strategic leadership: Top executives and their effects on organizations*. St. Paul, MN: West Publishing Company.

Fiss, P., & Zajac, E. (2004). The diffusion of ideas over contested terrain: The (non)adoption of a shareholder value orientation among German firms. *Administrative Science Quarterly*, *49*: 501–534.

Fryer, B., Milkovich, G. T., Thinnes, J. A., Yaffe, J., & Kokott, D. (2003). In a world of pay. *Harvard Business Review*, *81*: 31–40.

Gaur, A. S., Delios, A., & Singh, K. (2007). Institutional environments, staffing strategies, and subsidiary performance. *Journal of Management*, *33*: 611–636.

Gelfand, M. J. *et al.* (2011). Differences between tight and loose cultures: A 33-nation study. *Science*, *332*: 1100–1104.

Gerhart, B. (2008). Compensation and national culture. In L. R. Gomez-Mejia & S. Werner (Eds.), *Global compensation: Foundations and perspectives*. New York: Routledge.

Gerhart, B. (2009). Compensation. In J. Storey, P. M. Wright & D. Ulrich (Eds.), *The Routledge companion to strategic human resource management*. Oxon, UK: Routledge.

Gerhart, B., & Milkovich, G. T. (1990). Organizational differences in managerial compensation and financial performance. *Academy of Management Journal*, *33*: 663–691.

Gerhart, B., & Rynes, S. L. (2003). *Compensation: Theory, evidence, and strategic implications*. Thousand Oak, CA: Sage.

Gerhart, B., & Fang, M. (2005). National culture and human resource management: Assumptions and evidence. *International Journal of Human Resource Management*, *16*: 971–986.

Giancola, F. L. (2009). Is total rewards a passing fad? *Compensation and Benefits Review*, *41*: 29–35.

Gomez-Mejia, L. R., & Welbourne, T. (1991). Compensation strategies in a global context. *Human Resource Planning*, *14*: 29–41.

Gomez-Mejia L. R., & Balkin D. B. (1992). *Compensation, organizational strategy, and firm performance*. Cincinnati, OH: South-Western Publishing.

Gomez-Mejia L. R., Berrone, P., & Franco-Santos, M. (2010). *Compensation and organizational performance: Theory, research, and practice*. Armonk, NY: M. E. Sharpe.

Goodman, P. S. (1974). An examination of referents used in the evaluation of pay. *Organizational Behavior and Human Performance*, *12*: 170–195.

Grant, R. M. (1996). Toward a knowledge-based theory of the firm. *Strategic Management Journal*, *17*: 109–122.

Greckhamer, T. (2011). Cross-cultural differences in compensation level and inequality across occupations: A set-theoretic analysis. *Organization Studies*, *32*: 85–115.

Groshen, E. L. (1991). Sources of intra-industry wage dispersion: How much do employers matter. *Quarterly Journal of Economics*, *106*: 869–885.

Hambrick, D. C., Davison, S. C., Snell, S. A., & Snow, C. C. (1998). When groups consist of multiple nationalities: Towards a new understanding of the implications. *Organization Studies*, *19*: 181–205.

Hayami, H., & Nakamura, M. (2012). Wages, overseas investment and ownership: Implications for internal labor market in Japan. *International Journal of Human Resource Management*, *14*: 2959–2974.

Hofstede, G. (1980). Motivation, leadership, and organization: Do American theories apply abroad? *Organizational Dynamics*, *9*: 42–63.

Jenkins, D. G. Jr., Mitra, A., Gupta, N., & Shaw, J. D. (1998). Are financial incentives related to performance? A meta-analytic review of empirical research. *Journal of Applied Psychology*, *83*: 777–787.

Jensen, M. C., & Meckling, M. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Political Economy*, *98*: 225–264.

Kalmi, P., Pendleton, A., & Poutsma, E. (2012). Bargaining regimes, variable pay and financial participation: Some survey evidence on pay determination. *International Journal of Human Resource Management*, *23*: 1643–1659.

Kang, S-C., & Yanadori, Y. (2011). Adoption and coverage of performance-related pay during institutional change: An integration of institutional and agency theories. *Journal of Management Studies*, *48*: 1837–1865.

Katz, H. C., & Darbishire, O. (2002). *Converging divergences: World-wide changes in employment systems*. Ithaca, NY: ILR Press.

Kogut, B., & Zander, U. (1993). Knowledge of the firm and the evolutionary theory of the multinational corporation. *Journal of International Business Studies*, *24*: 625–645.

Kroumova, M. K., & Sesil, J. C. (2006). Intellectual capital, monitoring, and risk: What predicts the adoption of employee stock options? *Industrial Relations*, *45*: 734–752.

Kruse, D. (1996). Why do firms adopt profit-sharing and employee ownership plans? *British Journal of Industrial Relations*, *34*: 515–538.

Lawler, E. E., III. (1990). *Strategic pay: Aligning organizational strategies and pay systems*. San Francisco: Jossey-Bass.

Lazear, E. P. (2000). Performance pay and productivity. *American Economic Review*, *90*: 1346–1361.

Leung, K., Zhu, Y., & Ge, C. (2009). Compensation disparity between locals and expatriates: Moderating the effects of perceived injustice in foreign multinationals in China. *Journal of World Business*, *44*: 85–93.

Lowe, K. B., Milliman, J., De Cieri, H., & Dowling, P. J. (2002). International compensation practices: A ten-country comparative analysis. *Human Resource Management*, *41*: 45–66.

Martocchio, J. (2011). *Strategic compensation: A human resource* (6th ed.). Upper Saddle River, NJ: Pearson.

Martocchio, J. J., & Pandey, N. (2008). Employee benefits around the world. In L. R. Gomez-Mejia & S. Werner (Eds.), *Global compensation: Foundations and perspectives*. Oxon, UK: Routledge.

Mayrhofer, W., Brewster, C., Morley, M. J., & Ledolter, J. (2011). Hearing different drummer? Convergence of human resource management in Europe – a longitudinal analysis. *Human Resource Management Review*, *21*: 50–67.

Milkovich, G. T. (1988). A strategic perspective on compensation management. *Research in Personnel and Human Resource Management,* *6*: 263–288.

Milkovich, G. T., Newman, J., & Gerhart, B. (2011). *Compensation* (10th ed.). New York: McGraw-Hill.

Nyberg, A. J., Fulmer, I. S., Gerhart, B., & Carpenter, M. A. (2010). Agency theory revisited: CEO return and shareholder interest alignment. *Academy of Management Journal*, *53*: 1029–1049.

O'Donnell, S. W. (2000). Managing foreign subsidiaries: Agents of headquarters, or an interdependent network? *Strategic Management Journal*, *21*: 525–548.

Pudelko, M., & Harzing, A-W. (2007). Country-of-origin, localization, or dominance effect? An empirical investigation of HRM practices in foreign subsidiaries. *Human Resource Management*, *46*: 535–559.

Rosenzweig, P., & Nohria N. (1994). Influences on human resource management practices in multinational corporation. *Journal of International Business Studies*, *25*: 229–251.

Roth, K., & O'Donnell, S. (1996). Foreign subsidiary compensation strategy: An agency theory perspective. *Academy of Management Journal*, *39*: 678–703.

Rynes, S. L., & Gerhart, B. (2000). Bringing compensation into I/O psychology. In S. Rynes & B. Gerhart (Eds.), *Compensation in organizations: Current research and practices* (pp. 351–384). San Francisco, CA: Jossey-Bass.

Sanders, W. G., & Carpenter, M. A. (1998). Internationalization and firm governance: The roles of CEO compensation, top team composition, and board structure. *Academy of Management Journal*, *41*: 158–178.

Schneider, B. (1987). The people make the place. *Personnel Psychology*, *40*: 437–453.

Schuler, R. S., & Rogovsky, N. (1998). Understanding compensation practice variations across firms: The impact of national culture. *Journal of International Business Studies*, *29*: 159–177.

Shore, L. M., Tetrick, L. E., Taylor, M. S., Coyle-Shapiro, J. A.-M., Liden, R., McLean Parks, J., Morrison, E. W., Porter, L. W., Robinson, S. L., Roehling, M. V., Rousseau, D. M., Schalk, R., Tsui, A., & Van Dyne, L. (2004). The employee-organization relationship: A timely concept in a period of transition. In G. R. Ferris & J. Martocchio, J (Eds.), *Research in Personnel and Human Resource Management* (pp. 291–370). London: Elsevier.

Siegel, J. (2008). *Global talent management at Novartis*: *Case study*. Boston: Harvard Business Publishing.

Simonin, B. L., & Ozsomer, A. (2009). Knowledge processes and learning outcomes in MNCs: An empirical investigation of the role of HRM practices in foreign subsidiaries. *Human Resource Management*, *48*: 505–530.

Takeuchi, R., Wang, M., Marinova, S. V., & Yao, X. (2009). Role of domain-specific facets of perceived organizational support during expatriation and implications for performance. *Organization Science*, *20*: 621–634.

Taras, V., Kirkman, B. L., & Steel, P. (2010). Examining the impact of culture's consequences: A three-decade, multilevel, meta-analytic review of Hofstede's cultural value dimensions. *Journal of Applied Psychology*, *95*: 405–439.

Taylor, S., Beechler, S., & Napier, N. (1996). Toward an integrative model of strategic international human resource management. *Academy of Management Review*, *21*: 959–985.

Toh, S. M., & Denisi, A. S. (2003). Host country national reactions to expatriate pay policies: A mode and implications. *Academy of Management Review*, *28*: 606–621.

Tosi, H., & Greckhamer, T. (2004). Culture and CEO compensation. *Organization Science*, *15*: 657–670.

Van Jaarsveld, D. D., & Yanadori, Y. (2011). Compensation management in outsourced service organizations and its implications for quit rates, absenteeism, and workforce performance: Evidence from Canadian call centres. *British Journal of Industrial Relations*, *49*: s1–s26.

Watson, B. W. Jr., & Singh, G. (2005). Global pay systems: Compensation in support of a multinational strategy. *Compensation and Benefits Review*, *37*: 33–36.

Weber, C. L., & Rynes, S. L. (1991). Effects of compensation strategy on job pay decisions. *Academy of Management Journal*, 34: 86–109.

WorldatWork (2013). Creating a global total rewards systems at Unilever. Online video. Retrieved from www.worldatwork.org/Content/library/html/library-video.jsp.

Wright, P. M., & Boswell, W. R. (2002). Desegregating HRM: A review and synthesis of micro and macro human resource management research. *Journal of Management*, *28*: 247–276.

Wright, P. M., McMahan, G. C., & McWilliams, A. (1994). Human resources and sustained competitive advantage: A resource-based perspective. *International Journal of Human Resource Management*, *5*: 301–326.

Yanadori, Y. (2004). Minimizing competition? Entry-level compensation in Japanese firms. *Asia Pacific Journal of Management*, *21*: 445–467.

Yanadori, Y. (2011). Paying both globally and locally: An examination of the compensation management of a US multinational financial firm in the Asia Pacific region. *International Journal of Human Resource Management*, *22*: 3867–3887.

Zenger, T. R., & Marshall, C. R. (2000). Determinants of incentive intensity in group-based rewards. *Academy of Management Journal*, *43*: 149–163.

13

Global talent management

Vlad Vaiman and David G. Collings

Introduction

One of the most important developments in international human resource management over the past fifteen years has been the increased focus on the effective management of those individuals with high levels of human capital who are central to organizational success, both at home and abroad (Tarique and Schuler, 2010). Ever since the second half of the 1990s, the field of talent management has become a key area of focus for both practitioners and academics. Talent management (TM) can be thought of as a subset of strategic human resource management (SHRM), which concentrates on meaningful techniques aimed at attracting or identifying, motivating, developing, and retaining organization's most valuable employees and ensuring their deployment in those roles that add the greatest value in the organization. There are quite a few factors that differentiate TM from HRM. These factors include: the larger amount of stakeholders that talent management includes; it moves the human resource (HR) agenda beyond the HR function and into the boardroom; it generally has a narrower focus than HR and is generally targeted at employees with high levels of human capital; and a greater differentiation of HR practices to support employees' needs (Tarique and Schuler, 2012). We will touch upon more precise definitions of and approaches to talent management a little later in this chapter.

From the practitioners' viewpoint, taking care of all the issues currently associated with talent management – attracting/identifying, developing, mobilizing, and retaining key employees – represents a significant demand on their time and resources (remember the proverbial "War for Talent"?). Thus, the field of talent management has gained significant attention across industries, geographic locations, and corporate executives. Indeed, while a recent report by Ernst and Young (2010, p. 4) has claimed that "superior talent management correlates strongly with enhanced business performance", we have as yet little solid academic research on the outcomes of effective talent management on individual and organizational outcomes.

At an individual level, highly talented employees, when managed effectively, have the potential to generate value for the organization significantly in excess of average organizational performers. For example, for jobs that require repetitive, non-creative work, top performers are two to three times more productive than others, while for jobs in more creative and specialized work, the difference can be as much as six times. On average – across all jobs, trades, and world regions

– the best employees are about four times more productive than their other colleagues (Mankins, Bird, and Root, 2013). A key challenge for talent management is to maximize the contribution of these employees to the sustainable success of the organization.

From an academic perspective, the debate on talent management can be traced to the mid-1980s, with the dawn of the discourse on the strategic role of human resources in organizational success. However, the academic community has, initially at least, been rather sceptical of the concept of talent management. Most criticism has been related to the lack of conceptual and intellectual foundation, as well as the apparent absence of definition and academic precision of the underlying constructs (Collings and Mellahi, 2009; Lewis and Heckman, 2006; Scullion, Collings, and Caligiuri, 2010).

The empirical evidence on talent management remains scarce. The limited evidence that is available, however, points to widespread disparities between the rhetoric of formal policies and the reality of organizational practice (Holden and Vaiman, 2013). While the majority of organizations do recognize the paramount importance of talent management, most of them fail to manage talent effectively (Schuler, Jackson, and Tarique, 2011; Collings, Scullion, and Vaiman, 2011; Hewlett and Rashid, 2011). The recent global financial crisis has prompted questions on the continued significance of talent management, but evidence suggests that it remains a major issue for senior managers in most economies with skills gaps lingering in many sectors. For some companies, identifying, attracting and retaining talented, high value employees in key roles and positions has actually increased in importance in recent years (Beechler and Woodward, 2009; Farndale, Scullion and Sparrow, 2010; McDonnell, Lamare, Gunnigle, and Lavelle, 2010; Scullion, Sparrow, and Farndale, 2011). This is supported by the most recent PWC Global CEO Survey, which reports that talent management remains the number one priority for 78 percent of companies worldwide (PWC, 2012).

This chapter has four main aims. First, it seeks to review debates around the conceptual and intellectual boundaries of talent management. Second, it examines the global context of talent management by analysing the four key external forces affecting GTM and looking into their potential impact on TM policies and strategies. Third, it reviews various issues related to TM in MNEs and the role of HR function in managing talent. Finally, the chapter seeks to identify some research areas, which may serve as a foundation for future studies in talent management.

Defining GTM and establishing its boundaries

As noted above, there are still extensive discussions among academics with regard to their understanding of the meaning of talent management, as well as its conceptual and intellectual foundation and boundaries. While some scholars perceive TM from a mainly human capital perspective (Cappelli, 2008), others emphasize talent as the source of organizational success (Mellahi and Collings, 2010). Still other researchers see the linking of TM closely to the business strategy and emphasize the role of corporate culture in effective TM (Farndale, Scullion, and Sparrow, 2010). The field of talent management, or our interpretation of it, remains foggy, as both academics and practitioners struggle to agree on precise definitions of what constitutes talent and talent management (Collings and Scullion, 2009; Dries, 2013; Holden and Vaiman, 2013). Recent publications have concluded that this lack of precise definitions of talent management may have contributed to our somewhat inadequate understanding of the area from the very beginning (Collings and Scullion, 2009). Similar arguments have been made around the development of the field of employee engagement, which also emerged in the practitioner community.

There are nevertheless, a growing number of publications (see Becker, Huselid, and Beatty, 2009; Boudreau and Ramstad, 2007; Cappelli, 2008; Collings and Mellahi, 2009; Groysberg, 2010; Lengnick-Hall and Andrade, 2008; Tarique and Schuler, 2010; Vance and Vaiman, 2008; Collings and Mellahi, 2009; Scullion, Collings, and Caligiuri, 2010) that contributed significantly to the emergence of the field by providing some theoretical framing to the concept of talent management, which in turn offered some optimism for the potential of the field to add to the study of organizational management (Collings, Scullion, and Vaiman, 2011).

Even though there are at least 4–5 working definitions of talent management, there is a common theme to all of them, which tends to concentrate on two salient dimensions (Tarique and Schuler, 2012). The first dimension includes key individuals with high level of talent or human capital (measured by their knowledge, skills, and abilities) that are employed in key roles and add value to the organization. The second dimension involves focused deployment of HRM policies, procedures, and techniques that are effectively used to manage those individuals with high levels of talent. With the view on this common theme, we propose a combination of Tarique and Schuler's (2010) and Vance and Vaiman's (2008) definitions of both talent and TM, which refer to talent as key people in critical job roles, as well as employees who possess or are pursuing specialized and in-demand knowledge and skills. Talent management may therefore be identified as a set of organizational processes designed to attract, develop, mobilize, and retain individuals with high levels of human capital and ensure their deployment in role which are pivotal to organization success.

In more general terms, Lewis and Heckman (2006) distinguish three major directions that literature on TM normally follows. Researchers pursuing the first direction tend to use TM as a substitute definition for more efficient and aligned strategic HR processes. The second stream ascribes talent management to specific HR practices such as recruitment, staffing, succession planning and the like. The third direction concentrates on managing employee performance or effective leadership development. More recently, Vance and Vaiman (2008) and Collings and Mellahi (2009) identified a fourth direction that focuses on the identification of key positions and people (in terms of their skills, knowledge, expertise, etc.) in these positions which have the potential to positively impact the competitive advantage of the organization. A fifth stream of thinking focuses on the use of data analytics to make more informed decisions around talent and its deployment in the organizational context.

Most of the works on the topic, however, remain rather prescriptive and normative in nature and are often based on limited empirical evidence (e.g. Guthridge, McPherson, and Wolf, 2008; Hewlett and Rashid, 2011). The concept of talent, therefore, is still quite open to critique in terms of imprecise definitions, theoretical development, and practical evidence – and especially so in the global context (Lewis and Heckman, 2006; Collings and Mellahi, 2009; Scullion, Collings, and Caligiuri, 2010), to which we will return in the latter section of this chapter.

It has been argued that the emergence of greater consensuses in regards to the delineation of TM and its intellectual boundaries will provide evidence of the maturing of the field of TM (Collings, Scullion, and Vaiman, 2011). We should not, however, overlook evident differences in the ways talent management is defined and conducted around the world. These differences, attributed to variations in national contexts, should help to effectively counteract an excessively Western conceptualization of talent management, which is not necessarily reflective of practice in many national contexts (Luthans, Zhu, and Avolio, 2006; Scullion and Collings, 2011; Tymon, Strumpf, and Doh, 2010; Vance and Vaiman, 2008; Mellahi and Collings, 2010; Holden and Vaiman, 2013). However, from an academic perspective, at a minimum it is important that scholars define how they conceptualize and operationalize talent management in the context of individual research studies. We now turn to considering the global context of talent management.

The global context of talent management

As indicated above, much of the theoretical and empirical base that talent management is premised upon has evolved from a North American paradigm and research tradition. Indeed, the seminal work of the McKinsey consultants (Michaels, Handfield-Jones, and Axelrod, 2001) who coined the term "the war for talent" was based on the issues that US organizations confronted in regards to both the aging workforce and shrinking labor markets in the American context. This work has undoubtedly initiated the debate on talent management and provided some important insights into the understanding of the concept. However, as the field is moving toward its adolescence, it is becoming increasingly important that perspectives from different national contexts enter the debate and influence the definitions and boundaries of talent management as we know it (Vaiman, Collings, and Scullion, 2012). For example, one of the most important discussions in global talent management nowadays is on the question of convergence versus divergence of TM practices across cultures, regions, and countries (Tarique and Schuler, 2012). There is still no consensus among scholars at this point, but more recently, researchers have identified evidence of convergence at least in some areas of TM. Stahl *et al.* (2012) indicate that there are emerging indications of global convergence in talent management practices in the multinational sector. The authors argue that there are a few reasons that compel organizations to move toward convergence. Perhaps the most relevant are: firms compete for the same pool of talented employees and want to standardize the way in which they select and develop their talent (Stahl *et al.*, 2012). At the same time, the authors note that while striving for consistency in their TM efforts, organizations are still trying to adapt to local contexts and standards, given national differences.

Scholars have to be cautious in unpacking and exploring these differences to understand their origin and influence. As Vaiman and Brewster (2014) recently noted, researchers need to be mindful about the assumptions that they make about explanations for national differences (or similarities) in HRM practices and how they influence organizations operating internationally. The authors argue that it would be erroneous to look only at cultural differences among nations; rather a balanced view should be adopted in order to analyze the HRM environment. We argue that these insights are equally relevant for considerations of talent management.

Insights from the wider HRM literature are instructive in this regard. There has been a recent burst of activity, where scholars recorded the importance of institutional factors and proved that they matter more in such HRM activities as recruitment and selection (Wood, Brewster, Demirbag, and Brookes, 2014), training (Goergen, Brewster, Wood, and Wilkinson, 2012), flexible working practices (Richbell, Brookes, Brewster and Wood, 2011), turnover (Croucher, Wood, Brewster, and Brookes, 2012) and downsizing (Wood, Goergen, and Brewster, 2013). It is also noteworthy that differences in how these practices are implemented across nations are quite stable and may last for decades (Mayrhofer, Brewster, Morley and Ledolter, 2011). The connection between these practices and societal cultural differences is not that clear. However, in areas where the institutional factors are not that pronounced, cultural differences may be more significant (Vaiman and Brewster, 2014). Some examples of HRM processes where cultural differences play perhaps a decisive role include the use of appraisal systems (Hempel, 2001; Bailey, Chen, and Dou, 1997), communication (Papalexandris and Chalikias, 2002), performance management systems (Woods, 2003), personnel selection (Huo, Huang, and Napier, 2002), and development (Holden and Vaiman, 2013), among many others. So, once again, a more balanced approach to explaining the cross–national differences in TM activities is needed.

With some notable exceptions (Collings and Mellahi, 2009; Dries, 2013; Mäkelä, Bjorkman and Ehrnrooth, 2010; McDonnell *et al.*, 2010; Farndale, Scullion, and Sparrow, 2010; Vance and Vaiman, 2008; Holden and Vaiman, 2013), more international perspectives on talent

management remained in the minority. Recently, however, there have been a good number of papers and special issues dedicated specifically to talent management in different national contexts and world regions (see Collings *et al.*, 2011; McDonnell, Collings, and Burgess, 2012). While building on early North American scholarship, more recent contributions (Tymon *et al.*, 2010; Dries, 2013; Hartmann, Feisel, and Schober, 2010; Iles, Chuai, and Preece, 2010) clearly move beyond the US context by providing both academic and practical insights from different nations and regions and broadening our understanding of talent management in the global context.

Talent management is bound to remain a major issue for organizations in all the major economies around the world, with latest research indicating that talent management challenges may even be more pronounced in the emerging markets (Yeung, Warner, and Rowley, 2008; Vaiman and Holden, 2011; Tymon *et al.*, 2010). The unprecedented growth in these markets in particular has offered valuable insights and provided important implications for talent management strategies. Recent studies demonstrate that even after the much-discussed global financial crisis, talent challenges remain a top priority for many organizations in China and India (Teagarden, Meyer, and Jones, 2008; Stumpf, Doh, and Tymon, 2010; Iles *et al.*, 2010; Doh, Smith, Stumpf, and Tymon, 2011; Shi and Handfield, 2012). Equally, despite the general lack of research on talent management in Central and Eastern Europe, most recent works in this area highlighted the significance of the TM issues for both private and public organizations there. Moreover, the complex history and cultural peculiarities in post-communist countries provide an additional context for talent management efforts, which in turn makes it more difficult to understand and practise (Skuza, Scullion, and McDonnell, 2013; Vaiman and Holden, 2011; Holden and Vaiman, 2013).

In order to encompass all these different international, national, and regional perspectives, include the ever-present influence of rapidly globalizing business world, and underscore the importance of talent management in the global context, Tarique and Schuler (2010) proposed the following definition of global talent management (GTM):

> A subset of IHRM activities (systematically linked IHRM policies and practices) to attract, develop, retain, and mobilize individuals with high levels of current and potential human capital consistent with the strategic directions of the multinational enterprise to serve the objectives of multiple stakeholders.

For them a central idea underscoring GTM as a concept, which can serve as an "umbrella" for both domestic and international talent management, is that organizations face increasing competition for talent on a global scale and encounter major problems in attracting, developing, and retaining their key employees. Indeed, Cascio and Aguinis (2008) argue that the successful MNC of the future will be required to source human and intellectual resources regardless of their global location owing to the increasing competition. To better understand the main challenges of GTM, it is necessary to look at some of the main external forces that impact every organization's TM efforts (Tarique and Schuler, 2012; Schuler *et al.*, 2011). Among these main forces are globalization (which we are not going to address explicitly in this chapter, but which transcends all of the issues we are discussing here), the shortage of talented employees, changes in demographics, changes in the attitudes of employees toward work, and national differences. The first two the shortage of talent and demographic developments – are perhaps the most significant ones, since they affect the entire balance of talent supply and demand.

On the demand side, there is substantial evidence suggesting that organizations around the world have considerable difficulties finding and retaining talented employees. For instance, in 2012, 49 percent of US employers reported difficulties in filling key positions, which is a slight easement from the 2011 figure of 52 percent, but still very high compared to 14 percent in

2010 (Manpower Group, 2012). Out of these 49 percent, around 55 percent cite unavailability of talent as the main reason for not being able to fill the critical positions. Organizations world-wide face quite similar problems. Employers in emerging economies like Brazil (71%) and India (48%) are having problems filling key positions. These figures are even more staggering in the developed world – 42 percent of German and 81 percent of Japanese employers report similar problems (Manpower Group, 2012). Overall, about 43 percent of organizations across the nations and industries find it more difficult to fill vacant positions compared to previous years (PWC, 2012). Among strategies most commonly used to combat talent shortages, companies focus more efforts on talent retention and aggressive recruiting, appointing people with high potential to take over critical job roles, as well as providing additional training and development to existing employees, thereby enabling them to fill vacancies (Tarique and Schuler, 2010).

On the supply side, changing demographics also emerge as a significant concern. A key trend in this regard is the aging population across developed nations. For example, among OECD members the number of workers aged 40 and above will soon exceed the number of those below 40 for the first time ever. In the USA, within the next few years the number of workers aged 55 and above will be about 20 percent of the entire labor market, compared to just 13 percent in 2006. Likewise, more than 40 percent of Canadian working population is projected to be between the ages of 45 and 64 by 2021 (Avery, McKay, and Wilson, 2007). A rather similar picture can be observed in Europe. The EU's working-age population has already peaked in 2012 at approximately 308 million and will begin decreasing over the next 50 years to about 265 million in 2060. At the same time, the proportion of older people will keep on increasing as years go by. On the contrary, much of the developing and emerging world is expanding and becoming younger, which does not, however, offer much help to organizations looking for talent (*The Economist*, 2013). That is because, most of these young people do not possess enough knowledge, skills, and abilities to fulfil requirements of the modern, sophisticated, fast-paced, and increasingly globalized business environment.

There seems to be no easy solution when it comes to reconciling the differences between supply of and demand for talented people, even in spite of high unemployment. Indeed, in exploring the number of companies reporting difficulties finding talented people through the lens of unemployment figures, some interesting trends emerge. For example, US unemployment is hovering around 8 percent, while among youth it is around 16 percent. Amid 34 OECD member-countries, the unemployment among young population was 17.1 percent in 2012, which pales in comparison with around 51 percent in Greece and 52 percent in Spain (Towers Watson, 2012a). The same study predicts that as the skills required by employers become more complex, labor shortages – and therefore talent shortages – are going to affect many markets, including the USA, Canada, Germany, and Italy, among others. According to the latest Manpower Group Talent Shortage Survey, 42% of organizations worldwide perceive talent shortages as making either high or medium impact on their key stakeholders (Manpower Group, 2012). It is therefore possible to conclude that although the (im-)balance between supply and demand of talent may vary significantly from market to market, it will continue impacting the global workplace in the foreseeable future. The biggest problem for many organizations now is the mismatch between the skills needed for available jobs and the skills workers currently possess. Among other important reasons for being unable to fill key positions organizations cite the lack of technical and so-called soft skills, as well as the lack of experience (Manpower Group, 2012).

Dealing with these challenges requires a rethinking of global talent strategies. Indeed, the findings of the Global Talent 2021 study propose the following possible solutions (Towers Watson, 2012b), although these represent important areas where academic research could facilitate a more informed discussion:

- Since talent shortages in the developed world are bound to continue, organizations must be able to think more explicitly about how to strike a proper balance between retention, outsourcing work, and offshoring staff (see chapter by Cooke in the current volume).
- Since digital knowledge, critical thinking, and excellent interpersonal communication skills will remain in high demand, it is necessary for organizations to reposition employees' skill sets in a way that would be aligned with (constant) changes in organizational strategy, business models, and approaches.
- In order to be successful in the long run, it is important to keep boosting employee engagement. To accomplish that, the adaptation of an evidence-based approach to HRM (that includes logic-driven analytics, segmentation, optimization, risk leverage, and integration and synergy) is vital. However, from an academic perspective, we raise two important questions around engagement. First, it is important that engagement is measured appropriately. For too long, questionable practitioner measures have dominated. However, we call for greater use of measures underscored by more reliable and valid theorizing. Additionally, we question whether more engagement is always better or whether finding optimum levels of engagement would be more appropriate (cf. Albrecht, 2010).
- The sources, attitudes, and expectations of talent are continuously developing, so it is important for organizations to remember that there will be an increased focus on employee global mobility, which may also involve varying work schedules, work locations, and work modes (e.g. virtual vs. on-site) (see Part III of the current volume).

We now turn our attention to the remaining two forces that drive talent management efforts in organizations – namely, changes in the attitudes of employees toward work and national differences.

Evidence shows that the attitudes toward work are changing in many parts of the world (Tarique and Schuler, 2012). The traditional psychological contract, which implicitly stipulates the feeling of mutual loyalty and commitment between an employee and his/her organization, seems to be fading away fast. In other words, an employee has always been expected to give the employing company his/her knowledge, skills, ability, expertise, and loyalty in exchange for good salary, job security, and developmental opportunities. Nowadays, though, the situation is quite different – employees expect to change jobs frequently, use their employability (that comprises a winning combination of technical and social skills) to look for better opportunities elsewhere, and use global mobility as a self-development tool in order to increase their attractiveness to other potential employers. This suggests that top talent will be willing and able to work for multiple employers, have excellent social and professional connections, and move from one job to another, despite geographic distances (Tarique and Schuler, 2012). To deal with these changing attitudes, organizations have to put extra efforts into their talent management activities, and particularly, into attracting/identifying and retaining top talent.

Along with the changing attitudes, national cultures and institutional differences also play a significant role in the ways people are managed in organizations (Tarique and Schuler, 2012). More specifically, culture has both direct and indirect impact on how HR policies, procedures, and techniques are designed and implemented, and how employees' behaviors are influenced. For example, in some Scandinavian cultures, many managers are uncomfortable and/or unwilling to acknowledge performance differences among employees – an important step that is required to improve performance, etc. – due to the prevalence of egalitarianism in these cultures. In high power-distance and rather hierarchical Russia, the developmental efforts are severely restricted by a limited tradition of empowerment in Russian organizations (Holden and

Vaiman, 2013). These and similar culture-bound factors present major challenges for global talent management, especially for those multinational companies that are trying to converge their TM practices. Equally, institutional factors such as legislative context and national infrastructural supports for business have significant potential to impact on the nature of talent management practices in different regions.

To summarize, all four aforementioned external forces – talent shortage, demographics, changing attitudes toward work, and national differences – do strongly impact global organizational efforts to attract, develop, mobilize, and retain key employees. This impact first and foremost affects how global TM procedures, policies, and strategies are designed, configured, used, and evaluated (Tarique and Schuler, 2012).

Managing talent globally: the role of the HR function

As noted above, a key area of focus in research on global talent management has been on the HR practices that support effective GTM. However, how these practices and global talent flows more generally are managed and coordinated at a global level has received far less attention (cf. Farndale, Paauwe, *et al.*, 2010; Scullion and Starkey, 2000; Sparrow, 2012). We argue that this is a key limitation as the organization structures that support and organize GTM will have a significant impact on global talent flows within the MNE and ultimately potentially correlate with organization performance. In this regard, a key antecedent to the global orientation that many MNEs strive for is the effective management of staffing flows throughout the MNE network. As Taylor, Beechler, and Napier (1996) argue "in order to provide value to the business, the (strategic international) HRM system of global firms should be constructed around specific organizational competences that are critical for securing competitive advantage in a global environment" (1996: 960). In this regard, Gong (2003) explicitly calls for a heterogeneous staffing composition (i.e. an appropriate mix of PCNs, HCNs, and TCNs) to facilitate innovation and organizational learning in the MNE. Focusing on the subsidiary level, he argues that a heterogeneous staffing composition facilitates access to and recognition of diverse sources of innovation and organizational learning, improves performance with regard to both the interpretation of information and integrative learning. More generally, the effective positioning of the corporate HR or global talent function is central in terms of managing the tensions between global integration and local responsiveness of key talent issues and the management of the MNE more generally (Scullion and Starkey, 2000).

However, managing global talent is challenging, and there is evidence that ethnocentric tendencies prevail (if only subconsciously) in many MNEs with parent country nationals dominating key leadership positions in the headquarters operation (Carpenter, Sanders, and Gregersen, 2001; Mäkelä *et al.*, 2010; Mellahi and Collings, 2010). However, Scullion and Starkey's (2000) study pointed to an optimistic emerging agenda for corporate HR in international companies with a focus on senior management development, succession planning, and the development of a cadre of internationally capable managers. We argue that the development of an effective talent management function, or responsibility for such within the corporate HR function, is central to maximizing the contribution of the MNE's global talent pool and tapping into local talent markets that reflect the MNE's global footprint. For example, Collings, McDonnell, Gunnigle, and Lavelle's (2010) empirical study of foreign-owned subsidiaries in Ireland, points to the significance of corporate structures and systems in facilitating staffing flows from subsidiary operations to the corporate headquarters as inpatriate employees. Sparrow, Scullion, and Farndale (2011) note that in addition to this top-down (management controlled) approach to

managing talent flows, a bottom-up (self-initiated culture-driven) approach also impacts on the corporate HR role. This highlights the potential for tapping into local talent pools or self-initiated expatriates in the local market to fill key talent gaps in the MNE.

Farndale, Paauwe, *et al.* (2010) identify four important corporate HR (CHR) roles which significantly impact on corporate efforts in managing talent globally. CHR's role as "Champion of Process" is premised upon the requirement for improved horizontal coordination of processes and practices of talent management internally. This is achieved through effective management of what Farndale and colleagues term "global expertise networks", and a designated champion of process role aimed at monitoring the global implementation of the GTM strategy and related objectives. Second, as "Guardian of Culture" CHR is focused upon the implementation of global values and culture and the management of employer brand globally. Third, CHR can play a key role in "Network Leadership and Intelligence". This involves a developed awareness of leading trends and developments in the MNE's internal and external labor markets, the capacity to deploy human capital appropriately, and a sensitivity to the contexts in which the MNE operates. The role of networking (both by the HR function itself and the facilitation of same more generally in the organization) emerges as key. Finally, as "Managers of Internal Receptivity" CHR's role in the management of the careers of international employees is emphasized. Clearly, this role is targeted at senior management and high potential development and career management. These four roles are not mutually exclusive, and Farndale, Paauwe, *et al.*'s (2010) research points to overlaps between them, which lead to additional value generation owing to the associated complementarities.

The key role of the corporate HR function in terms of managing talent flows, both top-down and bottom-up, to utilize Sparrow *et al.*'s (2011) terminology, represents an important element of global talent management, which with the notable exceptions identified above remains largely underdeveloped. This argument aligns with Boxall's (1996) distinction between human capital advantage and organization process advantage. While the former relates to the knowledge, skills, and abilities of the organization's employees, the latter refers to the systems and processes that facilitate their effective deployment and management. However, worryingly there is little evidence that strategic oversight of global talent is widely evident in many corporate HR or global mobility functions, with a transactional and compliance focus far more common (Collings, 2014). Thus a key focus of research moving forward should be on assisting MNEs to better understand the importance of the corporate HR role in effectively managing talent flows and coordinating talent on a global scale.

One example of the global talent function's role in practice relates to facilitating knowledge creation and knowledge sharing in the MNE. Knowledge is increasingly seen as a critical source of competitive advantage in the MNE (see Doz, Santos and Williamson, 2001; Kogut and Zander, 1993). Thus a key question for the global HR function is how to maximize the contributions of those individuals who span geographic and cultural boundaries and who are high value added contributors to both the coordination process and to the knowledge creation and sharing process. This group can be classified as high value boundary spanners (HVBSs) (see Kostova and Roth, 2003; Taylor, 2007). These individuals can be located anywhere in the multinational network and the challenge is to identify them and ensure their effective deployment in the multinational network. However, it is important to recognize that knowledge transfer does not occur without a number of conditions being met and there are significant latent barriers to knowledge sharing (Michailova and Husted, 2003). Firstly in terms of the HBVSs, the importance of their motivation and ability to share knowledge emerges as important. This has been termed disseminative capacity (Minbaeva, 2005). For the receiver, the ability and motivation of subsidiary employees

(absorptive capacity) also emerge as important (Minbaeva, Pedersen, Bjorkman, Fey, and Park, 2003). Of particular importance to the consideration of talent practices that can facilitate this critical organization routing (knowledge sharing) is the underlying HR practices that maximize knowledge sharing.

Broader perspectives from the HR literature provide insights on how HR practices can assist in knowledge sharing and more broadly the role of HR in knowledge creation and dissemination. Much of this research is theoretically positioned in the social capital literature. While a thorough discussion of the construct is beyond the scope of the current chapter, social capital is broadly defined as "the sum of the actual and potential resources embedded within, available through and derived from the network of relationships possessed by an individual or social unit. Social capital comprises the network and the assets that may be mobilized though that network" (Nahapiet and Ghoshal, 1998: 243). Nahapiet and Ghoshal (1998) further elucidate three types of social capital. Structural social capital focuses on the patterns of interactions between individuals in a network. In the multinational context it contributes to the flow of knowledge and coordination by spanning sub-units or networks in the MNEs global operations (Kostova and Roth, 2003). Relational social capital focuses on the nature of personal relationships developed over time and brings trust to the fore. Finally, cognitive social capital focuses on the shared goals, norms, and values that are built though relationships over time (Inkpen and Tsang, 2005).

Theoretical and empirical insights point to some important perspectives on how HR practice can facilitate knowledge sharing and these provide important insights for the global talent management function (see Cabrera and Cabrera, 2005; Foss, Minbaeva, Pedersen, and Reinholt, 2009; Minbaeva, Mäkelä and Rabbiosi, 2012). For example, relational social capital points to the importance of norms and identifications within the group while cognitive social capital points to the importance of shared goals, norms, and values. Considering their role in knowledge creation and sharing this brings to the fore the importance of identifying prospective employees who will have a higher probability of sharing the same norms and identifying with each other, pointing to the importance of shared values (Cabrera and Cabrera, 2005). This is in line with posited best practice in talent management which points to the importance of a focus on values in recruitment and selection (Stahl *et al.*, 2012). Theoretically, person–organization fit is a useful lens to further unpack this relationship.

Work design has also been identified as significant in facilitating knowledge creation and sharing. Cabrera and Cabrera (2005) argue that work design is strongly tied to structural social capital by establishing interdependencies, more frequent interactions, and information flow among employees. While stable jobs with concrete tasks might constrain knowledge flows, more fluid work arrangements where work is organized as sequence of assignments with employees working with diverse employees on a project basis might facilitate knowledge flows (Cabrera and Cabrera, 2005). Empirically, Foss *et al.* (2009) found that job characteristics such as autonomy, task identity, and feedback determine individual's motivations to share knowledge which in turn predict employees' knowledge sharing behavior.

Organizational culture also emerges as key. It can play a role in developing social norms around knowledge sharing (De Long and Fahey, 2000) and in terms of creating a climate of trust which is central to the emergence of relational social capital (Cabrera and Cabrera, 2005). Indeed Minbaeva *et al.* (2012) empirically demonstrated that employee's perception of the organizations commitment to knowledge sharing combined with extrinsic motivation directly influence the extent to which employees engage in firm–internal knowledge exchange. Additionally individual's intrinsic motivation combined with engagement in social interaction mediated the relationship. Given Minbaeva and colleagues' conclusion that HR can influence

these conditions through the signaling effect of HR practices combined with the practices themselves, this reinforces the key role of the global HR function in driving knowledge creation and sharing in the MNE.

Clearly, the above examples are illustrative, and there are a number of other important HR practices that can facilitate knowledge creation and sharing. They are presented as illustrative of how careful alignment of HR practices can support a strategic talent objective (in this example knowledge creation and sharing). In line with recent advancements in the HR literature and models of talent management (see Collings and Mellahi, 2009; Lepak and Snell, 1999) we advocate a differentiated HR architecture, where such HR practices are directly targeted at the employee group for whom they are developed.

Conclusions and future research opportunities

This chapter set out to provide a relatively broad-brush overview of the emerging field of global talent management. There is little doubt that global talent management has gained significant traction as a key global HR process to leverage the competitive advantage of the MNE. However, the extant literature suggests that organizations continue to struggle with the challenges of managing global talent, and indeed a key challenge for the academic community is the continued development of a body of research to better inform managerial practice in this regard.

Our review touches upon both the macro and meso and organizational context of GTM. Our understanding of the macro context is one that has been seriously underdeveloped in extant work (cf. Schuler *et al.*, 2011; Tarique and Schuler, 2012; section 3 of Scullion and Collings, 2011). We contend that a better understanding of the macro context of GTM will provide a base for a comparative understanding of the nature of talent management on a global basis. We define comparative talent management in this sense as variations in talent management practice between different nations or regions that can largely be traced to differences in the macro institutional, legislative and cultural context in which business unfolds in the nation state. In a similar fashion to which comparative HR has established itself as a key field of study, building a comparative understanding of talent management in different nation states that reflects the particular macro context in which talent management unfolds will provide a useful stream of research in the global TM space. Understanding the differences in how talent is managed in different nation states and regions will be valuable in understanding the global–local tension which MNEs must balance in developing and implementing effective global TM systems.

Additionally, research needs to continue to develop our understanding of the role of effective GTM in organizational performance. In a similar vein to the importance of the work of Mark Huselid and others in illustrating the linkage between investments in human resources and organizational performance, well designed empirical studies that could elucidate the relationship between effective GTM and organizational performance would significantly advance the standing of the field of study. However the effective design of such studies is not without challenge. Indeed, such studies would benefit from imaginative outcome variables, more sophisticated methods, more attention to context and tighter conceptual clarity (see also Arnold and Cohen, 2008, for a similar call in the context of careers research). Research in this vein will provide an evidence-based logic for discussions around best practice GTM. While this terminology is utilized presently, as yet we have no research to identify what is best practice and how such practices translate into organizational outcomes such as sustainable performance.

A further avenue which merits empirical consideration is deepening our understanding of the interaction between employee mobility and global talent management. There are two key

elements to this debate. First, we require a better understanding of how organizations can tap into global talent in local labor markets. For example, emerging research on self-initiated expatriation brings a focus on individuals who relocate internationally of their own accord without organizational support (Haslberger and Vaiman, 2013; Al Ariss and Crowley-Henry, 2013; Cohen, Arnold, and O'Neill, 2011). This research indicated that these individuals are often under-employed in host economies and that organizations are failing to capture the potential value of these employees (Al Ariss, Vassilopoulou, Ozbilgin, and Game, 2013; Fang, Samnani, Novicevic, and Bing, 2013). Understanding the potential value of these talent pools and how best to realize it in the context of global talent management represents an important stream of research. Second, although global employee mobility is often considered central to global talent management, the reality is that it often sits in different functions in practice and we have little theoretical and empirical guidance for global mobility professionals in developing effective practice in this regard (Collings, 2014). Better understanding how global mobility and global talent interact and work together to ensure that employees with high levels of human capital globally are aligned with talent needs across the multinational network remains under researched.

Finally, it would be useful to better understand the institutional and cultural factors which emerge as significant in managing the balance between global standardization versus local adaptation of GTM policies and practices in the MNE. This would move the debate on best practices in GTM forward in a significant way by providing an understanding of the types of practices which are more globally acceptable and effective versus those which require a greater degree of adaptation to local cultural and institutional norms. More broadly it would provide a better understanding of differences in talent practices between different national contexts.

In conclusion we find ourselves at an exciting juncture in the evolution of the field of GTM. While there clearly is some work remaining to firmly establish the boundaries of the field, we do not feel that a single agreed definition of GTM is necessarily required. However, at a minimum there is a requirement for scholars and practitioners alike to be clear on defining how they utilize the terminology in their own work. What is clear is that there is a significant appetite for academic research to inform practice and better understand the nature of talent and its deployment in the contemporary MNE.

References

Al Ariss, A., and Crowley-Henry, M. (2013). Self-initiated expatriation and migration in the management literature: Present theorizations and future research directions. *Career Development International*, 18(1): 78–96.

Al Ariss, A., Vassilopoulou, J., Ozbilgin, M., and Game, A. (2013). Understanding career experiences of skilled minority ethnic workers in France and Germany. *The International Journal of Human Resource Management*, 24(6): 1236–1256.

Albrecht, S. L. (Ed.). (2010). *Handbook of Employee Engagement: Perspectives, Issues, Research and Practice*. Cheltenham: Edward Elgar.

Arnold, J., and Cohen, L. (2008). The psychology of careers in industrial and organizational settings: A critical but appreciative analysis. *International Review of Industrial and Organizational Psychology*, 23: 1–44.

Avery, D. R., McKay, P. F., and Wilson, D. C. (2007). Engaging the aging workforce: The relationship between perceived age similarity, satisfaction with co-workers, and employee engagement. *Journal of Applied Psychology*, 92(6): 1542–1556.

Bailey, J., Chen, C., and Dou, S. (1997). Conceptions of self and performance-related feedback in the US, Japan and China. *Journal of International Business Studies*, 28(3): 605–625.

Becker, B. E., Huselid, M. E., and Beatty, R. W. (2009). *The Differentiated Workforce: Transforming Talent into Strategic Impact*. Boston, MA: Harvard Business School Press.

Beechler, S., and Woodward, I. C. (2009). The global "war for talent." *Journal of International Management*, 15(3): 273–285.

Boudreau, J. W., and Ramstad, P. M. (2007). *Beyond HR: The New Science of Human Capital*. Boston, MA: Harvard Business School Press.

Boxall, P. (1996). The strategic HRM debate and the resource-based view of the firm. *Human Resource Management Journal*, 6(3): 59–75.

Cabrera, E. F., and Cabrera, A. (2005). Fostering knowledge sharing through people management practices. *International Journal of Human Resource Management*, 16(5), 720–735.

Cappelli, P. (2008). *Talent on Demand: Managing Talent in an Age of Uncertainty*. Boston, MA: Harvard Business Press.

Carpenter, M. A., Sanders, W. G., and Gregersen, H. B. (2001). Bundling human capital with organizational context: The impact of international assignment experience on multinational firm performance and CEO pay. *Academy of Management Journal*, 44(3): 493–511.

Cascio, W. F., and Aguinis, H. (2008). Staffing twenty-first-century organizations. *The Academy of Management Annals*, 2: 133–165.

Cohen, L., Arnold, J., and O'Neill, M. (2011). Migration: Vocational perspectives on a complex and diverse transition. *Journal of Vocational Behavior*, 78(3): 321–324.

Collings, D. G. (2014). Integrating global mobility and global talent management: Exploring the challenges and strategic opportunities. *Journal of World Business*, 45(2): 161–168.

Collings, D. G., and Mellahi, K. (2009). Strategic talent management: A review and research agenda. *Human Resource Management Review*, 19(4): 304–313.

Collings, D. G., and Scullion, H. (2009). Global staffing. *International Journal of Human Resource Management*, 20(6): 1249–1272.

Collings, D. G., McDonnell, A., Gunnigle, P., and Lavelle, J. (2010). Swimming against the tide: Outward staffing flows from multinational subsidiaries. *Human Resource Management*, 49(4): 575–598.

Collings, D. G., Scullion, H., and Vaiman, V. (2011). European perspectives on talent management. *European Journal of International Management*, 5(5): 453–462.

Croucher, R., Wood, G., Brewster, C., and Brookes, M. (2012). Employee turnover, HRM and institutional contexts. *Economic and Industrial Democracy* 33(4): 605–620.

De Long, D. W., and Fahey, L. (2000). Diagnosing cultural barriers to knowledge management. *Academy of Management Perspectives*, 14(4): 113–127.

Doh, J., Smith, R., Stumpf, S., and Tymon, W. (2011). Pride and professionals: Retaining talent in emerging economies. *Journal of Business Strategy*, 32(5): 35–42.

Doz, Y., Santos, J., and Williamson, P. J. (2001). *From Global to Metanational: How Companies Win in the Knowledge Economy*. Harvard, MA: Harvard Business Press.

Dries, N. (2013). Talent management, from phenomenon to theory: Introduction to the Special Issue. *Human Resource Management Review*, http://dx.doi.org/10.1016/j.hrmr.2013.08.006 (accessed June 22, 2014).

Ernst and Young. (2010). *Managing Today's Global Workforce: Evaluating Talent Management to Improve Business*. London: Ernst and Young.

Fang, T., Samnani, A.-K., Novicevic, M. M., and Bing, M. N. (2013). Liability-of-foreignness effects on job success of immigrant job seekers. *Journal of World Business*, 48: 98–109.

Farndale, E., Paauwe, J., Morris, S. S., Stahl, G. K., Stiles, P., Trevor, J., and Wright, P. M. (2010). Context-bound configurations of corporate HR functions in multinational corporations. *Human Resource Management*, 49(1): 45–66.

Farndale, E., Scullion, H., and Sparrow, P. (2010). The role of the corporate human resource function in global talent management. *Journal of World Business*, 45(2): 161–168.

Foss, N. J., Minbaeva, D. B., Pedersen, T., and Reinholt, M. (2009). Encouraging knowledge sharing among employees: How job design matters. *Human Resource Management*, 48(6): 871–893.

Goergen, M., Brewster, C., Wood, G. T., and Wilkinson, A. (2012). Varieties of capitalism and investments in human capital. *Industrial Relations*, 51(2): 501–527.

Gong, Y. (2003). Toward a dynamic process model of staffing composition and subsidiary outcomes in multinational enterprises. *Journal of Management*, 29: 259–280.

Groysberg, B. (2010). *Chasing Stars: The Myth of Talent and the Portability of Performance*. Princeton, NJ: Princeton University Press.

Guthridge, M., McPherson, J. R., and Wolf, J. R. (2008). Upgrading talent. *McKinsey Quarterly*, December: 1–8.

Hartmann, E., Feisel, E., and Schober, H. (2010). Talent management of western MNCs in China: Balancing global integration and local responsiveness. *Journal of World Business*, 45(2): 169–178.

Haslberger, A., and Vaiman, V. (2013). Managing talent of self-initiated expatriates: A neglected source of the global talent flow. In V. Vaiman and A. Haslberger, A. (Eds.), *Managing Talent of Self-initiated Expatriates: A Neglected Source of the Global Talent Flow*. London: Palgrave Macmillan.

Hempel, S. P. (2001). Differences between Chinese and Western managerial views of performance appraisal. *Personal Review*, 30(2): 203–226.

Hewlett, S. S., and Rashid, R. (2011). *Winning the War for Talent in Emerging Markets: Why Women Are the Solution*. Boston, MA: Harvard Business Review.

Holden, N., and Vaiman, V. (2013). Talent management in Russia: Not so much war for talent as wariness of talent. *Critical Perspectives on International Business*, 9(1/2): 129–146.

Huo, Y. P., Huang, H., and Napier, N. K. (2002). Divergence or convergence: A cross-cultural comparison of personnel selection practices. *Human Resource Management*, 41(1): 31–44.

Iles, P., Chuai, X., and Preece, D. (2010). Talent management and HRM in multinational companies in Beijing: Definitions, differences and drivers. *Journal of World Business*, 45(2): 179–189.

Inkpen, A., and Tsang, E. (2005). Social capital, networks, and knowledge transfer. *Academy of Management Review*, 30: 1146–1165.

Kogut, B., and Zander, U. (1993). Knowledge of the firm and the evolutionary theory of the multinational corporation. *Journal of International Business Studies*, 24(4): 625–645.

Kostova, T., and Roth, K. (2003). Social capital in multinational corporations and a micro-macro model of its formation. *Academy of Management Review*, 28(2): 297–317.

Lengnick-Hall, M. L., and Andrade, L. S. (2008). Talent staffing systems for effective knowledge management. In C. Vance, and V. Vaiman (Eds.), *Smart Talent Management: Building Knowledge Assets for Competitive Advantage*. Cheltenham: Edward Elgar.

Lepak, D. P., and Snell, S. A. (1999). The human resource architecture: Toward a theory of human capital allocation and development. *Academy of Management Review*, 24(1): 31–48.

Lewis, R. E., and Heckman, R. J. (2006). Talent management: A critical review. *Human Resource Management Review*, 16: 139–154.

Luthans, F., Zhu, W., and Avolio, B. J. (2006). The impact of efficacy on work attitudes across cultures. *Journal of World Business*, 41: 121–132.

Mäkelä, K., Bjorkman, I., and Ehrnrooth, M. (2010). How do MNCs establish their talent pools? Influences on individuals' likelihood of being labelled as talent. *Journal of World Business*, 45(2): 134–142.

Mankins, M., Bird, A., and Root, J. (2013). Making star teams out of star players. *Harvard Business Review*, January–February.

Manpower Group. (2012). Talent Shortage Survey 2012, *Manpower Group*, www.manpowergroup.us/campaigns/talent-shortage-2012/ (accessed February 1, 2013).

Mayrhofer, W., Brewster, C., Morley, M., and Ledolter, J. (2011). Hearing a different drummer? Evidence of convergence in European HRM. *Human Resource Management Review*, 21(1): 50–67.

McDonnell, A., Lamare, R., Gunnigle, P., and Lavelle, J. (2010). Developing tomorrow's leaders – evidence of global talent management in multinational enterprises. *Journal of World Business*, 45(2): 150–160.

McDonnell, A., Collings, D. G., and Burgess, J. (2012). Asia Pacific perspectives on talent management. *Asia Pacific Journal of Human Resources*, 50(4): 391–398.

Mellahi, K., and Collings, D. G. (2010). The barriers to effective global talent management: The example of corporate élites in MNEs. *Journal of World Business*, 45(2): 143–149.

Michaels, E., Handfield-Jones, H., and Axelrod, B. (2001). *The War for Talent*. Boston, MA: Harvard Business School Press.

Michailova, S., and Husted, K. (2003). Knowledge-sharing hostility in Russian firms. *California Management Review*, 45(3): 59–77.

Minbaeva, D. B. (2005). HRM practices and MNC knowledge transfer. *Personnel Review*, 34(1): 125–144.

Minbaeva, D., Pedersen, T., Bjorkman, I., Fey, C., and Park, H. (2003). MNC knowledge transfer, subsidiary absorptive capacity and knowledge transfer. *Journal of International Business Studies*, 34(6): 586–599.

Minbaeva, D., Mäkelä, K., and Rabbiosi, L. (2012). Linking HRM and knowledge transfer via individual-level mechanisms. *Human Resource Management*, 51(3): 387–405.

Nahapiet, J., and Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage. *Academy of Management Review*, 23(2): 242–266.

Papalexandris, N., and Chalikias, J. (2002). Changes in training, performance management and communication issues among Greek firms in the 1990s: Inter-country and intra-country comparisons. *Journal of European Industrial Training*, 26(7): 342–352.

PWC. (2012). *15th Annual Global CEO Survey*. PWC.

Richbell, S., Brookes, M., Brewster, C., and Wood, G. (2011). Non-standard working time: An international and comparative analysis. *International Journal of Human Resource Management*, 22(4): 945–962.

Schuler, R., Jackson, S., and Tarique, I. (2011). Framework for global talent management: HR actions for dealing with global talent challenges. In H. Scullion, and D. Collings (Eds.), *Global Talent Management*. London: Routledge, pp. 17–36.

Scullion, H., and Starkey, K. (2000). In search of the changing role of the corporate human resource function in the international firm. *International Journal of Human Resource Management*, 11: 1061–1081.

Scullion, H., and Collings, D. G. (Eds). (2011). *Global Talent Management*. New York: Routledge.

Scullion, H., Collings, D. G., and Caligiuri, P. (2010). Global talent management. *Journal of World Business*, 45(2): 105–108.

Scullion, H., Sparrow, P., and Farndale, E. (2011). Global talent management: New challenges for the corporate HR function in the global recession. *Human Resource Management (Poland)*, 1(78): 97–114.

Shi, Y., and Handfield, R. (2012). Talent management issues for multinational logistics companies in China: Observations from the field. *International Journal of Logistics Research and Applications*, 15(3): 163–179.

Skuza, A., Scullion, H., and McDonnell, A. (2013). An analysis of the talent management challenges in a post-communist country: The case of Poland. *International Journal of Human Resource Management*, 24(3): 453–470.

Sparrow, P. (2012). Globalising the international mobility function: The role of emerging markets, flexibility and strategic delivery models. *The International Journal of Human Resource Management*, 23(12): 2404–2427.

Sparrow, P., Scullion, H., and Farndale, E. (2011). Global talent management: New roles for the corporate HR function? In H. Scullion and D. G. Collings (Eds.), *Global Talent Management*. New York: Routledge.

Stahl, G., Björkman, I., Farndale, E., Morris, S., Paauwe, J., and Stiles, P. (2012). Six principles of effective global talent management. *MIT Sloan Management Review*, 53(2): 25–32.

Stumpf, S. A., Doh, J. P., and Tymon, W. (2010). Capitalising on human resource management in India: The link between HR practices and employee performance. *Human Resource Management*, 49(3): 351–373.

Tarique, I., and Schuler, R. S. (2010). Global talent management: Literature review, integrative framework, and suggestions for future research. *Journal of World Business*, 45(2): 122–133.

Tarique, I., and Schuler, R. (2012). Global talent management literature review: A special report for SHRM Foundation. *SHRM*, October.

Taylor, S. (2007). Creating social capital in MNCs: The international human resource management challenge. *Human Resource Management Journal*, 17: 336–354.

Taylor, S., Beechler, S., and Napier, N. (1996). Toward an integrative model of strategic international human resource management. *Academy of Management Review*, 21: 959–985.

Teagarden, M. B., Meyer, J., and Jones, D. (2008). Knowledge sharing among high-tech MNCs in China and India: Invisible barriers, best practices and next steps. *Organizational Dynamics*, 37(2): 190–202.

The Economist. (2013). Working-age shift. *The Economist*, January 26.

Towers Watson. (2012a). Companies facing a global shift in the supply and demand for talent, *Towers Watson*, www.towerswatson.com/press/7619 (accessed February 1, 2013).

Towers Watson. (2012b). Global Talent 2021, *Towers Watson*, www.towerswatson.com/assets/pdf/7656/Global_talent_2021.pdf (accessed February 1, 2013).

Tymon, W. G., Strumpf, S. A., and Doh, J. P. (2010). Exploring talent management in India: The neglected role of intrinsic rewards. *Journal of World Business*, 45: 2.

Vaiman, V., and Holden, N. J. (2011). Talent management in Central and Eastern Europe. In H. Scullion and D. Collings (Eds.) *Global Talent Management*. London: Routledge.

Vaiman, V., and Brewster, C. (2014). How far do cultural differences explain the differences between nations? Implications for HRM. *International Journal of Human Resource Management*, DOI: 10:1080/09585192.2014.937969.

Vaiman, V., Collings, D., and Scullion, H. (2012). Global talent management: Trends, challenges, and opportunities. *Management Decision*, 50(5): 925–941.

Vance, C. M., and Vaiman, V. (2008). Smart talent management: On the powerful amalgamation of talent management and knowledge management. In V. Vaiman and C. Vance (Eds.), *Smart Talent Management: Building Knowledge Assets for Competitive Advantage*. Northampton, MA: Edward Elgar, pp. 1–15.

Wood, G. T., Goergen, M., and Brewster, C. (2013). The effects of the national setting on employment practice: The case of downsizing. *International Business Review*, 22(6): 1051–1067.

Wood, G. T., Brewster, C., Demirbag, M., and Brookes, M. (2014). Understanding contextual differences in recruitment and selection. In G. Wood, C. Brewster, and M. Brookes, M. (Eds.), *Varieties of HRM: A Comparative Study of the Relationship between Context and Firm*. London: Routledge.

Woods, P. (2003). Performance management of Australian and Singaporean expatriates. *International Journal of Manpower*, 24(5): 517–534.

Yeung, A. K., Warner, M., and Rowley, C. (2008). Guest editors' introduction. Growth and globalization: Evolution of human resource practices in Asia. *Human Resource Management*, 47(1): 1–13.

14

Global leadership development

Paula M. Caligiuri and Lisa Dragoni

Introduction

Global business today requires leaders who can effectively work in complex, ambiguous, and dynamic environments and lead those from different cultures and in different cultures. These leaders are critical but they are currently in short supply. The dearth of globally competent business leaders is negatively affecting organizations' ability to compete globally and execute their plans for strategic growth. Global CEOs from more than fifty countries named "managing diverse cultures" as one of the top concerns threatening the competitive success of their organizations (PricewaterhouseCoopers, 2007). These CEOs identified that they needed more leaders in their organizations' talent pipelines who could manage the complexity of foreign environments, who could negotiate cultural challenges, and who understand sometimes conflicting regulatory requirements and stakeholder demands in foreign countries (PricewaterhouseCoopers, 2007). It follows that the global organizations with a robust pipeline of cross-culturally competent leaders should gain a competitive advantage in the future.

Before understanding how global leaders can be developed, it is important to understand who they are and what they do. In an extensive review of the literature, Mendenhall, Reiche, Bird, and Osland (2012) define global leadership as "the process of influencing others to adopt a shared vision through structures and methods that facilitate positive change while fostering individual and collective growth in a context characterized by significant levels of complexity, flow and presence" (p. 500) and a global leader as "an individual who inspires a group of people to willingly pursue a positive vision in an effectively organized fashion while fostering individual and collective growth in a context characterized by significant levels of complexity, flow and presence" (p. 500). Inherent in these definitions of global leaders and global leadership, are the challenges associated with the strategic, dynamic, and cultural contexts of working in different cultures and with people from different cultures.

The concern regarding the short supply of global leaders is exacerbated by the speed in which future leaders will need to be developed and the current status of effectiveness in developing them. Global chief human resource officers identify "developing future leaders" as their most important deliverable for the future of their organizations global competitiveness, stating that their "ability to identify, develop and empower effective, agile leaders is a critical imperative

for CHROs over the next three years" (IBM Corporation, 2010, p. 4). They also, unfortunately, identified it as the least effective deliverable (IBM Corporation, 2010). To better understand how global leaders are to be developed, this chapter highlights relevant research on what global leadership competencies need to be developed, how to develop them, and individual characteristics that accelerate global leadership development. Each will be covered in the subsequent sections of this chapter.

Global leadership competencies

Research on those who work in a cross-cultural context such as expatriates, business travelers, and global team members suggest that individuals who are effective in cross-cultural settings have demonstrated good personal adjustment, good interpersonal relationships with culturally different others, and the effective completion of task goals (Thomas *et al.*, 2008). Extended to global leaders who also work in a cross-cultural context, the same pattern of competencies emerges. Global leadership competencies include the competencies affecting self-management, relationship management and business management (Bird, Mendenhall, Stevens, & Oddou, 2010).

With respect to self-management, certain competencies affect the leaders' ability to maintain their composure and adjust to the ambiguity of working in multicultural and intercultural environments (Bird *et al.*, 2010; Caligiuri, 2012). From the research on expatriates we know that individuals who are living and working in foreign countries experience measureable physiological changes in their stress hormones, including increases in prolactin levels and decreases in testosterone levels when compared to those who are living in their home countries (Anderzén & Arnetz, 1997). Among global leaders in international assignees, managing emotional responses through emotional recognition and regulation is associated with higher adjustment (Matsumoto *et al.*, 2003; Matsumoto *et al.*, 2001; Yoo, Matsumoto, & LeRoux, 2006). Cross-cultural competencies such as tolerance of ambiguity and self-efficacy improve global leaders' self-management, enabling them to work quickly and comfortably in different cultures and with people from different cultures.

In regards to relationship management, global leadership competencies include those affecting an individual's multicultural and intercultural interactions at the group level and ability to build strong dyadic relationships with people from different cultures (Bird *et al.*, 2010; Caligiuri, 2012). These competencies were found to be particularly important across a variety of contexts. Among international assignees, those who were more extraverted and people-oriented were more successful and better adjusted to working internationally (Black, 1988; Caligiuri, 2000a, 2000b; Shaffer, Harrison, Gregersen, Black, & Ferzandi, 2006). In a military context, McCloskey, Behymer, Papautsky, Ross, and Abbe (2010) found that cross-cultural competencies related to relationship management including relationship-building, rapport building, and perspective taking differentiates more cross-culturally effective soldiers and leaders from those who are less effective. Global leaders with cross-cultural competencies such as perspective taking and rapport building are better able to develop relationships in different cultures and with people from different cultures.

With respect to business management, these competencies affect the leaders' abilities to take an enterprise-wide mindset and operate from an international strategic perspective (Bird *et al.*, 2010; Caligiuri, 2012). Global leaders need to be able to integrate a wide range of dynamic factors from the organization and the local environment. This requires a high level of cognitive complexity which enables leaders to understand and integrate broader bases of knowledge and

balance the demands of global integration with local responsiveness (Dragoni & McAlpine, 2012; Levy, Beechler, Taylor, & Boyacigiller, 2007). Global leaders with cross–cultural competencies such as cognitive complexity and ability to think creatively are more effective in their global roles.

Identifying the tasks of global leaders through a job analytic approach, one more dimension emerges – response management. Research suggests that global leaders need to have a variety of cultural responses available to them and that some tasks require different, but opposite, responses (Caligiuri, 2012; Levy *et al.*, 2007). For example, tasks such as "interacting with external clients from other countries" and "maintaining a budget globally" might require opposite responses; the former requiring adaptation and the latter, possibly, requiring that the leader maintain an organizational standard while minimizing the effects of culture (Caligiuri, 2006). Response management means that leaders respond with cultural agility, rather than always adapting to behavioral norms of the cultural context. Cultural adaptation is only one possible response and not always the correct one. At times, leaders might also use cultural minimization to communicate and influence in order to minimize the differences across cultures and maintain some necessary standard (e.g., safety, quality, and ethics). In other situations, such as leading a team, the situation might dictate the use of cultural integration, where team and facilitation skills help create an entirely new approach, one which represents no individual's culture completely.

Sample cross–cultural competencies from the dimensions of self-management, relationship management, business management, and response management are illustrated in Table 14.1.

Table 14.1 Cross-cultural competencies of global leaders

Category of Cross-Cultural Competencies	*Sample Competencies*	*These Competencies Enable Global Leader To. . .*
Self-Management Competencies	– Tolerance of ambiguity – Cultural curiosity – Humility and appropriate self-efficacy	Manage emotional responses in complex and ambiguous cross-cultural environments.
Relationship-Management Competencies	– Perspective taking – Ability to form relationships – Mindful communication skills	Connect with others from different cultures, communicate appropriately, build trust, and gain the necessary credibility to lead.
Business-Management Competencies	– Receptivity to diverse ideas – Ability to foster innovation – Ability to influence stakeholders – Ethical decision-making – Ability to network globally	Account for the business strategy, the key elements of the culture, and the interconnected system of the context which includes laws, regulations, level of education, and similar factors.
Response-Management Competencies	– Cultural adaptation – Cultural minimization – Cultural integration	Understand the ultimate professional goal and respond in a manner that will have the intended outcome.

Source: Adapted from Bird & Osland (2004); Bird et al. (2010), Caligiuri (2012), McCloskey et al. (2010); Mendenhall & Osland (2002); and Osland (2008).

How global leadership competencies are developed

When considering the way the aforementioned global leadership competencies are developed it is useful to remember that each competency (not just global leadership competencies) is composed of knowledge, skills, abilities, and other individual characteristics (KSAOs). This is important because KSAOs range on their mutability – their ability to develop or change. For example, tolerance of ambiguity is a global leadership competence that is, in part, comprised of emotional stability. Emotional stability is a relatively immutable personality characteristic. Tolerance of ambiguity is also, in part, comprised of cultural understanding. Cultural understanding is rooted in knowledge which is, unlike personality, more mutable and therefore more likely to be gained through didactic training and traditional developmental opportunities (Landy & Conte, 2004). Therefore, when we talk about global leadership development we need to think about both what the individual leader has from the perspective of *individual differences* and what the individual leader has experienced from the perspective of *training and development*.

Further and borrowing from the research on leader development where it has been shown that individual characteristics partly determine how much a particular leader gains from key experiences (e.g., DeRue, Nahrgang, Hollenbeck & Workman, 2012; Dragoni, Tesluk, Russell, & Oh, 2009), it is likely that global leaders with the right underlying personality characteristics are able to make the greatest strides in developing cross-cultural competencies through opportunities for training and development. This suggests an aptitude × treatment interaction approach whereby the level global leaders have of a given attribute will affect how they respond to instructional methods, treatments, or interventions (Snow, 1991). In the context of global leadership development, individuals' factors (such as personality characteristics and motivation) interact with training and development to produce a different developmental result (Caligiuri, 2006).

In other words, global leaders' personality and motivation can affect the extent to which a training or developmental experience increases cross-cultural competencies. In the subsequent sections of this chapter we will discuss developmental opportunities (cross-cultural training, and cross-cultural experiences) and also individual differences such as personality characteristics and motivation.

Developmental opportunities

There are a variety of approaches for developing global leaders including cross-cultural training and cross-cultural experiences. With respect to cross-cultural training in organizations, it is most frequently offered to international assignees prior to the assignments abroad. Cross-cultural training is often offered in a face-to-face training session, but more commonly now organizations are using online cross-cultural training. With respect to development, international assignments are the most common developmental opportunity organizations offer future global leaders. However, we are now seeing a greater use of short-term international assignments in global project teamwork for the purpose of development. In this chapter we will first discuss cross-cultural training and then discuss cross-cultural developmental experiences.

Cross-cultural training

Cross-cultural training is any instructional method such as courses, orientations, coaching, or online tools, designed to impart the ways in which cultures differ generally or the way any given culture differs from one's own specifically. Cross-cultural training will help global leaders interpret behaviors of others in a different cultural context and learn to respond quickly. Roughly 74 percent of organizations are offering cross-cultural training for their international assignees

(some of whom are global leaders). There are two types of cross-cultural training: culture-general cross-cultural training and culture-specific cross-cultural training. The former offers a basis for global leaders to understand the ways in which cultures differ. The latter provides instruction on how to behave in a given cultural context.

Culture-general knowledge, offered through *culture-general cross-cultural training*, is defined as knowledge of the societal-level values and norms on which most cultures vary (some examples include Kluckhohn & Strodtbeck, 1961; Hofstede, 1980; Hampden-Turner & Trompenaars, 1993). Culture-general training provide a framework for understanding cross-cultural differences and also instructs global leaders on how to interpret overt manifestations of cultures, such as values, rites, rituals, symbols, stories, and the like. Thus, the extent of understanding of how cultures differ is the level of one's culture-general knowledge. In addition, culture-general training may help global leaders develop the most appropriate approach for coping with the uncertainty, often inherent when working with people from different cultures or in foreign countries (Earley, 1987) and may help leaders form realistic expectations for their cross-national interactions and experiences (Black & Mendenhall, 1990; Black, Mendenhall, & Oddou, 1991; Caligiuri, Phillips, Lazarova, Tarique, & Burgi, 2001).

Culture-specific cross-cultural training is different from culture-general training because it provides global leaders with knowledge about a specific culture or country. This type of training will ready global leaders for their work in a given culture by providing knowledge of how to best perform their leadership tasks, such as negotiating, motivating, and influencing (Black & Mendenhall, 1990; Kealey & Protheroe, 1996). From the perspective of cultural anthropology, culture-specific training helps global leaders understand the underlying cognitions of those from different cultures. These underlying cognitions represent "the deepest level of culture" that include "the perceptions, language, and thought processes that a group comes to share will be the ultimate causal determinant of feelings, attitudes, espoused values, and overt behavior" (Schein, 1990, p. 111). Without this type of cross-cultural training, these deeper cognitions are oftentimes difficult to see and understand. The extent of understanding of a given country's culture is the level of the global leaders' culture-specific knowledge.

Recent research, based on absorptive capacity, has found that both timing and sequencing of cross-cultural training is important for cross-cultural training to be effective. When cross-cultural training is offered without the global leaders having a prior context for the information they are receiving, they have difficulty absorbing the knowledge and the importance of that knowledge. It is better for global leaders to be trained in a way which builds from their prior knowledge. For example, it is helpful to understand how cultures differ generally, before trying to understand the deeper cognitions of any culture specifically. Timing of cross-cultural training is also important from the perspective of the absorptive capacity. Among international assignees, cross-cultural training delivered in a country produced better results because the international assignees could better sense and feel the cross-cultural differences. Roughly half of organizations are offering cross-cultural training to their international assignees once they are in the host country.

Cross-cultural experiential opportunities

Cross-cultural experiential opportunities are those activities or events that require the leader to transcend national boundaries (Dragoni *et al.*, 2014; Dragoni & McAlpine, 2012; Shaffer, Kraimer, Chen, & Bolino, 2012). These cross-cultural experiential opportunities may involve physically going to another country to complete a longer-term job assignment, a short-term international assignment (Tahvanainen, Welch, & Worm, 2005), or for international business travel (e.g., Gregersen, Morrison, & Black, 1998). Additionally, they may provide exposure to various national cultures and their associated economic, legal, and political infrastructures yet not demand extensive

travel. These types of cross-cultural experiences may include opportunities for leaders to manage from their home countries globally available products or services, oversee the operations in different geographies, work on projects that involve stakeholders from multiple countries (e.g., Dalton & Ernst, 2004) and be mentored by someone from a different culture (e.g., Caligiuri & Tarique, 2009) and require global leaders to psychologically transcend national boundaries to make globally aware and appropriate business and interpersonal decisions. According to Kayes, Kayes, and Yamazaki (2005) managers learn from cross-cultural experiences through a variety of knowledge absorption abilities, including valuing different cultures, building relationships, listening and observing, coping with ambiguity, managing others, translating complex ideas, and taking action. These cross-cultural experiential opportunities vary in terms of their quantity (e.g., tenure, amount of times a task has been performed) and quality (i.e., diversity in experience, challenge inherent in the experience; Quiñones, Ford, & Teachout, 1995; Tesluk & Jacobs, 1998).

Amount of experience

It has been reasoned that the amount of experience is critical in facilitating leaders' development of an expanded perspective of various national cultural value systems, languages, and institutional environments, thereby making them more effective global leaders. Indeed, indirect evidence supports this contention, showing that executives' amount of international experience is positively related to their firm's financial performance on several important indicators (e.g., Carpenter, Sanders, & Gregersen, 2001; Daily, Certo & Dalton, 2000; Sambharya, 1998). And, while the time spent on cross-cultural experiences is thought to be beneficial, it is not enough to bring about substantial development among global leaders. Critical to learning from time spent in a particular cross-cultural experience is having adequate challenge or being exposed to some form of novelty (e.g., Quiñones *et al.*, 1995; Sonnentag, 2000; Tesluk & Jacobs, 1998). Exposure to countries that differ quite dramatically in terms of the predominant societal values from one's home country broadens and deepens global leaders' cultural and international perspective (Gupta & Govindarajan, 2002). Exposure to cultural novelty provides global leaders with a set of cultural contrasts through which leaders begin to develop more elaborate cognitive structures that represent more advanced levels of leadership expertise (Lord & Hall, 2005). It is believed that these cognitive structures enable leaders to process and leverage the time they spend in cross-cultural experiences more effectively. Dragoni *et al.* (2014) found empirical support for this idea: with a sample of over 200 upper-level leaders, Dragoni and her coauthors found that the time leaders spend on (1) international assignments, (2) working in a multicultural environment which challenges the leader to consider an unfamiliar institutional environment, and (3) building productive working relationships with those with a different cultural background relates to higher levels of leadership competencies for only those leaders who have been exposed to culturally novel countries. On the other hand, the time leaders spend in these same cross-cultural experiences do not translate into higher leader effectiveness for those leaders with limited experience in culturally novel environments. Similar to cross-cultural training, having experiences that expose leaders to countries that are culturally distinct from their own helps "ready" global leaders to learn from other types of cross-cultural experiences.

Quality of experiences

In addition to the amount and the novelty of cross-cultural experiences, it is also important to consider the quality of those work experiences. Both social learning theory (Bandura, 1977) and the contact hypothesis (Allport, 1954) provide the theoretical basis for understanding the mechanism by which cross-cultural experiences become "high-quality experiences" which lead

to the development of cross-cultural competencies. The important element these two theories have in common is that learning occurs through interactions with people from different cultures or high contact experiences. Social learning theory (Bandura, 1977) proposes that individuals learn and develop by engaging with their surroundings. Applied to the development of global leadership competencies, learning occurs when leaders can practice newly learned behaviors in the intercultural or multicultural context, when they can receive feedback (e.g., from peers or mentors), and when the environment is professionally or emotionally safe to take risks and possibly make a mistake (Caligiuri & Tarique, 2009; Maznevski & DiStefano, 2000). Consistent with social learning theory, cross-cultural experiences with greater cross-cultural interaction or contact are related to greater cross-cultural adjustment (Caligiuri, 2000b) and self-reported global leadership success (Caligiuri & Tarique, 2009).

From a social learning perspective, individuals who participate in high contact organization-initiated cross-cultural experiences are more likely to retain and reproduce the learned skills and behaviors through greater opportunity. It follows that the more individuals engage in these high contact cross-cultural experiences, the more opportunity they have to practice the modeled behavior and to refine the ability to reproduce the modeled behavior at a later time in the appropriate situation (Caligiuri & Tarique, 2009). When extended to the way in which business professionals gain global leadership competencies, the basic principles of the contact hypothesis lead to the same conclusion as the application of social learning theory – that high contact is critical for an experience be developmental. The contact hypothesis suggests that the more peer-level interaction (or contact) people have with others from a given cultural group, the more positive their attitudes will be toward the people from that cultural group (Amir, 1969). Contact theory further suggests that the experiences should offer meaningful peer-level interactions, opportunities to work together toward a common goal, and an environment that supports the interactions (Pettigrew & Tropp, 2006).

Taken together, high-quality cross-cultural experiences are opportunities for business leaders to engage in significant and meaningful interactions with people from different cultures (i.e., the contact hypothesis) and identify, learn, and apply diverse culturally appropriate business behaviors (i.e., social learning theory). Higher-quality cross-cultural experiences lead to the leaders having a better opportunity to develop cross-cultural competencies.

Individual characteristics that accelerate development of global leadership competencies

Following from this aptitude × treatment interaction theory, individual differences (in the case of global leadership development) would accelerate the development of a leader's cross-cultural competencies from cross-cultural developmental experiences. Individual differences, *personality characteristics*, and *motivation* specifically, are related to both leaders' success in a cross-national context and their ability to accelerate development from the cross-national context.

Personality characteristics

Personality characteristics predispose humans to have the tendency to behave in certain ways across a variety of situations (e.g., Buss, 1991; Costa & McCrae, 1992). While many personality characteristics exist, research has found that five factors provide a useful typology or taxonomy for classifying them (Digman, 1990; Goldberg, 1992, 1993; McCrae & Costa, 1987, 1989; McCrae & John, 1992). These five factors have been found repeatedly through factor analyses and confirmatory factor analyses across, time, contexts, and cultures (Buss, 1991; Digman, 1990;

Goldberg, 1992, 1993; McCrae & Costa, 1987, 1989; McCrae & John, 1992) and are labeled "the Big Five." The Big Five personality factors are: (1) extroversion, (2) agreeableness, (3) conscientiousness, (4) emotional stability, and (5) openness or intellect.

In the case of international assignees, these Big Five personality characteristics have shown a relationship to adjustment, performance, and willingness to complete the assignment (Black, 1990; Caligiuri, 2000a, 2000b; Church, 1982; Mendenhall & Oddou, 1985; Ones & Visweswaren, 1997). These personality characteristics are likely to underlie leaders' ability to develop cross-cultural competencies during experiential opportunities, such as international assignments. Consider, for example, that many global leadership tasks have a social component (e.g., working with colleagues from other countries, supervising employees who are of different nationalities). Those higher in the personality characteristic of extraversion have a greater natural ease with social demands and may be more willing to put forth the effort necessary to interact effectively with people from different countries. Likewise, the ability to form reciprocal social alliances is achieved through the personality characteristic of agreeableness (Buss, 1991). Global leaders who are more agreeable (i.e., deal with conflict collaboratively, strive for mutual understanding, and are less competitive) report greater cross-cultural adjustment (Caligiuri, 2000a, 2000b; Ones & Viswesvaran, 1997; Black, 1990; Tung, 1981) and are likely to have greater success on global leadership tasks involving collaboration (e.g., working with colleagues from other countries).

Those higher in conscientiousness will demonstrate greater effort and task commitment. Given the higher level of complexity, global leadership tasks (e.g., managing foreign suppliers or vendors) will likely require more effort than comparable tasks in the domestic context (e.g., managing domestically based suppliers or vendors). Emotional stability is a universal adaptive mechanism enabling humans to cope with stress in their environments (Buss, 1991). Given that stress is often associated with leadership in ambiguous and unfamiliar environment emotional stability is an important personality characteristic. For a global leader, the ability to correctly assess the social environment is more complicated given that the global context provides ambiguous or uninterpretable social cues (Caligiuri & Day, 2000). Individuals with greater openness will have fewer rigid views of right and wrong, appropriate and inappropriate, etc. and are more likely to be accepting of diverse cultures (e.g., Abe & Wiseman, 1983; Black, 1990; Cui & Van den Berg, 1991; Hammer, Gudykunst, & Wiseman, 1978).

In the context of global leadership development, personality characteristics predispose individuals to be open and receptive to learning the norms of new cultures, to initiate contact with host nationals and gather cultural information, and to handle the high amounts of stress associated with the ambiguity of the host national environments. Personality characteristics can enhance (or limit) an individual's ability to be effective on the tasks of the assignment – and to reap (or not) the developmental benefits of having been given a developmental opportunity. In the context of developing global leaders from international assignments, a study found that the personality characteristic of openness affects the amount of cross-cultural learning and cultural adjustment international assignees experience while on global assignments (Caligiuri, 2000a). This study found that the linear relationship between contact with host nationals and cross-cultural adjustment is moderated by the personality characteristic of openness – and suggests that not all people benefit equally from developmental cross-cultural experiences. Other studies found that those who work successfully internationally tend to share certain personality characteristics such as openness, sociability, and emotional stability (Caligiuri, 2000a, 2000b). In this case, possessing a set of personality characteristics may be necessary for a person to experience the developmental benefits from living and working internationally.

Personality traits are also related to learning outcomes from training programs (e.g., Fleischman & Mumford, 1989; Salas & Cannon-Bowers, 2001; Colquitt & Simmering, 1998; Barrick & Mount, 1991) which might affect the success of cross-cultural training. Barrick and Mount (1991) found that the personality traits of conscientiousness, extraversion, and openness were related to training proficiency and Salgado's (1998) meta-analysis found that the personality traits of openness and agreeableness predicted training proficiency. In these studies, possessing certain personality characteristics was related to increases in knowledge, skills, and abilities.

While it is reasonable to assume that leaders can develop cross-cultural competencies through cross-cultural training and developmental opportunities, it is important to remember that the personality components of those cross-cultural competencies are less likely to change. For example, Caligiuri and DiSanto (2001) found that personality characteristics did not change as the result of a developmental international assignment, while knowledge and abilities did change. Given that certain personality characteristics may be necessary for global leadership development to occur and that personality characteristics are not likely going to change from the typical training and development methods, it is important to select individuals for personality characteristics.

Motivation

Individuals vary in their motivation to engage in developmental cross-cultural activities such as working on global teams and accepting international assignments (Aryee, Chay, & Chew, 1996) and their level of motivation could potentially affect their job performance (Chen, Kirkman, Kim, Farh, & Tangirala, 2010). Suutari and his colleagues found that some individuals have an international career orientation which is a deep psychological motivation to have a global career, engage in international assignments, work with those from different cultures and work on projects with global scope (Suutari, 2003; Suutari & Taka, 2004; Suutari, Tornikoski, & Mäkelä, 2012). They found that leaders with international career orientations seek out and self-initiate cross-national experiences, which, in turn, can be highly developmental.

For the purpose of global leadership development, understanding global leaders' inherent motivation for accepting international activities is important. For example, only half of those who accepted international assignments had international career orientations. The other half accepted international assignments out of a sense of duty to the organization or to boost their income (Suutari, 2003). Given that much of the development occurs in cross-national opportunities when global leaders seek out interactions and that these interactions are oftentimes self-initiated, having the appropriate motivation is critical for development.

The future of research and practice in global leadership development

The need for developing global leaders is higher than ever before. Researchers and practitioners alike should work to fully understand the nature of cross-cultural competencies, the way in which they are really developed, and how to measure and leverage them once gained. In order to provide greater relevance for the practice of global leadership development, it is critical for researchers to understand the underlying KSAOs of cross-cultural competencies. This knowledge would enable a better integration of HR practices, selection for immutable personality characteristics and development for those dimensions of competency that can be changed. To date, while we know personality characteristics will accelerate the development of global leadership competencies, few organizations engage in selection and assessment for those immutable personality characteristics.

Further research on the quality of international experiences is necessary to better understand how to develop both developmental and supportive human resource practices. For example, many of the support practices designed to encourage adjustment of international assignees during developmental assignments, actually remove the developmental properties of the assignment. Expatriate housing might be a welcome respite from the challenges of living in the host country; however, the location might limit an individual's global leadership development. Time spent in expatriate housing then becomes an inaccurate proxy for the development of cross-cultural competencies.

While international assignments are the most frequently used method for developing global leaders, new practices in global leadership development should be explored. For example, some organizations are beginning to use international volunteer assignments to develop global leaders. The nongovernmental environment in the host country provides leaders with opportunities to stretch their ability to perform in a unique context, thus fostering the development of new capabilities (Pless, Maak, & Stahl, 2011; Caligiuri, Mencin, & Jiang, 2013). An evaluation of PricewaterhouseCoopers "Project Ulysses" service-learning program found that international volunteer assignments gave employees "exposure to adverse situations, forcing participants out of their comfort zones, confronting them with cultural and ethical paradoxes, and motivating them to change their perspectives on life and business" (Pless *et al.*, 2011, p. 252).

Future research should investigate the best way to measure cross-cultural competencies. These measures could be used to examine global leadership effectiveness and the transfer of knowledge upon completion of a developmental experience such as international assignment (Lazarova & Tarique, 2005). Validated measures could also assess change over time of cross-cultural competencies (Caligiuri, 2012) and be used in performance management using multisource feedback on leadership competency development (Dai, De Meuse, & Peterson, 2010; Vries, Vrignaud, & Florent-Treacy, 2004), would be helpful for both research and practice.

There is a shortage of global leaders who can effectively lead in today's complex and ambiguous global environment. Operating in today's business world entails having a broad base of sophisticated competencies in self-management, relationship management, business management, and response management. Developing these skills can be acquired through various developmental experiences—ranging from cross-cultural training to job experiences that entail transcending national boundaries—and those leaders with higher levels of cross-cultural motivation and personality traits, such as openness to experience, extraversion, emotional stability, and conscientiousness, are likely to gain the most from these types of experiences. And, while some promising insights into global leader development have been gained so far, we need to understand more fully the nature of cross-cultural competencies, what specific types of experiences are most helpful for developing these competencies, and how to validly assess them. Greater research-based insight into these issues could better guide senior executives of large multinational firms as they figure out how to most effectively develop a strong pipeline of global leaders that can best strategically position their firm not only for today but for tomorrow.

References

Abe, H., & Wiseman, R. L. (1983). A cross-cultural confirmation of the dimensions of intercultural effectiveness. *International Journal of Intercultural Relations*, 7(1), 53–67.

Allport, G. W. (1954). *The Nature of Prejudice*. Reading, MA: Addison Wesley.

Amir, Y. (1969). Contact hypothesis in ethnic relations. *Psychological Bulletin*, 71(5), 319–342.

Anderzén, I. & Arnetz, B. (1997). Psychophysiological reactions during the first year of a foreign assignment: Results of a controlled longitudinal study. *Work and Stress*, 11(4), 304–318.

Aryee, S., Chay, Y. W., & Chew, J. (1996). An investigation of the willingness of managerial employees to accept an expatriate assignment. *Journal of Organizational Behavior*, 17(3), 267–283.

Bandura, A. (1977). Self-efficacy: Toward a unifying theory of behavioral change. *Psychological Review*, 84(2), 191–215.

Barrick, M. R., & Mount, M. K. (1991). The big five personality dimensions and job performance: A meta-analysis. *Personnel Psychology*, 44(1), 1–26.

Bird, A., & Osland, J. (2004). Global competencies: An introduction. In H. W. Lane, M. Maznevski, M. E. Mendenhall, & J. McNett (Eds.), *The Blackwell Handbook of Global Management: A Guide to Managing Complexity* (pp. 57–80). Oxford: Wiley-Blackwell.

Bird, A., Mendenhall, M., Stevens, M. J., & Oddou, G. (2010). Defining the content domain of intercultural competence for global leaders. *Journal of Managerial Psychology*, 25(8), 810–828.

Black, J. S. (1988). Work role transitions: A study of American expatriate managers in Japan. *Journal of International Business Studies,* 19(2), 277–294.

Black, J. S. (1990). The relationship of personal characteristic with adjustment of Japanese expatriate management. *Management International Review*, 30, 119–134.

Black, J. S., & Mendenhall, M. (1990). Cross-cultural training effectiveness: A review and a theoretical framework for future research. *Academy of Management Review*, 15(1), 113–136.

Black, J. S., Mendenhall, M., & Oddou, G. (1991). Toward a comprehensive model of international adjustment: An integration of multiple theoretical perspectives. *Academy of Management Review*, 16(2), 291–317.

Buss, A. H. (1991). Evolutionary personality psychology. *Annual Review of Psychology*, 42(1), 459–491.

Caligiuri, P. M. (2000a). The big five personality characteristics as predictors of expatriate's desire to terminate the assignment and supervisor-rated performance. *Personnel Psychology*, 53(1), 67–88.

Caligiuri, P. M. (2000b). Selecting expatriates for personality characteristics: A moderating effect of personality on the relationship between host national contact and cross-cultural adjustment. *Management International Review*, 40(1), 61–80.

Caligiuri, P. M. (2006). Developing global leaders. *Human Resource Management Review*, 16, 219–228.

Caligiuri, P. M. (2012). *Cultural Agility: Building a Pipeline of Successful Global Professionals*. San Francisco, CA: Jossey-Bass.

Caligiuri, P. M., & Day, D. V. (2000). Effects of self-monitoring on technical, contextual, and assignment-specific performance: A study of cross-national work performance ratings. *Group & Organization Management*, 25(2), 154–174.

Caligiuri, P. M., & DiSanto, V. (2001). Global competence: What is it and can it be developed through global assignments? *Human Resource Planning Journal*, 24(3), 27–38.

Caligiuri, P. M., & Tarique, I. (2009). Predicting effectiveness in global leadership activities. *Journal of World Business*, 44(3), 336–346.

Caligiuri, P. M., Phillips, J., Lazarova, M., Tarique, I., & Burgi, P. (2001). The theory of met expectations applied to expatriate adjustment: The role of cross-cultural training. *International Journal of Human Resource Management*, 12(3), 357–372.

Caligiuri, P. M., Mencin, A., & Jiang, K. (2013). Win-win-win: The influence of a company-sponsored volunteer program on stakeholders. *Personnel Psychology*, 66(4), 825–860.

Carpenter, M. A., Sanders, W. G., & Gregersen, H. B. (2001). Bundling human capital with organizational context: The impact of international assignment experience on multinational firm performance and CEO pay. *Academy of Management Journal*, 44, 493–511.

Chen, G., Kirkman, B. L., Kim, K., Farh, C. I. C., & Tangirala, S. (2010). When does cross-cultural motivation enhance expatriate effectiveness? A multilevel investigation of the moderating roles of subsidiary support and cultural distance. *Academy of Management Journal*, 53(5), 1110–1130.

Church, A. (1982). Sojourner adjustment. *Psychological Bulletin*, 91(3), 540–572.

Colquitt, J. A., & Simmering, M. J. (1998). Conscientiousness, goal orientation, and motivation to learn during the learning process: A longitudinal study. *Journal of Applied Psychology*, 83(4), 654–665.

Costa, P. T., & McCrae, R. R. (1992). Four ways five factors are basic. *Personality and Individual Differences*, 13(6), 653–665.

Cui, G., & Van den Berg, S. (1991). Testing the construct validity of intercultural effectiveness. *International Journal of Intercultural Relations*, 15(2), 227–240.

Dai, G., De Meuse, K. P., & Peterson, C. (2010). Impact of multi-source feedback on leadership competency development: A longitudinal field study. *Journal of Managerial Issues*, 22(2), 197–219.

Daily, C. M., Certo, S. T., & Dalton, D. R. (2000). International experience in the executive suite: The path to prosperity? *Strategic Management Journal*, 21: 515–523.

Dalton, M. A., & Ernst, C. T. (2004). Developing leaders for global roles. In C. D. McCauley & E. Van Velsor (Eds.), *Handbook of Leadership Development* (2nd ed., pp. 361–382). San Francisco, CA: Wiley.

DeRue, D. S., Nahrgang, J. D., Hollenbeck, J. R., & Workman, K. (2012). A quasi-experimental study of after-event reviews and leadership development. *Journal of Applied Psychology*, 97, 997–1015.

Digman, J. M. (1990). Personality structure: Emergence of the five-factor model. *Annual Review of Psychology*, 41(1), 417–440.

Dragoni, L., & McAlpine, K. (2012). Leading the business: The criticality of global leaders' cognitive complexity in setting strategic directions. *The Society of Industrial & Organizational Psychology: Perspectives on Science and Practice,* 5(2), 237–240.

Dragoni, L., Tesluk, P. E., Russell, J. A., & Oh, I.-S. (2009). Understanding managerial development: Integrating developmental assignments, learning orientation, and access to developmental opportunities in predicting managerial competencies. *Academy of Management Journal*, 52, 731–743.

Dragoni, L., Oh, I.-S., Tesluk, P., Moore, O., Vankatwyk, P., & Hazucha, J. (2014). Developing leaders' strategic thinking through global work experience: The moderating role of cultural distance. *Journal of Applied Psychology*, in press. doi:10.1037/a0036628.

Earley, P. C. (1987). Intercultural training for managers: A comparison of documentary and interpersonal methods. *Academy of Management Journal*, 30(4), 685–698.

Fleischman, E. A., & Mumford, M. D. (1989). Abilities as causes of individual differences in skill acquisition. *Human Performance*, 2(3), 201–223.

Goldberg, L. R. (1992). The development of markers of the big-five factor structure. *Psychological Assessment*, 4, 26–42.

Goldberg, L. R. (1993). The structure of phenotypic personality traits. *American Psychologist*, 48(1), 26–34.

Gregersen, H. B., Morrison, A. J., & Black, J. S. (1998). Developing leaders for the global frontier. *Sloan Management Review*, 40, 21–32.

Gupta, A. K., & Govindarajan, V. (2002). Cultivating a global mindset. *Academy of Management Executive*, 16, 116–126.

Hammer, M. R., Gudykunst, W. B., & Wiseman, R. L. (1978). Dimensions of intercultural effectiveness: An exploratory study. *International Journal of Intercultural Relations*, 2(4), 382–393.

Hampden-Turner, C., & Trompenaars, A. (1993). *The Seven Cultures of Capitalism: Value Systems for Creating Wealth in the United States, Japan, Germany, France, Britain, Sweden, and the Netherlands*. New York: Doubleday.

Hofstede, G. (1980). *Culture's Consequences: International Differences in Work-Related Values*. Thousand Oaks: CA: Sage.

IBM Corporation. (2010). *2010 IBM Global Chief Human Resource Officer Study: Working beyond Borders*. New York: IBM.

Kayes, D. C., Kayes, A. B., & Yamazaki, Y. (2005). Essential competencies for cross-cultural knowledge absorption. *Journal of Managerial Psychology*, 20(7), 578–589.

Kealey, D. J., & Protheroe, D. R. (1996). The effectiveness of cross-cultural training for expatriates: An assessment of the literature on the issue. *International Journal of Intercultural Relations*, 20(2), 141–165.

Kluckhohn, F. R., & Strodtbeck, F. L. (1961). *Variations in Value Orientations*. Evanston, IL: Row, Peterson.

Landy, F. J., & Conte, J. M. (2004). *Work in the 21st Century: An Introduction to Industrial and Organizational Psychology*. New York: McGraw-Hill.

Lazarova, M., & Tarique, I. (2005). Knowledge transfer upon repatriation. *Journal of World Business*, 40(4), 361.

Levy, O., Beechler, S., Taylor, S., & Boyacigiller, N. (2007). What we talk about when we talk about global mindset: Managerial cognition in multinational corporations. *Journal of International Business Studies*, 38, 231–258.

Lord, R. G., & Hall, R. J. (2005). Identity, deep structure and the development of leadership skill. *The Leadership Quarterly*, 16, 591–615.

Matsumoto, D., LeRoux, J., Ratzlaff, C., Tatani, H., Uchida, H., Kim, C., & Araki, S. (2001). Development and validation of a measure of intercultural adjustment potential in Japanese sojourners: The intercultural adjustment potential scale (ICAPS). *International Journal of Intercultural Relations*, 25(5), 483–510.

Matsumoto, D., LeRoux, J., Iwamoto, M., Choi, J., Rogers, D., Tatani, H., & Uchida, H. (2003). The robustness of the intercultural adjustment potential scale (ICAPS): The search for a universal psychological engine of adjustment. *International Journal of Intercultural Relations*, 27(5), 543–562.

Maznevski, M. L., & DiStefano, J. J. (2000). Global leaders are team players: Developing global leaders through membership on global teams. *Human Resource Management*, 39(2–3), 195–208.

McCloskey, M., Behymer, K., Papautsky, E. L., Ross, K., & Abbe, A. (2010). *A Developmental Model of Cross-Cultural Competence at the Tactical Level*. Arlington, VA: US Army Research Institute for the Behavioral and Social Sciences.

McCrae, R. R., & Costa, P. T. (1987). Validation of the five-factor model of personality across instruments and observers. *Journal of Personality and Social Psychology*, 52(1), 81–90.

McCrae, R. R., & Costa, P. T. (1989). The structure of interpersonal traits: Wiggins' circumplex and the five-factor model. *Journal of Personality and Social Psychology*, 56(4), 586–595.

McCrae, R. R., & John, O. P. (1992). An introduction to the five-factor model and its applications. *Journal of Personality*, 60(2), 175–215.

Mendenhall, M., & Oddou, G. (1985). The dimensions of expatriate acculturation: A review. *Academy of Management Review*, 10(1), 39–47.

Mendenhall, M., & Osland, J. S. (2002). An overview of extant global leadership research. Symposium presentation, Academy of International Business, Puerto Rico, June.

Mendenhall, M. E., Reiche, B. S., Bird, A., & Osland, J. S. (2012). Defining the "global" in global leadership. *Journal of World Business*, 47(4), 493–503.

Ones, D. S., & Viswesvaran, C. (1997). Personality determinants in the prediction of aspects of expatriate job success. In Z. Aycan (Ed.), *New Approaches to Employee Management, Vol. 4: Expatriate Management: Theory and Research* (pp. 63–92). Greenwich, CT: Elsevier Science/JAI Press.

Osland, J. S. (2008). An overview of the global leadership literature. In M. Mendenhall, J. S. Osland, A. Bird, G. Oddou, & M. Maznevski (Eds.), *Global Leadership: Research, Practice, and Development* (pp. 34–63). London: Routledge.

Pettigrew, T. F., & Tropp, L. R. (2006). A meta-analytic test of intergroup contact theory. *Journal of Personality and Social Psychology*, 90(5), 751–783.

Pless, N. M., Maak, T., & Stahl, G. K. (2011). Developing responsible global leaders through international service learning programs: The Ulysses experience. *Academy of Management Learning & Education*, 10(2), 237–260.

PricewaterhouseCoopers. (2007). *10th Annual Global CEO Survey*. New York: PricewaterhouseCoopers.

Quiñones, M. A., Ford, J. K., & Teachout, M. S. (1995). The relationship between work experience and job performance: A conceptual and meta-analytic review. *Personnel Psychology*, 48(4), 887–910.

Salas, E., & Cannon-Bowers, J. A. (2001). The science of training: A decade of progress. *Annual Review of Psychology*, 52(1), 471–499.

Salgado, J. F. (1998). Big five personality dimensions and job performance in army and civil occupations: A European perspective. *Human Performance*, 11(2–3), 271–288.

Sambharya, R. B. (1998). Foreign experience of top management teams and international diversification strategies of US multinational corporations. *Strategic Management Journal*, 17, 739–746.

Schein, E. H. (1990). Organizational culture. *American Psychologist*, 45, 109–119.

Shaffer, M. A., Harrison, D. A., Gregersen, H., Black, J. S., & Ferzandi, L. A. (2006). You can take it with you: Individual differences and expatriate effectiveness. *Journal of Applied Psychology*, 91(1), 109–125.

Shaffer, M. A., Kraimer, M. L., Chen, Y., & Bolino, M. C. (2012). Choices, challenges, and career consequences of global work experiences: A review and future agenda. *Journal of Management*, 38, 1282–1327.

Snow, R. (1991). Aptitude-treatment interaction as a framework for research on indiviudal differences in psychotherapy. *Journal of Consulting and Clinical Psychology*, 59, 205–216.

Sonnentag, S. (2000). Expertise at work: Experience and excellent performance. In C. L. Cooper & I. T. Robertson (Eds.), *International Review of Industrial and Organizational Psychology* (pp. 223–264). Chichester: Wiley.

Suutari, V. (2003). Global managers: Career orientation, career tracks, life-style implications and career commitment. *Journal of Managerial Psychology*, 18(3), 185.

Suutari, V., & Taka, M. (2004). Career anchors of managers with global careers. *Journal of Management Development*, 23(9), 833–847.

Suutari, V., Tornikoski, C., & Mäkelä, L. (2012). Career decision making of global careerists. *International Journal of Human Resource Management*, 23(16), 3455–3478.

Tahvanainen, M., Welch, D., & Worm, V. (2005). Implications of short-term international assignments. *European Management Journal*, 23, 663–673.

Tesluk, P. E., & Jacobs, R. R. (1998). Toward an integrated model of work experience. *Personnel Psychology*, 51, 321–355.

Thomas, D. C., Elron, E., Stahl, G., Ekelund, B. Z., Ravlin, E. C., Cerdin, J., & Lazarova, M. B. (2008). Cultural intelligence: Domain and assessment. *International Journal of Cross-Cultural Management*, 8(2), 123.

Tung, R. L. (1981). Selection and training of personnel for overseas assignments. *Columbia Journal of World Business*, 16(1), 68–78.

Vries, K. D., Vrignaud, P., & Florent-Treacy, E. (2004). The global leadership life inventory: Development and psychometric properties of a 360-degree feedback instrument. *International Journal of Human Resource Management*, 15(3), 475–492.

Yoo, S. H., Matsumoto, D. & LeRoux, J. A. (2006). The influence of emotion recognition and emotion regulation on intercultural adjustment. *International Journal of Intercultural Relations*, 30(3), 345–363.

This page intentionally left blank

Part III

Managing global mobility

This page intentionally left blank

Individual and organizational decisions for global mobility

Yu-Ping Chen and Margaret Shaffer

Introduction

Organizations are increasingly affected by the forces of globalization and their employees are often called upon to take part in jobs that require various levels of global mobility. While the concept of global mobility is not new, its nature is changing and traditional corporate expatriation is being supplemented by different types of global work experiences (see Shaffer, Kraimer, Chen, and Bolino, 2012, for a review). Specifically, Shaffer and her colleagues (2012) categorized these global work experiences into two broad categories: expatriates (corporate expatriates and self-initiated expatriates) and global travelers (international business travelers, short-term assignees, and flex-patriates). Given differences in the nature and content of these various forms of global employment, global employees and their organizations face an array of decisions that affect the success of the global work experience. For example, the questions of why individuals decide to take part in different types of global work experiences and why organizations decide to send their employees on international assignments, though frequently raised in the literature, have not been systematically and theoretically summarized. Similarly, how corporate expatriates can adjust to living and working in a foreign country and how organizations can support this process have generally dominated the global mobility literature. But, what about other types of global employees?

In this chapter, we adopt a career perspective to summarize individual and organizational decisions regarding the global mobility of expatriates and global travelers. In the literature, career is defined as the pattern of work-related experiences that span the course of a person's life (Greenhaus, Callanan, & Godshalk, 2010) and career transition is the period that may involve either an objective change in career role or a change in subjective orientation toward a career role (Louis, 1980). Specifically, Cappellen and Janssens (2005: 356) view global careers as a path, where "each move is influenced by the factors within the individual, organizational, and global environment domains." In contrast with the expatriate adjustment literature that generally conceptualizes global employment in terms of pre- and post-departure, we construe individuals' and organizations' decisions for global mobility as a three-stage process consisting of the exploration stage, the establishment stage, and the embeddedness stage. The exploration stage is comparable to the pre-departure phase, and the establishment and embeddedness stages comprise the post-departure phase.

The *exploration stage* is defined as a period during which expatriates and global travelers and their organizations explore global work opportunities, gauge the possibilities and costs associated with global mobility, evaluate personal readiness and resources to complete the transition, and finally make choices and implement their decisions. During this stage, individuals develop and accumulate a relevant repertoire of knowledge and skills (i.e., language ability, professional skills, and cultural awareness) on their own or via the training offered by their organizations. It is also at this stage that individuals and organizations specify the type of global employment, as well as destinations and goals (i.e., location selection and purpose). In short, decisions for global mobility at the exploration stage focus on preparing individuals and organizations for the global employment experience.

Following the exploration stage is the *establishment stage*. For expatriates and global travelers, as well as their organizations, the focus is on the physical relocation to a host country, culture shock, establishment of relationships with host country nationals, and adjustment to living and working in a foreign country. Decisions for global mobility at the establishment stage hinge on whether employees feel comfortable and want to continue their global employment and how organizations can facilitate success within the host culture.

The final stage is the *embeddedness stage*, defined as a period during which expatriates become embedded with their host country job and the host country environment. Because the duration of assignments for global travelers usually ranges between 1 week to 12 months and because they usually engage in consecutive multiple country assignments (Shaffer *et al.*, 2012), we argue that they are less likely to embed with a specific country and their global mobility usually starts at the exploration stage and ends at the arrival stage. Consequently, decisions for global mobility at the embeddedness stage focus on whether expatriates become embedded in or "fit" with the host location and want to stay there for a longer term or return to their home country. At this stage, individuals and organizations may renegotiate the terms and conditions of the assignment.

In the following sections, we review research on the major factors that influence individual and organizational decisions at each of these three stages of global mobility. In particular, we focus on personal characteristics, relational support from the family and the organization, and organizational and environmental contextual influences. Recognizing that decisions vary across expatriates and global travelers (see Table 15.1), we consider factors that are relevant to both forms of global employee.

The exploration stage

Decisions at the exploration stage of global mobility focus on the type of global work assignment, location, assignment purpose, employee readiness, costs and benefits (career and assignment), and family concerns. Among the various factors that influence individual and organizational decisions at this stage are (1) personal characteristics, including personal agency, individual differences, and personal motivators, (2) relational support from families and organizations, and (3) contextual influences, such as quality of life and structural barriers. These factors all have implications for individuals who choose to take on the challenges of global employment as well as the organizations that sponsor them.

Personal characteristics

An important personal characteristic that differs across global employment types is personal agency, which refers to the degree to which individuals have free choice in making the global employment decision. In contrast with self-initiated expatriates, candidates for organization-initiated

Table 15.1 Individual and organizational global work decisions

	Expatriates	Global Travelers
Exploration stage		
Individual	– Location – Assignment duration – Personal readiness – Family concerns – Career costs and benefits	– Family concerns – Career costs and benefits
Organizational	– Assignment objectives – Candidate selection – Family concerns – Assignment costs and benefits	– Assignment objectives – Family concerns – Assignment costs and benefits
Arrival stage		
Individual	– Coping with stress/adaptation – Interactions with host country nationals – Family concerns – adaptation – Community integration	– Coping with stress/travel fatigue – Family concerns – separation – Career options
Organizational	– Systems and strategies to facilitate assignment success – Support/socialization – Career management	– Balancing domestic and international responsibilities – Tracking/monitoring various types of global employees at different times/locations
Embeddedness stage		
Individual	– Career advancement/ management – Retention – Repatriation	
Organizational	– Retention – Repatriation – Development of cadre of global employees	

global work (i.e., corporate expatriates and global travelers) generally do not have the freedom to choose to accept an international assignment (Richardson & Mallon, 2005). Although organizations are hesitant to "force" corporate expatriates to accept such assignments (Dowling, Welch, & Schuler, 1999), it may be politically risky to refuse one. For global travelers, global mobility is a requirement of the job; it is not an option that can be negotiated or rejected without the risk of jeopardizing career opportunities. Global travelers are usually assigned by line managers based on a requisite skill or expertise that is needed to solve a particular problem or assist with a project (Tahvanainen, Welch, & Worm, 2005).

Several individual difference factors, such as demographic differences, personality, and skills and abilities, also play a role in decisions for global mobility. Individuals who are older, from Europe, and more experienced in working abroad are more likely to want an expatriate career involving multiple foreign assignments (Selmer, 2001). Age and gender differences exist for SIEs.

Younger SIEs are more motivated by adventure, career, and money, and tend to be less risk averse than older SIEs (Selmer and Lauring, 2010). Male SIEs are more motivated by money and opportunities to change their life than female SIEs (Selmer & Lauring, 2010), but female professionals tend to self-initiate their own expatriation more often than their male counterparts, which may reflect the disadvantage females face in managerial career development (Tharenou, 2010).

With regards to personality, several qualities influence global employees' motivations to embark on a global career. Entrepreneurial personality has been positively related to corporate expatriates' decisions to pursue global mobility (Chew & Zhu, 2002) and adventurous personality has been associated with global travelers' willingness to accept global assignments (Konopaske, Robie, & Ivancevich, 2005). According to Frieze and Li (2010), personality attributes such as achievement motivation (e.g., decide to do things well, work hard and compete with others) and power motivation (e.g., desire to take on leadership roles, concern with having control over others) positively influence decisions for global mobility. Other personality traits have been identified as personal resources that are generally linked to resiliency and the ability to control one's environment successfully (Hobfoll, Johnson, Ennis, & Jackson, 2003). For instance, individuals with international work self-efficacy, defined as how confident individuals are that they can work and live in countries with different cultures from their own (Cianni & Tharenou, 2000), are more likely to judge themselves as capable of managing an international environment. Similarly, expatriates and global travelers who have high internal locus of control are more likely to feel confident regarding their decisions for global mobility (Kimmons & Greenhaus, 1976).

Individuals with certain skills and abilities, such as prior international work experience and universal language proficiency, may be better candidates for global employment. Individuals who have prior international work or non-work experience (e.g., travel or study abroad) are likely to develop more comprehensive cognitions about people, roles, or events that govern social behaviors in a foreign culture (Fiske & Taylor, 1984), thus making them feel more prepared and competent to be globally mobile. Another personal quality that may facilitate decisions for global mobility is the mastery of a universal language (e.g., English), which refers to a hypothetical, historical, or constructed language spoken and understood by most of the world's population (Crystal, 2003). Even though there is not a sole universal language, English remains the dominant language of international business and global communication (Crystal, 2003). Thus, we expect that individuals who excel in a universal language (such as English) should feel more competent in pursuing their global mobility decision, as they will face fewer language barriers in communication and have more effective communications with host country nationals in both work and non-work domains (Peltokorpi, 2008).

Decisions to pursue a global career are influenced by both intrinsic and extrinsic motivators. Intrinsic motivators, such as personal challenges and development derived from global exploration (Crowley-Henry, 2007; Hippler, 2009; Inkson & Myers, 2003; Richardson & Mallon, 2005; Selmer & Leung, 2003; Stahl, Miller, and Tung, 2002) and international work or non-work experiences (Biemann & Andresen, 2010; Boies & Rothstein, 2002; Cerdin & Le Pargneux, 2009; Suutari & Taka, 2004; Tung, 1998), and the associated enjoyment (Chew & Zhu, 2002), are important considerations in expatriates' and global travelers' decisions for global work. Corporate expatriates' and SIEs' decisions for global mobility are driven by the perceived opportunity to develop global career competencies (Cappellen & Janssens, 2008; Dickmann & Mills, 2010; Doherty, Dickmann, & Mills, 2011; Fish & Wood, 1997; Fitzgerald & Howe-Walsh, 2008; Richardson & Mallon, 2005; Suutari, 2003; Tharenou, 2008; Thorn, 2009). Global travelers also expect personal challenges, career development, and enjoyment from their global work experiences (Demel & Mayerhofer, 2010; Konopaske *et al.*, 2005). Extrinsic motivators

such as financial or non-financial rewards may also influence individuals' decisions for global mobility. Research has found that corporate expatriates, SIEs, and global travelers' decisions for global mobility have been driven by monetary incentives such as financial rewards, compensation packages, and fringe benefits (Boies & Rothstein, 2002; Chew & Zhu, 2002; Richardson & McKenna, 2002; Warneke & Schneider, 2011). However, due to the cost reduction initiatives of most multinational companies, not all expatriate packages are as lucrative as they once were (Shen, 2014). This situation implies that intrinsic motivators may play a more salient role when global employees decide whether to go abroad at the exploration stage.

Relational support

Relational support, defined as perceived support from relationships with others (e.g., family members, supervisors, coworkers, employers), plays a salient role in decisions to pursue global mobility (Dickmann, Doherty, Mills, & Brewster, 2008). Those who have stronger familial ties and responsibilities are less likely to accept or self-initiate global work (Carr, Inkson, & Thorn, 2005; Konopaske & Werner, 2005; Richardson, 2006; Richardson & Mallon, 2005; Tharenou, 2003). An exception is that Dickmann and colleagues (2008) found that spousal career considerations were less important to corporate expatriates than were their own career considerations when deciding to accept a global employment opportunity. While those with strong kinship responsibilities are less willing to accept an assignment, those with supportive spouses are more willing to do so (Aryee, Chay, & Chew, 1996; Richardson & Mallon, 2005). Within the SIE context, family support, social relationships, and personal partnership (Inkson & Myers, 2003; Richardson, 2006) are important influences on the decision to pursue a global career. At the exploration stage, familial influences on global mobility decisions are especially powerful. In fact, because of concerns that individuals have about family and work-life balance, it has become more difficult for organizations to identify suitable candidates for global employment opportunities (Dickmann, *et al.*, 2008)

Contextual influences

Both organizational and environmental contextual factors affect global mobility decisions at the exploration stage. The organization's overall strategic orientation plays an important role in this process. For example, in addition to considering personal motives for global employment, organizations take a more macro perspective and focus on firm-level objectives, such as managerial development, knowledge transfer, enhanced communications, and control and coordination of organizational systems and processes (Stahl & Cerdin, 2004). Research also indicates that international human resource managers and global employees often have quite different views of what is important to global employees. Dickmann *et al.* (2008) reported that organizations tend to overestimate the impact of prior experience with assignments and financial and family considerations, but they underestimate the importance of work-life considerations and career development issues. Other studies indicate that global employees are generally dissatisfied with pre-departure preparation, cross-cultural training, and pre-departure plans for career development (e.g., Riusala & Suutari, 2000; Stahl & Cerdin, 2004).

Several environmental factors also affect decision making at the exploration stage. When making the decision to pursue global mobility, expatriates (corporate and SIEs) consider the location, including cultural similarity and dissimilarity, and security (Aryee *et al.*, 1996; Dickmann *et al.*, 2008; Hippler, 2009), as well as city-specific factors such as an attractive standard of living (Carr *et al.*, 2005), the reputation of the global location (Dickmann & Mills, 2010; Fitzgerald

& Howe-Walsh, 2008), the prestige of working in a particular city (Doherty *et al.*, 2011), and the attitudes and behaviors of the host country citizens (Dickmann & Mills, 2010). A destination that is familiar, that has a good reputation (e.g., lower standard of living, friendliness of host country nationals), and that has educational systems which value universal language proficiency (e.g., Singapore, Hong Kong, and India) will facilitate decisions for global mobility (Bartz & Fuchs-Schündeln, 2012). Moreover, because frequent cultural exposure is instrumental in building international awareness, knowledge, and connections relevant for future international career development (Inkson & Myers, 2003), cities or regions composed of residents from diverse cultures (e.g., Hong Kong, Shanghai, Montreal) may be more attractive to individuals and organizations.

The establishment stage

At the establishment stage, both expatriates and global travelers physically encounter foreign cultures and people directly and frequently. Consequently, individual and organizational decisions at this stage focus on adaptation and coping with stress, including the stress of adapting to a foreign culture as well as travel fatigue. Accompanying family members as well as those left behind are also sources of concern for individual employees as well as organizations. Below, we review various personal characteristics, relational support factors, and contextual influences that affect decisions at this stage of global employment.

Personal characteristics

At the establishment stage, important personality traits that facilitate global employee effectiveness include emotional stability, extraversion, conscientiousness, and openness to experience (Shaffer, Harrison, Gregersen, Black, & Ferzandi, 2006). Another attribute that might influence decisions for managing the global work experience is proactive personality, defined as an individual's disposition toward engaging in active role orientations, such as initiating change and influencing the environment (Bateman & Crant, 1993). Proactive individuals behave more confidently, actively work to control their environments, and seek out information and feedback (Bateman & Crant, 1993; Crant, 2000). Consequently, proactive expatriates and global travelers should feel more competent with regard to their decisions for global mobility at the establishment stage because they are more able to socially navigate their foreign working and/or living environments (Kammeyer–Mueller & Wanberg, 2003; Seibert, Kraimer, & Crant, 1999).

Another personal attribute that will facilitate global employees' effectiveness in the foreign environment is cultural flexibility, the capacity to adjust one's behavioral patterns to different and distinct circumstances in the host country (Van der Zee & Van Oudenhoven, 2001). It has the potential to enhance individuals' adaptation to the foreign environment in daily activities within both work and non-work contexts (Black, 1990; Sinangil & Ones, 1997), as well as effective interpersonal interactions in the social context (Gudykunst & Nishida, 2001). Expatriates and global travelers who have higher levels of cultural flexibility will be more able to immerse themselves in a foreign environment, which reduces the chances of premature return and ineffectiveness at work.

Relational support

At the establishment stage, relational support from family members as well as colleagues and friends in the host country is critical for effectiveness in the global work environment. Because

family members usually accompany expatriates, they are especially important stakeholders during the expatriation process (Takeuchi, 2010). Indeed, family support, family communication, and family adaptability to host country cultures have been recognized as key inputs to expatriates' cross-cultural adjustment (Caligiuri, Hyland, Joshi, & Bross, 1998). For global travelers, whose family members usually remain in the home country (Starr & Currie, 2009), the strains that result from separation (Mayerhofer, Hartmann, Michelitsch-Riedl, & Kollinger, 2004) play an important role in decisions to maintain a global career. For both expatriates and global travelers, having family members who can wholeheartedly support their decision for global mobility and act as their backup both instrumentally (e.g., take care of household chores and children) and emotionally (share concern and empathize with their feelings) is essential to success during the establishment stage.

Several challenges expatriates and global travelers might encounter when they are in a foreign country, regardless of the duration of their stay, include lack of support from host country nationals (HCNs) and organizations, feelings of isolation, and an inability to adapt to working with host country nationals (Cheung, 2002). The process of adaptation requires an initial period of socialization whereby uncertainties and anxieties associated with doing business abroad can be reduced (Jones, 1986). Findings from the domestic socialization literature (e.g., Ashforth, Saks, & Lee, 1998) suggest that supportive peer and supervisor relationships positively influence newcomer socialization by providing information that is effective in reducing the uncertainty associated with perceived novelty. Mezias and Scandura (2005) also proposed that formal hierarchical mentoring, and both formal and informal peer mentoring, can positively influence expatriate adjustment during their assignment. Within the SIE context, Fu, Hsu, and Shaffer (2008) examined the influence of organizational socialization tactics on SIEs and found that structured organizational practices facilitate their social integration and are especially important in their cross-cultural adjustment.

Of the various resources that organizations can provide expatriates and global travelers, support from organizations and supervisors is especially important. Based on research by Kraimer and Wayne (2004), perceived organizational support (POS) is a critical input to expatriate success. Similarly, Van der Heijden, Van Engen and Paauwe (2009) found that perceived career support enhanced expatriate performance and resulted in more perceived career prospects within the home organization and greater intentions to stay with the company. According to Benson and Pattie (2008), high-quality leader-member exchange relationships with home country supervisors is more important than host-country supervisor support in facilitating expatriates' perceived career growth (defined as anticipated salary growth and expatriates' belief that they were likely to reach their career goals within the firm). Host-country supervisor support, however, was more strongly related to expatriates' adjustment to the local unit and their withdrawal intentions.

Contextual influences

At the establishment stage, there are several organizational and environmental contextual factors that might facilitate individuals' and organizations' decisions for global mobility. In addition to support, organizations benefit from having a strategic plan for facilitating expatriate success. In particular, when organizations make a clear connection between the international work experience and longer term career goals, several positive results accrue, including enhanced overall performance, quality relationships with HCNs, skill acquisition, higher levels of job satisfaction, mutual influence, and retention, and reduced stress (Feldman & Thomas, 1992). Organizational policies and systems for managing global mobility are also important. Tahvanainen *et al.* (2005) suggest that while there are areas of similarity in the management of various forms of global

employment, a "one size fits all" approach can be counter-productive. Cost, family, security, cultural, and other context-specific considerations can defy a single, unitary approach to manage different global travelers (Von Glinow & Teagarden, 2009).

Several environmental contextual factors also play a role in decisions at the establishment stage. One consideration is the perceived distance between the home and host countries. While some expatriates want to experience a culture that is different from their own, others prefer one that is not too different (Black, Gregersen, & Mendenhall, 1992). However, cultures that initially seem to be similar may actually be quite different. This phenomenon is referred to as the *psychic distance paradox* (O'Grady & Lane, 1996), which suggests that when differences are not anticipated, adjustment to a relatively similar culture may be as difficult as adjustment to a very different culture (Boyacigiller, Kleinberg, Phillips, & Sackmann, 1996). However, in contrast, when large cultural differences are anticipated but not experienced, adjustment problems may be mitigated (O'Grady & Lane, 1996). These differences in perceptions and reality suggest that cultural distance or novelty plays a complex role in the extent to which global employees become established in the host country.

Countries and locations that welcome foreign workforces and have friendly policies and infrastructures toward foreign visitors can facilitate the employment and assimilation of global employees. For example, Agullo and Egawa (2009) found that a change in migration procedures (e.g., certain employment visas no longer require employer sponsorship) facilitated the increase of Indian knowledge workers in Japan as well as their mobility within occupations. Thus, less stringent regulations and more friendly policies toward foreign workforces may facilitate individual and organizational decisions for global mobility at the arrival stage. In addition, infrastructures (i.e., transportation, public facilities) that consider foreigners' needs such as road signs and menus written in mainstream foreign languages or public announcements spoken in multiple languages should directly increase expatriates and global travelers' perceived comfort when they are in a foreign country.

The host country community's diversity climate is another factor that might facilitate individual and organizational decisions for global mobility at the establishment stage. Host country community's diversity climate is defined as individuals' perceptions of the importance or value that the host country community places on diversity and the degree to which they experience inclusion, fairness, and lack of discrimination in the community (Ragins, Gonzalez, Ehrhardt, & Singh, 2012). A positive diversity climate refers to an understanding that each individual is unique and individual differences, which could be along the dimensions of race, ethnicity, sexual orientation, and cultural differences, are valued as opposed to condemned (McKay, Avery, Tonidandel, Morris, Hernandez, & Hebl, 2007). A positive diversity climate provides a secure and nurturing environment where individual differences are positively explored (Thomas & Ely, 1996). Because living in a community that has a positive diversity climate can motivate individuals to present their true selves and boost their individual confidence (Singh, 2011) and because host country communities with a diversity climate welcome individuals from different cultures, we believe that the host country community's diversity climate will facilitate decisions for global mobility at the establishment stage.

The embeddedness stage

The embeddedness stage occurs when global employees find themselves involved in and attached to the host country job and living environment. This generally applies to expatriates (both corporate and self-initiated) because they stay in one location for extended periods of time. In contrast, global travelers spend less time in a foreign country (usually ranging from

1 week to 12 months) and they often move between various countries. Thus, their career transition stage usually ends at the establishment stage rather than progressing to the embeddedness stage. Similar to the exploration and establishment stages, we review personal characteristics, relational support, and contextual influences that may affect individual and organizational decisions concerning retention, repatriation, and career advancement during this "final" stage. Limited research focusing on this stage of global employment, however, makes this discussion more speculative.

Personal characteristics

Regarding personal characteristics, we contend that the same personality traits (conscientiousness, emotional stability, openness to experience, extraversion, and proactive personality) and personal resources (cultural flexibility, host country language proficiency, prior international experience) relevant to the establishment stage should also facilitate expatriates' decisions for global mobility at the embeddedness stage. These personality traits and personal resources can enable individuals to work and live in a host country more confidently, which in turn encourages their decisions for long-term stay in a host country.

Relational support

At the embeddedness stage, relational support provided by the employer, host country counterparts, and family members will continue to influence decisions for global mobility. Expatriates' employers who assist them in applying for and obtaining permanent residency status and host country supervisors and peers who provide hands-on support (e.g., provide assistance in finding long-term accommodation and finding education for expatriates' children) can motivate individuals to commit to staying in the host country for a longer term. Given the long-term and sustaining influence of decisions at this stage on families, these members may have a stronger influence on expatriates' decisions to extend their global work experience (Clark, Glick, & Bures, 2009). Significant family members include those who accompany expatriates in the host country and those who remain in the home country (Richardson, 2006). For instance, elderly home country family members (e.g., expatriates' parents or elderly family members who need to be taken care of) and accompanying family members who support expatriates' decisions for global mobility will make expatriates feel more comfortable and less guilty regarding their decisions for global mobility. This minimizes the pressure to go home and allows expatriates to volitionally choose to stay and become embedded in the host country. Indeed, expatriates' family members who actively encourage expatriates to return may exert considerable pressure on them to repatriate (Jones, 2003). Within the context of SIEs, Tharenou and Caulfield (2010) found that the strong pull by SIEs' home country family members increased SIEs' intention to repatriate.

Contextual influences

In contrast with previous stages, organizational contextual influences tend to be especially critical in determining whether or not positive career consequences will result from the global employment experience. Based on interviews with international HR executives in a large multinational firm, Dickmann and Harris (2005) identified organizational features that influence the development of career capital – knowing how, knowing whom, and knowing why – and retention. These features included organizations' formal recruitment and selection processes, an established career progression system that used international assignments to build global competencies, as well as informal career conversations and coaching.

The retention of repatriates is also of great concern to organizations, especially since 40 percent move to other organizations within the first two years of returning home (Brookfield Global Relocation Services, 2010). While there is some evidence that expatriates who are promoted upon their return home are more likely to stay with their organization (Baruch & Altman, 2002), there are several other strategies that organizations can enact to encourage retention (Dickmann & Doherty, 2008; MacDonald & Arthur, 2005), such as providing opportunities for repatriates to utilize their international experience, and providing long-term career orientation and security, including career management activities that attempt to manage the expectation of international assignees before, during, and after their return. Research on SIEs by Tharenou and Caulfield (2010) suggests that organizations can improve retention by enhancing SIE satisfaction in the work domain, through rewards and career development opportunities, and the non-work domain, through community involvement programs, including those for families.

Despite attempts by organizations to enact strategies and systems to facilitate expatriate success, a consistent refrain among expatriates is that there is a clear disconnect between organizational strategy and international HR policies and practices (Riusala & Suutari, 2000; Stahl *et al.*, 2002). According to Riusala and Suutari (2000), a major challenge for firms is to provide repatriation support, especially in terms of the specification of future jobs. Of the firms they surveyed, most repatriation agreements included an organizational promise to arrange at least a similar level job as the one which the expatriate held before the assignment. Although most firms do not offer career management support practices, expatriates expressed strong preferences for re-entry counseling and development rewards (Riusala and Suutari, 2000).

At the embeddedness stage, several environmental contextual features also influence individual and organizational decisions regarding retention and repatriation. Countries that do not welcome foreign workers and that have stringent regulations on permanent residency may hinder expatriates' decisions for global mobility and their perceived embeddedness with the host country. For example, Germany has had a protective, relatively non-welcoming tradition that views workers recruited from other countries as temporary, despite the fact that many of them never return to their home countries (Rubio-Marin, 2000). For expatriates, integrating into such countries is likely to be particularly challenging, as compared to nations built on immigration such as New Zealand and Australia. Hostile host country environments may inevitably thwart expatriates' decisions for global mobility at the embeddedness stage given that their volitions are inhibited and their capabilities not able to exceed the hurdles set by institutional constraints. In contrast, expatriates who live in a host country with foreigner-supportive or diverse climates should feel more comfortable (i.e., freely choose where to live, where to travel), competent (i.e., feel capable of dealing with daily activities), and related (i.e., feel connected to host country communities), all of which will influence their decisions to stay or return home.

Discussion

In this chapter, we adopt a career transition perspective to consider the decisions that individuals and organizations face across three major stages of global employment: exploration, establishment, and embeddedness. Individual and organizational decisions at the exploration stage of global mobility focus on type of global employment, location, assignment purpose, employee readiness, costs and benefits (career and assignment), and family concerns for individuals and organizations. Decisions at the establishment stage focus on adaptation and coping with stress incurred from the global work, including the stress of adapting to a foreign culture as well as travel fatigue. Last, decisions at the embeddedness stage mainly deal with retention, repatriation, and career advancement.

To better understand the complexities of these decisions, we examine three broad categories of factors that drive individual and organizational decisions for global mobility across all three stages: personal characteristics, relational support, and organizational and environmental influences. Some factors are common across all three stages of career transition. In particular, family related issues seem to be the most potent influence on both individuals and organizations for all stages of global employees' career transitions and for all types of global employee. For all types of global work, accompanying family members as well as those who remain in the home country play an important role in the decision to explore global employment opportunities and to become established and embedded in a foreign country. Another important factor that influences both individual and organizational decisions for global mobility across all stages of career transitions has to do with career concerns (for individuals) and career management (for organizations). For all types of global employees, embarking on a global employment opportunity usually means a significant change in their career trajectory, but they are usually motivated to accept the challenge because they believe that being globally mobile will enhance their career (Bolino, 2007; Stahl et al., 2002). Thus, the career-related benefits brought by global work have sustaining influences on global employees' decisions for global mobility in each stage of their career transitions. For organizations, work carried out by global employees not only enables multinationals to implement their current global initiatives but also serves as an important tool for developing future global managers, who will lead these organizations in the future. Therefore, organizations usually integrate their strategic orientation (assignment objectives, costs, benefits, and retention) and their potential global employees' career aspects (career development and career advancement) when they make decisions for global mobility. Specifically for global employees, their personal qualities and qualifications (e.g., certain personality traits, language abilities, previous international experiences) are something they can take with them across different stages of career transitions.

As the purposes and challenges encountered by global employees and organizations during each stage of career transition are different, factors that influence individual and organizational decisions for global mobility at each stage also tend to differ. For example, organizational contextual factors differ across stages. During the exploration stage, organizations are preoccupied with the selection of suitable candidates as well as the needs of the foreign subsidiary. During the establishment stage, organizations shift their focus to providing support for global employees. As employees transition to the embeddedness stage, organizations reassess and renegotiate the type of global employment. This may entail converting global employees to local terms and conditions or facilitating the transfer home. Environmental contextual factors also differ across stages, with quality of life issues and the attractiveness of host locations playing an important role at the exploration stage, diversity climate and legal (e.g., immigration, work permit) restrictions influencing both the establishment and the embeddedness stage. To briefly summarize, for global employees, some factors may be equally important across all career transition stages but some are more influential at certain stages than others. For example, relational support from others (e.g., family members, organizations, and host country nationals) and personal resources (e.g., proactive personality, language ability) can facilitate global employees' career transitions at all three stages. However, environmental factors (e.g., host country diversity climate, foreigner-friendly infrastructure) are more salient at the establishment and the exploration stages as they are proximal influences to the global employees.

Implications for researchers and international human resource managers

In this chapter, we construe individuals' and organizations' decisions for global mobility as a three-stage process consisting of the exploration stage, the establishment stage, and the

embeddedness stage. Because career experiences involve both the psychological or work–related outcomes one has accumulated as a result of one's work experiences (Judge, Cable, Boudreau, and Bretz, 1995), individual and organizational decisions for global mobility in each stage of career transition should be interlocked. That is, decisions and outcomes in one stage may have influences on individual and organizational decisions in a subsequent stage. For example, global employees who have pleasurable experiences in the establishment stage might feel more confident in the embeddedness stage. An aspect that deserves further attention from researchers is the underlying mechanism that connects both individual and organizational decisions for global mobility between each stage of career transition. One theory future researchers can draw upon to explain the linking mechanism is Conservation of Resources (COR) theory (Hobfoll, 2002), which argues that as resources (e.g., positive experiences obtained from a previous stage of career transition) are acquired, they will be re-invested to obtain additional resources in the following stage. For instance, organizational support in the exploration or pre-departure stage may well equip global employees before they depart so they feel confident before arriving in a host country. This positive experience (e.g., confidence, gained skills) may further help global employees explore the opportunity and cope with stress in the arrival stage. Thus, we suggest future researchers investigate the process that could explain the connection that influences both individual and organizational decisions for global mobility in each career transition stage.

In addition, we suggest that future researchers distinguish the factors that influence different global employees' and organizations' decisions for global mobility. Since the level of personal agency for global employees differs, it would be interesting to explore whether family concerns play a more important role on those who have less personal agency (e.g., global travelers) when compared to those (SIEs) who have more discretion with regards to their decisions for global mobility. Also, are different forms of organizational support needed for different types of global employees?

Our conceptualization of individual and organizational decisions for global mobility across different career transition stages also has implications for international human resource (IHR) managers. We suggest IHR managers to pay attention to both the common and stage–specific factors that influence individual and organizational decisions for global mobility. IHR managers need to take both individual needs and organizational needs into consideration at the same time when making work arrangement for global employees. This is also true for global travelers who have less personal agency. At the same time, organizations need to be honest about the link between their strategic objectives, global assignment, and career development of their global employees. The best strategy will be sending a global employee who cares for his/her future career development to a specific assignment (with appropriate assignment characteristics) that is aligned with the organizational purpose (e.g., knowledge transfer, subsidiary control).

Conclusion

By adopting a career transition lens for examining the global employment experiences of expatriates and global travelers, we recognize the distinct individual and organizational goals and decisions associated with the exploration of foreign employment opportunities and with the establishment and embeddedness of global employees in a foreign country. Through our review of personal, relational, and contextual factors that influence the global employment process, we highlight the complexities and challenges facing both individuals and organizations as they pursue global career and business opportunities.

References

Agullo, B., & Egawa, M. 2009. International careers of Indian workers in Tokyo: Examination and future research. *Career Development International*, 14(2): 148–168.

Aryee, S., Chay, Y. W., & Chew, J. 1996. An investigation of the willingness of managerial employees to accept an expatriate assignment. *Journal of Organizational Behavior,* 17: 267–283.

Ashforth, B. E., Saks, A. M., & Lee, R. T. 1998. Socialization and newcomer adjustment: The role of organizational context. *Human Relations*, 51(7): 897–926.

Bartz, K., & Fuchs-Schündeln. 2012. The role of borders, languages, and currencies as obstacles to labor market integration. *European Economic Review*, 56: 1148–1163.

Baruch, Y., & Altman, Y. 2002. Expatriation and repatriation in MNCs: A taxonomy. *Human Resource Management*, 41: 239–259.

Bateman, T. S., & Crant, J. M. 1993. The proactive component of organizational behavior. *Journal of Organizational Behavior*, 14: 103–118.

Benson, G. S., & Pattie, M. 2008. Is expatriation good for my career? The impact of expatriate assignments on perceived and actual career outcomes. *The International Journal of Human Resource Management,* 19: 1636–1653.

Biemann, T., & Andresen, M. 2010. Self-initiated foreign expatriates versus assigned expatriates: Two distinct types of international careers? *Journal of Managerial Psychology*, 25: 430–448.

Black, J. S. 1990. The relationship of personal characteristics with the adjustment of Japanese expatriate managers. *Management International Review*, 30: 119–134.

Black, J. S., Gregersen, H. B., & Mendenhall, M. 1992. *Global assignments: Successfully expatriating and repatriating international managers*. The Jossey-Bass Management Series. San Francisco, CA: Jossey-Bass.

Boies, K., & Rothstein, M. G. 2002. Managers' interest in international assignments: The role of work and career satisfaction. *International Journal of Intercultural Relations,* 26: 233–253.

Bolino, M. C. 2007. Expatriate assignments and intra-organizational career success: Implications for individuals and organizations. *Journal of International Business Studies,* 38: 819–835.

Boyacigiller, N., Kleinberg, M. J., Phillips, M., & Sackmann, S. 1996. Conceptualizing culture. In B. J. Punnett & O. Shenkar (Eds.), *Handbook for international management research*. Cambridge, MA: Blackwell.

Brookfield Global Relocation Services. 2010. *2010 Global relocation trends survey*, Woodridge, IL: Brookfield Global Relocation Services.

Caligiuri, P. M., Hyland, M. M., Joshi, A. & Bross, A. S. 1998. Testing a theoretical model for examining the relationship between family adjustment and expatriates' work adjustment. *Journal of Applied Psychology*, 83: 598–614.

Cappellen, T., & Janssens, M. 2005. Career paths of global managers: Towards future research. *Journal of World Business*, 40(4): 348–360.

Cappellen, T., & Janssens, M. 2008. Global managers' career competencies. *The Career Development International,* 13: 514–537.

Carr, S. C., Inkson, K., & Thorn, K. 2005. From global careers to talent flow: Reinterpreting "Brain Drain". *Journal of World Business*, 40: 386–398.

Cerdin, J. L., & Le Pargneux, M. 2009. Career and international assignment fit: Toward an integrative model of success. *Human Resource Management*, 48(1): 5–25.

Cheung, G. 2002. 1,200 English teachers apply for 100 jobs. *South China Morning Post*.

Chew, I. K. H., & Zhu, W. 2002. Factors influencing Singapore managers' career aspiration in international assignments. *The Career Development International,* 7: 96–108.

Cianni, M., & Tharenou, P. 2000. A cross-cultural study of the willingness of graduating students to accept expatriate assignments. In R. Edwards, C. Nyland, & M. Coulthard (Eds.), *Readings in international business,* 337–360. Victoria: Prentice Hall.

Clark, R. L., Glick, J. E., & Bures, R. M. 2009. Immigrant families over the life course: Research directions and needs. *Journal of Family Issues*, 30: 852–872.

Crant, J. M. 2000. Proactive behavior in organizations. *Journal of Management*, 26: 435–462.

Crowley-Henry, M. 2007. The protean career: Exemplified by first world foreign residents in Western Europe? *International Studies of Management and Organization*, 37: 44–64.

Crystal, D. 2003. *English as a global language*. Cambridge, UK: Cambridge University Press.

Demel, B., & Mayerhofer, H. 2010. Frequent business travelers across Europe: Career aspirations and implications. *Thunderbird International Business Review*, 52: 301–311.

Dickmann, M., & Doherty, N. 2008. Exploring the career capital impact of international assignments within distinct organizational contexts. *British Journal of Management,* 19: 145–161.

Dickmann, M., Doherty, N., Mills, T., & Brewster, C. 2008. Why do they go? Individual and corporate perspectives on the factors influencing the decision to accept an international assignment. *The International Journal of Human Resource Management,* 19: 731–751.

Dickmann, M., & Harris, H. 2005. Developing career capital for global careers: The role of international assignments. *Journal of World Business,* 40: 399–408.

Dickmann, M., & Mills, T. 2010. The importance of intelligent career and location considerations: Exploring the decision to go to London. *Personnel Review,* 39: 116–134.

Doherty, N., Dickmann, M., & Mills, T. 2011. Exploring the motives of company-packed and self-initiated expatriates. *International Journal of Human Resource Management*, 22(3): 595–611.

Dowling, P. J., Welch, D., & Schuler, R. S. 1999. *International human resource management.* Cincinnati, OH: Southwestern College Publishing.

Feldman, D. C., & Thomas, D. C. 1992. Career management issues facing expatriates. *Journal of International Business Studies,* 23: 271–293.

Fish, A., & Wood, J. 1997. What motivates Australian business managers to undertake expatriate appointments in East Asia? *Career Development International,* 2: 36–45.

Fiske, S. T., & Taylor, S. E. 1984. *Social Cognition.* Reading, MA: Addison-Wesley.

Fitzgerald, C., & Howe-Walsh, L. 2008. Self-initiated expatriates: An interpretative phenomenological analysis of professional female expatriates. *International Journal of Business and Management*, 3: 156–175.

Frieze, I. H., & Li, M. Y. 2010. Mobility and personality. In S. C. Carr (Ed.), *The psychology of global mobility*, 87–103. New York: Springer.

Fu, C. K., Hsu, Y., & Shaffer, M. A. 2008. Socialization tactics, fit, and expatriate outcomes. *Academy of Management Annual Meeting Proceedings*, 1–6.

Greenhaus, J. H., Callanan, G. A., & Godshalk, V. M. 2010. *Career management.* Thousand Oaks, CA: Sage.

Gudykunst, W. B., & Nishida, T. 2001. Anxiety, uncertainty, and perceived effectiveness of communication across relationships and cultures. *International Journal of Intercultural Relations*, 25: 55–71.

Hippler, T. 2009. Why do they go? Empirical evidence of employees' motives for seeking or accepting relocation. *International Journal of Human Resource Management*, 20: 1381–1401.

Hobfoll, S. E. 2002. Social and psychological resources and adaptation. *Review of General Psychology*, 6: 307–324.

Hobfoll, S. E., Johnson, R. J., Ennis, N., & Jackson, A. P. 2003. Resource loss, resource gain, and emotional outcomes among inner city women. *Journal of Personality and Social Psychology*, 84: 632–643.

Inkson, K., & Myers, B. A. 2003. The big OE: Self-directed travel and career development. *Career Development International*, 8: 170–181.

Jones, G. R. 1986. Socialization tactics, self-efficacy, and newcomers' adjustment to organization. *Academy of Management Journal*, 29: 262–279.

Jones, R. C. 2003. Multinational investment and return migration in Ireland in the 1990s: A country-level analysis. *Irish Geography*, 36: 153–169.

Judge, T. A., Cable, D. M., Boudreau, J. W., & Bretz, R. D. 1995. An empirical investigation of the predictors of executive career success. *Personnel Psychology,* 48: 485–519.

Kammeyer-Mueller, J. D., & Wanberg, C. R. 2003. Unwrapping the organizational entry process: Disentangling multiple antecedents and their pathways to adjustment. *Journal of Applied Psychology*, 88: 779–794.

Kimmons, G., & Greenhaus, J. H. 1976. Relationship between locus of control and reactions of employees to work characteristics. *Psychological Reports*, 39: 815–820.

Konopaske, R., Robie, C., & Ivancevich, J. M. 2005. A preliminary model of spouse influence on managerial global assignment willingness. *The International Journal of Human Resource Management,* 16: 405–426.

Konopaske, R., & Werner, S. 2005. US managers' willingness to accept a global assignment: Do expatriate benefits and assignment length make a difference? *The International Journal of Human Resource Management,* 16: 1159–1175.

Kraimer, M. L., & Wayne, S. J. 2004. An examination of perceived organizational support as a multidimensional construct in the context of an expatriate assignment. *Journal of Management*, 30: 209–237.

Louis, M. R. 1980. Career transitions: Varieties and commonalities. *Academy of Management Review*, 5: 329–340.

MacDonald, S., & Arthur, N. 2005. Connecting career management to repatriation adjustment. *The Career Development International*, 10: 145–158.

Mayerhofer, H., Hartmann, L. C., Michelitsch-Riedl, G., & Kollinger, I. 2004. Flexpatriate assignments: A neglected issue in global staffing. *International Journal of Human Resource Management,* 15: 1371–1389.

McKay, P. F., Avery, D. R., Tonidandel, S., Morris, M. A., Hernandez, M., & Hebl, M. R. 2007. Racial differences in employee retention: Are diversity climate perceptions the key? *Personnel Psychology*, 60: 35–62.

Mezias, J. M., & Scandura, T. A. 2005. A needs-driven approach to expatriate adjustment and career development: A multiple mentoring perspective. *Journal of International Business Studies*, 36: 519–538.

O'Grady, S., & Lane, H. W. 1996. The psychic distance paradox. *Journal of International Business Studies*, 27: 309–333.

Peltokorpi, V. 2008. Cross-cultural adjustment of expatriates in Japan. *International Journal of Human Resource Management*, 19: 1588–1606.

Ragins, B. R., Gonzalez, J., Ehrhardt, K., & Singh, R. 2012. Crossing the threshold: The spillover of community racial diversity and diversity climate to the workplace. *Personnel Psychology*, 65: 755–787.

Richardson, J. 2006. Self-directed expatriation: Family matters. *Personnel Review*, 35: 469–486.

Richardson, J., & Mallon, M. 2005. Career interrupted: The case of the self-directed expatriates. *Journal of World Business*, 40: 409–420.

Richardson, J., & McKenna, S. 2002. Leaving and experiencing: Why academics expatriate and how they experience expatriation. *Career Development International*, 32: 774–795.

Riusala, K., & Suutari, V. 2000. Expatriation and careers: Perspectives of expatriates and spouses. *The Career Development International,* 5: 81–90.

Rubio-Marin, R. 2000. *Immigration as a democratic change: Citizenship and inclusion in Germany and the United States*. Cambridge, UK: Cambridge University Press.

Seibert, S., Kraimer, M. L., & Crant, M. 1999. Proactive personality and career success. *Journal of Applied Psychology*, 84: 416–427.

Selmer, J. 2001. Expatriate selection: Back to basics? *The International Journal of Human Resource Management*, 12: 1219–1233.

Selmer, J., & Lauring, J. 2010. Self-initiated academic expatriates: Inherent demographics and reasons to expatriate. *European Management Review*, 7: 19–29.

Selmer, J., & Leung, A. M. 2003. Provision and adequacy of corporate support to male expatriate spouses: An exploratory study. *Personnel Review*, 32: 9–21.

Shaffer, M. A., Harrison, D. A., Gregersen, H., Black, J. S., & Ferzandi, L. A. 2006. You can take it with you: Individual differences and expatriate effectiveness. *Journal of Applied Psychology*, 91: 109–125.

Shaffer, M. A., Kraimer, M. L., Chen, Y.-P., & Bolino, M. C. 2012. Choices, challenges, and career consequences of global work experiences: A review and future agenda. *Journal of Management*, 38: 1282–1327.

Shen, J. 2014. Compensation in Chinese multinationals. *Compensation and Benefits Review*, 36: 15–25.

Singh, B. 2011. A model of organizational and community embeddedness: Social supportive contextual antecedents, underlying motivational mechanisms, and organizational, community and individual outcomes. Unpublished doctoral dissertation: University of Wisconsin–Milwaukee.

Sinangil, H. K., & Ones, D. S. 1997. Empirical investigations of the host country perspective in expatriate adjustment. In Z. Aycan (Ed.), *New approaches to employee management: Vol. 4. Expatriate management: Theory and research*, 173–205, Stamford, CT: JAI Press.

Stahl, G. K., & Cerdin, J.-L. 2004. Global careers in French and German multinational corporations. *Journal of Management Development,* 23: 885–902.

Stahl, G. K., Miller, E. L., & Tung, R. L. 2002. Toward the boundaryless career: A closer look at the expatriate career concept and the perceived implications of an international assignment. *Journal of World Business,* 37: 216–227.

Starr, T. L., & Currie, G. 2009. "Out of sight but still in the picture": Short-term international assignments and the influential role of family. *The International Journal of Human Resource Management,* 20: 1421–1438.

Suutari, V. 2003. Global managers: Career orientation, career tracks, life-style implications and career commitment. *Journal of Managerial Psychology,* 18: 185–207.

Suutari, V., & Taka, M. 2004. Career anchors of managers with global careers. *Journal of Management Development,* 23: 833–847.

Tahvanainen, M., Welch, D., & Worm, V. 2005. Implications of short-term international assignments. *European Management Journal*, 23: 663–673.

Takeuchi, R. 2010. A critical review of expatriate adjustment research through a multiple stakeholder view: Progress, emerging trends, and prospects. *Journal of Management,* 36: 1040–1064.

Tharenou, P. 2003. The initial development of receptivity to working abroad: Self-initiated international work opportunities in young graduate employees. *Journal of Occupational and Organizational Psychology*, 76: 489–515.

Tharenou, P. 2008. Disruptive decisions to leave home: Gender and family differences in expatriation choices. *Organizational Behavior and Human Decision Processes*, 105: 183–200.

Tharenou, P. 2010. Women's self-initiated expatriation as a career option and its ethical issues. *Journal of Business Ethics*, 95: 73–88.

Tharenou, P., & Caulfield, N. 2010. Will I stay or will I go? Explaining repatriation by self-initiated expatriates. *Academy of Management Journal*, 53: 1009–1028.

Thomas, D. A., & Ely, R. D. 1996. Making differences matters: A new paradigm for managing diversity. *Harvard Business Review*, Sep-Oct: 79–90.

Thorn, K. 2009. The relative importance of motives for international self-initiated mobility. *Career Development International*, 14: 441–464.

Tung, R. L. 1998. American expatriates abroad: From neophytes to cosmopolitans. *Journal of World Business,* 33: 125–144.

Van der Heijden, J. A. V., Van Engen, M. L., & Paauwe, J. 2009. Expatriate career support: Predicting expatriate turnover and performance. *The International Journal of Human Resource Management*, 20: 831–845.

Van der Zee, K. I., & Van Oudenhoven, J. P. 2001. The multicultural personality questionnaire: Reliability and validity of self- and other ratings of multicultural effectiveness. *Journal of Research in Personality*, 35: 278–288.

Von Glinow, M., & Teagarden, M. B. 2009. The future of Chinese management research: Rigour and relevance redux. *Management and Organization Review*, 5: 75–89.

Warneke, D., & Schneider, M. 2011. Expatriate compensation packages: What do employees prefer? *Cross-Cultural Management,* 18: 236–256.

16

Types of international assignees

David G. Collings, Anthony McDonnell and Amy McCarter

Introduction

International assignments have long since represented a critical mechanism by which organisations that operate on a global scale can effectively manage and develop their global operations. Such assignments serve multiple purposes including management development, coordination and control, information exchange and succession planning (Black *et al.*, 1999; Edstrom and Galbraith, 1977; Harzing, 2001). For employees, it is claimed that international assignments are 'the single most influential force for the development of managers' (Stroh *et al.*, 2005) and can contribute significantly to the development of one's career in the global organisation. Much of the research surrounding international assignments has centred around 'traditional' international assignments – purpose driven transfers to a foreign location with a duration of between 12 and 36 months (Dowling *et al.*, 2008) and up to 60 months. This is unsurprising as historically such assignments have represented the most dominant form of global staffing arrangement (Collings *et al.*, 2007) and recent indications suggest that assignments of this duration remain prevalent amongst organisations (McDonnell *et al.*, 2011; Brookfield GMAC, 2013).

However, the landscape of global mobility has altered significantly over the past number of decades and the topography of global staffing is far more heterogeneous in the contemporary multinational enterprise (MNE) than has been the case in the past. This has important implications for the study and practice of international human resource management (IHRM). First, it creates a question as to the utility of academic theories and models based on samples of traditional longer-term assignments. Do the findings and recommendations hold true in different modes of international staffing? Second, for IHRM practitioners it demands a wider range of policies and practices to reflect the differing requirements of different staffing types. Also it is important to consider the extent to which these differing global staffing options meet the strategic objectives of the sending organisation and the individual employees.

This chapter begins by considering the role of international assignees in the MNE. The challenges to traditional models of global mobility which relied on longer-term assignments are then outlined. Emerging alternatives to global mobility are then introduced, followed by a consideration of the HR challenges and issues emerging from a portfolio approach to global mobility. We conclude with some directions for further study.

Expatriate deployment and the MNE

Organisations have physically relocated managers to foreign locations where business operations are based since approximately 1900 BC. Indeed, even at this stage, locals were viewed as inferior and restricted to lower level jobs while parent country nationals (PCNs- individuals from the headquarters country) were afforded superior conditions, similar to modern day expatriates (Moore and Lewis, 1999: 66–67).

Edstrom and Galbraith (1977) were amongst the first to theorise on the differing objectives of international assignments. Broadly following their conceptualisation, literature on international management and IHRM has consistently focused on three core purposes for using international assignments. First in position filling, where particular knowledge, skills and abilities are not available in the host country, organisations may fill the existing gap with expatriates sourced from other geographic areas. Second, they serve as vehicles for the training and development of current and future international managers. Finally, international assignments may act as a means of organisational development, through knowledge transfer and information sharing amongst subsidiaries as well as the coordination and control of subsidiary units. Others such as Salt and Millar (2006) identify the key drivers of international working as: building new international markets; temporary and short-term access to talent to execute overseas projects, and; to perform boundary spanning roles and facilitate the exchange of knowledge within the firm.

Pucik (1992) further elaborated on the definition of international assignments, categorising them by *demand* or *learning* driven purposes. Those which are demand driven are identified as serving skill requirements to solve specific problems which arise in the host location. In contrast, leaning driven assignments are characterised as providing a means of developing managerial talent at the individual level as well as for organisational learning. While evidently organisations may use international assignments for an array of motives it should be noted that such are not mutually exclusive and indeed international assignments may serve multiple functions at any one time. Nonetheless, these broad objectives provide a basis for understanding the objectives of global mobility.

The objectives of global mobility have important implications in judging the success or otherwise of international assignments. For example, assignments premised on management development have been shown to result in personal change and role innovation as acclimatising to the new environment results in the assignee adapting their frame of reference. Alternatively, in control-driven assignments, the emphasis is on locals absorbing the new demands of the expatriate manager and success is considered as locals changing their frames of reference (Shay and Baack, 2004). The relationship between differing objectives of global mobility and the nature of HR support required by assignees also emerges as an important consideration (See Collings, 2014).

However, the relationship between international assignments and MNEs has been somewhat torturous with some suggesting that there remains a significant underestimation of the complexities which surround them (Dowling and Welch, 2004). Indeed there are a number of challenges which emerge which constrain the potential value which organisations reap from expatriate deployment. While on one hand, they have served well for achieving organisational objectives, on the other hand they are fraught with challenges which affect many of the stakeholders involved in the international assignment. This has prompted some debate surrounding the viability of international assignments for organisations. We now summarily consider some of these challenges before moving on to consider the various alternatives to the traditional international assignment which are common place in the contemporary MNE.

Challenges to long-term assignments

The first key challenge relating to the traditional international assignment emerges in terms of recruitment and selection. Organisations face an increasingly difficult task in attracting employees willing to take on international assignments (Collings *et al.*, 2007). A multiplicity of reasons cited for such difficulties include *inter alia* the rise of dual career couples, growth of difficult assignment locations, less generous expatriate compensation packages, and career concerns.

With the incorporation of women into the labour market within the last half a century, many relationships involve dual careers. Individuals engaged in dual career relationships may be less willing to accept international assignments and therefore exclude themselves from the selection phase because of the impact the international phase may have on their partner and their career or the disruption it may cause to personal and family situations (Collings *et al.*, 2007; Forster, 2000). Additionally, political and cultural constraints of host countries have been argued to deter employees from accepting international assignments. For example, host countries involved in war and civil unrest, and political instability may be conceived as dangerous to relocate to. Similarly locations which are culturally distant from the home country and may prove challenging for assignees may be more unattractive when compared to locations which are culturally and perhaps geographically close to the home country. Reflective of these concerns, the Brookfield GMAC relocations trends study (2013) reports cultural difficulties, personal security concerns, language difficulties and the political climate in the host country amongst the top five reasons why such countries are considered challenging. Countries identified as presenting the greatest challenge for organisations in the survey include China, India, Russia and Brazil, which are particularly worrisome owing to the increasing economic significance of the BRIC countries and the requirements of international talent in these markets (Brookfield GMAC, 2013).

An additional challenge emerges when those considering undertaking international assign-ments, reflect on the experiences of previous expatriates through direct communication or through observation. This may influence the decision to accept or decline an international assignment (Tung, 1988). Witnessing the challenges which other expatriates faced on repatriation, may result in potential international assignees concluding that an international assignment will hinder rather than benefit their own career should they accept (Black *et al.*, 1992).

Further challenges for organisations relate to costs, and expatriate 'failure'. While the true cost of an international assignment is difficult to measure, typically traditional international assignments incur huge financial costs as well as other costs. Traditional estimates indicate that the average cost of maintaining expatriates abroad was between three and five times the cost of employing them at their home location (Forster, 2000). Indeed, there has been a consistent drive for reducing the costs of global mobility over the past decade or so. Balance sheet compensation packages are regularly being replaced with local–plus packages, or tiered compensation packages which reward based on the strategic function of the individual assignment (see Tornikoski, Suutari and Festing in the current volume).

Expatriate failure has been a significant and indeed controversial issue within the literature. Expatriate failure is commonly measured as a premature return from an international assignment. Although high expatriate failure rates have been frequently highlighted in literature, of between 20 and 30 per cent (Tung, 1981, 1982; Black *et al.*, 1999), such high rates have been challenged by others suggesting that indicated failure rates are amplified and are not supported by empirical investigation (Harzing, 1995, 2002). However, more recently there have been calls to conceptualise the issue of expatriate failure more broadly (Scullion and Collings, 2006). Such an approach recognises the potential costs it can lead to – both directly in terms of salaries, relocation expenses, legal issues, and so on, and indirectly through the possibility of market share loss and strained relationships (Collings *et al.*, 2007).

Finally, issues around retention of expatriate employees after repatriation emerges as a challenge to the traditional assignment. Arguably repatriation presents the most problematic phase of the international assignment cycle and was identified as the biggest single problem by UK companies over a decade ago (Forster, 2000). Although the expectation may be that repatriation should be relatively straight forward as the expatriate is 'coming home' (Stroh *et al.*, 2000), research suggests this phase is often the most problematic for employees and the sending organisation (see Lazarova, this volume). Despite acknowledgement of the fact that retention is a serious problem, there is little evidence to suggest that organisations are developing effective re-entry programmes for expatriates returning from international experience. Previous reports suggest that often between 10 and 25 per cent of repatriated employees leave their organisation within the first year of return (Black *et al.*, 1999; Bonache *et al.*, 2001; Brookfield GMAC, 2013). This is a critical concern for the organisation, particularly when the primary purpose of the assignment is learning driven, where it is crucial that organisations proactively plan to reintegrate employees into their organisation on return in order to profit from the investment made (Reiche and Harzing, 2011). Causes for high rates of turnover have been connected with feelings of frustration felt by the employee. For the returning expatriate coming home is often a difficult transition due to assured development of the organisation since their departure. However, perhaps it is concerns around career development where repatriated employees feel most of their frustration. Although the academic literature and practitioner reports emphasise the benefits of international assignments for one's career in terms of advancement, empirical evidence to support these claims, at least within the sending organisation, is rather scant (Welch, 2003). Furthermore, many empirical accounts report that those who undertook international assignments often experienced negative career implications, in terms of missed opportunities while they were abroad, or broken promises of promotion when they returned from their assignments and difficulties in finding a suitable position upon return (Stahl and Chua, 2006). In reality many employees find themselves in 'holding patterns' upon their return as organisations who fail to effectively plan for their return scour to find suitable positions which merit the newly acquired competencies by the employee (Feldman and Thomas, 1992; Selmer, 1999; Bonache *et al.*, 2001). Furthermore, concerns are raised by repatriates over the underutilisation of their newly acquired skills. Many perceive their positions upon re-entry lacking in authority (Lazarova and Cerdin, 2007). Former expatriates perceive that organisations do not value the knowledge experience they acquired while on assignment (Selmer, 1995). Consequently, employees are overcome with feelings of underemployment, and disillusion and leave the organisation through frustration with the treatment they have received.

However, Kraimer *et al.* (2009) found that those who undertook developmental assignments were more likely to progress within the organisation upon return than those who accepted assignments which relate to problem solving. Notwithstanding this, developmental driven international assignees are more likely to leave their organisation upon return (Dickmann and Doherty, 2010). While international assignments evidently pose complex problems for organisations, they also present a complex challenge for employees. International assignments provide excellent opportunities for skill and knowledge development, general management skill acquisition as well as unique inter-cultural awareness and global leadership development (Black *et al.*, 1999). However, from a more negative perspective, international assignments are often reported to have detrimental career effects. Despite the concerns over the particularly negative implications of international assignments for expatiates and repatriates, some researchers have started to consider why employees continue to accept such postings (Stahl *et al.*, 2002; Lazarova and Cerdin, 2007). However the question remains open as to understanding how

individuals weigh up the posited negative implications of international assignments with decisions to undertake international relocations.

Changing forms of global mobility

The challenges identified above mean that both organisations and individuals alike are re-evaluating their attitudes towards global mobility and indeed the international staffing options available to meet organisational operational objectives and individual career objectives. Indeed, Briscoe and Schuler (2004: 223) concluded a decade ago that the definition of the international employee within the organisation has expanded and that the 'tradition of referring to all international employees as expatriates . . . falls short of the need for international HR practitioners to understand the options available . . . and fit them to evolving international business strategies'. Although there is a growing literature which focuses on the experiences of self-initiated expatriates, or those employees who relocate to another country without organisational support and gain employment in the host country (see Doherty, 2013; Doherty et al., 2013; Vaiman and Hasleberger, 2013), for the current paper, we focus on corporate expatriates – 'employees who are temporarily relocated by their organization to another country . . . to complete a specific task or accomplish an organizational goal'[1] (Shaffer et al., 2012: 1287).

A key point of differentiation between the traditional international assignment and emerging alternatives is temporal. While international assignments typically involved sojourns abroad of between one and five years, there is far more variety in modern forms of international mobility. Evans et al. (2011) argue that the traditional long-term orientation of international assignments derived from rather ethnocentric objectives of the traditional assignment. Such assignees predominately acted as corporate agents in establishing control mechanisms in newly established subsidiaries or by transferring knowledge. Additionally developmental objectives may have been conceived in more traditional terms as building cross-national, organisational coordination capabilities (see also Collings and Scullion, 2012). However, more recently, problem solving objectives which are defined by their singular purpose mean that such long-term sojourns are less necessary. Additionally, it is increasingly recognised that shorter periods abroad can have beneficial effects on individual's careers. For example, many international graduate programmes now incorporate one or two short assignments internationally. Such assignments are considered attractive to younger employees entering the workforce who consider global experience as a key desire in their early careers. Indeed, a recent consultancy report concluded that the millennial generation viewed overseas assignments as a rite of passage in their early careers (PWC, 2010).

The first alternative form of global mobility which we consider is the international business traveller (IBT). The *IBT* or frequent flyer is defined as 'one for whom business travel is an essential component of their work' (Welch and Worm, 2006: 284). Employees who take up these international assignments, travel and communicate regularly between the host location and home office, however, they will not relocate as their roots remain in their home country. While not a new phenomenon in international business, the IBT is increasingly being considered as an alternative to international relocation and hence merits discussion. IBTs provide the advantage of face-to-face interaction in conducting business transactions without the requirement of physical relocation. By definition IBTs generally involve relative short stays in specific locations, the durations of which are dictated by the objective of the visit. IBTs tend to be utilised for specialised tasks which occur rather irregularly such as budgeting or production scheduling. Tracking the utilisation of IBT as an alternative to conventional assignments, survey reports have presented the increasingly active position IBT holds in MNEs. This trend appears to be

consistent with recent survey reports suggesting that international business travel is an increasingly viable alternative option. Over 90 per cent of companies surveyed by Cartus (2012) have either maintained or increased their use of international business travel over the past three years. On the other hand, Boyle and McDonnell (2013) point to the global financial crisis negatively impacting international business travel amongst MNEs operating in Australia. Given the extensive levels of people involved in business travel, it is a significant challenge for MNEs to establish an accurate account of the number of IBTs in their organisations (Welch and Worm, 2006). Clearly the implications of failure to track such assignments from a tax perspective are significant and organisations are increasingly putting extended travel policies in place to accurately track their populations of IBTs (Brookfield, 2013).

A second alternative form of global mobility is the *commuter assignment*. Although a longer-term arrangement, commuter assignments generally involve an assignee commuting from their home base to a post in another country, generally on a weekly or bi-weekly basis. Similar to IBT's commuter assignments involve heavy travel, these assignments are likely to be of a more structured, defined pattern (Stahl *et al.*, 2012). While it is difficult to quantify the extent of usage of such assignments Mayrhofer and Scullion (2002) cite the example of German quality engineers with managerial and technical responsibilities in the clothing industry who travelled frequently to several countries in Eastern Europe, returning regularly for briefings and to spend weekends with their families. In a recent survey of almost 600 MNEs globally, a quarter of respondents indicated that they use commuter assignments, (KPMG, 2013). Indeed, Mayrhofer and Brewster (1997) argue that the geographic situation in Europe means that Euro-commuting and frequent visiting is a viable alternative to expatriate transfers. However, such assignments have profound effects on the lives of the individuals concerned and are frequently incompatible with family life, and familiar daily routines and often do not sustain adequate work life balance. Additionally, individual burnout, fatigue and tax management are important concerns (Meyskens *et al.*, 2009; Mayrhofer *et al.*, 2008). Such arrangements can be used in a wide range of circumstances where an individual may not wish to relocate their family on taking on a role in a new location.

Third, *rotational assignments* involve an individual working for a set period of time on location in a foreign location followed by a break in the home country. This type of assignment is most common in the oil and gas industries where drilling locations are often incompatible with family life. Again such assignments tend to be longer-term arrangement and are often a function of the industries concerned. In a recent world survey amongst 600 multinationals carried out by KPMG, almost 20 per cent of participants indicated that rotational assignments are employed in their organisation (KPMG, 2013).

The most common alternative to the traditional assignment is the *short-term* assignment. These assignments are generally viewed as being of a longer duration than a business trip and usually do not last longer than one year (Collings *et al.*, 2007). Similar to previous alternative forms they generally do not involve relocation of the assignees spouse or family (Starr and Currie, 2009). Such assignments are suited to organisational, or to a lesser degree individual, development objectives, which could be achieved at a fraction of the costs associated with expatriate assignments (Scullion and Collings, 2006). Indicative of the increasing usage of short-term assignments, 86 per cent of firms in the Brookfield GMAC (2013) survey had short-term assignment policies in place. The key advantages of short-term assignments include increased flexibility, simplicity and cost effectiveness (Tahvanainen *et al.*, 2005: 667–668). Appositely common disadvantages include: (1) taxation issues, particularly for assignments over six months duration, (2) potential for side effects such as alcoholism and marital problems (3) failure to build effective relationships with local colleagues and customers and (4) work visas and permits

(Tahvanainen *et al.*, 2005; Dickmann and Debner, 2011). Short–term assignments have a wide range of applications from leadership development, through problem solving, through project type roles. Empirical evidence suggests that short–term assignments remain the most popular type of alternative assignment amongst organisations. According to the Global Mobility Report Survey, almost a quarter of organisations reported that short–term assignments are most prevalent in their organisation (Brookfield GMAC, 2013). Additionally similar research suggests that these trends are likely to increase with 94 per cent of 122 global organisations stating that their short–term assignment activity is likely to remain the same or increase over the next few years (Cartus, 2012).

The final alternative to the traditional assignment where temporality emerges as a key concern is the *permanent transfer* whereby the individual is permanently transferred to local payroll and local terms and conditions in the host country. Such arrangements are becoming increasingly common and are seen as a cost-effective means of transferring staff globally with some 41 per cent of firms having formal policies around permanent transfers (Brookfield, 2013). This type of mobility has largely been neglected by the academic literature despite their increasing utilisation in practice. Collings *et al.*'s (2008) study unearthed some evidence of permanent transfers as a staffing option which they traced to operating in low margin industries where the cost constraints of global mobility were particularly significant. However, the findings from Tait *et al.*'s (2014) exploratory study questioned the cost savings of permanent transfers arguing that the assignment type may be at odds with the MNE's longer term goals regarding talent and knowledge management. However, the area of permanent transfers is largely unresearched and the extent of their usage, the implications on employee outcomes and organisation performance all merit further consideration. Permanent transfers have a wide application although empirical research is required to understand individual employee's motivations to accept such assignments. In terms of utilisation levels, 47 per cent of organisations indicated that they use permanent transfers as a form of international assignment (KPMG survey).

We now turn to spatial issues around alternative forms of global mobility with a particular focus on where the assignee and their family are located during the assignment episode. Indeed, a key characteristic of the traditional expatriate assignment was the assignees and their family generally relocated to the host location for the duration of the assignment. The emergence of these alternative forms of global mobility shift the boundaries of location for the assignees and their families alike. For example, in the case of IBTs and short–term assignees their base is generally retained in their home country. This means the assignee's family often remain in the home country, while salary, pension and social security benefits are also handled there (Peltonen, 2001; Brookfield, 2013; Tahvanainen *et al.*, 2005). However, where a short–term assignment lasts beyond six months this can create tax and social security issues and it may not be possible for the assignee to retain tax status in their home country. For similar reasons commuter and rotational assignees are often classified as resident in their host countries for tax and social security purposes, particularly where they spend in excess of six months of the year in the location. However, their family will remain in the home country. Permanent transfers will by definition be located for tax and social security purposes in the host country.

Inpatriation also emerges as a further categorisation of alternative international assignee when the location issue is considered. Harvey *et al.* (2000), define inpatriates as employees from multinational subsidiaries transferred to the HQ on a permanent or semi–permanent basis. Thus, a key difference between inpatriates and traditional assignees is that inpatriates are located at the HQ or in the home country of the MNE. As part of a global network, such assignees can act as 'linking pins' between foreign subsidiaries and HQ. Indeed this boundary spanning role can aid the global competitiveness of the MNE (Harvey *et al.*, 1999). Inpatriation also facilitates

the embedding of employees from outside of the MNE's country of origin into the organisation, while potentially providing subsidiary talent with defined career paths, and facilitating the learning of organisational cultures, values and decision making processes (Harvey *et al.*, 2001). Similarly, the return of inpatriates to their home country on completion of their assignment can aid the localisation process. Although there is limited empirical evidence on the extent of usage of inpatriate assignments, Collings *et al.* (2010) concluded that although the absolute number of inpatriate assignees within individual organisations was small they were used in a wide range of MNEs.

HR's role and challenges

The expansion in the variety of assignment types available and utilised by organisations presents certain implications for the HR function. As a starting point for HR, the expansion in the portfolio of assignments will inevitably enlarge the scale of workload for HR as each alternative form of assignment is likely to present its own set of issues similar to, but distinct from, those of traditional assignments. At a basic level this implies an increased administrative burden but there are also high value connotations in terms of organisations adopting a more strategic approach to global staffing which will mean new policy development and implementation. A key issue across many of the alternative forms of assignment is that they are viewed as outside the remit of the global mobility function owing to many being viewed as non-expatriates, typically seen as more the responsibility of line management (Welch and Worm, 2006). We now turn to considering some of the main HR challenges and implications from alternative types of assignments which we do in the context of the traditional expatriate cycle which consists of recruitment and selection of assignees, pre-departure preparation, during assignment support, repatriation and career management.

With respect to recruitment and selection, it appears that formal processes for alternative assignments are especially uncommon which is not surprising given informal methods appear also to be dominant for long-term expatriates (Brewster, 1991). Tahvanainen *et al.* (2005) found formal selection in the case of short–term assignments to be an extreme rarity. We would suggest formal selection regarding many of the other forms of alternative assignment to be similarly unusual. Scholarship has shown selection criterion for international assignments to be strongly based on technical skills and a person's track record in their domestic role (Sparrow *et al.*, 2004). While the skills and characteristics that should be incorporated in selection decisions for traditional assignments has been debated and critically discussed, little is known by way of whether there are specific criteria for alternative assignment forms. It seems logical that job descriptions and selection decisions should give due resonance to such issues in the case of roles that will incorporate forms of global mobility (e.g. frequent international business travel). As a result, there needs to be consideration for the skills and capabilities that if possessed will increase the likelihood of a successful assignment.

With respect to preparation, Mayerhofer *et al.*'s (2004) research on flexpatriate assignments (defined as individuals that travel away from their home base and across borders for brief assignments) found that the predominant role of the HR function was providing general information on travel, health and safety regulations in the countries in which people were travelling to, taking care of travel insurance, visas and so forth. They note that preparation for the assignment/travel and ongoing support was of secondary importance compared to ensuring the correct travel arrangements had been put in place (typically done by an external travel agency). Of some note was that despite the lack of organisational support, each interviewee emphasised the importance of informal relationships and networks in assisting them with preparing for an

assignment. There was acknowledgement from the organisation about the potential importance of cross-cultural skills for flexpatriates but the HR function had not established specific training initiatives for these individuals due to there being some doubt as to whether it would be effective and necessary. Finally, there was no consideration given to preparing flexpatriates for dealing with any stresses that may occur on the different assignments undertaken. The lack of preparation and consideration of the different situations faced by individuals in the different types of assignments undertaken is likely to only be a negative for both organisational and individual outcomes. We see this as a major issue. Issues may be considered as simplistic things like working out the most appropriate accommodation – hotel versus serviced apartment which may impact health and well-being, to the provision of pre-departure training specific to the assignment being undertaken.

Unsurprisingly, there is little evidence in the research literature that families of individuals undertaking non-traditional expatriate assignments are considered at any point in the assignment cycle. In other words, they are not considered at assignee selection stage nor are they involved in any forms of preparation or ongoing supports. This appears to be an area that HR departments need to consider in a comprehensive manner given the emerging research that shows individuals undertaking alternative types of international work suffer negative quality of work-life outcomes and struggle to keep a balance between their work and private/family lives (e.g. DeFrank et al., 2000). There is a multitude of research that has called for MNEs to be more strategic and proactive in their use of expatriate assignments so as to allow for more effective recruitment, selection, preparation and management. However, the reactivity of alternative assignments such as IBTs and short-term assignments are especially vivid. Mayerhofer et al. (2004) pointed to the case of a HR department holding a second passport for its international staff due to the need for individuals to travel on very short notice. One interviewee recommended having a travel bag ready at all times both at home and in the office such was their experience of needing to undertake international travel at short notice. While it is important to acknowledge that much of this may be unavoidable there needs to be greater appreciation of the impact this may have on the individual and their spouse/family.

Expatriate scholarship has long noted the importance of the provision of support during an assignment (Tung, 1982) but it appears from the limited research undertaken in this area and our own discussions with professionals charged with managing global mobility that no supports are provided in the case of most alternative forms. The case organisations in the Mayerhofer et al.'s (2004) research were very strong in terms of support to expatriates and their families but no recognition was provided to those on shorter/alternative types of global mobility work. We feel that there is a need for consideration of whether HR can involve themselves more in the case of different forms of global mobility to ensure that there are supports available when required. When we consider the earlier point about the short notice often afforded those having to undertake international travel the provision of supports may have a positive impact. Indeed, the act of considering whether an individual and family can be provided with some useful supports by the organisation may act as a positive effect in its own right.

A key reasoning behind the emergence and utilisation of IBTs, short-term assignments and so forth is that the assignee's family and spouse tend to remain in the home country meaning that there is a cost-saving benefit for the organisation. There has been a significant increase in interest on how to better determine the success and effectiveness of international assignments (see for example, McNulty et al., 2009). While it appears that alternative global mobility forms have, in part, emerged due to being of lower cost than traditional expatriates, they have not been immune to a further drive to lower cost. For example, recent research from Australia found that reduced international travel was the most common impact of the global financial

crisis on MNEs (see Boyle and McDonnell, 2013). Similarly, Salt and Wood (2012) noted that their research found business travel as an area where savings were especially sought when the downturn started to occur. An interviewee (IT consultancy) made the point that, 'like most companies, we're now much more careful about who goes on business trips for cost reasons' (Salt and Wood, 2012: 437). However, a key challenge for organisations and the HR function is actually measuring and tracking the level of international travel taking place, as well as other forms of alternative assignments. Anecdotal evidence points to great difficulty in tracking the extent to which alternative international assignments are being used. Consequently, when tracking the numbers is proving difficult it logically points towards there being a very limited appreciation of whether these assignments are effective or successful and of the bottom line cost/benefit to the organisation. From both an organisational and individual perspective there is very little understanding of the returns garnered from the different forms of global mobility. It also points to the additional challenges of measuring the ROI of alternative forms of global mobility.

The nature of careers in organisations and career management has evolved substantially over the last half century. We can note that while careers traditionally have been demonstrated to develop within a single organisation, careers developed more recently are most appropriately viewed as complex and unstructured. The way in which individuals think about their career has changed. Traditional careers saw secure lifetime employment with single organisations, largely vertical career progression which was controlled by the organisation. Gradual changes in the employment relationship due to the environmental forces at play have generally seen shorter terms of employment, increases in inter-firm mobility and career development managed by the employee to a greater degree (Arthur and Rousseau, 1996). The emergence of more contemporary theoretical underpinnings, alternative schools of thought have come to the fore offering insights into why employees continue to accept international assignments despite the potential negative implications that may be experienced. Lazarova and Cerdin (2007) propose the notion of the 'proactive repatriate'. The proactive repatriate is one who is actively engaged with their own personal and professional career development. For such individuals the degree of organisational support which they receive during and at the end of their experience is of secondary importance and instead they use international experience as a tradable asset to advance their careers in the direction which most suitably matches personal needs and values. In this regard Lazarova and Cerdin (2007) suggest that while the issue of turnover upon repatriation may be considered as a consequence of poor organisational support, it may also be stimulated by individuals who proactively seek to advance their careers by seeking opportunities external to the organisation which appropriately fit their personal and professional career objectives. These individuals may in fact have had little intention of remaining with the sending organisation. Research of this kind has focused on long-term expatriate assignments meaning that we do not know if individuals feel similarly in respect to undertaking other types of international assignments. The high turnover of repatriates has been noted for some time but whether such an issue exists in the case of shorter assignment methods is unknown. What we can suggest is that there is likely to be little to no consideration of the repatriation process by organisations for assignments of short duration.

Managerial implications and future research

The global mobility landscape is far from homogenous which has consequences for both practitioners and scholars in the area. HR practitioners need to establish systems of tracking and managing the different mobility portfolios which we argue will demand a considerable range

of policies and practices that are aligned to the different challenges and requirements of different mobility forms. Failing to consider the characteristics and circumstances of different types of international work is likely to fuel negative outcomes which can be on both an individual and organisational level. For example, at an individual level, organisations cannot continue to turn a blind eye to the issue of work load and travelling time for those undertaking regular international travel. In particular, there is need for organisations to consider the impact such travel may have on the individual (e.g. jet lag, dietary changes), as well as on their family life (e.g. individual is provided with time-off as a result of the personal/family time taken for travel). There is also a strong case that job descriptions, person specifications and employment contracts account for the different forms of global mobility that may be encompassed in the role and the additional characteristics or issues that may be involved (Demel and Mayrhofer, 2010). Issues around pay and performance management also emerge as significant. For example, the structure of pay for an individual undertaking a short-term assignment is likely to differ to a long-term assignee. With respect to performance management, the question of how a person's performance on assignment is evaluated emerges? Can an organisation adopt the same system to evaluate a person on a long-term assignment, short-term assignment or international business travellers?

The area of global mobility is ripe for theoretical advancement and empirical investigation with numerous research questions of importance worthy of consideration (see Shaffer *et al.*, 2012). A simplistically worded yet inherently difficult question to answer due to measurement challenges is what is the actual extent and use of different global mobility types? Brewster *et al.* (2001) in a UK based study of international assignment types found that approximately one third had no idea how many staff were frequent flyers though they had detailed data on all long-term assignees. Leading on from this there is a key need to understand which types of assignments are most cost effective, and in what cases (e.g. business purpose/situation) are particular types of assignments chosen and why? There has been discussion about the need for expatriate assignments to be used more strategically (Collings *et al.*, 2007) but there is limited understanding of how various types of global mobility are influenced by international organisation strategies.

On more HR related points, there is a need for research that examines the HR practices and used to support of different forms of global mobility. For example, how do selection, training, rewards, and supports vary with the type of assignment and how do differing HR practices relate to key performance outcomes? While the indications suggest there tends not to be formal processes and supports for flexpatriates (e.g. Mayerhofer *et al.*, 2004), there has been little empirical investigation into this area. Undertaking this type of research is important because even if there is little being done by the majority of organisations, it may help in identifying best practices that are being used by some pioneering firms with respect to how they manage global mobility. Overall, there is scope for considerable research into the role of both corporate and subsidiary HR functions in the management of alternative international assignments.

For instance, in the case of selection, flexpatriate assignments are by nature briefer than traditional expatriate assignments which means that there is a more limited time period to adjust to the different culture and working with people from that country. An interesting question that logically follows is on the selection criteria for different types of global mobility. Does having cross-cultural competence become more important in shorter assignments due to not having the time to develop such skills or is the opposite true, cross-cultural agility is less important because the duration is short? Are all measures of cross-cultural suitability useful and valid for each type of international working? There has been considerable attention placed on shortages of global talent leading to discussion around the development of international managers but

Table 16.1 Summary of alternative global mobility types

Assignment	Assignment definition	Potential uses	Temporal issues	Challenges	HR issues
International business travel	Regular travel and communication between home and host location of an undefined duration	Specialised irregular tasks e.g. production scheduling; budgeting; individual development; managerial control; development of networks	Delineation of work and life roles, travel on personal time	Burnout; stress; cost management; work–life balance	Policy formation and implementation; recruitment; selection; training; reward; health and safety
International commuter	Periodic travel between home and host location, frequently on a weekly, bi-weekly or monthly basis	Project based tasks; network building; individual development; short term skills gap	Tax issues; social security issues; compensation issues	Costs; burnout; stress; cost management; work–life balance	Work permit issues; policy formation and development; recruitment; selection; training; reward; health and safety
Rotational assignment	Assignment of a prescribed period of time in host location followed by a break in home location before further relocation	Managerial development; organisational functionality	Tax and social security issues	Work–life balance; strain on relationships	Training and retention
Short term assignment	Assignment of a duration longer than a business trip and shorter than one year	Technical roles; organisational and individual development objectives; specific skill transfer	Tax and social security issues	Strain on personal relationships; health Issues; work–life balance; failure to build effective relationships	Work permit issues; policy; recruitment; training; reward; health and safety
Permanent transfer	One way transfer in which assignee works and resides in host location indefinitely	Low margin industries, less strategic transfers	Permanent break with home base	Return on investment, identity, support	Persuading individuals to accept permanent transfer

what this actually means and how international assignments assist has not received much attention (Selmer, 1998). Relatedly, we know very little about how different types of international assignments fit in with approaches to career development within MNEs, something that should be redressed.

On an individual level, we call on researchers to investigate the individual motivations underscoring people undertaking international assignments and whether there are differences in these according to the different mobility forms? There is an acute need to better appreciate the non-work issues and challenges faced by different international workers. For example, Collings *et al.* (2007) highlighted the high potential of international frequent flyers suffering from burnout. There is consequently a need for studies that investigate the strains and pressures on individuals and their partner/families involved in different mobility forms and how organisations can help ease these. Mayerhofer *et al.* (2004) found evidence of flexpatriates being active in gathering information from the Internet and colleagues and friends to improve their experience and chances of succeeding on the assignment. Consequently, it would be useful to understand better how individuals manage the demands that are placed on their work and non-work life? The impact of undertaking an international assignment on one's career has started to gain a lot of attention (e.g. Suutari, 2003; Cappellen and Janssens, 2005). Much has been made on the learning experience garnered from an expatriate assignment leading to the development of three types of career capital (e.g. Jokinen *et al.*, 2008): know-how (i.e. ability to see how things work differently in various situations); know-whom (i.e. the development of relationships) and know-why (i.e. appreciating what is important to them). Research that investigates the career outcomes from different global mobility forms would make a very useful addition to existing knowledge on our understanding of the impact of international experience on one's career.

Conclusion

In this chapter we have highlighted the changing topography of global mobility approaches in international organisations (see Table 16.1 for a summary). In particular we have highlighted that while the traditional corporate expatriate remains a main-stay in MNEs globally, there are a significant range of other types of global staffing assignments occurring which have received comparatively less attention by scholars. Practitioners also appear to have paid less attention to these global mobility forms which might be based on the premise that they avoid many of the issues that are associated with long-term international assignments (Brewster *et al.*, 2001). While this may be the case, it is not a truly accurate picture because it appears that alternative forms of global mobility bring new issues and challenges as we have highlighted in this chapter. An overarching issue in this is that there appears to be a lack of HR involvement in alternative forms of assignments. As a result, a key challenge is enacting a set of consistent and appropriate policies and practices for the different global mobility types.

Notes

1 Shaffer *et al.* prioritise assignments lasting several years in their definition. Given the incorporation of short-term assignments in the present discussion, we recognise the importance of such shorter-duration assignments.

References

Arthur, M. B. and Rousseau, D. M. (1996). *The Boundaryless Career: A New Employment Principle for a New Organizational Era*. Boston, MA: Cambridge University Press.

Black, J. S., Gregersen, H. B. and Mendenhall, M. E. (1992). Toward a theoretical framework of repatriation adjustment. *Journal of International Business Studies*, 23: 737–760.

Black, J. S., Gregersen, H. B., Mendenhall, M. E. and Stroh, L. K. (1999). *Globalizing People through International Assignments*. New York: Addison-Wesley.

Bonache, J., Brewster, C. and Suutari, V. (2001). Expatriation: A developing research agenda. *Thunderbird International Business Review*, 43: 3–20.

Boyle, B. and McDonnell, A. (2013). Exploring the impact of institutional and organisational factors on the reaction of multinational companies to the global financial crisis. *Asia Pacific Business Review*, 19: 247–265.

Brewster, C. (1991). *The Management of Expatriates*. London: Kogan Page.

Brewster, C., Harris, H. and Petrovic, J. (2001). Globally mobile employees: Managing the mix. *Journal of Professional Human Resource Management*, 25: 11–15.

Briscoe, D. R. and Schuler, R. S. (2004). *International Human Resource Management* (2nd edn). New York: Routledge.

Brookfield GMAC (2013). *Global Relocation Trends: 2013 Survey Report*. Bun Ridge, IL: Brookfield.

Cappellen, T. and Janssens, M. (2005). Career paths of global managers: Towards future research. *Journal of World Business*, 40: 348–360.

Cartus (2012). 2012 *Trends in Global Relocation*. Dandury, CT: Cartus.

Collings, D. G. (2014). Integrating global mobility and global talent management: Exploring the challenges and strategic opportunities. *Journal of World Business*, 49(2): 253–261.

Collings, D. G. and Scullion, H. (2012). Global staffing. In G. K. Stahl, I. Björkman and S. Morris (Eds), *Handbook of Research in International Human Resource Management* (2nd edn). Cheltenham: Edward Elgar.

Collings, D. G. Scullion, H. and Morley, M. J. (2007). Changing patterns of global staffing in the multinational enterprise: Challenges to the conventional expatriate assignment and emerging alternatives. *Journal of World Business*, 42: 198–213.

Collings, D. G., Morley, M. J. and Gunnigle, P. (2008). Composing the top management team in the international subsidiary: Qualitative evidence on international staffing in US MNCs in the Republic of Ireland. *Journal of World Business*, 43(2): 197–212.

Collings, D. G., McDonnell, A., Gunnigle, A. and Lavelle, J. (2010). Swimming against the tide: Outward staffing flows from multinational subsidiaries. *Human Resource Management (US)*, 49(4): 575–598.

DeFrank, R. S., Konopaske, R. and Ivancevich, J. M. (2000). Executive travel stress: Perils of the road warrior. *The Academy of Management Executive*, 14(2): 58–71.

Demel, B. and Mayrhofer, W. (2010). Frequent business travelers across Europe: Career aspirations and implications. *Thunderbird International Business Review*, 52(4): 301–311.

Dickmann, M. and Doherty, N. (2010). Exploring organizational and individual career goals, interactions and outcomes of developmental international assignments. *Thunderbird International Business Review,* 52: 373–324.

Dickmann, M. and Debner, C. (2011). International mobility at work: Companies' structural remuneration, social security and risk considerations. In M. Dickmann and Y. Baruch (Eds), *Global Careers* (pp. 268–293). London: Routledge.

Doherty, N. (2013). Understanding the self-initiated expatriate: A review and directions for future research. *International Journal of Management Reviews*, 15(4): 447–469.

Doherty, N., Richardson, J., and Thorn, K. (2013). Self-initiated expatriation: Career experiences, processes and outcomes. *Career Development International*, 18(1): 6–11.

Dowling, P. J. and Welch, D. E. (2004). *International Human Resource Management: Managing People in an International Context*. London: Thomson/South-Western.

Dowling, P. J., Festing, M. and Engle, A. D. (2008). *International Human Resource Management* (5th edn). London: Thompson.

Edstrom, A. and Galbraith, J. R. (1977). Transfer of managers as a coordination and control strategy in multinational organizations. *Administrative Science Quarterly*, 22: 248–263.

Evans, P., Pucik, V. and Björkman, I. (2011). *The Global Challenge: International Human Resource Management*. New York: McGraw-Hill Irwin.

Feldman, D. C. and Thomas, D. C. (1992). Career management issues facing expatriates. *Journal of International Business Studies*, 23(2): 271–293.

Forster, N. (2000). The myth of the 'international manager'. *International Journal of Human Resource Management*, 11(1): 126–142.

Harvey, M., Speier, C. and Novicevic, M. M. (1999). The role of inpatriation in global staffing. *International Journal of Human Resource Management*, 10: 459–476.

Harvey, M. G., Novicevic, M. M. and Speier, C. (2000). Strategic global human resource management: The role of inpatriate managers. *Human Resource Management Review*, 10: 153–175.

Harvey, M., Speier, C. and Novicevic, M. M. (2001). A theory-based framework for strategic global human resource staffing policies and practices. *International Journal of Human Resource Management*, 12: 898–915.

Harzing, A. W. K. (1995). The persistent myth of high expatriate failure rates. *International Journal of Human Resource Management*, 6(2): 457–474.

Harzing, A. W. (2001). Of bears, bees and spiders: The role of expatriates in controlling foreign subsidiaries, *Journal of World Business*, 26: 366–379.

Harzing, A. W. (2002). Are our referencing errors undermining our scholarship and credibility? The case of expatriate failure rates. *Journal of Organizational Behavior*, 23(1): 127–148.

Jokinen, T., Brewster, C. and Suutari, V. (2008). Career capital during international work experiences: Contrasting self-initiated expatriate experiences and assigned expatriation, *The International Journal of Human Resource Management*, 19: 981–1000.

KPMG. (2013). *Global Assignment Policies and Practices Survey 2013*. Zurich: KPMG.

Kraimer, M. L., Shaffer, M. A. and Bolino, M. C. (2009). The influence of expatriate and repatriate experiences on career advancement and repatriate retention. *Human Resource Management*, 48: 27–47.

Lazarova, M. B. and Cerdin, J. L. (2007). Revisiting repatriation concerns: Organizational support versus career and contextual influences. *Journal of International Business Studies*, 38: 404–429.

Mayerhofer, H., Hartmann, L. C., Michelitsch-Riedl, G., and Kollinger, I. (2004). Flexpatriate assignments: A neglected issue in global staffing. *International Journal of Human Resource Management*, 15(8): 1371–1389.

Mayrhofer, W. and Brewster, C. (1997). Ethnocentric staffing policies in European multinationals. *International Executive*, 38: 749–778.

Mayrhofer, W. and Scullion, H. (2002). Female expatriates in international business: Empirical evidence from the German clothing industry. *International Journal of Human Resource Management*, 13: 815–836.

Mayrhofer, W., Sparrow, P. and Zimmerman, A. (2008). Modern forms of international working. In M. Dickmann, C. Brewster and P. Sparrow (Eds), *International Human Resource Management: A European Perspective*. London: Routledge.

McDonnell, A., Russell, H., Sablok, G., Burgess, J., Stanton, P., Bartram, T., Boyle, B. and Manning, K. (2011). *A Profile of Human Resource Management in Multinational Enterprises Operating in Australia*. School of Management, Victoria University, Melbourne.

McNulty, Y., De Cieri, H. and Hutchings, K. (2009). Do global firms measure expatriate return on investment? An empirical examination of measures, barriers and variables influencing global staffing practices. *The International Journal of Human Resource Management*, 20: 1309–1326.

Meyskens, M., Von Glinow, M. A., Werther, W. B. Jr and Clarke, L. (2009). The paradox of international talent: Alternative forms of international assignments. *The International Journal of Human Resource Management*, 20: 1439–1450.

Moore, K. and Lewis, D. (1999). *Birth of the Multinational*. Copenhagen: Copenhagen Business Press.

Peltonen, T. (2001). *New Forms of International Work: An International Survey Study. Results of the Finnish Survey*. University of Oulu and Cranfield School of Management.

Pucik, V. (1992). Globalization and human resource management. In V. Pucik, N. M. Tichy and C. K. Barnett (Eds), *Globalizing Management*. New York: John Wiley & Sons.

PWC (2010). *Talent Mobility 2020: The Next Generation of International Assignments*. London: PWC.

Reiche, B. S. and Harzing, A. W. (2011). International assignments. In A. W. Harzing and A. Pinnington (Eds), *International Human Resource Management* (3rd edn). London: Sage.

Salt, J. and Millar, J. (2006). International migration in interesting times: The case of the UK. *People and Place*, 14(2): 14–25.

Salt, J. and Wood, P. (2012). Recession and international corporate mobility. *Global Networks*, 12: 425–445.

Scullion, H. and Collings, D. G. (2006). *Global Staffing*. London: Routledge.

Selmer, J. (Ed.). (1995). *Expatriate Management: New Ideas for International Business*. Westport, CT: Greenwood Publishing Group.

Selmer, J. (1998). Expatriation: Corporate policy, personal intentions and international adjustment. *The International Journal of Human Resource Management*, 9: 996–1007.

Selmer, J. (1999). Career issues and international adjustment of business expatriates. *Career Development International*, 4(2): 77–87.

Shaffer, M. A., Kraimer, M. L., Chen, Y. P. and Bolino, M. C. (2012). Choices, challenges, and career consequences of global work experiences: A review and future agenda. *Journal of Management*, 38(4): 1282–1327.

Shay, J. P. and Baack, S. A. (2004). Expatriate assignment, adjustment and effectiveness: An empirical examination of the big picture. *Journal of International Business Studies*, 35: 216–232.

Sparrow, P., Brewster, C. and Harris, H. (2004). *Globalizing Human Resource Management*. London: Routledge.

Stahl, G. K. and Chua, C. H. (2006). Global assignments and boundaryless careers: What drives and frustrates international assignments? In M. J. Morley, N. Heraty and D. G. Collings (Eds), *International Human Resource Management and International Assignments*. Basingstoke: Palgrave Macmillan.

Stahl, G. K., Miller, E. L., and Tung, R. L. (2002). Toward the boundaryless career: A closer look at the expatriate career concept and the perceived implications of an international assignment. *Journal of World Business*, 37: 216–227.

Stahl, G., Björkmann, I., Farndale, E., Morris, S., Paauwe, J., Stiles, P. and Wright, P. M. (2012). Leveraging your talent: Six principles of effective global talent management. *MIT Sloan Management Review*, 53: 25–42.

Starr, T. L. and Currie, G. (2009). 'Out of sight but still in the picture': Short-term international assignments and the influential role of family. *International Journal of Human Resource Management*, 20(6): 1417–1434.

Stroh, L. K., Gregersen, H. B. and Black, J. S. (2000). Triumphs and tragedies: Expectations and commitments upon repatriation. *International Journal of Human Resource Management*, 11(4): 681–697.

Stroh, L. K., Black, J. S., Mendenhall, M. E. and Gregersen, H. B. (2005). *International Assignments: An Integration of Strategy, Research, and Practice*. New York: Routledge.

Suutari, V. (2003). Global managers: Career orientation, career tracks, life-style implications and career commitment. *Journal of Managerial Psychology*, 18: 185–207.

Tahvanainen, M., Welch, D., and Worm, V. (2005). Implications of short-term international assignments. *European Management Journal*, 23: 663–673.

Tait, E., DeCieri, H. and McNulty, Y. (2014). The opportunity cost of saving money: An exploratory study of permanent transfers and localization of expatriates in Singapore. *International Studies of Management and Organization*, 44(3): 79–94.

Tung, R. L. (1981). Selection and training of personnel for overseas assignments. *Columbia Journal of World Business*, 16(1): 68–78

Tung, R. (1982). Selection and training procedures of US, European and Japanese multinationals. *California Management Review*, 25: 57–71.

Tung, R. L. (1988). Career issues in international assignments. *The Academy of Management Executive*, 2(3): 241–244.

Vaiman, V. and Hasleberger, A. (Eds). (2013). *Talent Management of Self-initiated Expatriates: A Neglected Source of Global Talent*. Basingstoke. Palgrave Macmillan.

Welch, D. E. (2003). Globalisation of staff movements: Beyond cultural adjustment. *MIR: Management International Review*, 43: 149–169.

Welch, D. E. and Worm, V. (2006). International business travellers: A challenge for IHRM. In G. Stahl and I. Bjorkman (Eds), *Handbook of Research in International Research Management*. Edward Elgar: Cheltenham.

Selection for international assignments

Paula Caligiuri and Joost J. L. E. Bücker

Introduction

International assignees or "expatriates" are nationals of one country who are sent by their employing organization to live and work in another country. They fill a range of positions, from the technical or support roles to managerial and leadership roles. Found within multinational organizations headquartered in every part of the world and in every industry, the number of international assignments is on the rise. According to the Brookfield Global Relocation Trends Survey (Brookfield Global Relocation Services 2011), 64 percent of companies are increasing the size of their international assignee population, compared to 43 percent in 2011. International assignments, once considered parent company nationals moving to subsidiary offices, are also widening their reach around organizations. The Brookfield survey reports that now only half of the companies' international assignees are relocating to or from the headquarters country, the lowest percentage in the seventeen-year history of these data being collected (2011).

Given the increasing number and reach of international assignments within multinational organizations, predicting those who will be most successful remains a worthwhile endeavor. Selecting the best possible international assignees is critical to future success of multinational organizations (Scullion and Collings 2006). The placement of an unsuccessful international assignee can mean a failed project, poor job performance, and other career-advancement problems – not to mention the extreme personal and professional upheaval for the accompanying spouse and children.

Within the practice of selecting international assignees, two important topics have emerged: The first includes the individual-level antecedents of international assignee success, including personality characteristics, cross-cultural competencies and other characteristics (e.g., language skills and prior international experience) that can be used in selection systems for international assignment candidates. The second includes the practices for effectively selecting international assignees, such as realistic previews, self-selection, and assessment (Caligiuri and Tarique 2006). Both of these topics will be discussed in subsequent sections of this chapter.

Individual-level predictors for international assignee selection

Selection systems for international assignee candidates are unique because they are predicting success in job contexts (i.e., working in a foreign country), and not predicting success in given

roles. These systems identify whether individuals have "what it takes" to effectively live and work in a host country as opposed to identifying whether they can accomplish any specific job-related tasks. This approach is a departure from traditional selection systems and is more similar to person-environment fit approach (French, Caplan, and Harrison 1982). In this valuable approach, organizations start with technically qualified individuals and then, within that group, determine those who are best suited for the job considering other characteristics beyond simply task performance (Cable and Judge 1996, 1997). Following this approach, international assignee selection is a multistage process which begins with selection for technical competence but follows with predicting those who can comfortably and effectively work in different cultures and with people from different cultures (Caligiuri, Tarique, and Jacobs 2009).

Personality Characteristics in international assignee selection

Extensive research has found that well-adjusted and high-performing international assignees tend to share certain personality traits (e.g., Black 1990; Caligiuri 2000a, 2000b; Church 1982; Dalton and Wilson, 2000; Mendenhall and Oddou 1985; Mol, Born, Willemsen, and Van der Molen 2005; Shaffer, Harrison, Gregersen, Black and Ferzandi 2006). Specific personality characteristics have been shown to enable international assignees (1) to be open and receptive to learning the norms of new cultures, (2) to initiate contact with host nationals, (3) to gather cultural information, and (4) to handle the higher amounts of stress associated with the ambiguity of their new environments (Black 1990; Church 1982; Mendenhall and Oddou 1985; Shaffer *et al.* 2006) – all important for international assignee success.

Within the research literature on personality characteristics, five factors have been identified as a useful typology or taxonomy for classifying the multitude of personality characteristics (Digman 1990; Goldberg 1992, 1993; McCrae and Costa 1987, 1989; McCrae and John 1992). Labeled "the Big Five" this set of personality factors include: (1) extroversion, (2) agreeableness, (3) conscientiousness, (4) emotional stability, and (5) openness or intellect. More broadly the Big Five have been repeatedly shown to be related to many outcomes of critical importance to organizations. Mount and Barrick (1995) linked these personality characteristics to work motivation, drawing distinctions between cognitive abilities (what someone "can do") versus personality (what someone "will do") and citing both to be important in the prediction of performance. Other researchers found the importance of personality characteristics predicted performance above and beyond other abilities (Borman, White, Pulakos and Oppler 1991; Murphy 1996). In a meta-analysis, Judge and Ilies (2002) found support for the positive relationship between personality characteristics and employee motivation. In the context of predicting leadership effectiveness, Hogan, Curphy, and Hogan (1994) and Judge, Bono, Ilies, and Gerhardt (2002) have demonstrated consistent relationships between the Big Five personality dimensions and leader effectiveness. All of these findings have led to a resurgence of interest in personality as a predictor of performance and inclusion of an assessment of personality characteristics in selection systems (Thornton, Hollenbeck, and Johnson 2010; Cascio, Jacobs, and Silva 2010).

Each of these Big Five personality characteristics relate to international assignee success in a unique way (Caligiuri 2000a, 2000b; Ones and Viswesvaran 1997, 1999; Shaffer *et al.* 2006; Van Vianen, De Pater, and Caligiuri 2005). Let's consider each in greater detail in the paragraphs below.

The personality characteristics related to relational skills – extroversion and agreeableness – enable international assignees to form stronger interpersonal bonds with host nationals, other international assignees, customers, and clients. *Extroverted* individuals are able to learn the social

culture of the host country more effectively through their relationships with local nationals and, in turn, report higher cross-cultural adjustment (Abe and Wiseman 1983; Black 1990; Caligiuri 2000a, 2000b; Dinges 1983; Mendenhall and Oddou 1985, 1988; Searle and Ward 1990). More *agreeable* international assignees tend to deal with conflict collaboratively, strive for mutual understanding, and are less competitive. They report greater cross-cultural adjustment and greater success on the assignment (Bhaskar-Shrinivas, Harrison, Shaffer, and Luk 2005; Black 1990; Caligiuri 2000a, 2000b; Mol *et al*. 2005; Ones and Viswesvaran 1997; Tung 1981). In their meta-analysis, Mol *et al*. (2005) reported that the estimated true population effect size for the relationship of international assignee success and extroversion is positive (ρ = 0.17). Similar results were found between international assignee success and agreeableness (ρ = 0.11).

Emotional stability is also important for success as an international assignee. Emotional stability is the adaptive mechanism enabling humans to cope with stress in their environment (Buss 1991). Given that stress is often associated with living and working in a new and or an ambiguous and unfamiliar environment (Stahl and Caligiuri 2005), emotional stability is an important personality characteristic for international assignees' adjustment to the host country (Abe and Wiseman 1983; Black 1988; Gudykunst 1988; Gudykunst and Hammer 1984; Mendenhall and Oddou 1985) and completion of an international assignment (Ones and Viswesvaran 1997). Mol and colleagues' (2005) meta-analysis reported that the estimated true population effect size for the relationship between emotional stability and international assignee success is positive (ρ = 0.10). Similarly, the complexity of the environment requires international assignees to operate with a higher level of conscientiousness, another personality characteristic. Mol and colleagues (2005) found that the estimated true population effect size for the relationship between conscientiousness and international assignee success is positive (ρ = 0.17).

Seeming to be the most intuitively necessary personality characteristic relating to international assignee success is *openness*. For an international assignee, the ability to correctly assess the social environment is more complicated given that the host country may provide ambiguous social cues or very little in the way of insight into cultural expectations (Caligiuri and Day 2000). Successful international assignees must possess cognitive complexity, openness, and intuition to accurately perceive and interpret the host culture (Caligiuri, Jacobs, and Farr 2000; Dinges 1983; Finney and Von Glinow 1988; Ones and Viswesvaran 1997). Openness should be related to international assignee success because individuals higher in this personality characteristic will have fewer rigid views of appropriate and inappropriate contextual behavior and are more likely to be accepting of the new culture (e.g., Abe and Wiseman 1983; Black 1990; Cui and Van den Berg 1991; Hammer, Gudykunst, and Wiseman 1978). Mol and colleagues' (2005) meta-analysis reported that the estimated true population effect size for the relationship between openness and international assignee success is positive (ρ = 0.06) however, this relationship was not significant, as the confidence interval included zero. The authors note that "moderated support was found for the relationship of openness" (2005: 608) which is consistent with other research. For example, Caligiuri (2000b) found moderated support for openness as a personality characteristic relating to expatriate adjustment, such that greater contact with host nationals was positively related to cross-cultural adjustment when an individual possesses the personality trait of openness. In addition, Mol *et al*. (2005) did find a positive relationship between international assignee performance and cultural sensitivity (r = 0.24). Perhaps the assessment of openness as traditionally done is overly broad focusing in on a specific correlate of openness, cultural sensitivity (Chen and Starosta 1997), is more appropriate in the context of international assignment selection.

Collectively, these personality characteristics have substantial empirical support and should be included in selection systems designed to forecast success in international assignments (Van Vianen, *et al.* 2005). In the context of expatriate selection, it is important to note that the absolute

level of each personality characteristic may be contingent upon the type of international assignment under consideration. For example, the necessary level of relational skills might be important for all international assignees but higher for more senior executives who must network with, persuade and influence host nationals in order to be successful, compared to technical assignees, who may interact with host nationals mostly around tasks with computer systems or equipment. The relationship between personality variables and success in international assignments must be further investigated for specific jobs and cultures.

Cross-cultural competencies in international assignee selection

In addition to immutable personality traits, some mutable or dynamic cross-cultural competencies – those that can be acquired or enhanced through training and development – have also been found to be related to international assignment success (Leiba-O'Sullivan 1999; Shaffer *et al.* 2006). Bücker and Poutsma (2010) define critical global management competencies as "the ability to monitor, integrate, and direct the knowledge, skills, and motivations, together forming behavioral repertoires, which are the building blocks of people's behavior in an environment of business- and cultural-complexity" (2010: 264). Cross-cultural competencies, which form a subsection of the global management competencies, are the competencies needed to work in an environment dominated by cultural complexity. Johnson, Lenartowicz, and Apud (2006) define these cross-cultural competencies among international business professionals as their knowledge, skills, and personal attributes enabling them to work successfully with people from different cultural backgrounds.

As an example of these cross-cultural competencies as they relate to expatriate selection, research has found that reduced ethnocentrism, cultural flexibility, and tolerance of ambiguity relate to international assignee performance (Shaffer *et al.* 2006). Ethnocentrism is negatively related to interaction adjustment and contextual performance, and positively related to withdrawal cognitions (Shaffer *et al.* 2006). Cultural flexibility, "the capacity to substitute activities enjoyed in one's home country with existing, and usually distinct, activities in the host country" (Shaffer *et al.* 2006: 113) is positively related to cross-cultural adjustment (e.g., Shaffer *et al.* 2006), adapting to living in a host country (e.g., Black 1990), and success on international assignments (Arthur and Bennett 1995). Those with a greater tolerance for ambiguity are more likely to effectively manage the stress imposed by uncertain environments and to be more adaptive and receptive to change (Judge, Thoresen, Pucik, and Welbourne 1999) which are important for international assignment performance (Shaffer *et al.* 2006).

These three are not a comprehensive list. In fact, Allan Bird (Mendenhall, Reiche, Bird, and Osland 2012) identified over 160 additional cross-cultural competencies found in the research literature related to global leadership and organized them into three primary categories: managing oneself, managing relationships and teams, and managing business decisions. A review of each of the 160 competencies is beyond the scope of this chapter and, as one might expect, the conceptual overlap among them is high. We thus focus on three broad meta-competencies: global mindset, cultural intelligence, and cultural agility. In the research literature, these three cross-cultural meta-competencies have been found to relate to international assignee success and can, by extension, be used in expatriate selection. Each is briefly reviewed in the paragraphs below.

The first cross-cultural competence to consider in expatriate selection is the *global mindset*. Individuals with the global mindset accept "life as a balance of contradictory forces and continuously seeking to be open to themselves and others by rethinking boundaries and changing their behavior" (Rhinesmith 1992: 63). Rhinesmith (1995) distinguishes six mindsets

for a manager to operate globally: going for the bigger, broader picture; balancing paradoxes; trusting process over structure; valuing differences; managing change; and seeking lifelong learning. Extending Rhinesmith's list, Srinivas (1995) adds curiosity, acceptance of complexity, diversity consciousness, an extended time perspective, and systems thinking. With a similar lens toward cognitive complexity, Lane *et al.* (1997: 232) purports that thinking globally means "holding multiple realities and relationships in mind simultaneously, and then acting skillfully in this more complex reality." Beechler and Javidan (2007) proposed that global mindset has three major components: intellectual capital (cognitive capabilities), psychological capital (ability to put knowledge into use), and social capital (build relationships inside and outside the organization).

From a task perspective, Kefalas (1998) states that people with a global mindset have an integrated view on global business, they seek and exploit commonalities in order to discover differences and use this new knowledge to implement strategies that benefit all stakeholders. The two dimensional framework developed by Kefalas (1998) and its 40 item measurement scale (Kefalas and Neuland 1997) assess: (1) a conceptualization dimension, expressing ability to think globally; and (2) a contextualization dimension, describing the ability to adapt and act locally. This more strategic approach on global mindset (Levy, Beechler, Taylor, and Boyacigiller 2007) has its roots in the multinational literature of Doz, Bartlett, and Prahalad (1981) and the transnational management literature of Bartlett and Ghoshal (1989). Doz *et al.* (1981) argue that "As global competition intensifies and the variety of national demands increases, more decisions are affected by those opposing demands for national responsiveness and for global rationalization" (63).

With respect to measurement, Kefalas and Neuland' s (1997) measurement scale is used in a later study (Arora, Jaju, Kefalas, and Perenich, 2004) to find that global mindset can be developed by training and foreign job experience. According to Arora *et al.* (2004) global mindset is a learned phenomenon. This implicates that Arora *et al.*'s (2004) scale can be either used for selection of expatriates who already developed this global mindset or as a tool to decide on which developmental path is needed for expatriates (either a formal training path or a developmental international assignment). Although this scale is available for further research it has not extensively been tested further in international management literature.

The second construct to consider in expatriate selection is *cultural intelligence* (CQ; Earley 2002; Earley and Ang 2003; Thomas and Inkson 2004; Livermore 2009). The construct of CQ builds on the multifaceted approach to intelligence, focusing on the flow of knowledge, the actual exercise of one's stock of knowledge. In this view, intelligence comes in numerous forms and manifests itself in multiple ways, such as social, rational, and emotional intelligence (Sternberg 2000). Cultural intelligence focuses on the specific domain of intercultural settings (Ang *et al.* 2007) and is "a construct of intelligence that reflects adaptation to varying cultural contexts" (Earley and Ang 2003: 4). The construct reflects an ability to deal effectively with people from different cultural backgrounds (Thomas 2006) and is clearly mutable.

According to Earley and Ang (2003) CQ consists of four dimensions, three of which are mental capabilities (metacognition, cognition, and motivation) and one behavioral capability in the form of overt actions. According to Ang *et al.* (2007) metacognitive CQ refers to the control of cognition. Thomas (2006: 84) identifies *mindfulness* as a critical component of this metacognitive strategy which forms *a bridge* between knowledge of cultural differences on one side and a choice of appropriate behavioral repertoires on the other. Other authors see it as a heightened awareness of and enhanced attention to current experience or present reality (Brown and Ryan 2003), or as an active approach to cognitive processing which involves the creation of new categories in memory and the seeking of multiple perspectives (Langer and Moldoveanu 2000 in Thomas 2006: 84). In later work, Thomas *et al.* (2008) adapt their CQ model by replacing

the name of the building block mindfulness with cultural metacognition and define cultural intelligence as: "a system of interacting knowledge and skills, linked by cultural metacognition, that allows people to adapt to, select, and shape the cultural aspects of their environment" (Thomas *et al.* 2008: 126). Contrary to Ang *et al.* (2007), Thomas *et al.* (2008) do not include motivation in their CQ construct. From the perspective of expatriate selection, CQ can be measured via two scales, the Cultural Intelligence Scale (developed by Ang *et al.* 2007), and the Cultural Intelligence Assessment (developed by Thomas *et al.* 2012).

Integrating the notion of managing contradictions and dualities and cognitive complexity with the focus on behavioral responses in the business environment, Caligiuri (2012, 2013) found that the best international assignees possess *cultural agility*. Culturally agile professionals can quickly, comfortably, and effectively work in different cultures and with people from different cultures. Moreover, culturally agile professionals are able to operate with three concurrent cultural orientations: cultural minimization, cultural adaptation, and cultural integration. Cultural minimization is the ability to hold an organizational standard in the face of a culturally different approach (e.g., safety, production). Cultural adaptation, as discussed previously, is the ability to comport oneself as needed in the local context (e.g., sales and marketing). Cultural integration is the ability to take the time necessary to create new cultural norms, unique for the cross–cultural situation at hand (e.g., multicultural project teams). The best global leaders possess all three and are able to effectively leverage each orientation when needed. From an expatriate selection perspective, the CAST (Cultural Agility Selection Test) is available (developed by Caligiuri 2012).

Other individual-level predictors in international assignment selection

Two additional individual-level predictors should also be included in international assignment selection systems. These are foreign language skills and prior international experience. Every company has to overcome a language barrier when expanding to other countries with first language that differ from theirs (Harzing and Pudelko 2013). Like organizations, expatriates must be cognizant of this linguistic challenge during their assignments. Many researchers have noted a positive relationship between language skills and international assignee success (Abe and Wiseman 1983; Church 1982; Cui and Van den Berg 1991; Shaffer, Harrison, and Gilley 1999). Results from two recent meta-analytic studies (Mol *et al.* 2005; Bhaskar-Shrinivas *et al.* 2005) show that local language ability is a positive predictor of international assignee success (as generally defined by adjustment; $\rho =.19$ and $\rho =.22$). According to Mol and colleagues (2005) "more research may be needed on the moderators of this relationship" (609). For example, some researchers suggest that language skills, which are necessary for communication, are critical for cross-cultural adjustment. Others (e.g., Cui and Van den Berg 1991) suggest that there may be an interactive influence of language fluency (Shaffer, *et al.* 1999): Individual differences such as openness may interact with language fluency to positively influence international assignee success (Cui and Van den Berg 1991). In other words, one could both speak the host language fluently and know the "correct" behaviors to display, and yet only be superficially immersed in the host culture (Cui and Van den Berg 1991).

Since it would be difficult for the opposite to be true (i.e., that one could be immersed in a culture without language skills), basic language skills should, at the very least, be considered as a potential predictor of success. At a minimum, an attempt should be made to select a qualified international assignee with language skills – while for some positions the language skills may be more critical than with others. Once again it is important to conclude that a relationship exists but to further explore the nature of that relationship. It may be that the relationship is one that is "necessary but not sufficient" or that the relationship is asymptotic indicating that at some

point more is no longer better. Depending on the type of relationship, different selection decisions should be made.

Research has demonstrated that prior international experience can facilitate an individual's ability to function and work effectively in a host country (e.g., Takeuchi, Tesluk, Yun, and Lepak 2005; Selmer 2002; Spreitzer, McCall, and Mahoney 1997). An example is the study by Takeuchi *et al.* (2005), which examined among other things, the effects of international assignees' current assignment experience and past international experiences on cross-cultural adjustment. Based on the study of 243 international assignees and their supervisors, the authors found support for unique moderating effects of past international experiences on the relationship between current assignment tenure and general adjustment as well as specific work adjustment. Bhaskar-Shrinivas and colleagues' meta-analytic results (2005) found that prior international experience was a positive predictor of interaction adjustment and work adjustment ($\rho = 0.13$ and $\rho = 0.06$ respectively). These studies point to a simple conclusion that individuals who have been in other cultures prior to a work assignment tend to adjust to the assignment better. However, Lee and Sukoco (2010) found that his relationship was mediated: only when cultural intelligence is high does international work and travel experience lead to cultural adjustment and cultural effectiveness. This suggests that for those without cross-cultural competencies, international work and travel experience may lead to overconfidence, resulting in lower levels of cultural adjustment and cultural effectiveness (Lee and Sukoco 2010).

From a social learning perspective, the more contact international assignees have with host nationals and the host culture, the greater their cross-cultural adjustment (Bochner, Hutnik, and Furnham 1986; Bochner, Mcleod, and Lin 1977; Brislin 1981). For example, past research has found that having friendships with host nationals greatly improves international assignees' ability to learn culturally appropriate social skills and behaviors (Searle and Ward 1990). From this perspective, more prior experience with the host culture should produce greater cross-cultural adjustment. Bücker *et al.* (2014) found that interaction frequency positively loads (0.24, $p \leq$ 0.001) on communication effectiveness, further enabling cross-cultural adjustment of international assignees. On the other hand, the social cognitive theorists (e.g., Bandura and Locke 2003; Bandura 1977a, 1977b, 1997) contend that prior foreign experience with the host culture is positively related to adjustment *provided* that the experience does not serve to reinforce previously held stereotypical beliefs or foster negative, unrealistic expectations of the foreign culture. Social cognition proponents agree that there is a direct relationship between foreign experience and cross-cultural adjustment when the experience provides an accurate and realistic representation of the host countries' norms, customs, and values.

Selection methods for international assignments

There are three important 'best' practices in the research literature regarding international assignee selection (Caligiuri and Tarique 2006). The first is the application of *realistic previews* to international assignments to help create realistic expectations during (or prior to) selection. The second is the concept of *self-selection* which enables international assignee candidates to determine whether the assignment is right for his or her personal situation, family situation, career stage and more. The third is traditional *candidate assessment* which would include many of the dimensions identified in the previous section (personality, language skills, and past experience) in a structured organizational selection program noting again that it may actually occur later in the selection process after candidates have been determined to be technically capable of doing the work. Each of these three international assignment selection practices is discussed in greater detail below.

Paula M. Caligiuri and Joost J. L. E. Bücker

Realistic previews for international assignments

Preconceived and accurate expectations prior to an international assignment have been shown to influence the international assignment in many important ways (Caligiuri and Phillips 2003; Searle and Ward 1990). Studies comparing international assignees expectations prior to going abroad and their actual experience after relocation suggest that having moderately accurate expectations facilitates cross–cultural adjustment (Searle and Ward 1990; Weissman and Furnham 1987). Similarly, Templer, Tay, and Chandrasekar (2006) found that realistic job previews and realistic living conditions previews positively influence work adjustment and general adjustment respectively. Caligiuri and Phillips (2003) found that providing realistic previews prior to international assignments did not change candidates' interest in possible assignments, but did increase candidates' self–efficacy for an international assignment. This self–efficacy, in turn, could influence the outcome of the international assignment.

Both research and practice suggest that in the selection phase (or prior to it) it is useful for firms to provide some information to assist candidates in making realistic decisions on whether an assignment is right for them and to help them form realistic expectations about a possible international assignment (Black, Gregersen, and Mendenhall 1992; Caligiuri and Phillips 2003; Tung 1988). Many firms have pre-selection programs which pair repatriates with international assignee candidates to give international assignees the opportunity to find out how others, who were similarly situated, found the experience (Black *et al.* 1992; Tung 1988). Caligiuri and Phillips (2003) have found that self-directed realistic previews are also highly effective in helping international assignee candidates form accurate perceptions of the possible assignment. While realistic job previews (RJPs) have been shown to be useful in international assignment success it is important to note that these findings are consistent with and supported by the broader literature on RJPs, for example, with bank tellers (Wanous and Dean 1984) and more broadly by Phillips (1998). A word of caution on the overall effectiveness of RJPs is important. There are limiting factors when it comes to RJPs and situations of low choice whether choice is due to such factors as economic slow–downs, higher levels of unemployment, or simply a perception that choice is limited. RJPs rely on self-selection and when alternatives are limited, self-selection becomes less likely. When self-selection becomes problematic the impact of RJPs may be greatly reduced.

Self-selection

Given that the demographic profiles and personal situations of the international assignee candidates will vary, self-assessment (or self-selection) has been found to be an effective method for sharing realistic assessments in a tailored way (Caligiuri and Phillips 2003). For example, an unmarried person who is a candidate for an international assignment might have a different set of concerns, compared to a married candidate with a family (Caligiuri, Hyland, Joshi, and Bross 1998). Self-assessment has been found to be useful because global assignment candidates actively self-assess their fit with the personality and lifestyle requirements of the assignment (Caligiuri and Phillips 2003). Effective self-selection tools enable international assignee candidates to critically evaluate themselves on three dimensions: (1) personality and individual characteristics, (2) career issues, and (3) family issues (including issues of spouses and children). Self-selection procedures, acting as a realistic preview of the assignment, help employees make an informed and realistic decision about a global assignment (Caligiuri and Phillips 2003). Many firms have found that this self-assessment step fosters the creation of a candidate pool of potential international assignees with higher probabilities of success. This candidate pool can be organized to include

the following pieces of information: the availability of the employee (when and to what countries), languages the employee speaks, countries preferred, technical knowledge, skills, and abilities, along with many of the personality and other biodata measures discussed above.

Candidate assessment

Once the requirements of a given international assignment have been determined, many possibilities exist in terms of how to proceed with candidate assessment. Given the position we have taken, that international assignments must focus on job context, the first step should be to create a pool of individuals who are capable of performing the tasks and duties of the job from a technical perspective. This can be done via traditional predictors of the specific tasks (cognitive ability assessment, job knowledge tests) or more likely via an evaluation made by supervisors and managers who know each potential candidate. Once this step has been accomplished it is important to specify the requirements in terms of what we have referred to as the job context. International assignments will require differential levels of relevant attributes (e.g., language fluency, openness, cooperation, experience with the specific culture, as examples). Specifically, greater emphasis would be placed on personality characteristics (such as sociability and openness) when assessing a candidate for an assignment requiring much more host national contact, compared to a more technical international assignment (Caligiuri 2000a, 2000b; Caligiuri and Tarique 2006). In the best case, a thorough assessment can be conducted through a variety of valid formal selection methods: paper and pencil tests, assessment centers, interviews, behavioral observations, and ratings made by those familiar with the candidate.

Conclusion

Selecting individuals for international assignments is unique given that the selection systems involve a primary focus on predicting to a job context (working internationally) rather than job content (i.e., tasks, duties, position, or title). In reality selection for international work starts where other systems stop in that only those individuals who have a demonstrated competence for the tasks and duties of the job are considered. In essence, international assignment selection attempts to take a group of "qualified individuals" and determine who can effectively deal with the challenges inherent in working with individuals, groups, and organizations that may approach work in a very different way. Not everyone with a proven record of professional success in a domestic context for a given job title will have what it takes to be successful in an international context – even doing the same job with the same job title.

The implementation of international assignee selection systems has been surprisingly unstructured and is often inconsistent with firms' stated business goals (Caligiuri and Colakoglu 2007). The various challenges affecting the implementation of international assignee selection programs are reviewed below. These include the large influence of non-work predictors of the international assignment success (e.g., issues with children and spouse), the differences among firms in their prioritization of international assignment selection, and the generally low utilization of international assignee selection.

Despite the strategic importance of international assignees and their performance while working in other countries, firms generally do not differ in their overall use of formal selection systems according to their business strategies: Across all firm-level strategies, the use of formal or structured international assignment selection is surprisingly *low* (Caligiuri and Colakoglu 2007; Harris and Brewster 1999). The lack of formal international assignee selection systems in firms is, in part, related to the role the human resource function plays in the placement of international assignees.

In most firms, HR will discover an international assignee has been selected after the selection has occurred. The role of HR in international assignee selection is changing slowly as organizations recognize the strategic importance of international assignees. Business leaders almost always acknowledge the role of selection immediately after a high-profile placement goes awry, damaging host country business in some significant way. The strategic integration of international assignee selection is bound to increase as the need for globally effective individuals increases. It would be best if this progress was made as a result of strong evidence of efficacy and the potential to make correct selection decisions rather than fueled by repeated failures.

Failure in the assignment often carries with it far-reaching organizational consequences both home and abroad. With the risks so high, expatriate selection (designed to identify who will have the greater likelihood of success) is critical. However, in many multinational organizations, the efficacy of international assignment selection systems is challenged when organizations suggest that they do not have enough qualified people to fill the open international assignments. The typical reaction to this is to avoid international assignee selection altogether. However, ignoring proper candidate selection is short-sighted given the risks to the firm and the individual if the assignment is unsuccessful. Reaching more broadly across the organization, this concern is minimized; firms that cast wider nets for possible candidates can generally find multiple candidates with a higher probability of success in international assignments.

References

Abe, H. and Wiseman, R. (1983) "A cross-culture confirmation of the dimensions of intercultural effectiveness," *International Journal of Intercultural Relations*, 7: 5–67.

Ang, S., Van Dyne, L., Koh, C., Ng, K. Y., Templer, K. J., Tay, C., and Chandrasekar, N. A. (2007) "Cultural intelligence: Its measurement and effects on cultural judgment and decision making, cultural adaptation and task performance," *Management and Organization Review*, 3: 335–371.

Arora, A., Jaju, A., Kefalas, A. G., and Perenich, T. (2004) "An exploratory analysis of global managerial mind-sets: A case of US textile and apparel industry," *Journal of International Management*, 10(3): 393–411.

Arthur, W. and Bennett, W. (1995) "The international assignee: The relative importance of factors perceived to contribute to success," *Personnel Psychology*, 48(1): 99–114.

Bandura, A. (1977a) *Social Learning Theory*, Englewood Cliffs, NJ: Prentice-Hall.

Bandura, A. (1977b) "Self-efficacy: Toward a unifying theory of behavior change," *Psychological Review*, 84: 191–215.

Bandura, A. (1997) *Self-efficacy: The Exercise of Control*, New York: W. H. Freeman and Company.

Bandura, A. and Locke, E. (2003) "Negative self-efficacy and goal effects revisited," *Journal of Applied Psychology*, 88: 87–99.

Bartlett, C. A. and Ghoshal, S. (1989) *Managing Across Borders: The Transnational Solution*, Boston, MA: Harvard Business School Press.

Beechler, S. and Javidan, M. (2007) "Leading with a global mindset," in M. Javidan, R. M. Steers, M. A. Hitt (eds.), *Advances in International Management: The Global Mindset*, New York: Elsevier, pp. 131–169.

Bhaskar-Shrinivas, P., Harrison, D., Shaffer, M., and Luk, D. (2005) "Input-based and time-based modes of international adjustment: Meta-analytic evidence and theoretical extensions," *Academy of Management Journal*, 8: 257–281.

Black, J. (1988) "Work role transitions: A study of American expatriate managers in Japan," *Journal of International Business Studies*, 19: 277–294.

Black, J. (1990) "The relationship of personal characteristics with adjustment of Japanese expatriate managers," *Management International Review*, 30: 119–134.

Black, J., Gregersen, H., and Mendenhall, M. (1992) *Global Assignments*, San Francisco: Jossey-Bass.

Bochner, S., McLeod, B. M., and Lin, A. (1977). "Friendship patterns of overseas students: A functional model," *International Journal of Psychology*, 12, 277–294.

Bochner, S., Hutnik, N., and Furnham, A. (1986) "The friendship patterns of overseas students and host students in an Oxford student resident hall," *Journal of Social Psychology*, 125: 689–694.

Borman, W. C., White, L. A., Pulakos, E. D., and Oppler, S. H. (1991) "Models of supervisory job performance ratings," *Journal of Applied Psychology*, 76: 863–872.

Brislin, R. (1981) *Cross-cultural Encounters: Face-to-face Interaction*, Elmsford, NY: Pergamon.

Brookfield Global Relocation Services (2011) *2011 Global Relocation Trends Survey*, Woodridge, IL: Brookfield Global Relocation Services.

Brown, K. W. and Ryan, R. M. (2003) "The benefits of being present: Mindfulness and its role in psychological well-being," *Journal of Personality and Social Psychology*, 84: 822–848.

Bücker, J. and Poutsma, E. (2010) "How to assess global management competencies: An investigation of existing instruments," *Management Review*, 21: 263–291.

Bücker, J., Furrer, O., Poutsma, E., and Buyens, D. (2014). "The impact of cultural intelligence on communication effectiveness, job satisfaction and anxiety for Chinese host-country managers working for foreign multinationals." *International Journal of Human Resources Management*, 25(14): 2068–2087.

Buss, D. (1991) "Evolutionary personality psychology," in M. R. Rosenzweig and L. W. Porter (eds.), *Annual Review of Psychology*, 42, Palo, Alto, CA: Annual Reviews, pp. 459–492.

Cable, D. and Judge, T. (1996) "Person-organization fit, job choice decisions, and organizational entry," *Organizational Behavior and Human Decision Processes,* 67: 294–311.

Cable, D. and Judge, T. (1997) "Interviewer's perceptions of person–organization fit and organizational selection decisions," *Journal of Applied Psychology*, 82: 562–577.

Caligiuri, P. (2000a) "The big five personality characteristics as predictors of expatriate success," *Personnel Psychology*, 53: 67–88.

Caligiuri, P. (2000b) "Selecting expatriates for personality characteristics: A moderating effect of personality on the relationship between host national contact and cross-cultural adjustment," *Management International Review*, 40: 61–80.

Caligiuri, P. (2012) *Cultural Agility: Building a Pipeline of Successful Global Professionals*, San Francisco: Jossey-Bass.

Caligiuri, P. (2013) "Developing culturally agile global business leaders," *Organizational Dynamics*, 42(3): 175–182.

Caligiuri, P., and Day, D. (2000) "Effects of self-monitoring on technical, contextual, and assignment-specific performance: A study of cross-national work performance ratings," *Group and Organization Management*, 25: 154–175.

Caligiuri, P. and Phillips, J. (2003) "An application of self-assessment realistic job previews to expatriate assignments," *International Journal of Human Resource Management*, 14: 1102–1116.

Caligiuri, P. and Tarique, I. (2006) "International assignee selection and cross-cultural training and development," in I. Björkman and G. Stahl (eds.), *Handbook of Research in International Human Resource Management*, London: Edward Elgar.

Caligiuri, P. and Colakoglu, S. (2007) "A strategic contingency approach to expatriate assignment management," *Human Resource Management Journal*, 17: 393–410.

Caligiuri, P. and Tarique, I. (2009) "Global leadership effectiveness," *Journal of World Business*, 44: 336–346.

Caligiuri, P., Hyland, M., Joshi, A., and Bross, A. (1998) "Testing a theoretical model for examining the relationship between family adjustment and expatriates' work adjustment," *Journal of Applied Psychology*, 83: 598–614.

Caligiuri, P., Jacobs, R., and Farr, J. (2000) "The attitudinal and behavioral openness scale: Scale development and construct validation," *International Journal of Intercultural Relations*, 24: 27–46.

Caligiuri, P., Tarique, I., and Jacobs, R. (2009). "Selection for international assignments," *Human Resource Management Review*, 19: 251–262.

Cascio, W. Jacobs, R., and Silva, J. (2010) "Validity, utility, and adverse impact: Practical implications from 30 years of data," in J. Outtz (ed.), *Adverse Impact: Implications for Organizational Staffing and High Stakes Selection*, New York: Psychology Press, pp. 271–288.

Chen, G. M. and Starosta, W. J. (1997). "A review of the concept of intercultural sensitivity," *Human Communication*, 1: 1–16.

Church, A. (1982) "Sojourner adjustment," *Psychological Bulletin*, 9: 540–572.

Cui, G. and Van den Berg, S. (1991) "Testing the construct validity of intercultural effectiveness," *International Journal of Intercultural Relations*, 15: 227–241.

Dalton, M. and Wilson, M. (2000) "The relationship of the five-factor model of personality to job performance for a group of middle eastern international assignee managers," *Journal of Cross-Cultural Psychology*, 18: 250–258.

Digman, J. (1990) "Personality structure: The emergence of the five factor model," *Annual Review of Psychology*, 41: 417–440.

Dinges, N. (1983) "Intercultural competence," in D. Landis and R. Brislin (eds.), *Handbook of Intercultural Training: Issues in theory and design* (Vol. 1), New York: Pergamon Press.

Doz, Y. L., Bartlett, C. A., and Prahalad, C. K. (1981) "Global competitive pressures and host demands. Managing tensions in MNCs," *California Management Review*, 23: 63–74.

Earley, P. C. (2002) "Redefining interactions across cultures and organizations: Moving forward with cultural intelligence," *Research in Organizational Behavior*, 24: 271–299.

Earley, P. and Ang, S. (2003) *Cultural Intelligence: An Analysis of Individual Interactions Across Cultures,* Palo Alto, CA: Stanford University Press.

Finney, M. and Von Glinow, M. (1988) "Integrating academic and organizational approaches to developing the international manager," *Journal of Management Development*, 7: 16–27.

French, J., Caplan, R., and Harrison, R. (1982) *Mechanisms of Job Stress and Strain*, New York: John Wiley.

Goldberg, L. (1992) "The development of markers for the big-five factor structure," *Psychological Assessment*, 4: 26–42.

Goldberg, L. (1993) "The structure of phenotypic personality traits," *American Psychologist*, 48: 26–34.

Gudykunst, W. (1988) "Uncertainty and anxiety," in Y. Kim and W. Gudykunst (eds.), *Theories in Intercultural Communication*, Newbury Park, CA: Sage, pp. 123–156.

Gudykunst, W. and Hammer, M. (1984) "Dimensions of intercultural effectiveness: Culture specific or cultural general?" *International Journal of Intercultural Relations*, 8: 1–10.

Hammer, M., Gudykunst, W., and Wiseman, R. L. (1978) "Dimensions of intercultural effectiveness: An exploratory study," *International Journal of Intercultural Relations*, 2: 382–393.

Harris, H. and Brewster, C. (1999). "The coffee-machine system: How international selection really works," *The International Journal of Human Resource Management*, 10(3): 488–500.

Harzing, A.-W. and Pudelko, M. (2013). "Language competencies, policies and practices in multinational corporations: A comprehensive review and comparison of Anglophone," Asian, Continental European and Nordic MNCs. *Journal of World Business*, 48(1): 87–97.

Hogan, R., Curphy, G. J., and Hogan, J. (1994) "What we know about leadership: Effectiveness and personality," *American Psychologist*, 51: 493–504.

Johnson, J. P., Lenartowicz, T., and Apud, S. (2006) "Cross-cultural competence in international business: Toward a definition and a model," *Journal of International Business Studies*, 37: 525–543.

Judge, T. and Ilies, R. (2002) "Relationship of personality to performance motivation: A meta-analytic review," *Journal of Applied Psychology*, 87: 797–807.

Judge, T. A., Thoresen, C. J., Pucik, V., and Welbourne, T. M. (1999) "Managerial coping with organizational change: A dispositional perspective," *Journal of Applied Psychology*, 84: 107–122.

Judge, T, Bono, J., Ilies, R., and Gerhardt, M. (2002) "Personality and leadership: A qualitative and quantitative review," *Journal of Applied Psychology*, 87: 765–780.

Kefalas, A. G. (1998) "Think globally, act locally," *Thunderbird International Business Review*, 40(6): 547–562.

Kefalas, A. G. and Neuland, E. W. (1997) "Global mindsets: an exploratory study." Paper presented at the Annual Conference of the Academy of International Business, Moneterrey, Mexico, 4–7 October, pp. 5–9.

Lane, H. W., DiStefano, J. J., and Maznevski, M. L. (1997). *International Management Behavior* (3rd ed.). Cambridge, MA: Blackwell.

Langer, E. J. and Moldoveanu, M. (2000) "The construct of mindfulness," *Journal of Social Issues*, 56: 1–9.

Lee, L.-Y. and Sukoco, B. M. (2010) "The effect of cultural intelligence on expatriate performance: The moderating effects of international experience," *The International Journal of Human Resource Management*, 21(7): 963–981.

Leiba-O'Sullivan, S. (1999) "The distinction between stable and dynamic cross-cultural competencies: Implications for expatriate trainability," *Journal of International Business Studies*, 30: 709–726.

Levy, O., Beechler, S., Taylor, S., and Boyacigiller, N. A. (2007) "What we talk about when we talk about 'global mindset': Managerial cognition in multinational corporations," *Journal of International Business Studies*, 38: 231–258.

Livermore, D. (2009) *Leading with Cultural Intelligence. The New Secret to Success*, New York: AMACOM.

McCrae, R. and Costa, P. (1987) "Validation of the five factor model of personality across instruments and observers," *Journal of Personality and Social Psychology*, 52: 81–90.

McCrae, R. R. and Costa, J. T. Jr. (1989) "Rotation to maximize the construct validity of factors in the NEO personality inventory," *Multivariate Behavioral Research*, 24: 107–124.

McCrae, R. and John, O. (1992) "An introduction to the five factor model and its application," *Journal of Personality*, 60: 75–215.

Mendenhall, M. and Oddou, G. (1985) "The dimensions of expatriate acculturation: A review," *Academy of Management Review*, 10: 39–47.

Mendenhall, M. and Oddou, G. (1988) "The overseas assignment: A practical look," *Business Horizons*, 31: 78–84.

Mendenhall, M., Reiche, B., Bird, A., and Osland, J. (2012). "Defining the 'global' in global leadership," *Journal of World Business*, 47(4): 493–503.

Mol, S., Born, M., Willemsen, M., and Van der Molen, H. (2005) "Predicting expatriate job performance for selection purposes – a quantitative review," *Journal of Cross-Cultural Psychology*, 36: 590–620.

Mount, M. and Barrick, M. (1995) "The big five personality dimensions: Implications for research and practice in human resources management," in G. R. Ferris (ed.), *Research in Personnel and Human Resources Management* (Vol. 13), Greenwich, CT: JAI Press, pp. 153–200.

Murphy, K. R. (1996) *Individual differences and behavior in organizations*, San Francisco, CA: Jossey-Bass.

Ones, D. and Viswesvaran, C. (1997) "Personality determinants in the prediction of aspects of expatriate job success," in Z. Aycan (ed.), *Expatriate Management: Theory and Practice*, Greenwich, CT: JAI Press, pp. 63–92.

Ones, D. and Viswesvaran, C. (1999) "Relative importance of personality dimensions for international assignee selection: A policy capturing study," *Human Performance*, 12: 275–294.

Phillips, J. M. (1998) "Effects of realistic job previews on multiple organizational outcomes: A meta-analysis," *Academy of Management Journal*, 41: 673–690.

Rhinesmith, S. H. (1992) "Global mindsets for global managers," *Training & Development,* 46: 63–69.

Rhinesmith, S. H. (1995) "Open door to a global mindset," *Training & Development*, 49: 35–43.

Salgado, J. (1997) "The five-factor model of personality and job performance in the European Community," *Journal of Applied Psychology*, 82: 30–43.

Scullion, H. and Collings, D. (2006) *Global Staffing*, London: Routledge.

Searle, W. and Ward, C. (1990) "The prediction of psychological and sociocultural adjustment during cross-cultural transitions," *International Journal of Intercultural Relations*, 14: 449–464.

Selmer, J. (2002) "To train or not to train? European expatriate managers in China," *International Journal of Cross-Cultural Management*, 2: 37–51.

Shaffer, M., Harrison, D., and Gilley, K. (1999) "Dimensions, determinants, and differences in expatriate adjustment process," *Journal of International Business Studies*, 30: 557–581.

Shaffer, M., Harrison, D., Gregersen, H., Black, J., and Ferzandi, L. (2006) "You can take it with you: Individual differences and expatriate effectiveness," *Journal of Applied Psychology*, 91: 109–125.

Spreitzer, G., McCall, M., and Mahoney, J. D. (1997) "Early identification of international executive potential," *Journal of Applied Psychology*, 82(1): 6–29.

Srinivas, K. M. (1995) "Globalization of business and the third world: Challenge of expanding the mind-sets," *Journal of Management Development*, 14: 26–49.

Stahl, G. and Caligiuri, P. (2005) "The effectiveness of expatriate coping strategies: The moderating role of cultural distance, position level, and time on the international assignment," *Journal of Applied Psychology*, 90: 603–615.

Sternberg, R. J. (2000) *Handbook of Intelligence,* New York: Cambridge University Press.

Stewart, G. L. (1999) "Trait bandwidth and stages of job performance: Assessing individual effects for conscientiousness and its sub traits," *Journal of Applied Psychology*, 84: 959–968.

Takeuchi, R., Tesluk, P., Yun, S., and Lepak, D. (2005) "An integrative view of international experiences: An empirical examination," *Academy of Management Journal,* 48: 85–100.

Templer, K. J., Tay, C., and Chandrasekar, N. A. (2006) "Motivational cultural intelligence, realistic job preview, realistic living conditions preview, and cross-cultural adjustment," *Group & Organization Management*, 31: 154–173.

Thomas, D. C. (2006) "Domain and development of cultural intelligence: The importance of mindfulness," *Group & Organization Management*, 31: 78–99.

Thomas, D. C. and Inkson, K. (2004) *Cultural Intelligence: People Skills for Global Business,* San Francisco: Berrett-Koehler Publishers.

Thomas, D. C., Elron, E., Stahl, G., Ekelund, B. Z., Ravelin, E. C., Cerdin, J.-L., Poelmans, S., Brislin, R., Pekerti, A. Z., Maznevski, M., Au, K., and Lazarova, M. B. (2008) "Cultural intelligence: Domain and assessment," *International Journal of Cross-Cultural Management*, 8: 123–143.

Thomas, D. C., Stahl, G., Ravelin, E. C., Poelmans, S., Pekerti, A., Brislin, R., Pekerti, A., Maznevski, M., Lazarova, M. B., Elron, E., Ekelund, B. Z., Cerdin, J. L., Brislin, R., Aycan, Z., Au, K., and Lazarova, M. B. (2012) "Development of the cultural intelligence assessment," in Mobley (ed.), *Advances in Global Leadership*, Bingley, UK: Emerald Group.

Thornton, G. C., Hollenbeck, G. P., and Johnson, S. K. (2010) "Selecting leaders: Executives and high potentials," in J. L. Farr and N. Tippins (eds.), *Handbook of Employee Selection*, New York: Psychology Press, pp. 823–846.

Tung, R. (1981) "Selecting and training of personnel for overseas assignments," *Columbia Journal of World Business*, 2: 68–78.

Tung, R. (1988) *The New Expatriates*. Cambridge, MA: Ballinger Publishers.

Van Vianen, A., De Pater, I. E., and Caligiuri, P. (2005) "Expatriate selection: A process," in A. Evers, O. Smit-Voskuyl, and N. Anderson (eds.), *The Handbook of Personnel Selection*, Blackwell: Oxford.

Wanous, J. and Dean, R. (1984) "The effect of realistic job previews on hiring bank tellers," *Journal of Applied Psychology*, 69: 335–344.

Weissman, D. and Furnham, A. (1987) "The expectations and experiences of a sojourning temporary resident abroad: A preliminary study," *Human Relations*, 40(5): 313–326.

18

Compensation package of international assignees

Christelle Tornikoski, Vesa Suutari and Marion Festing

Introduction

Pushed by the market demands and requirements, the pressure of fierce international competition, alongside the world economic crisis, organizations need to adapt to remain flexible and survive. This survival might imply exploring of new markets, setting up of new subsidiaries abroad, acquiring new suppliers, and requiring increased international mobility from high potentials abroad for developmental managerial reasons.

Although traditional business reasons for international assignments remain largely unchanged, compared to previous years it would seem nowadays that the cases of expatriation are increasingly coming under scrutiny (FEM, 2010). According to the 2009 ECA International Expatriate Management Salary Survey, at that time, the reasons for international assignments included the management of local operations or functions (61.8%), the transfer of technical knowledge and know-how, the filling of skills gaps (30.8%), career development (30.2%), exercising corporate control (13.5%), experience for potential senior management (11.1%), opportunity for recently graduated staff (1.9%) and crisis management (0.5%).

In each case, the organization often tries (or rather, should try) to design an appropriate expatriate compensation package. This should have the potential to (1) attract appropriately talented employees in the areas in which the organization has needs and opportunities, (2) facilitate the transfer of selected employees in the most cost-effective way, (3) be consistent and fair, when considering the different populations of its employees, (4) facilitate repatriation and the return of the employee to their home country, on the completion of the international assignment, while (5) ensuring alignment with the organization's other human resource management (HRM) practices, and thus sustaining the overall organizational strategy.

Long-term international assignments – on average between three and five years – have traditionally been common practice for multinational corporations (MNCs). However, since 2007, cost-containment pressures have led, among many other factors, organizations to look for alternatives to the traditional assignment. These include shorter assignments – traditionally of between six and twelve months, although it is worth noting that recently, these have typically been lengthened to 18 months – (Weichert Relocation Resources, 2011: 4), commuter

assignments (frequent flyers), localization, permanent international transfers, and cross-border new hiring. According to a recent report by Towers Watson and Worldwide ERC (2012), traditional long-term assignments (IA) – typically lasting between one and five years – represent 53 percent of expatriations, with 47 percent of this group considered "executive" expatriations. Short-term assignments form 18 percent of expatriations, with 22 percent of this 18 percent considered "executives." Localizations represent 7 percent of expatriations, with 28 percent of this group "executives." Permanent international transfers make up 13 percent of expatriations, with 32 percent of this 13 percent considered "executives." Finally, cross-border new hires form 9 percent of which 33 percent are "executives." These figures indicate that, despite international economic crises and strong pressures for cost reductions, 62 percent of organizations worldwide still anticipate an increase in their long-term international assignments (ECA International, 2012; Dowling *et al.*, 2013).

Roughly two thirds of international assignees are selected from within the internal organizational market and this despite a trend over the past decade that has seen companies increase their recruitment of external candidates to 25 percent of their international assignees.[1] Existing expatriates of companies already established in the targeted host country offer one of the best sources of external candidates (ECA International, 2012). This fact confirms the existence of a genuine global "war" for internationally mobile talented employees. Consequently, organizations are increasingly turning to global talent sourcing and management (see Chapter 15) and solutions to attract, motivate, and retain these key talented international employees in a global context. Effective management of internationally mobile talented employees has become a prerequisite to any organization's flexibility to cope with the challenges of globalization.

In this context, the role of compensation packages in attracting and inciting employees to accept an international assignment is undeniable. Organizations devote much time and effort to the design of appropriate expatriate compensation packages. Nevertheless, the long-term effect of these in motivating and retaining competent and often strategic employees often falls short or appears limited (Pate and Scullion, 2010; Tornikoski, 2011b), or even varies, depending on the career stage and generation of the employees in question. In addition, international or global competitors are known to frequently poach expatriates (ECA International, 2012). This reality questions the long-term efficiency of compensation practices and whether or not these send out the right signals to employees.

HRM practitioners frequently question what should be included in expatriate compensation packages. Despite the use of numerous allowances and additional support for their expatriates, organizations seem to overestimate the weight of financial compensation over other motivators commonly cited by expatriates (Dickmann *et al.*, 2008; Pate and Scullion, 2010). As noted by several academics in their work on compensation on a national or international scale, research tends to focus in the main on the financial components of compensation (Werner and Ward, 2004; Bonache, 2006; Tornikoski, 2011a). However, expatriate compensation should address expatriates' expectations and aim to capture their various needs, as determined by their differing generations, career stages, marital statuses, and so on.

Therefore, in this chapter, we advocate for considering expatriate compensation packages from a more encompassing total reward perspective. We feel this enriches both our analysis and related practices concerning the rewards of international assignees. Total reward "embraces everything that employees value in the employment relationship" (O'Neal, 1998). It includes the extrinsic and quantifiable elements of total compensation, such as fixed and variable pay, and benefits, plus intrinsic rewards, including quality of life, status, and development opportunities (Manas and Graham, 2003).

For this purpose, we first emphasize the need to put rewards back into the expatriate employment relationship. It is vital to grasp the meaning that rewards can have for their recipients – here, the expatriates. As part of this, we highlight the theoretical basis underpinning expatriate compensation practices, our major objective here being to broaden the discussion on the compensation of international assignments. Second, we provide an overview of the extant knowledge of traditional expatriate compensation components, looking at current trends in their respective use by organizations. Third, we put forward a framework for expatriate total rewards, including more intangible rewards, which prove meaningful to international assignees. We conclude this chapter by considering the implications of our work for future research and for practice.

Expatriate compensation embedded in the employment relationship

Stakeholders and exchanged rewards

Compensation (and particularly expatriate compensation) represents one of the greatest costs for organizations. In addition, it is the cost on which organizations tend to focus the most significant and noticeable efforts. However, compensation remains one of the least researched academic topics in IHRM (Werner and Ward, 2004; Bonache, 2006; Tornikoski, 2011a) and often one of the most poorly managed areas in organizations.

This observation is simply striking. Indeed, what can symbolize more effectively your employment relationship than the compensation package you receive in exchange for your efforts, time, work, performance, engagement, and your sacrifices and those of your family while abroad? What influences your behavior and attitudes towards your employing organization more than the ways in which you are rewarded (or not rewarded) for your work, your performance? The fit between what you had understood regarding the ways employees were rewarded and supported by your organization and the way you actually perceive being rewarded and supported impacts on your affective commitment (Tornikoski, 2011b), especially when abroad.

From an academic perspective, Tornikoski (2011a) in her theoretical approach to expatriate compensation observes that previous academic management and compensation research traditionally adopted the employer perspective. In so doing, this prior academic research considered the employment relationship from an "organizational control" perspective, advocating the use of fixed and variable pay to "control" the behavior of employees to ensure organizational performance. As a result, the influence of the Michigan model of HRM by Fombrun *et al.* (1984), or "Hard" HRM, encouraging the use of HRM policies to yield the best returns from employees in terms of organizational performance, seems to have prevailed in the compensation field. However, according to Tornikoski (2011a) a "softer" approach to reward should be used. Tornikoski makes and defends the point that adopting a social exchange perspective and targeting employment commitment, as advocated by the Harvard model of HRM developed by Beer *et al.* (1984), would help organizations to better understand their employees' compensation expectations. Moreover, they emphasize that organizations that spend large amounts of time designing and implementing compensation programs, often do not know whether these prove effective or not. Tornikoski echoes conclusions drawn in earlier research by Guest (1999) regarding how HRM practices – and expatriate compensation in particular – are perceived by the recipients (employees) and the impact of these practices on employees' attitudes and behaviors. Furthermore, she emphasizes that it is essential to know if these practices are actually effective, and if they have the effect for which they were targeted when designed. In other words, are organizations' expatriate compensation programs effective or not? This question is of paramount

importance in expatriation, especially considering that some of the best-compensated expatriates appear to be those who are not only most dissatisfied, but also most likely to quit their organization or negotiate on their compensation packages (see Pate and Scullion, 2010).

This finding leads to a number of questions. First, there is clearly a need to study who designs these programs and how they go about this. Is the design of compensation programs the domain of HRM specialists, expatriation specialists, or outsourced HRM specialists? Are line managers included in the design process? Do HRM specialists base the design of their organizations' compensation packages on what will motivate future expatriates or on what is currently available to motivate them? Do they vary compensation practices according to different generations? Are HRM specialists only engaged in designing compensation packages? Or do they also support line managers in the difficult job of motivating and retaining expatriates?

Expatriate compensation is an extremely complex and challenging issue (Harvey, 1993a, 1993b; Suutari and Tornikoski, 2000; Bonache, 2006). Its complexity lies at the point where different logics and themes meet. Indeed, depending on who deals with compensation within the organization (typically compensation and benefit specialists, in the case of expatriate compensation), this person will wear different "lenses" to look at and understand this issue. These lenses can be economical, financial, managerial, social or/and legal. Each of these gives a varying and slightly to extremely different meaning to compensation, thus blurring his or her picture of compensation and thus, rendering this topic difficult to fully understand. Depending whether one sees compensation as a way of controlling employees' behavior (the organizational control lenses), or a way of rewarding efforts, accomplishments or appropriate behaviors (the social exchange lenses), the contents of the compensation package you offer will differ considerably. For instance, in Figure 18.1, HRM specialists or expatriate policy specialists, who are "personnel and development specialists responsible for design and quality assurance monitoring of expatriation policy" (Perkins and Daste, 2007: 551) are deemed to adopt managerial perspectives prescribed by traditional organizational control theories. As a consequence, they favor financial pay over other rewards, since they wish to control and direct expatriates' behaviors within the frameworks of their adopted HRM strategy. Thus this has rendered the expatriates' traditional total compensation package essentially financial or monetized. As a result, compensation packages are quantifiable and can be compared against those of other expatriates, locals, and third country nationals (TCNs). These possible comparisons lead to highly sensitive inequity issues either between international assignees and locals, or within the organization itself (Chen et al., 2002; Bonache et al., 2009). It has been argued that HRM specialists often do not have sufficient knowledge regarding what expatriates want or find motivating, and so overemphasize financial rewards, while employees attach more importance to other motivators such as social atmosphere, career development and job content (De Vos and Meganck, 2009; Dickmann et al., 2008; Pate and Scullion, 2010; Tornikoski, 2011a).

However, it is the expatriates' supervisors who, as "the senior managers to whom expatriates report up-the-line" (Perkins and Daste, 2007: 551), tend to have a personal relationship with expatriates, and so the main responsibility for keeping the expatriate motivated, committed and performing at a high level. It is his or her supervisor who embodies the organization in the individual expatriate's eyes, and represents the party with whom the expatriate considers her/himself in an exchange relationship (Blau, 1967). Consequently, a supportive supervisor ought to be able to provide details on key elements of an appropriate compensation package including recognition, understanding, appropriate job characteristics, and requirements. All of these elements are intangible but perceived as rewarding by expatriates with regards to their expectations and needs (see Maslow's (1943) theory of human motivation; Deci, 1972, 1975).

These "intangible rewards" can be considered relational, since they are intertwined in the exchange between the individual supervisor and expatriate. As a consequence, these relational rewards remain specific to each supervisor–expatriate relationship and the nature of intangible rewards exchanged will differ from relationship to relationship. Moreover, individual expatriates are unlikely to be motivated by the same set of intangible rewards. As a result, expatriate supervisors have the difficult job of rewarding each individual differently, in order to keep each expatriate motivated, committed, performing strongly, and willing to remain in the organization. By tailoring rewards to the individual (see the notion of idiosyncratic deals developed by Rousseau, 2001), the organization can develop "rewards systems that aim at tapping into employees' intrinsic motivation coupled to a system of employee relations which delegates authority and responsibility" (Gooderham *et al.*, 2004: 8), as recommended by Beer *et al.* (1984).

Since HRM specialists and expatriate supervisors might differ in their way of considering "rewards," this renders their communication difficult and creates tensions (Perkins and Daste, 2007). This is especially the case if they do not understand the other party's "lenses" and perceptions. Alongside these expatriate employment stakeholders, it should be emphasized that the organization's board and its key decision-makers also have a role in this employment relationship and in the way they reward their employees. Furthermore, when deciding on their organization's strategy, they should communicate this to their employee by creating and developing clear mission statements (Gooderham *et al.*, 2004). These would, in turn, facilitate their international expatriates in keeping in mind their organization's overall purpose and their individual responsibilities, especially when personally facing difficult times during their expatriation. By maintaining and communicating a clear message regarding the organizational business strategy to their employees, senior executives indicate the direction and the purpose of employment relationships within their organization. In addition, by advocating and illustrating via their own attitudes and behavior specific values and a particular organizational culture, senior executives increase the likelihood that these are perceived as attractive and rewarding. This operates as an additional motivator for a potential candidate when accepting an expatriation. For example, if a specific organization's senior managers set the purpose for organizational activities through simple and clear mission statements, and also communicate, advocate and encourage organizational socially responsible actions and activities, this might encourage a potential candidate who is sensitive to this kind of organizational behavior to join the organization. This is a further example of an intangible reward that an employee may perceive part and parcel of the organization.

In this way, these various organizational stakeholders – these HRM rewards specialists, supervisors and senior managers – send messages charged with potential "intangible rewards" to their expatriates. Unless these messages are aligned and complementary, their meaning risks becoming blurred, ineffective or counterproductive. Therefore, employee communication policies and systems should be applied at all levels within the organization (Gooderham *et al.*, 2004) to ensure that messages sent to employees, and especially those related to rewards, are fully understood.

Consequently, expatriate reward is much broader than a simple consideration of financial elements (Tornikoski, 2011b). Figure 18.1 summarizes and illustrates the arguments above.

The meaning of "exchanged rewards" for expatriates

Compensation, and especially compensation of international assignees, is what we call a "hot-potato" or a "touchy" topic. This subject tends to be highly divisive, as it not only influences
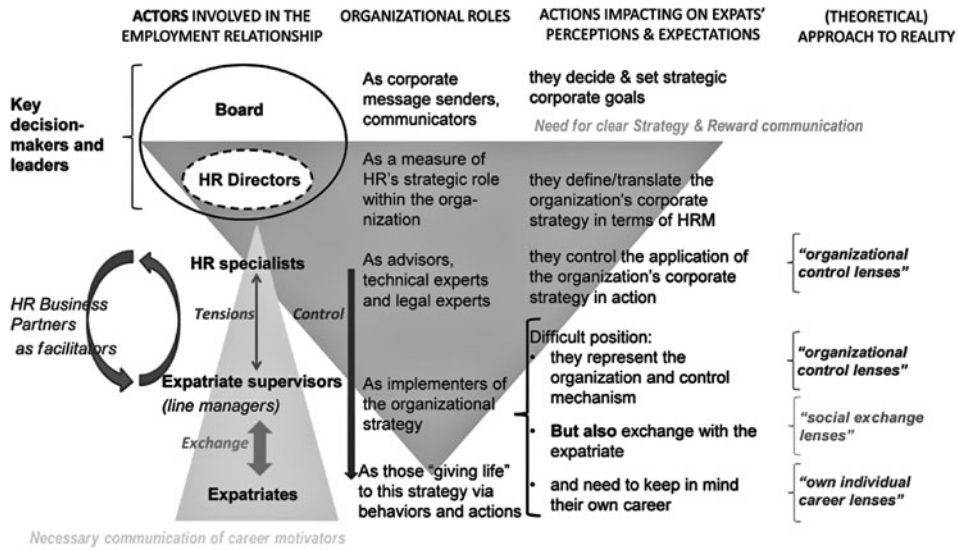
Figure 18.1 The stakeholders of the expatriate employment relationship

individuals' purchasing power and ability to put money aside, but also impacts on their material security in life. In addition, international compensation touches on taboos often rooted in religion and traditions.

Expatriate compensation components vary greatly depending on a multitude of factors (see Suutari and Tornikoski's (2001) study into the determinants of expatriate compensation). However, when the internationalization of an organization occurs, it is necessary to consider the classifications of components which might be comparable, on which the HR managers could communicate, to clarify issues and/or understand the impact of changes to any compensation category. This is necessary not only for the organization, but also the employees (including PCNs, HCNs, TCNs, and inpatriates in general).

What does their compensation package mean (Rousseau and Ho, 2000) to expatriates? Often it represents, as with national employees, the fulfillment of needs regarding purchasing power, the ability to save money and a level of protection (see Maslow and other motivation theories) as mentioned above. The better these three categories are covered and transparently *communicated*, the more attractive the organization to any would-be/future expatriate. These factors represent the tangible basis of the expatriation agreement. So, if, for any reason, a change occurs in these categories, it is then crucial for this change to be clearly explained and justified to all expatriates, to avoid a breach in their psychological contract (Rousseau, 1989; Rousseau, 1995) and violating the trust (Dulac *et al.*, 2008) these expatriates have in their organization.

If we consider this compensation package as attractive for the would-be/future expatriate, the question which arises is whether or not during her/his expatriation, this compensation package – given monthly, once a semester, or yearly, depending on the component concerned – will make our international assignee want to get up and go to work each morning, and whether it will motivate her/him for the whole length of the international assignment? These are crucial questions for organizations that invest large amounts of time and money in expatriation.

For a long time, research has focused (and continues to do so) on the link between compensation and organizational performance, since this seems (unfortunately, in the authors'

opinion) to be *the* ultimate economical goal of an organization. The financial and economic aspects of compensation, the percentage of an organization's expenses this represents, its influence on the net profit, and on organizational performance have dominated the debate. However, financial compensation has been shown limited in motivating people. Consequently, more recently there has been a call for a broader perspective with regards to compensation – a total reward perspective (Tornikoski, 2011b, 2011c).

Total rewards framework for international assignees

Since the end of 1990s (Guest, 1998, 1999; Bloom and Milkovich, 1996), academics have highlighted the need for studies considering employees' perceptions of HRM practices. Research is necessary to examine the link between employees' perceptions of compensation practices and how these impact on their behaviors, attitudes, and performance. Each compensation category requires consideration from the individual expatriate's perspective, so as to increase understanding regarding what each compensation category might mean to expatriates in general. By considering what the expatriate does or will do with their compensation should guide the categorization of expatriate compensation and allow for comparisons between countries at a later date.

In the following sections, we will first describe the main approaches organizations use to determine and design their international assignees' financial compensation packages. Then we will present the main elements of expatriates' traditional financial compensation package and describe the trends in their use by organizations. Finally, we will present the intangible rewards we advocate considering when rewarding international assignees. A bundle of financial and intangible factors constitute what we refer to as "a total reward package" for expatriates.

Approaches to financial compensation

The literature distinguishes between four approaches to expatriate compensation. The most common approach used by organizations in international business is the "home country approach," also referred to as "the balance sheet approach" (Suutari and Tornikoski, 2000; Bonache, 2006). "The basic objective is to 'keep the expatriate whole' (that is, maintaining relativity to PCN colleagues and compensating for the costs of an international assignment), through maintenance of home country living standards, plus a financial inducement to make the package attractive. This approach links the base salary for expatriates to the salary structure of the relevant home country" (Dowling *et al.*, 2013). Organizations that choose this approach base the assignee's salary on his/her home country salary structure. The main objective of this approach is to maintain the assignee's purchasing power in the host country as it would be if (s)he had remained in his/her home country. In this way, the assignee neither gains nor loses as a result of the foreign posting. This approach is favored by organizations for its effectiveness in facilitating expatriate mobility. According to 2012 figures from Towers Watson and the Worldwide ERC report, 82 percent of organizations use this home country approach for compensating their traditional expatriates and 90 percent for their short-term expatriates. However, this approach is extremely costly and consequently, since 2007, some organizations tend to transform and adapt it, by removing or reducing some allowances, for example, their foreign service premium, and by implementing more effective housing and COLA (referring to cost of living allowance) (FEM, 2010: 13).

The second most common approach is the *"host country approach"* (Suutari and Tornikoski, 2000), also known as the *"Going Rate Approach."* In this case, the organization chooses to base the assignee's salary on the host country salary structure (Dowling *et al.*, 2013). This means that

the assignee earns the same salary as local employees for a similar job. The challenge for a MNC or global company is that there are wide variances and differences in salary levels among countries worldwide. "The multinational usually obtains information from local compensation surveys and must decide whether local nationals (HCNs), expatriates of the same nationality, or expatriates of all nationalities will be the reference point in terms of benchmarking" (Dowling *et al.*, 2013). This renders the host-country approach both challenging and time-consuming to implement. According to the ECA Expatriate Management Salary Survey 2009–09–07, this type of approach was chosen by 11 percent of the surveyed companies.

A hybrid version of the host country and the balance sheet approaches is entitled the *"Local Plus"* approach. This consists of adding a few expatriate allowances (such as housing, transportation, and education allowances) to the local salary for the first few years of an assignment in a specific country. It permits the assignee to pay less personal income tax in the host country, compared to the balance sheet approach, which, in turn, allows organizations to cut back on certain other elements of the assignment package. The Local Plus approach offers a way of reducing costs for multinational enterprises (FEM, 2010). However, Local Plus compensation does not typically include tax equalization, COLA, mobility premiums, hardship allowances, familiarization visits, home leave, spouse assistance, or cross-cultural training and other pre-departure programs (Dowling *et al.*, 2013). The Local Plus approach was used by 9.6 percent of the organizations surveyed in the ECA Expatriate Management Salary Survey 2009–09–07. According to FEM (2010), this approach tends to become the favored approach for certain assignment destinations, such as the Middle East, Singapore, and Hong Kong. However, Towers Watson and Worldwide ERC (2012) found that across regions (Asia, USA, and Europe) roughly two thirds of the organizations based the compensation of their permanent transferees and cross-border new hires on a host country approach, while only a few used the Local Plus approach to compensate expatriates, regardless of the type of assignment.

A fourth approach is called the "*global approach*." Organizations choosing such an approach consider that all their assignees should receive the same compensation, regardless of their country of origin. Here, the country in which the organization's headquarters are based is often chosen as the country of reference, in terms of salary structure and level. For this reason, this approach is also known as "headquarters approach." The logic is the same as for the balance sheet approach. However, the expatriate's salary structure is linked to the country in which their organization's headquarters are based, whatever the home country of the expatriate. In the case where an organization's headquarters is located in a high-wage country, this global approach can prove very costly for the organization.

Elements of monetary rewards for international assignees

The traditional expatriate compensation package has often been referred to as the "expatriate total compensation package" (Bonache, 2006; Tornikoski, 2011a). Components included in this package include monetary elements, such as fixed pay and bonuses, plus benefits and allowances (Stone, 1986). They may be specified as "a bundle of returns offered in return for a cluster of employee contributions" to the organization (Bloom and Milkovich, 1996: 26), constituting an "effort-reward relationship" (Festing and Perkins, 2008). Monetary compensation elements are one of the most important features of the employment relationship, as they represent the first indication an employee gets regarding the perceived value of his or her contribution to the firm. A candidate for a job takes this information into account when deciding whether or not to accept a specific job offer and an employee considers this when determining the level

of engagement for a certain role within a specific organization (Rousseau and Ho, 2000; Bloom and Milkovich, 1996). This is also true for international assignments (Miller and Cheng, 1978; Pate and Scullion, 2010). Furthermore, monetary elements of expatriate compensation can easily be compared either between expatriates, or between locals and expatriates (Bonache *et al.*, 2009). This is one important reason why compensation tends to dominate discussions. Pay unfairness is relatively easy to identify and prove, when compared to informal recognition and other intangible rewards. This sensitive issue of perceived unfairness has been the subject of additional studies, for example, focusing on host-country nationals' perceptions regarding differentials between their own pay and that of expatriates (Bonache *et al.*, 2009).

Fixed and variable pay

While for *fixed pay* the amount and payment are guaranteed, in the case of expatriate variable pay, the base pay is influenced by the compensation approach adopted by the organization – home-country, host-country, hybrid, or global approach (e.g. Suutari and Tornikoski, 2001; Bonache, 2006). The focus of the fixed pay level can be the home country, the host country or a mixture of both.

Bonuses represent a form of variable pay and are short-term oriented. As a result, they are also referred to as *short-term incentives* (STI). The amount of pay varies, for example according to the performance of the individual, of a certain business unit or a particular group level. Consequently, the level of the short-term incentive is not guaranteed, and it is often uncertain whether it will be reached at all (Igalens and Roussel, 1999). Another form of variable pay includes *long-term incentives* (LTI). Stock options or employee ownership plans (ESOPs) are popular examples here (Noe, Hollenbeck, Gerhart, and Wright, 2010). Whether and to whom these remuneration elements are granted also depends on the organization's particular goals and the design of their LTI systems.

With regards to expatriate compensation, it is important to note that the percentage of variable pay (both STIs and LTIs) also varies, depending on the environment in which a multinational corporation is headquartered and where the variable pay was granted. In risk-averse cultures, for example, Germany and Japan, the percentage of variable pay as compared to fixed pay tends to be lower than in more risk-taking countries, such as the USA (Dowling *et al.*, 2013). Another important influence factor can be the institutional environment of the specific country to which the expatriate is assigned. For example, tax regulations may increase the popularity and influence the design of LTI systems, to a large extent. Overall, the company has to decide whether it prefers a globally standardized approach to variable pay and the extent to which it allows for local adaptations (Festing *et al.*, 2007; Festing and Eidems, 2011). Accordingly, the basis for and importance of the expatriate's variable pay has to be determined, while also considering possible local constraints.

Allowances

Expatriate compensation packages differ significantly from general approaches to global compensation, with respect to allowances and benefits (Guzzo *et al.*, 1994). Allowances are often regarded as highly costly and frequently constitute an important percentage of expatriates' financial packages (e.g. Bonache, 2006; Guzzo *et al.*, 1994; Suutari and Tornikoski, 2001). Allowances refer to payments that are typically used to bridge the gap between the expatriate's home living conditions and those in the country of destination (Torrington, 1994). These also typically cover the costs of the move abroad, and are thus used to motivate the individual to accept the international assignment, so increasing mobility within the organization.

In the following sections, we will provide an overview of the components of expatriate compensation. However, it should be noted that the compensation approach chosen by an organization, as introduced above, determines what kinds of components are included in the expatriate salary package. Moreover, there are significant differences between organizations, especially when comparing organizations with their headquarters in Asia, North America, and Europe.

Foreign Service Premiums have traditionally been a means of convincing expatriates and their families to accept an international assignment that might disrupt their home life and working conditions. These allowances can finance moves within the same continent or from one continent to another. However, their use has been questioned due to expatriation becoming increasingly a prerequisite for any managerial career and the fact that there is a growing expectation that employees should be mobile.

Some organizations use a *mobility allowance* as an alternative to foreign service premiums. A mobility allowance usually consists of a lump sum, typically paid either at the beginning of the assignment or as a monthly allowance. It is based on a percentage of the individual's salary and how it is spent is left to the discretion of the individual expatriate (FEM, 2010: 13). While a foreign service premium and a mobility allowance are not identical benefits, they are typically offered for the same reason, namely to encourage managers to relocate to a country of the organization's choice.

When an international assignment is required in a location characterized by extremely harsh and difficult living and working conditions, most companies include a *hardship* or *location allowance*. This typically ranges from 0 to 35 percent (FEM, 2010) of the expatriate compensation package but can be higher in extreme assignment locations.

Cost of Living Allowances (COLAs) aim at preserving the purchasing power that the expatriate enjoyed in his/her home country. These typically form part of an expatriate compensation package, especially those calculated using the balance sheet approach. A cost-of-living allowance involves a payment to compensate for differences in expenditure between the home country and the international assignment target country (Dowling *et al.*, 2013). Organizations have increasingly tended to base such allowances on cost-effective options, such as an "Efficient Purchaser" or "Modified Index," or other international indexes not linked to the expatriate in question's home country (FEM, 2010: 14). However, this choice also depends on the individual organization's underlying approach to expatriate compensation as described earlier in this chapter.

Housing allowances assume "that employees should be entitled to maintain their home country living standards (or, in some cases, receive accommodation that is equivalent to that provided for similar foreign employees and peers). The amount of housing allowance is determined predominantly by family size and to some extent job level" (Dowling *et al.*, 2013). Housing allowances are typically considered one of the most costly components of expatriate packages (Black *et al.*, 1999). Consequently, although housing provision varies a great deal between organizations worldwide, many employers have focused efforts on the improvement of housing management, as a way to reduce costs. There is a trend to grant a housing allowance based on criteria that include the expatriate's grade within the organization, his/her income level and family size, as well as the type of assignment in question.

As far as *tax treatment* is concerned, two options dominate the discussion. *Tax equalization* means

> firms withhold an amount equal to the home country tax obligation of the expatriate, and pay all taxes in the host country. [With] *tax protection* the employee pays up to the amount

of taxes he or she would pay on compensation in the home country. In such a situation, the employee is entitled to any windfall received if total taxes are less in the foreign country than in the home country.

(Dowling *et al.*, 2013)

Tax equalization is the most commonly implemented approach of these two. It is important to emphasize that "[m]ost companies now use a worldwide tax provider for tax compliance purposes and to ensure that their expatriate packages are structured in the most tax effective manner" (FEM report, 2010: 14).

The financial elements described above do not offer an exhaustive list of possible allowances. Other components include assistance programs, education programs, shipping and storage cost allowances, First or business class air travel, club memberships, relocation allowances, goods and services allowances, home-leave allowances, additional rest, relaxation and rehabilitation leave and allowance, plus education allowances for an expatriate's children or spouse (for further details, see Fenwick, 2004; Perkins and Shortland, 2006; Dowling *et al.*, 2013).

Benefits and perquisites

Expatriate *benefits* include various insurances that need to be valid on a worldwide scale, for example, health, accident, life, or travel insurance policies. Legally required benefits often vary from country to country. Consequently, these benefits need to be considered on a comparative basis in the context of international assignments. One of the most challenging issues organizations face nowadays is the management of pensions, especially for third country nationals or expatriates who spend most of their career in a variety of countries abroad (Dowling *et al.*, 2013).

Concerning *perquisites*, financial and legal counselling are important considerations. Tax issues and costs, in particular, tend to be covered by the organization (see above). In addition, MNCs frequently provide club memberships, as it is in their interest to help their expatriates to build networks in the assignment country, both to develop new business and increase the expatriates' well-being, especially in more challenging locations. Car policies and transportation benefits depend very much on the local environment (Suutari and Tornikoski, 2001).

Elements of non-monetary rewards for international assignees

In this section, we will present what we consider as non-monetary rewards, or intangible rewards, for international assignees. These include organizational intangible rewards (organizational messages and actions that, when in line with the employees' own values and expectations, are perceived as rewarding), relational rewards (the outcomes of relationships with direct supervisors – and colleagues) and intrinsic rewards.

With respect to the *organizational work environment,* the clarity of the organizational mission statement, its corporate social actions, the prevalent organizational culture, and a healthy work environment can be regarded as intangible rewards by international assignees, especially when confronted by a destabilizing new environment. For the expatriate, his/her organization's international strategy holds particular importance. If this is communicated clearly, international focus highlighted as a key organizational success factor, and if, as a result, international exposure is an important career requirement, this exposure should also be guaranteed through appropriate international human resource management practices and measures. For example, well-functioning repatriation programs should be in place so as to prevent the expatriate leaving immediately following the international assignment caused by a broken psychological contract. If the organization has created an expectation that by accepting an international assignment, the

employee will advance his/her career, it would be dysfunctional for the firm not to take all possible actions to fulfill this expectation (Festing and Müller, 2008). Taking this example, it becomes obvious that the international HR department plays an important role in supporting the organizational internationalization strategy and so the professional management of not just international assignees' compensation package, but also their continued career development.

Armstrong and Stephens (2006: 629) describe *relational rewards* as "intangible rewards concerned with learning and development and the work experience." A clear distinction is drawn between rewards related to social and interactive elements and transactional rewards (i.e. financial or monetized rewards). They define transactional elements as "tangible rewards arising from transactions between the employer and employees concerning pay and benefits" (ibid). However, here we consider relational rewards to be those identified in the 1930s by Elton Mayo in the Hawthorne experiment. This showed that (1) employees enjoy the attention that it is paid to them and as a consequence work more effectively; (2) employees have social needs, or a need to belong to a group. The Hawthorne experiment also demonstrated that consulting and informing a group of employees (under the specific focus of this experiment) led to higher commitment and performance. These two findings from this experiment link to what seems to be the two greatest challenges of any international assignment: namely to ensure assignees receive personal attention from their supervisors and also maintain social contacts with not only their colleagues but also their relatives due to the long distances typically involved. Furthermore, the use of new technologies and the increased speed and pressure of deadlines have arguably led employees, and especially international assignees, to go through experiences akin to those of employees 80 years ago, in the form of deterioration of working conditions, isolation, and no time to meet social needs or fulfill the need to belong to groups. In the future, an organization that is aware of these issues and aims at improving its employees' working conditions in this respect might actually offer the intangible rewards its employees are dying for.

As a consequence, we consider that relational rewards should include all the rewards that are typically brought to the employment relationship, thanks to the attention of one's supervisor. These include an international assignment location that motivates the international assignee, informal recognition, flexible working time arrangements, support provided for the expatriate and his/her family, plus training and development opportunities both perceived by the assignee and actually offered. For example, if an expatriate is offered a posting in an environment in which (s)he has always wanted to live, perhaps because (s)he has a preference for French cuisine in Paris, for African adventures in Nigeria, or for surfing in Australia, the opportunity of living and working in this location can already be a reward in and of itself. In addition, experiencing the challenge of adjusting successfully to another culture day-by-day, of learning from intercultural interactions and being able to work in a good atmosphere with local colleagues can also be perceived as an important reward by an expatriate. Consequently, this can be seen as a significant reward attached to the international assignment (Dowling *et al.*, 2013; Festing and Maletzky, 2011).

As far as *intrinsic rewards* are concerned, these can be defined as "those that an individual receives internally as a result of their involvement in activities that enhance feelings of self-competence, growth, satisfaction, responsibility and autonomy" *(*Buch and Tolentino, 2006: 358). Since perceived "internally" by the individual, unless these motivators are clearly expressed via discussions with the assignee's supervisor, or alternatively, identified by an HRM specialist during the recruitment and selection process, it can prove extremely difficult to bring them to the surface. Nonetheless, these motivators can be argued paramount in setting employees' motivation and commitment levels (Deci, 1972, 1975). These motivators have been identified as including personal growth and fulfillment, the quality of work and life, and the impact of

job characteristics. As compared to the relational rewards, here, factors are highly specific to the individual expatriate. Nevertheless, the arguments are similar for all expatriates; namely, that there is a need to design benefits packages that meet international assignees' individual needs and expectations, during their time abroad, and also contribute to their satisfaction and well-being, and so include significant intangible rewards.

As explained above, we deliberately choose to challenge – or rather complement – the traditional financial way of considering expatriate compensation package and, by so doing, expand the discussion from financial compensation to a total reward approach. We wish to emphasize that, since an international assignment encompasses much more than the typical work employment relationship (Guzzo *et al.*, 1994), there is the need to consider the compensation package as embedded in expatriates' employment relationship. This will, in turn, allow one to understand which rewards are meaningful to an individual employee and thus should be included in discussions regarding their specific compensation package. In this respect, we advocate the use of a more global or all-encompassing approach to expatriate compensation. So, in addition to a thorough review of the literature on expatriate compensation, we also presented a total reward approach.

This total reward approach with regards to international assignees is presented in Table 18.1. This table compiles all the elements linked with total rewards in the article. As the literature suggests, we differentiate between the financial (monetized) elements of compensation and intangible rewards. We also present specific compensation components connected with these two distinct groups of rewards. It should be noted that these components should be seen as examples of typical elements of reward, and additional components could also be considered here.

Conclusion

Expatriate compensation is a challenging and complex issue to address. Already, as a starting point, organizations have different ways to approach financial compensation. For example, they differ in the way they define base salary levels, opting for a home country, a host country, or a global approach. Furthermore, financial compensation typically involves various additional elements, such as allowances and benefits, through which organizations aim to help the expatriates to cover the extra costs related to international assignments and to motivate employees to accept the assignment. The complexity of expatriate compensation is reflected in the high level of dissatisfaction expressed by many international employees with their compensation packages (Black, 1991). Assignees also face difficulties in a number of areas, including taxation, the lack of information about local salaries and cost-of-living levels, currency rate fluctuations, social security and pension considerations, as well as spouse-related issues (Suutari and Tornikoski, 2001). According to Stone (1986), employing expatriates is a costly business, but having a bad international compensation program equates to disaster.

Moreover, the typical myopic focus on financial compensation has clear limitations when aiming to attract, motivate and commit international professionals – existing research indicates that financial elements are not employees' only, or even their main, consideration when making the career decisions to accept an international assignment (e.g. Suutari *et al.*, 2012).

If we analyze extant research on expatriate compensation – or total rewards – it can be concluded that there is a scarcity of compensation studies in the context of expatriation (Werner and Ward, 2004; Bonache, 2006; Tornikoski, 2011a). Previous research has focused on how to control subsidiaries (Roth and O'Donnell, 1996; Bonache and Fernández, 1997) through the adequate compensation of CEOs or top managers (Sanders and Carpenter, 1998, Björkman and Furu, 2000), using variable pay, for instance. There is a lack of consideration concerning

Table 18.1 Framework of the total rewards of international assignees

				Reward categories	Components in detail
TOTAL REWARDS — Decision level: Top management and HRM directors, when it comes to the strategy and its communication, as well as the official support of this type of total reward approach	TOTAL COMPENSATION (MONETIZABLE ITEMS) — A highly comparable part of the package and source of inequity issues — Main stakeholders: HRM directors & HRM specialists	TOTAL DIRECT CASH	TOTAL CASH	Base cash	Base salary/Base wage
				Short-term variable	Short-term incentives (individual, unit, group levels) — Bonuses/spot awards (formal recognition)
				Long-term variable	Long-term incentives — Stock/equity — Profit sharing
				Benefits	Insurances (health, accident, life, travel, etc.) — Legally required benefits — Retirement — Savings — Etc.
				Perquisites	Company cars — Transportation benefits — Club memberships — Financial and legal counseling — Etc.
				Allowances	Foreign service premiums/mobility allowances — Housing allowances — COLAs — Income tax reimbursements — Education allowances — Dual-career allowances — Removal allowances — Home leave/paid time off — Shipping and storage costs — Business class air travel — Etc.
	INTANGIBLE REWARDS — A highly strategic part of the reward package, since "invisible" and not "replicable" — Main stakeholders: Line managers			Organizational intangible rewards	Clear organizational mission statements — Corporate social actions — Organizational cultures — Healthy work environments — Etc.
				Relational rewards	Supervisors' support — Flexible time arrangements — Recognition — Family support — Training & development possibilities — Motivating location of international assignments — Etc.
				Intrinsic rewards	Personal growth and fulfillment — Quality of work and life — Job characteristics (e.g. degree of autonomy, responsibilities, skills and competency use, meaningfulness of the job, etc.) — Fit between organizational and personal values — Etc.

"Etc.": Non-exhaustive list of items, amongst which organizations can make choices in terms of the design of their total reward package.

other compensation issues, despite the strategic role of expatriates in organizations. However, since the turn of the century, research has turned to issues which are central to this international context, such as equity and justice between expatriates and locals in compensation matters (Chen *et al.*, 2002; Toh and Denisi, 2003; Bonache *et al.*, 2009), expatriate satisfaction with their compensation packages (Suutari and Tornikoski, 2001), the content of expatriate compensation package (Suutari and Tornikoski, 2000; Baruch *et al.*, 2002), and the relationship between expatriate compensation package and assignees' attitudes and behaviors (Tornikoski, 2011b).

Nonetheless, further research is still needed in all the above areas. Researchers (e.g. Guest, 1999) have raised a concern regarding HRM reflecting a management agenda that neglects workers' concerns. They have led calls for psychological approaches to HRM that take employees' views and perceptions on HRM into account. Storey (1989) emphasized the need for a greater understanding regarding the impact of employment practices on people "who are deemed to be the recipients of the array of messages and initiatives," so as to facilitate proper design and implementation of efficient and effective HRM practices to support corporate strategies. To achieve this, researchers need to study which rewards are meaningful to international employees. This also requires an examination of how organizations align their messages, how their HRM practices and strategic messages are linked, and how a combination of these elements send "signals" loaded with meaning that employees perceive and interpret (Tornikoski, 2011a, 2011c). Finally, we would like to encourage researchers from different fields and disciplines to work together to broaden perspectives on compensation in general, and those in the expatriation context in particular.

The question as to how to best manage expatriate compensation includes a number of interesting perspectives and related research possibilities. For example, from the perspective of ease of administration and integration, MNCs may prefer centralized and globally integrated approaches, which see most of the compensation elements offered to expatriates decided on in advance, in the organization's headquarters, and offering a limited scope for individual-level negotiations. Other benefits include the equal treatment of employees across borders, low costs involved in decision-making processes related to the composition of expatriate compensation packages, and better control over reward practices within MNCs on an international level. According to Mercer's 2010 International Assignment Survey, a large majority of organizations administered their international assignments in a centralized (51%) or partly centralized way. This is justified, in part, by the fact that the management of international assignments requires the collaboration of a number of specialists in several different HRM fields, in addition to compensation, such as taxes, payroll, immigration, and relocation. Additionally, the ERC's 2012 report highlighted that "regardless of headquarters location, the most commonly outsourced functions are relocation and tax preparation services." There is a clear case for the impacts of these kinds of decisions meriting further research attention.

While centralized and globally integrated expatriate (financial) compensation policies involve certain benefits for MNCs, from the perspective of a total rewards logic, more individually tailored and thus more localized and also broader (i.e. including non-financial aspects) approaches would potentially be more effective and efficient in motivating and encouraging international professionals to commit to expatriate assignments. A more individual approach has recently been discussed under the title "idiosyncratic deals" (i-deals) (Rousseau, 2001). Rousseau's approach updates social exchange theory to apply this more fully to the ever-changing and increasingly complex world of relationships between organizations and their employees. As an approach, it differentiates itself from the traditional theory, by emphasizing the bargaining power of valuable employees in the negotiation of their terms and the content of their contract with their individual organization. As such, this approach corresponds perfectly to the case of expatriates.

The idea is that, in the case of valuable employees, the employment relationship's specific terms and conditions, as preferred by an individual employee can be negotiated between the employer and employee, while, at the same time, helping the employer attract, motivate, and/or retain this highly valued contributor. Thus, this kind of deal benefits both parties. These individualized employment arrangements differ then, to some extent, from what other employees in the firm may be offered, but remain at the discretion of both the employer and the employee. In addition, all terms and conditions have to be transparent and justifiable, to prevent perceptions of injustice. Furthermore, the amount of individualization in employment contracts can vary, from a few elements in a larger standardized employment package, to a total idiosyncratic employment bundle arrangement (Rousseau *et al.*, 2006). Therefore, when examining what might influence the composition of an expatriate's total reward package, the degree of standardization of this kind of employment package and the extent to which this can be negotiated are critical aspects (Tornikoski, 2011a).

Finally, we would like to emphasize that intangible rewards offer managers tremendous potential in terms of facilitating their retention of the individual expatriates within their organizations. As previously observed, these intangible rewards are "invisible" and consequently not replicable, but also less costly than any typical bonus or additional financial compensation. Since these relational intangible rewards based on social exchange are what motivates and retains talented employees such as expatriates, we contend that this approach would confer a real strategic advantage to any organization managing these rewards well. It follows, therefore, that any organizations would do well to consider what matters to their employees, and which organizational actions send positive and rewarding messages to their employees, signaling that it is worth staying in the organization in question.

An additional advantage of this approach is that this use of intangible rewards could serve to reduce the risk of comparison and perceived inequity between expatriates and other employees, since this proposed approach is highly transparent and linked to employees' own perceptions. Put simply, an intangible reward valued by one expatriate, might not be perceived in the same way by another talented employee. As a result, these rewards allow organizations and their managers to satisfy talented and valuable employees, in this context specifically expatriates, while simultaneously decreasing the risk of "inequity" comparisons between expatriates and employees abroad. Finally, a total reward strategy is not easily replicable by competitors. This represents an additional sustainable competitive advantage that will help organizations to retain their key employees.

Notes

1   In this chapter the terms "international assignees" and "expatriates" are used interchangeably.

References

Armstrong, M. and Stephens, T. (2006). *Handbook of Employee Reward Management and Practice* (10th ed.). London and Sterling, VA: Kogan Page.

Baruch, Y., Steele, D. J., and Quantrill, G. A. (2002). Management of expatriation and repatriation for novice global player. *International Journal of Manpower* 23(7): 659–671.

Beer, M., Spector, B., Lawrence, P., Quinn–Mills, D., and Walton, R. (1984). *Managing Human Assets: The Groundbreaking Harvard Business School Program*. New York: The Free Press.

Björkman, I. and Furu, P. (2000). Determinants of variable pay for top managers of foreign subsidiaries in Finland. *International Journal of Human Resource Management* 11: 698–713.

Black, J. S. (1991). Returning expatriates feel foreign in their nation land. *Personnel* 68:8.

Black, J. S., Gregersen, H. B., Mendenhall, M. E., and Stroh, L. K. (1999). *Globalizing People through International Assignment*. Reading, MA: Addison-Wesley.

Blau, P. (1964). *Exchange and Power in Social Life*. New York: Wiley & Sons.

Bloom, M. C. and Milkovich, G. T. (1996). Issues in managerial compensation research. *Journal of Organizational Behavior* 3: 23–47.

Bonache, J. (2006). The compensation of expatriates: A review and future research agenda. In G. Stahl and I. Björkman (Eds.), *Handbook of Research in International Human Resource Management*. Cheltenham: Edward Elgar, pp. 158–175.

Bonache, J. and Fernández, Z. (1997). Expatriate compensation and its links to subsidiary strategic role: A theoretical analysis. *The International Journal of Human Resource Management* 4: 457–475.

Bonache, J., Sanchez, J. I., and Zárraga-Oberty, C. (2009). The interaction of expatriate pay differential and expatriate inputs on host country nationals' pay unfairness. *The International Journal of Human Resource Management* 20(10): 2135–2149.

Buch, K. and Tolentino, A. (2006). Employee perceptions of the rewards associated with six sigma. *Journal of Organizational Change Management* 19(3): 356–364.

Chen, C. C., Choi, J., and Chi, S.-C. (2002). Making justice sense of local-expatriate compensation disparity: Mitigation by local referents, ideological explanations, and interpersonal sensitivity in China-foreign joint ventures. *Academy of Management Journal*, 45(4): 807–817.

Deci, E. L. (1972). Intrinsic motivation, extrinsic reinforcement, and inequity. *Journal of Personality and Social Psychology* 22(1): 113–120.

Deci, E. L. (1975). *Intrinsic Motivation*. New York: Plenum.

De Vos, A. and Meganck, A. (2009). What HR managers do versus what employees value: Exploring both parties' views on retention management from a psychological contract perspective. *Personnel Review* 38(1): 45–60.

Dickmann, M., Doherty, N., Mills, T., and Brewster, C. (2008). Why do they go? Individual and corporate perspectives on the factors influencing the decision to accept an international assignment. *The International Journal of Human Resource Management* 19(4): 731–751.

Dowling, P. J., Festing, M., and Engle, A. D. (2013). *International Human Resource Management* (6th ed.). London: Cengage.

Dulac, T., Coyle-Shapiro, J. A.-M., Henderson, D., and Wayne, S. J. (2008). Not all responses to breach are the same: The interconnection of social exchange and psychological contract processes in organizations. *Academy of Management Journal* 5(6): 1079–1098.

ECA International. (2012). Managing the complex world of mobility. Available online at www.eca-international.com/news/articles/7718/Managing_the_complex_world_of_mobility#.UQoS9_K3yno.

FEM (The Forum of Expatriate Management). (2010). Managing expatriate reward. Available online at www.totallyexpat.memberlodge.com/resources/Documents/FEM-Managing-Expat-Reward-LR.pdf.

Fenwick, M. (2004). On international assignment: Is expatriation the only way to go? *Asia Pacific Journal of Human Resources*, 42 (3): 365–377.

Festing, M., and Müller, B. (2008). Expatriate careers and the psychological contract: An empirical study on the impact of international human resource management. In M. Festing and S. Royer (Eds.), *Current Issues in International Human Resource Management and Strategy Research*. München: Rainer Hampp, pp. 93–118.

Festing, M., and Perkins, S. (2008). Rewards for internationally mobile employees. In M. Dickmann, C. Brewster, and P. Sparrow (Eds.), *International Human Resource Management: A European Perspective* (2nd ed.). London: Routledge, pp. 150–173.

Festing, M. and Eidems, J. (2011). A process perspective on transnational HRM systems: A dynamic capability-based analysis. *Human Resource Management Review* 21: 162–173.

Festing, M. and Maletzky, M. (2011). Cross-cultural leadership adjustment: A framework based on the theory of structuration. *Human Resource Management Review* 21: 186–200.

Festing, M., Eidems, J., and Royer, S. (2007). Strategic issues and local constraints in transnational compensation strategies: An analysis of cultural, institutional and political influences. *European Management Journal* 25(2): 181–131.

Fombrun, C. J., Tichy, N., and Devanna, M. A. (1984). *Strategic Human Resource Management*. New York: John Wiley.

Gooderham, P., Morley, M., Mayrhofer, W., and Brewster, C. (2004). Human resource management: A universal concept? In C. Brewster, W. Mayrhofer and M. Morley (Eds.), *Human Resource Management in Europe: Evidence of Convergence?* London: Butterworth-Heinemann.

Guest, D. E. (1998). Is the psychological contract worth taking seriously? *Journal of Organizational Behavior* 19: 649–664.

Guest, D. E. (1999). Human resource management: The worker's verdict. *Human Resource Management Journal* 9(3): 5–25.

Guzzo, R. A., Noonan, K. A., and Elron, E. (1994). Expatriate managers and the psychological contract. *Journal of Applied Psychology* 79(4): 617–626.

Harvey, M. (1993a). Empirical evidence of recurring international compensation problems. *Journal of International Business Studies* 24(4): 785–799.

Harvey, M. (1993b). Designing a global compensation system: The logic and a model. *The Columbia Journal of World Business* 28(4): 56–72.

Igalens, J. and Roussel, P. (1999). A study of the relationship between compensation package, work motivation and job satisfaction. *Journal of Organizational Behavior* 20(7): 1003–1025.

Manas, T. D. and Graham, M. D. (2003). *Creating a Total Rewards Strategy: A Tool for Designing Business-Based Plans*. New York: AMACOM.

Maslow, A. (1943). A theory of human motivation. *Psychological Review* 50(4): 370–396.

Mercer (2010). *International Assignments Survey*. Lisbon: Mercer.

Miller, E. L. and Cheng, J. (1978). A closer look at the decision to accept an overseas position. *Management International Review* 18(3): 25–33.

Noe, R. A., Hollenbeck, J. R., Gerhart, B., and Wright, P. M. (2010). *Human Resource Management: Gaining a Competitive Advantage* (7th ed.). New York: McGraw-Hill.

O'Neal, S. (1998). The phenomenon of total rewards. *ACA Journal* 7(3): 6–18.

Pate, J. and Scullion, H. (2010). The changing nature of the traditional expatriate psychological contract. *Employee Relations* 32(1): 56–73.

Perkins, S. J. and Shortland, S. M. (2006). *Strategic International Human Resource Management: Choices and Consequences in Multinational People Management*. London: Kogan Page.

Perkins, S. J. and Daste, R. (2007). Pluralistic tensions in expatriating managers. *Journal of European Industrial Training* 31(7): 550–569.

Roth, K. and O'Donnell, S. (1996). Foreign subsidiary compensation strategy: An agency theory perspective. *Academy of Management Journal* 39(3): 678–703.

Rousseau, D. M. (1989). Psychological and implied contracts in organizations. *Employee Rights and Responsibilities Journal* 37(2): 121–139.

Rousseau, D. M. (1995). *Psychological Contracts in Organizations: Understanding Written and Unwritten Agreements*. Thousand Oaks, CA: Sage.

Rousseau, D. M. (2001). The idiosyncratic deal: Flexibility versus fairness? *Organizational Dynamics* 29(4): 260–273.

Rousseau, D. M. and Ho, V. T. (2000). Psychological contract issues in compensation. In S. L. Rynes and Gerhart, B. (Eds.), *Compensation in Organizations: Current Research and Practice*. San Francisco, CA: Jossey-Bass.

Rousseau, D. M., Ho, V. T., and Greenberg, J. (2006). I-deals: Idiosyncratic terms in employment relationships. *Academy of Management Review* 31: 977–994.

Sanders, W. G. and Carpenter, M. A. (1998). Internationalization and firm governance: The roles of CEO compensation, top team composition, and board structure. *Academy of Management Journal* 41(2): 158–178.

Stone, R. J. (1986). Compensation: Pay and perks for overseas executives. *Personnel Journal* 64: 67–69.

Storey, J. (Ed.). (1989). *New perspectives on Human Resource Management*. London: Routledge.

Suutari, V. and Tornikoski, C. (2000). Determinants of expatriate compensation: Findings among expatriate members of SEFE. *Finnish Journal of Business Economics* 49(4): 517–539.

Suutari, V. and Tornikoski, C. (2001). The challenge of expatriate compensation: The sources of satisfaction and dissatisfaction among expatriates. *International Journal of Human Resource Management* 12(3): 1–16.

Suutari, V., Tornikoski, C., and Mäkelä, L. (2012). Career decision making of global careerists. *International Journal of Human Resource Management* 23(16): 3455–3478.

Toh, S. M. and Denisi, A. S. (2003). Host country national reactions to expatriate pay policies: A model and implications. *Academy of Management Review* 28(4): 606–621.

Tornikoski, C. (2011a). Expatriate compensation: A theoretical approach. In C. H. Antoni, X. Baeten, R. Lucas, S. Perkins, and M. Vartiainen (Eds.), *Pay and Reward Systems in Organizations: Theoretical Approaches and Empirical Outcomes*. Lengerich: Pabst Science Publishers, pp. 38–67.

Tornikoski, C. (2011b). Expatriates' affective commitment: A total reward perspective. Special Issue: *Expatriate Management: New Issues and New Insights. Cross-Cultural Management – An International Journal (CCM),* 18:2.

Tornikoski, C. (2011c). The role of perceived employer obligations in the interpretation of and reaction to expatriate compensation practices. EIASM's 3rd Reward Management Conference 2011, Brussels, Belgium. Available online at http://halshs.archives-ouvertes.fr/hal-00675160/.

Torrington, D. (1994). *International Human Resource Management: Think Globally, Act Locally*. New York: Prentice Hall.

Towers Watson and Worldwide ERC. (2012). A global talent mobility study – regional differences in policy and practices. Available online at www.towerswatson.com/en/Insights/IC-Types/Survey-Research-Results/2012/07/A-Global-Talent-Mobility-Study-Regional-Differences-in-Policy-and-Practice?=/china/.

Weichert Relocation Resources (2011). Global mobility trends 2001. Available online at https://flashpoint.weichertworkforcemobility.com/resource_library/whitepapers/GlobalMobilityTrends2011WP.pdf.

Werner, S. and Ward, S. G. (2004). Recent compensation research: An eclectic review. *Human Resource Management Review* 14: 201–227.

19

Cross-cultural training and support practices of international assignees

B. Sebastian Reiche, Yih-teen Lee and Javier Quintanilla

Introduction

With continued globalization and the removal of barriers between countries, multinational corporations (MNCs) are operating in a growing number of different markets. To staff their various international operations, these companies not only make use of local talent in each respective local market but also deploy talent on a global basis. Over recent years, the group of employees performing their work outside of their home countries has become increasingly fragmented in terms of *assignment direction* (parent country nationals, host country nationals, third country nationals), *assignment length* (traditional long-term assignees, short-term assignees, international business travellers, commuter assignees), *assignment scope* (technical, developmental, strategic, functional) or *locus of assignment initiative* (company-initiated vs. self-initiated assignees) (Caligiuri, 2006; Collings, Scullion, & Morley, 2007; Mayrhofer, Sparrow, & Zimmermann, 2008). However, overall the number of these international assignments has continued to grow, a trend that even the recent financial crisis does not seem to have changed (Brookfield Global Relocation Services, 2012).

What these international relocations have in common is that they are personally demanding because they require the assignee not only to perform new job requirements but also adjust to a new cultural and linguistic environment, learn to effectively interact with cultural others, deal with conflict and competing interests between different units of the MNC, or cope with changes to family life (Harvey & Novicevic, 2004; Johnson, Lenartowicz, & Apud, 2006; Lazarova, Westman, & Shaffer, 2010; Takeuchi, 2010). As a result, researchers and global mobility professionals alike have long examined how organizations can alleviate these challenges. In general, the international assignment process can be considered to entail three distinct phases: pre-assignment, actual assignment and post-assignment (Reiche & Harzing, 2010). While the majority of literature has focused on the design and impact of cross-cultural training that is commonly provided either before or during the relocation (Mendenhall & Stahl, 2000; Morris & Robie, 2001; Tung, 1981), there is a host of other organizational support practices provided alongside the entire assignment process that have been shown to positively affect different dimensions of assignment success (Kraimer, Wayne, & Jaworski, 2001; Reiche, 2012; Takeuchi, Wang, Marinova, & Yao, 2009).

In the remainder of this chapter, we will first examine in greater depth the importance of cross-cultural training and other support practices for international assignees and discuss the main theoretical lenses through which such organizational support has been studied. Second, we will focus on cross-cultural training as a key facet of organizational support and review the different forms of cross-cultural training in terms of (1) training content, that is, the cognitions, motivations, behaviors, and skills to be developed; (2) the recipient of training activities; (3) the training methods; and (4) temporal aspects of the training. In a third step, we will discuss additional organizational support practices that have been shown to facilitate the assignment experience and increase assignees' cross-national effectiveness. Finally, we will identify limitations in the existing literature on cross-cultural training and organizational support, and provide recommendations for future research.

The relevance of international assignment support

While claims of high rates of expatriate premature return appear to be largely misplaced (Harzing, 1995; Reiche, Kraimer, & Harzing, 2011) it has been common to view assignment success as a multi-faceted construct that comprises aspects of both the actual assignment and the post-assignment phase (Yan, Zhu, & Hall, 2002). Specifically, scholars have examined assignment success not only in terms of job performance (e.g., Takeuchi *et al.*, 2009) but also adjustment (Bhaskar-Shrinivas, Harrison, Shaffer, & Luk, 2005), learning and knowledge transfer (Hocking, Brown, & Harzing, 2007) or career progress and retention (Kraimer, Shaffer, & Bolino, 2009). From that perspective, organizational support can be viewed as any instrument that is within the control of the organization and is aimed at increasing the probability that the assignee achieves each respective success dimension. Concerning cross-cultural training more specifically, scholars have identified three main objectives (Caligiuri, Phillips, Lazarova, Tarique, & Bürgi, 2001) that comprise (1) enabling assignees to determine appropriate cultural behaviors and suitable ways of performing specific tasks in the host country, (2) helping assignees to deal with unforeseen events in the new culture and reduce conflict due to unexpected situations and actions, and (3) creating realistic expectations for assignees with regard to living and working in the host location.

The role of organizational support for international assignees has been studied through various theoretical lenses. A prominent strand in the literature has adopted organizational support theory (e.g., Guzzo, Noonan, & Elron, 1994; Kraimer & Wayne, 2004; Takeuchi *et al.*, 2009) which is grounded in a social exchange perspective. Specifically, social exchange theory (Blau, 1964) holds that human relationships, which are not governed by explicit contractual obligations, are developed based on a subjective cost-benefit analysis and a comparison with alternative relationships. If an individual perceives the benefits of a relationship to outweigh its perceived costs, the individual will initiate and maintain it. In the context of employee-organization exchanges such as the relationship between an international assignee and the MNC, perceived organizational support, which concerns employees' general beliefs about the extent to which their organization values their contributions and cares about their well-being (Eisenberger, Huntington, Hutchinson, & Sowa, 1986), serves as an important benefit for the assignee. Organizational support theory suggests that employees will reciprocate this support with increased loyalty and performance (Rhoades & Eisenberger, 2002; Yan *et al.*, 2002). The international assignment literature has indeed found evidence that assignees' perceived organizational support positively relates to their adjustment and performance (Kraimer *et al.*, 2001; Takeuchi *et al.*, 2009), commitment (Guzzo *et al.*, 1994), intentions to stay (Van der Heijden, Van Engen, & Paauwe, 2009) and knowledge sharing (Reiche, 2012).

In addition, while thorough theoretical development is largely missing in the literature (Littrell, Salas, Hess, Paley, & Riedel, 2006) various theoretical perspectives have been adopted to examine the usefulness and impact of cross-cultural training. In an early attempt to theorize about why cross-cultural training is effective in achieving the earlier mentioned aims, Black and Mendenhall (1990) draw on social learning theory (Bandura, 1977) to conceptualize how cross-cultural training can increase both assignees' confidence in themselves and their ability to act effectively in a cross-cultural environment, as well as their level of accuracy of perceptions toward the target culture, with beneficial consequences for both adjustment and performance. A few other studies build on anxiety and uncertainty management theory to conceptualize how cross-cultural training can help assignees reduce the uncertainty and anxiety implicit to interactions with cultural others (Gudykunst, 1998). For example, Brandl and Neyer (2009) argue that uncertainty is a cognitive phenomenon and therefore call for training activities that facilitate cognitive adjustment by providing assignees' with attitudinal flexibility and the necessary resources for structuring unknown situations.

A third strand of research uses different theories to examine how cross-cultural training helps to achieve more specific training-related objectives. For example, Caligiuri *et al.* (2001) draw on the theory of met expectations to investigate conditions under which training activities help create realistic expectations for assignees (see also Black, Mendenhall, & Oddou, 1991). Further, building on the cultural perspective various scholars have highlighted the role that differences in cultural values play for the relative importance as well as design and content of cross-cultural training (Harvey & Miceli, 1999; Yamazaki, 2005). Finally, research has examined the conditions under which assignees are more likely to benefit from cross-cultural training. For example, a study of 166 European managers compared the role of personality factors with other predictors of cross-cultural training performance and found that adaptability, teamwork and communication as measured by an assessment center exercise provided incremental validity over and above personality and cognitive ability (Lievens, Harris, Van Keer, & Bisqueret, 2003).

Research has generally also supported the theoretical expectation that cross-cultural training facilitates the assignment experience. Several meta-analyses have shown that cross-cultural training is positively related to cross-cultural skill development, adjustment and performance (e.g., Deshpande & Viswesvaran, 1992; Morris & Robie, 2001). There is also evidence that this positive effect holds across assignees from different countries of origin (Waxin & Panaccio, 2005). However, not all findings have been equally supportive of the effectiveness of cross-cultural training. For example, a study drawing on a sample of 300 German expatriates failed to demonstrate a significant positive relationship between pre-departure cross-cultural training and cross-cultural adjustment (Puck, Kittler, & Wright, 2008). Similarly, Tarique and Caligiuri (2009) showed that while post-arrival training improved cultural knowledge it was less effective in enhancing adjustment of expatriates.

Further, there is evidence that MNCs increasingly acknowledge the general usefulness of training programs. For example, recent industry survey data suggest that 81 percent of the responding companies offer some kind of formal cross-cultural preparation for international assignees, with 85 percent of respondents rating the training provided as having good or great value for facilitating assignment success (Brookfield Global Relocation Services, 2012). At the same time, it is also true that in many organizations cross-cultural training programs are optional only and are more likely to be offered to parent country expatriates than other types of assignees (Harvey & Miceli, 1999). Research even suggests that a gap remains between individual training needs and the actual training offered by MNCs (Harris & Brewster, 1999), with the provision of language courses and general information on the host country context often serving

as the only instruments. All too often assignees are expected to take responsibility for their own training and preparation. Taken together, this suggests that a substantial group of assignees continue to relocate without formal training. While the importance of organizational support in general is undeniable, the mixed results regarding the scope and impact of cross-cultural training in particular point to the need to disentangle what we have thus far referred to as cross-cultural training and examine existing programs in greater depth.

Forms of cross-cultural training

Cross-cultural training has generally been defined as an intervention designed to enhance the knowledge, skills and competences of international assignees to help them operate effectively in an unfamiliar host environment (Harris & Brewster, 1999; Kealey & Protheroe, 1996). However, to achieve these aims a myriad of different training programs have been devised. In this section, we will differentiate cross-cultural training in terms of *what* these programs intend to develop, *who* are the typical recipients of the measures, *how* the training is conducted, and *when* it is delivered. It is important to note that there is no one-size-fits-all program. Instead, the design, structure, content and focus of cross-cultural training programs depend on factors such as the individual's cultural background, culture-specific features of the host country environment, the individual's degree of contact with the host environment, the assignment length, the individual's family situation, and the individual's language skills (e.g., Harris & Brewster, 1999; Harvey & Miceli, 1999; Tung, 1981).

Training content and skill sets

The content of cross-cultural training can be culture-specific or culture-general. While culture-specific training covers issues useful for individuals to perform well in specific countries, culture-general training aims for offering a range of skills that are applicable to a wider variety of cultural contexts. In fact, the intended objectives of cross-cultural training involve enhancing individuals' cross-cultural effectiveness in the following aspects: good personal adjustment, good interpersonal relationships with people of different cultural backgrounds, and effective completion of task-related goals (Thomas & Fitzsimmons, 2008). To obtain such results, the content of training programs generally needs to go beyond the provision of information on a specific country or culture. Since it is beyond the scope of this chapter to discuss all the skills and competencies in detail, we will focus on the following issues and offer a brief review on each of them: factual knowledge and models of national culture, language skills, cross-cultural competencies, global leadership competencies, cultural intelligence, and self-concept and identity-based training.

Factual knowledge and models of national cultures. To start with, training programs may provide trainees with specific knowledge and facts about a specific country or culture (Brislin, MacNab, & Nayani, 2008). Although sometimes superficial, it is critical that trainees have access to these facts in preparing for their actual sojourn. Popularized by Hofstede's seminal work (2001), the frameworks of cultural dimensions are also commonly mentioned in cross-cultural training (e.g., Hall, Trompenaars, Schwartz, GLOBE). They offer trainees a powerful culture-general tool to conceptualize and make sense of possible cultural differences.

Language. Language skills are often an important prerequisite for expatriates to communicate with local people, hence effectively connecting headquarters and subsidiaries (Harzing, Köster, & Magner, 2011). This conversational currency, as described by Brein and David (1971), will facilitate interactions and working with people from different cultural backgrounds (Shaffer,

Harrison, & Gilley, 1999). However, the issue of language in cross-cultural training may be more complex than assumed. For example, is it about English or local language proficiency? As the lingua franca in business communications nowadays, English is certainly a must for most expatriates. Research evidence does indicate that English fluency is related to adjustment (e.g., Nicholson & Imaizumi, 1993; Takeuchi, Yun, & Russell, 2002). However, is it sufficient to focus only on English in designing language training? Should the local language be included in the training beyond English? To which extent should we expect people to be fluent in the relevant local languages? How realistic is this? Will such investment pay off for individuals as well as for the company offering such training? As Thomas (1998) suggested, the return for knowing a few words of a foreign language may be very high, but the effort required to achieve substantial additional benefits can be huge. What is the optimal level of local language proficiency taking into account all the related costs and benefits? These questions are to be further clarified to design better language training for expatriates.

Cross-cultural competencies. Another category of training content involves skills and competencies beyond cognitive knowledge, aiming to enhance expatriates' capability in dealing with various challenges in cross-cultural interactions. The list of cross-cultural competencies can be extremely long. Thomas and Fitzsimmons (2008) adopted the framework of Yamazaki and Kayes (2004), which is in turn based on experiential learning theory (Kolb, 1984), and suggested a typology of cross-cultural skills and competencies. These competencies include (1) information skills (e.g., open-mindedness, tolerance of ambiguity, and empathy), (2) interpersonal skills (e.g., sociability and communication skills), (3) action skills (e.g., behavioral flexibility, self-monitoring, and self-regulation), and (4) analytical skills (e.g., mindfulness, attribution ability, and cultural metacognition). Mol, Born, Willemsen, and Van der Molen's (2005) meta-analysis indicates most of the above-mentioned skills are significantly related to expatriates' adjustment or job performance. Moreover, empathy (or intercultural sensitivity) seems to be one of the most robust predictors of effective intercultural interactions, suggesting the importance of being alert and sensitive to the needs and values of cultural others, hence justifying its critical value in cross-cultural training.

Global leadership competencies. As expatriates are often assigned to tasks in which they are expected not only to "interact" and "collaborate" with people in other cultures, but also to exercise the role of leadership, cross-cultural or global leadership becomes increasingly relevant in cross-cultural training. Again, there are long lists of global leadership competencies (see Bird *et al.*, 2010), and many of these competencies overlap with the cross-cultural competencies mentioned above (e.g., self-awareness, inquisitiveness, self-regulation, empathy, and social skills, see Jokinen, 2005). Unique global leadership competencies include engagement in personal transformation, motivation to work in an international environment, and other non-cultural aspects such as accountability, courage, improvisation, pattern recognition, and cognitive complexity (see Bird *et al.*, 2010). While it may not be necessary (nor realistic) to cover all of these competencies in cross-cultural training, these lists offer a good basis to consider which content is most relevant for specific trainees. A related construct to global leadership is the concept of global mindset (Beechler & Javidan, 2007; Gupta & Govindarajan, 2002). Despite the existence of various possible conceptualizations of global mindset (Javidan & Teagarden, 2011; Levy, Beechler, Taylor, & Boyacigiller, 2007), it has also started to draw attention from cross-cultural trainers.

Cultural intelligence. Defined as an individual's capability to function effectively in culturally diverse contexts, cultural intelligence (CQ) is gaining momentum as a useful construct to understand cross-cultural effectiveness in work settings (Ang & Van Dyne, 2008; Earley & Ang, 2003). Based on Sternberg and Detterman's (1986) framework of multiple intelligence, cultural

intelligence integrates four complementary perspectives in conceptualizing an individual's intelligence in cross-cultural settings, including: being consciously aware of and thinking strategically about culture (metacognitive CQ), possessing cultural knowledge about values and norms (cognitive CQ), directing attention and energy toward cross-cultural learning and interaction (motivational CQ), and generating appropriate behavior when interacting with people who are culturally different (behavioral CQ; see Ang & Van Dyne, 2008; Earley & Ang, 2003 for a more detailed discussion). As a holistic model toward cross-cultural effectiveness, cultural intelligence offers a theoretical and parsimonious framework to the much fragmented literature in cross-cultural training.

Individuals who have developed cultural intelligence seem to be more culturally effective in terms of performance (e.g., communication effectiveness, task performance, adaptive performance, multicultural team functioning) and cultural adaptation (e.g., subjective well-being, cross-cultural adjustment, see Ang & Van Dyne, 2008; Ang, Van Dyne, Koh, Ng, Templer, Tay, & Chandrasekar, 2007). Moreover, Ng, Van Dyne, and Ang (2009) suggest that cultural intelligence enables individuals not only to *grasp*, but also to *transform* the international experience, hence facilitates them to go through the four stages of experiential learning described by Kolb (1984: i.e., concrete experience, reflective observation, abstract conceptualization, and active experimentation). Although a culture-general training approach based on cultural intelligence is potentially useful, more empirical research is needed in this area to inform properly the practices of cross-cultural training based on cultural intelligence (Brislin *et al.*, 2008).

Self-concept and cultural identity. One critical yet much less explored aspect in cross-cultural training is helping trainees develop appropriate self-concepts and cultural identities. Identity is important because it regulates people's understanding and motivation regarding who they are and their major goals and objectives (Brown, 2000; Tajfel & Turner, 1985). As cross-cultural interaction usually involves two or more cultural groups, the experience of in-group vs. out-group categorizations and the resulting sense of identification and belonging can be particularly pertinent in influencing individuals' assessment and attitudes toward cultural others. Berry's model of acculturation (which differentiated individuals' acculturation strategy into assimilation, integration, separation, and marginalization; see Berry, Kim, Minde, & Mok, 1987) together with the study of biculturalism (Benet-Martínez, Lee, & Leu, 2006; LaFromboise, Coleman, & Gerton, 1993) have laid a solid foundation for an identity-based understanding of cross-cultural adjustment and transition in suggesting that embracing both home and host cultures tends to be the most beneficial approach (Ward & Rana-Deuba, 1999).

Furthermore, as a result of heightened levels of global mobility and inter-race marriage, nowadays more and more individuals are multicultural, rather than bound to one single culture (e.g., global nomads, third culture kids; see also Brannen & Thomas, 2010). Recent research even suggests that "not identifying to any culture" may bring unique benefits for expatriates in terms of intercultural effectiveness and global leadership (Fitzsimmons, Lee, & Brannen, 2014; Lee, 2010). Cross-cultural training can be oriented toward helping people manage their multicultural identities (e.g., making sense of "who they are", seeing alternative ways in which identity can be experienced, understanding the impact of context and upbringing on their own identity development) so as to reap the full benefits from their multicultural experiences.

In sum, the trend is to move away from the assumption that trainees are mostly ignorant of cultural differences, and toward the view that trainees may possess considerable amount of international experiences, or multicultural backgrounds. As a result, the content of training has to address the emerging needs of such individuals.

Training recipients

While the need to train the international assignee is obvious, scholars and practitioners alike have stressed the importance to include the assignees' accompanying family in the training. Indeed, evidence suggests that family concerns, partner dissatisfaction, and partner inability to adapt are the main reasons for negative assignment experiences and outcomes (Andreason, 2008). Similarly, according to a recent industry survey 75 percent of respondents supported the view that both assignees and families should receive cross-cultural training (Cartus, 2012) while Brookfield data suggest that 60 percent of companies offering cross-cultural training on all assignments provided this training for the entire family (Brookfield Global Relocation Services, 2012). The importance of training support for the family stems from the substantial changes in the family context that an international relocation induces. In many cases, the assignee becomes the sole earner and provider for the family and their partner becomes a household caretaker and a stay-at-home parent, having not only lost a job but also foregone a career, financial independence, and extended family support (Lazarova *et al.*, 2010). While the assignee may benefit from the immediate social relationships developed in the new work environment, the partner often lacks a similar support network in the host country. Beyond reflecting the requirements for cultural adjustment, training also needs to address partners' specific concerns related to their potential career displacement and uncertainty by providing location-specific information about available career options and guidance during the process of seeking re-employment (Bennett, Aston, & Colquhoun, 2000).

Substantially less attention has been paid to involving host country nationals in cross-cultural training activities, despite the accepted view that these individuals can act as important socializing agents and providers of support for international assignees (Toh & DeNisi, 2007). However, to be able to effectively provide support to assignees host country nationals face similar challenges of adjusting to cross-cultural interactions. Involving locals in cross-cultural training activities can therefore be a worthwhile addition, especially for individuals that frequently interact with assignees in the host country (Vance & Ring, 1994). Moreover, host country nationals can also be an important source of information for designing location-specific, culturally appropriate training content (Vance & Ensher, 2002).

Training methods and delivery

It has been common to differentiate cross-cultural training activities into didactic (provision of factual information) and experiential (learning how to learn) modes of delivery (Kealey & Protheroe, 1996; Littrell *et al.*, 2006). Didactic training involves information briefings, videos, formal classroom-based trainings, culture assimilator exercises and other intercultural awareness programs aimed to develop trainees' cognitive skills necessary to understand the host culture(s). In particular, cultural assimilators – in which trainees are provided with a collection of real-life scenarios that describe puzzling cross-cultural interactions and subsequently receive feedback from cultural experts on how to interpret each situation – have found wide-spread attention as didactic tools (Bhawuk, 2001). While didactic training activities are often delivered by specially trained experts, other individuals including current assignees, recent repatriates, or host country nationals may provide valuable information too. More recently, a range of computer-assisted self-learning tools have found their way into the domain of cross-cultural training, including not only generic multimedia software but also culture-specific sensitizer exercises and assimilator tools (Mendenhall & Stahl, 2000). In addition, a growing number of internet resources are available for international assignees to inform themselves about the host environment (see e.g., Reiche & Harzing, 2010). Computer-aided autodidactic training is also increasingly used by

MNCs, both as additional tools to complement face-to-face training and as stand–alone approaches (Brookfield Global Relocation Services, 2012).

Experiential training entails learning through actual practice and the resulting feedback from significant others. The immediate transfer of learning to practice reinforces the behavioral skills and allows cross-cultural competencies to be quickly incorporated in the personal repertoire of conduct (Selmer, Torbiörn, & de Leon, 1998). Experience-based training modes include look-and-see trips, cross-cultural role plays, intercultural workshops, and simulations, or a combination thereof in the form of assessment and development centers (Kealey & Protheroe, 1996; Littrell *et al.*, 2006; Mendenhall & Stahl, 2000). More generally, international job rotations and cross-border meetings also serve as a means of experiential learning as they regularly expose individuals to cross-cultural interactions (Debrah & Rees, 2010).

Fowler & Blohm (2004) detailed the usefulness, adaptability, and strengths and weaknesses of eighteen common methods of cross-cultural training, covering both didactic and experiential modes. They also suggest that trainers should master a variety of methods because no single method will work all the time with every type of trainee and for all desired outcomes. Further, it is crucial to take into account personal and cultural preferences of training styles and methods – ironically, cross-cultural trainers sometimes ignore possible cultural differences in learning styles (Barmeyer, 2004; Joy & Kolb, 2009) and use the same methods to teach trainees from various cultural backgrounds. It should be noted that the two modes of delivery are complementary in nature and that effective cross-cultural training will involve a combination of both. For example, scholars have highlighted the importance of cultural awareness training, especially in the context of global virtual teams where individuals from multiple cultural backgrounds are regularly interacting (Brandl & Neyer, 2009). Cultural awareness training provides individuals with resources for structuring unknown situations without focusing on a particular culture of interest and facilitate both the individuals' theoretical understanding of intercultural interaction and communication as well as the transfer of these insights into actual behavior (Gudykunst, 1998).

Timing of training activities

In general, training interventions can be organized either at the pre–assignment stage as preparatory means, or as an accompanying tool during the actual assignment (Littrell *et al.*, 2006). Organizations may also offer interventions *before* the candidate and his or her family make a decision to accept the relocation, for example, in the form of look-and-see trips to the host location (see Harris & Brewster, 1999). Pre-departure preparation and training is useful as it allows the assignee to develop realistic expectations toward the assignment and the host environment (Caligiuri *et al.*, 2001). Preparatory training can also help reduce the uncertainty and anxiety that individuals perceive toward the relocation (Gudykunst, 1998). At the same time, pre-departure training is necessarily less specific and detailed as the assignee lacks particular experiences that can be related to the training, potentially leading to what Osland and Bird (2000) call sophisticated stereotyping. Existing studies have indeed shown that pre-departure training is ineffective (Puck *et al.*, 2008) or even detrimental (Black, 1988) for the assignment experience. Despite the inherent limitations, there is a relative focus on studying pre-departure training (Puck *et al.*, 2008; Waxin & Panaccio, 2005), a bias that reflects current practice in MNCs (e.g., Brookfield Global Relocation Services, 2012).

By contrast, in–country developmental interventions have the advantage of more easily catering to the specific culture the assignee has entered and incorporating issues and concerns that have been prompted by the assignee's actual experiences (Bennett *et al.*, 2000). Especially individual, real-time training that is tailored to assignees' specific needs, although certainly more expensive,

promises to be an effective approach to develop assignees' cross-cultural knowledge and competences and should hence be considered as complementary to preparatory interventions (Mendenhall & Stahl, 2000). Other scholars have pointed to the need to devise sequential training activities that reflect the adjustment cycle (e.g., Oberg, 1960) through which an assignee is moving over time (Selmer *et al.*, 1998). While the pre-assignment stage would primarily comprise informative material about the host country context and the assignment conditions, post-arrival training would initially focus on developing cultural awareness and then move to coping strategies for dealing with culture shock and unfamiliar experiences. The more confident the assignee becomes in the host country, the more the training interventions can shift toward experiential learning. In sum, this suggests that cross-cultural training is not a single intervention but should include repeated and temporally distributed activities (Tarique & Caligiuri, 2009) that are in line with assignees' changing needs.

Additional organizational support practices

Beyond cross-cultural training, there are other support practices that are relevant at the preparation, assignment and post-assignment stages. In general, these support practices comprise financial incentives and support for the assignment and the relocation process, access to relevant infrastructure such as health care, personal services or club membership, career-related support, counselling services, and broader family related support such as access to child care or assistance with locating adequate schools (Guzzo *et al.*, 1994). Drawing on organizational support theory, subsequent research has classified the different support practices into perceived financial, career and adjustment support (Kraimer & Wayne, 2004), with adjustment support usually conceptualized to be broader than cross-cultural training, or distinguished between perceived organizational support in the current assignment and in off-the-job life (Takeuchi *et al.*, 2009).

One important form of organizational support is career and repatriation support because assignees are concerned about the availability of suitable future positions in the company (Kraimer *et al.*, 2009). Some scholars have explicitly differentiated between specific *repatriation* assistance during assignees' return and career development plans that focus on their long-term *career* in the organization (Bolino, 2007). Others have argued that while both capture slightly different content dimensions, they can be expected to form part of an overarching theoretical construct (Reiche, 2012). Overall, research has shown that perceived career and repatriation support positively relates to performance, knowledge sharing, and retention (Reiche, 2012; Reiche *et al.*, 2011; Van der Heijden *et al.*, 2009). However, despite their relevance these support practices are still underused in the corporate arena, especially in the case of repatriation assistance. For example, one study examined a range of repatriation support practices which were considered important by repatriates, including pre-departure briefings on what to expect during repatriation, career planning sessions, an agreement outlining the type of position assignees will be offered upon repatriation, mentoring programs while on assignment, reorientation programs about the changes in the company, repatriation training seminars on emotional responses following repatriation, financial counseling and financial/tax assistance, and ongoing communication with the home office (Lazarova & Caligiuri, 2001). At the same time, the study revealed that these practices were available in only 10–50 percent of the MNCs under study.

Another growing research stream has examined the role of host country nationals as a source of general support for assignees and their families, beyond the provision of specific cross-cultural training (Farh, Bartol, Shapiro, & Shin, 2010; Malek, Budhwar, & Reiche, 2014; Toh & DeNisi, 2007). While some of this support may be informal in nature and not necessarily initiated by the organization, scholars have particularly highlighted the role of host country mentors.

Research has shown that expatriates provided with host country mentors are better able to adjust to their work context and are more likely to interact with host country nationals (Feldman & Bolino, 1999). Evidence also suggests that assignees' mentoring needs are likely to change across pre-assignment, assignment, and post-assignment stages, emphasizing the use of multiple mentoring relationships that consist of a mix of hierarchical and peer, and formal and informal mentoring relationships (Mezias & Scandura, 2005). Further, mentoring support should not only be limited to the actual assignee but also include the partner, especially in the case of dual-career couples (Harvey, Buckley, Novicevic, & Wiese, 1999).

In general, research has identified and studied a myriad of support practices that are relevant for assignees throughout their relocation processes. However, what existing evidence indicates is that more is not necessarily better – instead, it is important to adapt support practices to the specific and potentially changing needs that individuals have. It also suggests that to adequately design support practices it is important to view the assignment not in isolation but rather from a multiple stakeholder (Takeuchi, 2010) and career-integrative perspective. Accordingly, we recommend that companies will need to assess the provision of each particular support practice with regard to the assignment stage (pre-assignment, actual assignment and post-assignment) and the particular recipient or stakeholder group (assignee, spouse, accompanying children, host country nationals). Table 19.1 illustrates this based on three example support practices: cross-cultural training, career support, and mentoring support. Similarly, when conducting research on international assignment-related support, scholars would be well advised to provide a justification for why they study a given support practice at a specific assignment stage and for a specific group of recipients. This, we believe, will focus and refine future research efforts, and bring more comparability across research samples.

Table 19.1 A contingency framework for international assignee support practices

Recipient	Assignment stage		
	Pre-assignment	During assignment	Post-assignment
Assignee	Cross-cultural training Career support Mentoring support	Cross-cultural training Career support Mentoring support	Career support Mentoring support
Partner	Cross-cultural training Career support	Cross-cultural training Career support Mentoring support	Career support
Accompanying children		Cross-cultural training	
Host country national		Cross-cultural training	

Limitations and future research

Although a growing strand of research has examined the design, structure and effectiveness of international assignment-related support practices in general and cross-cultural training in particular, there are several limitations concerning the scope of implications that can be drawn from the previous literature. In this final section, we review these limitations and offer recommendations for how future research can provide meaningful contributions.

A first limitation concerns the ambiguous findings as to whether cross-cultural training actually produces significant positive change in trainees with respect to their adjustment and performance.

As Caligiuri and Tarique (2012) argue in a recent review, this may be related to the *transfer of training problem*, defined as trainees' failure to apply the acquired knowledge and skills in their jobs in an effective and enduring fashion, and which has thus far been largely ignored in the cross-cultural training literature. In addition, many studies, especially in early research, have been conducted with other groups of international sojourners such as students or Peace Corps volunteers, making it more difficult to draw generalizations to the international assignee population (Caligiuri *et al.*, 2001). Further, it is important to establish a clear causal relationship between cross-cultural training interventions and relevant outcomes, and rule out alternative explanations for changes in performance levels. To achieve this, research needs to design rigorous experimental studies that include (1) control groups, (2) randomly assigned participants in the experimental groups, (3) both pre-training and post-training measures of change, (4) longitudinal outcome measures, and (5) multiple outcome measures (Kealey & Protheroe, 1996) – a set of criteria that very few studies have accomplished so far. In particular, while scholars regularly call for longitudinal studies that would be able to demonstrate the usefulness and impact of training interventions and support practices more generally, existing empirical evidence is scarce (for exceptions see e.g., Lievens *et al.*, 2003; Reiche, 2012; Takeuchi *et al.*, 2009).

Second, our review indicated that while research on organizational support practices has developed a solid theoretical foundation in organizational support and social exchange theory, the cross-cultural training literature lacks more elaborate theoretical grounding (Littrell *et al.*, 2006). We believe that there are several theoretical lenses that can inform research on cross-cultural training. For example, experiential learning theory (Kolb, 1984) might lend itself to examine process-related aspects of cross-cultural training delivery, design and transfer into practice. Similarly, identity-based theories (Tajfel & Turner, 1985) can help conceptualize how cultural and multicultural identities are constructed, adapted, or integrated, and how this may relate to the design and effectiveness of specific training interventions. Further, while research has primarily focused on the micro level of analysis, macro-level theories such as institutional approaches (see Wood, Psychogios, Szamosi, & Collings, 2012) may be useful in examining the degree to which training and support practices fit with – or need to be adapted to – the institutional environment of the host country the assignee is relocated to. For example, Reiche (2008) conceptualizes how the institutional uniqueness of a specific subsidiary context may affect the design of employee retention practices.

Third, the objectives and methods of cross-cultural training may continue to evolve as the world becomes more globalized. So far, little research is done to guide the design of cross-cultural training that differentiates levels of cultural savvy, and consequently the needs of trainees (e.g., beginner, intermediate, advanced). How can cross-cultural training add value to individuals who already possess extensive cultural exposure and experiences? What will be the most appropriate content and forms of delivery? Currently this line of research tends to treat all trainees as being in their initial stages of cross-cultural encounters and fails to account for more advanced needs of multicultural individuals. Future research may investigate ways of designing programs of cross-cultural training to account for such heightened levels of complexity and sophistication in terms of training content and methods. Similarly, we would argue that beyond cultural intelligence international assignees also require *political intelligence*. This political dimension is important not only because international assignees increasingly hold boundary spanning positions which involve managing potential conflicts and competing interests between different MNC units, but also because the relationship with their home organization may change once the individual is abroad. While scholars have pointed to the importance of political capital for international assignees (Harvey & Novicevic, 2004), empirical research that examines how such competencies can be best developed is missing.

Finally, we also believe that research on international assignment-related support needs to account more explicitly for the growing fragmentation and diversity of its main unit of analysis. As Collings *et al.* (2007) have noted, while cross-cultural challenges are at least as important for non-traditional forms of international assignments such as international business travelers or short-term assignees, the requirements for cross-cultural training and organizational support more broadly to accompany these alternative forms have been examined to a much lesser extent. For example, we would assume that there are distinct training and support needs for self-initiated assignees, especially those that relocate between organizations. As these individuals move abroad on their own accounts and often work on local contracts (Mayrhofer *et al.*, 2008), it is usually more difficult to offer support during the pre-assignment stage. The implications for the design and scope of post-arrival training and support are, however, still unclear.

In this chapter, we have reviewed research theory and practice regarding cross-cultural training and organizational support for assignees to succeed in their international relocations. While a lot of progress has been made since the beginning of the field, our review also indicates that many questions remain to be answered and the journey to exploring the field of cross-cultural training is far from accomplished. Interestingly, this is similar to learning about a new culture – the more we know, the more we know that we don't know. We hope our chapter offers readers a solid ground for embarking on a deeper discovery of the growing field of international assignment-related support practices.

References

Andreason, A. (2008). Expatriate adjustment of spouses and expatriate managers: An integrative research review. *International Journal of Management, 25*, 382–395.

Ang, S. & Van Dyne, L. (2008). Conceptualization of cultural intelligence: Definition, distinctiveness and nomological network. In S. Ang, & L. Van Dyne (Eds.), *Handbook of Cultural Intelligence: Theory, Measurement, and Applications*. Armonk, NY: M. E. Sharpe, pp. 3–15.

Ang, S., Van Dyne, L., Koh, C., Ng, K. Y., Templer, K. J., Tay, C., & Chandrasekar, N. A. (2007). Cultural intelligence: Its measurement and effects on cultural judgment and decision making, cultural adaptation and task performance. *Management and Organization Review, 3*, 335–371.

Bandura, A. (1977). *Social Learning Theory*. Englewood Cliffs, NJ: Prentice Hall.

Barmeyer, C. I. (2004). Learning styles and their impact on cross-cultural training: An international comparison in France, Germany and Quebec. *International Journal of Intercultural Relations, 28*(6), 577–594.

Beechler, S. & Javidan, M. (2007). Leading with a global mindset. In M. Javidan, M. A. Hitt, & R. M. Steers (Eds.), *Advances in International Management, Vol. 19: The Global Mindset*. Oxford: Elsevier, 131–169.

Benet-Martínez, V., Lee, F., & Leu, J. (2006). Biculturalism and cognitive complexity: Expertise in cultural representations. *Journal of Cross-Cultural Psychology, 37*, 386–407.

Bennett, R., Aston, A., & Colquhoun, T. (2000). Cross-cultural training: A critical step in ensuring the success of international assignments. *Human Resource Management, 39*, 239–250.

Berry, J. W., Kim, U., Minde, T., & Mok, D. (1987). Comparative studies of acculturative stress. *International Migration Review, 21*, 491–511.

Bhaskar-Shrinivas, P., Harrison, D. A., Shaffer, M. A., & Luk, D. M. (2005). Input-based and time-based models of international adjustment: Meta-analytical evidence and theoretical extensions. *Academy of Management Journal, 48*, 257–281.

Bhawuk, D. P. S. (2001). Evolution of culture assimilators: Toward theory-based assimilators. *International Journal of Intercultural Relations, 25*, 141–163.

Bird, A., Mendenhall, M., Stevens, M. J., & Oddou, G. (2010). Defining the content domain of intercultural competence for global leaders. *Journal of Managerial Psychology, 25*, 810–828.

Black, J. S. (1988). Work role transitions: A study of American expatriate managers in Japan. *Journal of International Business Studies, 19*, 277–294.

Black, J. S., & Mendenhall, M. (1990). Cross-cultural training effectiveness: A review and a theoretical framework. *Academy of Management Review, 15*, 113–136.

Black, J. S., Mendenhall, M., & Oddou, G. (1991). Toward a comprehensive model of international adjustment: An integration of multiple theoretical perspectives. *Academy of Management Review, 16*, 291–317.

Blau, P. M. (1964). *Exchange and Power in Social Life*. New York: Wiley.

Bolino, M. C. (2007). Expatriate assignments and intra-organizational career success: Implications for individuals and organizations. *Journal of International Business Studies, 38*, 819–835.

Brandl, J., & Neyer, A.-K. (2009). Applying cognitive adjustment theory to cross-cultural training for global virtual teams. *Human Resource Management, 48*, 341–353.

Brannen, M. Y. & Thomas, D. C., (2010). Bicultural individuals in organizations: Implications and opportunity. *International Journal of Cross Cultural Management, 10*, 5–16.

Brein, M., & David, K. H. (1971). Intercultural communication and the adjustment of the Sojourner. *Psychological Bulletin, 76*(3), 215.

Brislin, R., MacNab, B., & Nayani, F. (2008). Cross-cultural training: Applications and research. In P. B. Smith, M. F. Peterson, & D. C. Thomas (Eds.), *The Handbook of Cross-Cultural Management Research*. Thousand Oaks, Sage.

Brookfield Global Relocation Services (2012). *Global Relocation Trends Survey Report*. Woodridge, IL.

Brown, R. (2000). Social identity theory: Past achievements, current problems and future challenges. *European Journal of Social Psychology, 30*, 745–778.

Caligiuri, P. M. (2006). Performance measurement in a cross-national context. In W. Bennett, C. E. Lance, & D. J. Woehr (Eds.), *Performance Measurement: Current Perspectives and Future Challenges*. Mahwah, NJ: Lawrence Erlbaum, pp. 227–243.

Caligiuri, P., & Tarique, I. (2012). International assignee selection and cross-cultural training and development. In G. K. Stahl, I. Björkman & S. Morris (Eds.), *Handbook of Research in International Human Resource Management* (2nd ed.). Cheltenham: Edward Elgar, pp. 321–342.

Caligiuri, P., Phillips, J., Lazarova, M., Tarique, I., & Bürgi, P. (2001). The theory of met expectations applied to expatriate adjustment: The role of cross-cultural training. *International Journal of Human Resource Management, 12*, 357–372.

Cartus (2012). *2012 Trends in Global Relocation*. Wilmington, NC.

Collings, D. G., Scullion, H., & Morley, M. J. (2007). Changing patterns of global staffing in the multinational enterprise: Challenges to the conventional expatriate assignment and emerging alternatives. *Journal of World Business, 42*, 198–213.

Debrah, Y. A., & Rees, C. J. (2010). The development of global leaders and expatriates. In A.-W. Harzing and A. H. Pinnington (Eds.), *International Human Resource Management* (3rd ed.). London: Sage, pp. 377–414.

Deshpande, S. P., & Viswesvaran, C. (1992). Is cross-cultural training of expatriate managers effective? A meta-analysis. *International Journal of Intercultural Relations, 16*, 295–310.

Earley, P. C., & Ang, S. (2003). *Cultural Intelligence: Individual Interactions Across Cultures*. Palo Alto, CA: Stanford University Press.

Eisenberger, R., Huntington, R., Hutchinson, S., & Sowa, D. (1986). Perceived organizational support. *Journal of Applied Psychology, 71*, 500–507.

Farh, C. I. C., Bartol, K. M., Shapiro, D. L., & Shin, J. (2010). Networking abroad: A process model of how expatriates form support ties to facilitate adjustment. *Academy of Management Review, 35*, 434–454.

Feldman, D. C., & Bolino, M. C. (1999). The impact of on-site mentoring on expatriate socialization: A structural equation modelling approach. *International Journal of Human Resource Management, 10*, 54–71.

Fitzsimmons, S. R., Lee, Y.-T., & Brannen, M.-Y. (2014). Demystifying the myth about marginals: Implications for global leadership. *European Journal of International Management, 7*, 587–603.

Fowler, S. M., & Blohm, J. M. (2004). An analysis of methods for intercultural training. In D. Landis, J. M. Bennett & M. J. Bennett (Eds.), *Handbook of Intercultural Training* (3rd ed.). Thousand Oaks, CA: Sage.

Gudykunst, W. B. (1998). Applying anxiety/uncertainty management (AUM) theory to intercultural adjustment training. *International Journal of Intercultural Relations, 22*, 227–250.

Gupta, A. K., & Govindarajan, V. (2002). Cultivating a global mindset. *Academy of Management Executive, 16*, 116–126.

Guzzo, R. A., Noonan, K. A., & Elron, E. (1994). Expatriate managers and the psychological contract. *Journal of Applied Psychology, 79*, 617–626.

Harris, H., & Brewster, C. (1999). An integrative framework for pre-departure preparation. In C. Brewster & H. Harris (Eds.), *International HRM: Contemporary Issues in Europe*. London: Routledge, pp. 223–240.

Harvey, M., & Miceli, N. (1999). Exploring inpatriate manager issues: An exploratory empirical study. *International Journal of Intercultural Relations, 23*, 339–371.

Harvey, M., & Novicevic, M. M. (2004). The development of political skill and political capital by global leaders through global assignments. *International Journal of Human Resource Management, 15*, 1173–1188.

Harvey, M., Buckley, M. R., Novicevic, M. M., & Wiese, D. (1999). Mentoring dual–career expatriates: A sense–making and sense–giving social support process. *International Journal of Human Resource Management, 10*, 808–827.

Harzing, A.-W. (1995). The persistent myth of high expatriate failure rates. *International Journal of Human Resource Management, 6*, 457–474.

Harzing, A.-W., Köster, K., & Magner, U. (2011). Babel in business: The language barrier and its solutions in the HQ-subsidiary relationship. *Journal of World Business, 46*, 279–287.

Hocking, J. B., Brown, M. E., & Harzing, A.-W. (2007). Balancing global and local strategic contexts: Expatriate knowledge transfer, applications and learning within a transnational organization. *Human Resource Management, 46*, 513–533.

Hofstede, G. (2001). *Culture's Consequences: Comparing Values, Behaviors, Institutions, and Organizations across Nations* (2nd ed.). Thousand Oaks, CA: Sage.

Javidan, M., & Teagarden, M. B. (2011). Conceptualizing and measuring global mindset. In W. H. Mobley, Ming Li, Ying Wang (Ed.), *Advances in Global Leadership* (Vol. 6). Bingley: Emerald Group Publishing.

Johnson, P. J., Lenartowicz, T., & Apud, S. (2006). Cross-cultural competence in international business: Toward a definition and a model. *Journal of International Business Studies, 37*, 525–543.

Jokinen, T. (2005). Global leadership competencies: A review and discussion. *Journal of European Industrial Training, 29*, 199–216.

Joy, S., & Kolb, D. A. (2009). Are there cultural differences in learning style? *International Journal of Intercultural Relations, 33*, 69–85.

Kealey, D. J., & Protheroe, D. R. (1996). The effectiveness of cross-cultural training for expatriates: An assessment of the literature on the issue. *International Journal of Intercultural Relations, 13*, 141–165.

Kolb, D. A. (1984). *Experiential learning: Experience as the Source of Learning and Development*. Englewood Cliffs, NJ: Prentice Hall.

Kraimer, M. L., & Wayne, S. J. (2004). An examination of perceived organizational support as a multidimensional construct in the context of an expatriate assignment. *Journal of Management, 30*, 209–237.

Kraimer, M. L., Wayne, S. J., & Jaworski, R. A. (2001). Sources of support and expatriate performance: The mediating role of expatriate adjustment. *Personnel Psychology, 54*, 71–99.

Kraimer, M. L., Shaffer, M. A., & Bolino, M. C. (2009). The influence of expatriate and repatriate experiences on career advancement and repatriate retention. *Human Resource Management, 48*, 27–47.

LaFromboise, T., Coleman, H. & Gerton, J. (1993). Psychological impact of biculturalism: Evidence and theory. *Psychological Bulletin, 114*, 395–412.

Lazarova, M., & Caligiuri, P. (2001). Retaining repatriates: The role of organizational support practices. *Journal of World Business, 36*, 389–401.

Lazarova, M., Westman, M., & Shaffer, M. A. (2010). Elucidating the positive side of the work-family interface on international assignments: A model of expatriate work and family performance. *Academy of Management Review, 35*, 93–117.

Lee, Y.-T. (2010). Home versus host – Identifying with either, both, or neither? The relationship between dual cultural identities and intercultural effectiveness. *International Journal of Cross Cultural Management, 10*(1), 55–76.

Levy, O., Beechler, S., Taylor, S., & Boyacigiller, N. A. (2007). What we talk about when we talk about "global mindset": Managerial cognition in multinational corporations. *Journal of International Business Studies, 38*, 231–258.

Lievens, F., Harris, M. M., Van Keer, E., & Bisqueret, C. (2003). Predicting cross-cultural training performance: The validity of personality, cognitive ability, and dimensions measured by an assessment center and a behavior description interview. *Journal of Applied Psychology, 88*, 476–489.

Littrell, L. N., Salas, E., Hess, K. P., Paley, M., & Riedel, S. (2006). Expatriate preparation: A critical analysis of 25 years of cross-cultural training research. *Human Resource Development Review, 5*, 355–388.

Malek, M. A., Budhwar, P., & Reiche, B. S. (2014). Sources of support and expatriation: A multiple stakeholder perspective of expatriate adjustment and performance in Malaysia. *International Journal of Human Resource Management*. DOI: 10.1080/09585192.2014.9379681.

Mayrhofer, W., Sparrow, P. R., & Zimmermann, A. (2008). Modern forms of international working. In M. Dickmann, C. Brewster & P. R. Sparrow (Eds.), *International Human Resource Management: Contemporary Issues in Europe*. London: Routledge, pp. 219–239.

Mendenhall, M. E., & Stahl, G. K. (2000). Expatriate training and development: Where do we go from here? *Human Resource Management, 39*, 251–265.

Mezias, J. M., & Scandura, T. A. (2005). A needs-driven approach to expatriate adjustment and career development: A multiple mentoring perspective. *Journal of International Business Studies, 36*, 519–538.

Mol, S. T., Born, M. P., Willemsen, M. E., & Van Der Molen, H. T. (2005). Predicting expatriate job performance for selection purposes: A quantitative review. *Journal of Cross-Cultural Psychology, 36*, 590–620.

Morris, M. A., & Robie, C. (2001). A meta-analysis of the effects of cross-cultural training on expatriate performance and adjustment. *International Journal of Training and Development, 5*, 112–125.

Ng, K. Y., Van Dyne, L., & Ang, S. (2009). From experience to experiential learning: Cultural intelligence as a learning capability for global leadership development. *Academy of Management Learning and Education, 8*, 511–526.

Nicholson, N., & Imaizumi, A. (1993). The adjustment of Japanese expatriates to living and working in Britain. *British Journal of Management, 4*(2), 119–134.

Oberg, K. (1960). Cultural shock: Adjustment to new cultural environments. *Practical Anthropology, 7*, 177–182.

Osland, J. S., & Bird, A. (2000). Beyond sophisticated stereotyping: Cultural sensemaking in context. *Academy of Management Executive, 14*, 65–79.

Puck, J. F., Kittler, M. G., & Wright, C. (2008). Does it really work? Re-assessing the impact of pre-departure cross-cultural training on expatriate adjustment. *International Journal of Human Resource Management, 19*, 2182–2197.

Reiche, B. S. (2008). The configuration of employee retention practices in multinational corporations' foreign subsidiaries. *International Business Review, 17*, 676–687.

Reiche, B. S. (2012). Knowledge benefits of social capital upon repatriation: A longitudinal study of international assignees. *Journal of Management Studies, 49*, 1052–1077.

Reiche, B. S., & Harzing, A.-W. (2010). International assignments. In A.-W. Harzing and A. H. Pinnington (Eds.), *International Human Resource Management* (3rd ed.). London: Sage, pp. 185–226.

Reiche, B. S., Kraimer, M. L., & Harzing, A.-W. (2011). Why do international assignees stay? An organizational embeddedness perspective. *Journal of International Business Studies, 42*, 521–544.

Rhoades, L., & Eisenberger, R. (2002). Perceived organizational support: A review of the literature. *Journal of Applied Psychology, 87*, 698–714.

Selmer, J., Torbiörn, I., & de Leon, C. T. (1998). Sequential cross-cultural training for expatriate business managers: Pre-departure and post-arrival. *International Journal of Human Resource Management, 9*, 831–840.

Shaffer, M. A., Harrison, D. A., & Gilley, K. M. (1999). Dimensions, determinants, and differences in the expatriate adjustment process. *Journal of International Business Studies, 30*, 557–581.

Sternberg, R. J., & Detterman, D. K. (1986). *What Is Intelligence? Contemporary Viewpoints on Its Nature and Definition.* Norwood, NJ: Ablex Publishing Corporation.

Tajfel, H., & Turner, J. C. (1985). The social identity theory of intergroup behavior. In S. Worchel & W. G. Austin (Eds.), *Psychology of Intergroup Relations* (2nd ed.). Chicago: Nelson-Hall.

Takeuchi, R. (2010). A critical review of expatriate adjustment research through a multiple stakeholder view: Progress, emerging trends, and prospects. *Journal of Management, 36*, 1040–1064.

Takeuchi, R., Yun, S., & Russell, J. E. (2002). Antecedents and consequences of the perceived adjustment of Japanese expatriates in the USA. *International Journal of Human Resource Management, 13*, 1224–1244.

Takeuchi, R., Wang, M., Marinova, S. V., & Yao, X. (2009). Role of domain-specific facets of perceived organizational support during expatriation and implications for performance. *Organization Science, 20*, 621–634.

Tarique, I., & Caligiuri, P. (2009). The role of cross-cultural training absorptive capacity in the effectiveness of in-country cross-cultural training. *International Journal of Training and Development, 13*, 148–164.

Thomas, D. C. (1998). The expatriate experience: A critical review and synthesis. In J. L. Cheng & R. B. Peterson (Eds.), *Advances in International Comparative Management.* Greenwich, CT: JAI Press, pp. 237–273.

Thomas, D. C., & Fitzsimmons, S. R. (2008). Cross-cultural skills and abilities: From communication competence to cultural intelligence. In P. B. Smith, M. F. Peterson, & D. C. Thomas (Eds.), *The Handbook of Cross-Cultural Management Research.* Thousand Oaks, CA: Sage.

Toh, S. M., & DeNisi, A. S. (2007). Host country nationals as socializing agents: A social identity approach. *Journal of Organizational Behavior, 28*, 281–301.

Tung, R. L. (1981). Selection and training of personnel for overseas assignments. *Columbia Journal of World Business, 16*, 68–78.

Vance, C. M., & Ring, P. S. (1994). Preparing the host country workforce for expatriate managers: The neglected other side of the coin. *Human Resource Development Quarterly, 5*, 337–352.

Vance, C. M., & Ensher, E. A. (2002). The voice of the host country workforce: A key source for improving the effectiveness of expatriate training and performance. *International Journal of Intercultural Relations, 26*, 447–461.

Van der Heijden, J. A. V., Van Engen, M. L., & Paauwe, J. (2009). Expatriate career support: Predicting expatriate turnover and performance. *International Journal of Human Resource Management, 20*, 831–845.

Ward, C., & Rana-Deuba, A. (1999). Acculturation and adaptation revisited. *Journal of Cross-Cultural Psychology, 30*, 422–442.

Waxin, M., & Panaccio, A. (2005). Cross-cultural training to facilitate expatriate adjustment: It works! *Personnel Review, 34*, 51–67.

Wood, G. T., Psychogios, A., Szamosi, L. T., & Collings, D. G. (2012). Institutional approaches to comparative HRM. In C. Brewster & W. Mayrhofer (Eds.), *Handbook of Research on Comparative Human Resource Management*. Cheltenham: Edward Elgar, pp. 27–50.

Yamazaki, Y. (2005). Learning styles and typologies of cultural differences: A theoretical and empirical comparison. *International Journal of Intercultural Relations, 29*, 521–548.

Yamazaki, Y., & Kayes, D. C. (2004). An experiential approach to cross-cultural learning: A review and integration of competencies for successful expatriate adaptation. *Academy of Management Learning & Education, 3*, 362–379.

Yan, A., Zhu, G., & Hall, D. T. (2002). International assignments for career building: A model of agency relationships and psychological contracts. *Academy of Management Review, 27*, 373–391.

20

Expatriate adjustment and performance of international assignees

Thomas Hippler

Introduction

In one of the earliest, comprehensive reviews of the sojourner adjustment literature, Church (1982: 563) concluded, 'that a single, comprehensive theory of sojourner adjustment is not likely to be found'. Although a single theory has dominated much of the business expatriate adjustment research over the past 25 years, this chapter will demonstrate that Church's conclusion is as valid today as it was 30+ years ago, the great advances in our understanding of expatriate adjustment notwithstanding. Intense research efforts including hundreds of studies have not invalidated other conclusions drawn more than three decades ago. Church lamented the nonlongitudinal nature of most studies of sojourner adjustment. So do Lazarova and Thomas (2012) in another review 30 years later. Church deplored the emphasis on outcomes over process in adjustment research. Lazarova and Thomas come to the same conclusion, although pointing out that the importance of process has recently gained greater recognition. The question to what extent the measurement of adjustment is confounded with job performance (Benson 1978) has not received a satisfactory answer in the 35 years since it was put.

This chapter will provide a brief overview of expatriate adjustment research predating the work by Black and colleagues and Ward and associates that has come to dominate their respective literatures. The discussion of the u-curve theory, which forms a distinct stream of the expatriate adjustment literature, will be followed by an introduction of the models put forward by Black and colleagues and Ward and associates. Both the Black *et al.* model as well as the literature that grew out of it will then be critically evaluated, as this model has become the dominant paradigm in the field of business expatriate adjustment as it exists today. The literature on the sometimes elusive link between adjustment and performance will be reviewed before the chapter concludes with identifying some recent trends and future challenges currently facing the field of expatriate adjustment research.

Historical development of expatriate adjustment research pre-1988 (Black)/1990 (Ward)

Although business expatriates have been with us for over 400 years – Mol, Born and Van der Molen (2005) trace their emergence back to the United East India Company established in 1602 – early research on the adjustment of 'sojourners' focussed on foreign students (e.g. Lysgaard 1955; Nikelly, Sugita & Otis 1964), later followed by studies of Peace Corps volunteers, navy personnel, missionaries and business expatriates (Benson 1978). An excellent review of these early studies by Church (1982) reveals a plethora of conceptualizations of adjustment, amongst them professional performance, satisfaction, nature and extent of social interaction with host nationals, positive attitudes towards the host country, developing an international perspective and personal and professional growth. Other reviews (Aycan 1997; Benson 1978; Ward 1996) collectively also identified physical and mental health, effective interpersonal functioning, feelings of acceptance and the acquisition of culturally acceptable skills and behaviours.

This wide variety of conceptualizations reflects different aspects of the generic adjustment concept as it is understood in the field of psychology:

> 1. A harmonious relationship with the environment involving the ability to satisfy most of one's needs and meet most of the demands, both physical and social. 2. The variations and changes in behavior that are necessary to satisfy needs and meet demands so that one can establish a harmonious relationship with the environment.
>
> (*Dictionary of Behavioral Science* 1989: 9)

The first part of this definition refers to adjustment as a state, the second to adjustment as a process. This definition also distinguishes between two aspects of adjustment – the degree to which individual needs are satisfied and the degree to which environmental demands are met. Hippler, Caligiuri and Johnson (2014) draw on this distinction when categorizing the various conceptualizations found in the early international relocation adjustment literature into manifestations of subjective well-being (e.g. satisfaction or feelings of acceptance) and social functioning (e.g. effective interpersonal functioning or professional performance).

The early work collectively covered the full breadth of the criterion space of sojourner adjustment. It will be argued later in this chapter that one of the problems much of the current work on expatriate adjustment faces is that most of the manifestations of adjustment addressed in this early work have fallen by the wayside to be replaced with a single, narrow understanding of adjustment. The downside of this breadth of conceptualizations is that an integration of the sojourner adjustment literature becomes very difficult, as each of the conceptualizations requires a separate review of antecedent-effect relationships. When reviewing the effect of nationality or cultural distance on adjustment, Church (1982) found that students from Western Europe interacted more with host nationals in the United States than students from other regions, yet they held less favourable attitudes towards their host country. So on one measure of adjustment, extent of interaction with host nationals, they were better adjusted, whereas on a different measure of adjustment, attitudes to the host country, their adjustment was worse. Church provides an extensive qualitative review of the effect of background variables (demographics and language proficiency), nationality, status, previous cross-cultural experience, a host of situational variables (e.g. on-arrival experiences or urban or rural assignment location), nature and extent of social interaction (conceived of as an antecedent to adjustment rather than an adjustment indicator in its own right) and personality variables on the various adjustment outcome measures.

Adjustment as a process unfolding over time

Lysgaard (1955) suggested that sojourners' adjustment describes a u-curve over time, where a drop in adjustment and subsequent recovery follow an initial 'high'. Gullahorn and Gullahorn (1963) later extended this to a w-curve, proposing a similar process occurring upon repatriation to the home country. If the u-curve hypothesis were correct, the relationship between time in the assignment and adjustment would be curvilinear rather than linear. Most authors, however, have confined themselves to the analysis of linear relationships, assuming that adjustment increases over time.

Results based on this assumption are inconclusive. A number of explanations seem possible. Black and Mendenhall (1991) and Hein (1999) point to the different levels of the samples' maturity in various studies. Comparing the research designs of Stahl (1998) and Ward and Kennedy (1993) reveals the broad range of sample maturity evident in sojourner adjustment research. Whereas Stahl confined his investigation to expatriates who had been abroad for at least one year, Ward and Kennedy included subjects who had arrived at their foreign location only one week prior to being surveyed. If a u-shape does occur in the initial stages of the assignment, but most of the expatriates have been on-site for more than twelve months, a linear progression of adjustment is most likely to be observed. If, on the other hand, the sample contains a sizeable proportion of expatriates that have been on-site for six months or less, the linear relationship between time in the assignment and adjustment might well be negative. Combining their measurements with those of longer serving expatriates, for whom the relationship is positive, may lead to a cancelling out effect, leading to non-significant findings.

Kealey (1989) found that the satisfaction ratings of 10 per cent of his total population followed a u-curve, whereas the satisfaction of another 35 per cent increased in a linear fashion. For the remaining 55 per cent, satisfaction was stable at various levels. If one combines these patterns in an additive fashion, one arrives at a function that resembles a much flattened u-curve with a small gradient (because for 55 per cent of the sample the gradient is zero). Since the gradient (i.e. the effect) of time in the assignment is zero for 55 per cent of the sample, the effect in the overall sample is small and thus less likely to become significant in statistical analysis, although very clear effects exist for almost half the sample. This is another version of the 'cancelling out effect'.

Ady (1995) contends that adjustment is domain-specific. The adjustment curve may describe any number of patterns depending on the environmental aspect investigated. In some domains adjustment may follow a u-curve. In other areas it might depict a linear increase or decrease or be stable. If these measures are combined, as in the frequently used measure of general adjustment by Black and Stephens (1989), the real effects get lost in an 'average' assessment. This illustrates a third manifestation of the cancelling out effect.

Somewhat unique and of particular interest are the results obtained by Anderzén and Arnetz (1999). Their longitudinal study did not only use more or less reliable self- or other-ratings, but also serum levels of stressor-related hormones in the blood of their research sample and thus an objective indicator. The development over time of the four indicators of adjustment they employed is illustrated in Figure 20.1.

Anderzén and Arnetz (1999) took three measures, the first, two to ten weeks prior to relocation (t_1), the second, one year after relocation (t_2) and the last, two years after relocation (t_3). Mental well-being (indicated by *GHQ-12* scores, Goldberg 1972) kept falling throughout with the biggest drop in year one. Work satisfaction also showed a significant drop during year one, but unlike mental well-being, recovered in year two, albeit without ever reaching pre-departure levels again. This pattern could be described as a u-curve. Prolactin levels increased throughout the
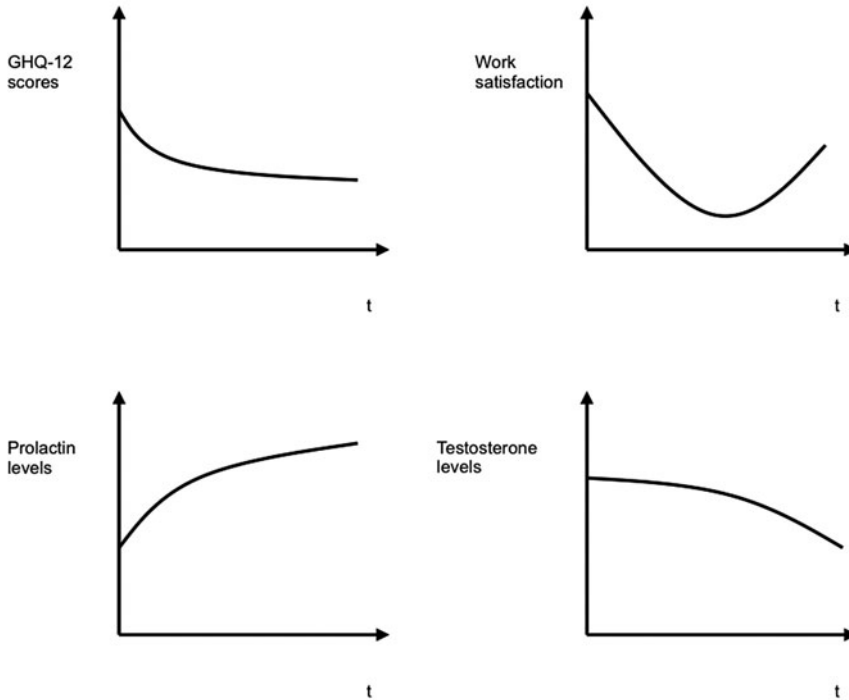
Figure 20.1 The development of four indicators of adjustment over time (based on Anderzén and Arnetz, 1999)

assignment with the sharpest increase in year one. Testosterone levels, in contrast, diminished and reached their lowest point at t_3. According to Anderzén and Arnetz, prolactin is a faster-reacting hormone than testosterone, which is more indicative of long-term physiological changes. Thus, all four indicators point in the same direction: 'something' is happening in year one and this 'something' has a negative impact. It thus seems fair to conclude that an acute phase occurs in the early stages of the assignment.

Black and colleagues

Bhaskar-Shrinivas, Harrison, Shaffer and Luk (2005) identify Black, Mendenhall and Oddou's (1991) 'comprehensive model of international adjustment' as 'the most influential and often-cited theoretical treatment of expatriate experiences' (p. 257). As of August 2014, the *Social Sciences Citation Index* lists almost 370 citations of Black *et al.*'s article. In their model Black *et al.* distinguish between the facet of adjustment, the mode of adjustment and the degree of adjustment. The facet of adjustment relates to the question *what* the expatriate has to adjust to, the mode to the question *how* the expatriate adjusts and the degree to *how successful* the adjustment process has been. The model treats mode and degree of adjustment as outcomes of the same order and does not address the question of any possible relationship between them. Black and colleagues conceive of expatriate adjustment as 'the perceived degree of psychological comfort with various aspects of the host country' (Black & Gregersen 1991: 463), that is, exclusively in terms of subjective well-being. Black and Stephens (1989: 530) explicitly state, 'it seems reasonable to view adjustment as another measure of affective responses'.

This model of international adjustment is built around the principle of uncertainty reduction. As uncertainty decreases, as the expatriates become more aware of culturally appropriate behaviours, psychological adjustment, that is, subjective well-being, increases. Decreasing uncertainty about the future host environment can commence prior to an individual leaving the home country and consequently Black *et al.* distinguish between anticipatory adjustment that occurs prior to relocation and in-country adjustment that commences once the expatriate arrives abroad. Anticipatory adjustment relates to accurate expectations about the job, the organizational culture, host country nationals, the general culture and daily life in the foreign country (Black *et al.* 1991). The accuracy of these expectations can be influenced by two sets of factors, individual and organizational. Black *et al.* identify previous international experience and pre-departure cross-cultural training as the primary individual factors leading to accurate expectations about life and work abroad. Organizational factors relate to selection mechanisms and criteria, for example, going beyond technical competence as the sole selection criterion and taking other factors such as cross-cultural skills into account.

Once inside the host country, Black *et al.* distinguish individual factors (self-efficacy, relational skills and perception sills), job factors (role clarity, role discretion, role novelty and role conflict), organizational culture factors (organization culture novelty, social support, logistical help with relocation), organization socialization factors (socialization tactics and content) and nonwork factors (culture novelty and family/spouse adjustment). In line with their conceptualization of adjustment as a multifaceted phenomenon, they expect these factors to be differentially influential in affecting adjustment to work, interacting with host nationals and the general nonwork environment (for details of the proposed relationships see Figure 20.2).

Black *et al.*'s model represents an impressive example of deductive theory building, drawing on a wide variety of diverse literatures. Possibly due to its comprehensiveness, the model has rarely been tested in its entirety in a single study. It has, however, given rise to a vast number of partial investigations, leading to two large-scale meta-analyses by Hechanova, Beehr and
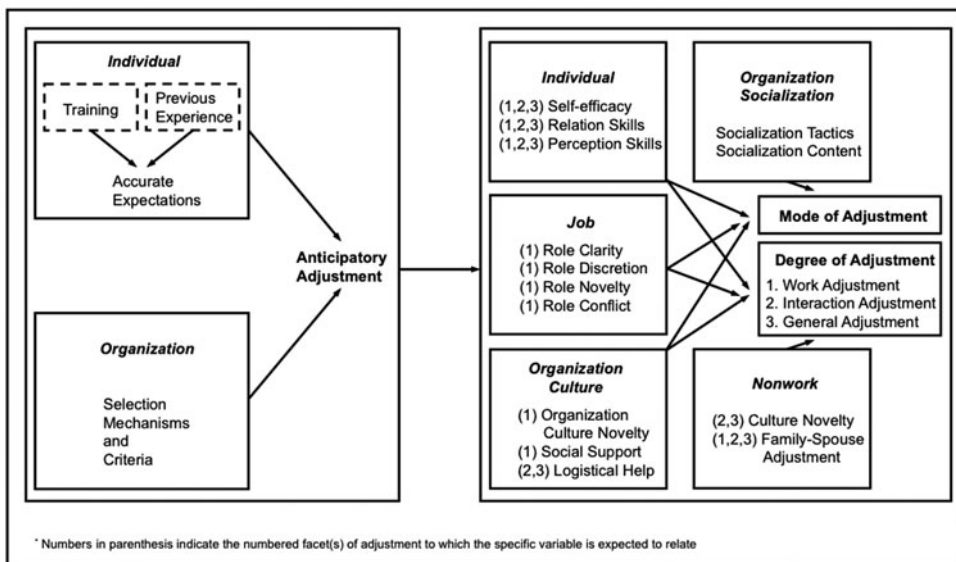
Figure 20.2 Framework of international adjustment * (source: Black, Mendenhall and Oddou, 1991: 303)

Table 20.1 Statistically significant antecedent-effect relationships reported in Bhaskar-Shrinivas et al. (2005)

	Work adjustment	Interaction adjustment	General adjustment
Anticipatory factors			
Language skills		0.43	
Previous international experience	0.06	0.13	
Self-efficacy	0.30	0.21	
Relational skills	0.15	0.53	0.32
Job factors			
Role clarity	0.57	0.24	0.21
Role discretion	0.45	0.20	0.19
Role conflict	–0.30	–0.14	
Organization factors			
Co-worker support	0.22	0.22	0.11
Logistical support		0.12	0.16
Nonwork factors			
Spouse adjustment	0.26	0.43	0.60
Culture novelty	–0.12	–0.19	–0.35

Reported are the weighted means of correlations individually corrected for unreliability.

Christiansen (2003) and Bhaskar–Shrinivas *et al.* (2005). Table 20.1 summarizes Bhaskar-Shrinivas *et al.*'s (2005) findings. Hechanova *et al.*'s (2003) meta-analysis included a wider range of antecedent variables, yet did not report confidence intervals, precluding us from ascertaining whether the relationships reported were statistically significant or not.

Ward and associates

Starting with Searle and Ward (1990), Ward and associates developed an alternative, two-dimensional model of adjustment (see Figure 20.3) that draws heavily on earlier work by Berry (1994). Although this model has received little recognition in the business expatriate literature (for an exception see Aycan 1997), it has been influential in the broader intercultural relations literature, where it spawned a sustained research programme (e.g. Ward & Kennedy 1993; Ward & Chang 1997; Ward, Okura, Kennedy & Kojima 1998).

Black *et al.*'s conceptualization of adjustment has often been described as 'three–dimensional'. When comparing it to the model by Ward and associates, it becomes clear why the terminology used by Black and colleagues – they refer to 'facets' rather than 'dimensions' – is preferable. The conceptualization by Ward and associates comprises the two dimensions of psychological and sociocultural adjustment. Psychological adjustment covers the aspect of subjective well-being, whereas sociocultural adjustment addresses behavioural competence (Ward 1996), allowing the individual to function effectively in the social and cultural life of the host country. This conceptualization includes both aspects of the generic personal adjustment concept introduced earlier. Ward and associates thus distinguish between two different dimensions of adjustment, whereas Black and colleagues distinguish between the manifestation of a single dimension (i.e. psychological adjustment or subjective well-being) across three different environmental domains.
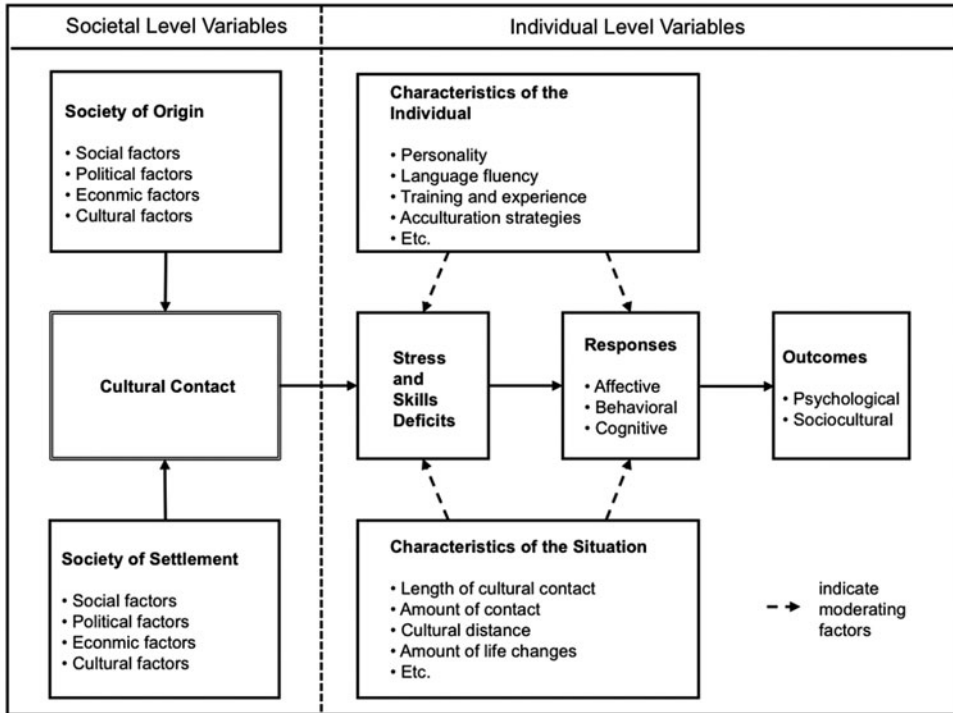
Figure 20.3 The acculturation process (adapted from: Ward, 1996)

The two adjustment dimensions in the Ward *et al.* model are driven by different underlying processes. Psychological adjustment is anchored in the stress and coping literature (Searle & Ward 1990; Ward 1996). International relocation often amalgamates a whole raft of 'stressful life events', such as a change in responsibility at work, the spouse ceasing work, a change in living conditions or a change in residence and recreational activities, amongst others (Hobson, Kamen, Szostek, Nethercut, Tiedmann & Wojnarowicz 1998; Holmes & Rahe 1967). Each of these events may result in a person–environment relationship that is appraised by the expatriate as 'as taxing or exceeding his or her resources and endangering his or her well-being' (Lazarus & Folkman 1984: 21) and thus stressful. Sociocultural adjustment, on the other hand, adopts a social learning perspective (see Bandura 1977) and focusses on the acquisition of culturally appropriate skills and behaviours (Searle & Ward 1990). The model in Figure 20.3 puts cultural contact at its centre and conceives of it as a major life event (Ward 1996), resulting in stress and a lack of the necessary skills to function effectively in the host culture. The individual reacts to this situation with coping responses and attempts to overcome the skills deficit, eventually resulting in psychological and sociocultural adjustment. The two dimensions are not entirely independent. Skills acquisition could be understood as a coping mechanism; it will increase an individual's resources and thus his or her appraisal of an environmental demand as taxing or exceeding available resources. Being able to execute culturally appropriate behaviours thus should lessen stress.

Ward and Kennedy (1999) summarize the factors affecting psychological adjustment emerging from the empirical work by Ward and associates as personality, life changes, coping styles and social support. Integrating research built on the model by Ward and associates is hampered by

Table 20.2 Statistically significant antecedent-effect relationships reported in Wilson et al. (2013)

		Sociocultural adjustment
Demographic variables	Age	0.12
	Gender	0.19
Situational variables	Contact with host nationals	0.29
	Cultural distance	−0.33
	Cultural knowledge	0.34
	Previous cross-cultural experience	0.17
	Language ability	0.35
	Length of residence	0.16
	Perceived discrimination	−0.50
Personality variables	Agreeableness	0.16
	Conscientiousness	0.22
	Cross-cultural self-efficacy	0.45
	Cultural empathy	0.49
	Extroversion	0.29
	Openness/Flexibility	0.29
	Neuroticism	−0.32

Reported are the composite effect sizes.

at least two measurement-related circumstances. For the investigation of psychological adjustment Ward and associates have used both the *Zung Self-Rating Depression Scale* (*ZSDS*, Zung 1965) and the *Profile of Mood States* (*POMS*, McNair, Lorr & Droppleman 1971). The use of these two instruments has sometimes led to conflicting results. Whereas in Searle and Ward's (1990) study extroversion predicted psychological adjustment (as measured by the *ZSDS*) but not sociocultural adjustment, the opposite result was obtained in a study by Ward and Kennedy (1993) that used the *POMS* for measuring psychological adjustment.

Sociocultural adjustment, on the other hand, has consistently been measured by the author-devised *Sociocultural Adaptation Scale* (*SCAS*), first introduced in Searle and Ward (1990). This scale has undergone several revisions, the latest version being Wilson (2013). Although some versions of the *SCAS* contain up to 41 items (Ward & Kennedy 1999), most studies used only a subset of these. A recent meta-analysis of 66 studies that had employed a version of the *SCAS* over the period 1990 through 1 April 2011 (Wilson, Ward & Fischer 2013) identified studies that used as few as three items and as many as 32. Again the question arises how reliably these results can be integrated. With this caveat in mind, Table 20.2 presents the relationships between those antecedents in the three categories of demographic, situational and personality variables and sociocultural adjustment as measured by the *SCAS* for which the confidence interval did not include zero.

It is worth noting that in Bhaskar-Shrinivas *et al.*'s analysis all participants were business expatriates. In Wilson *et al.*'s analysis just 12 per cent were business expatriates, whereas 67 per cent were students. We know very little about the predictive validity of the model by Ward and associates in a business setting. Comparing this model to that by Black and colleagues, one notices that it is more comprehensive, yet less specific to the business environment. To date no systematic comparison of the usefulness of the two models in a business expatriate context has been undertaken. Empirical work including both Black and Stephens's (1989) measure and

the *SCAS* and/or one of the scales used by Ward and associates to measure psychological adjustment is extremely rare (for a notable exception see Van Bakel 2012). With both models now firmly established in their respective literatures, studies comparing their respective predictive validities and establishing if and how they map onto each other seem long overdue.

Critical evaluation of Black *et al.* (1991)

The model suggested by Black *et al.* served as a kernel around which a vast body of empirical research evidence coalesced. It was instrumental in bringing order and direction to the widely disparate field that existed prior to the late 1980s, early 1990s. Yet looking at Table 20.1, one cannot help but be somewhat disappointed by the amount of cumulative knowledge produced over the past quarter century. This relative lack of cumulative knowledge can be traced to at least three sources: a lack of replications, inadequate attention to context and insufficient acknowledgement of the true complexity of adjustment (Haslberger, Brewster & Hippler 2014).

Although the effects of hundreds of antecedent variables have been investigated, we know little with any degree of certainty. Bhaskar-Shrinivas *et al.* explicitly acknowledge that in their meta-analysis they were not only confined to the variables included in the Black *et al.* model, but only a subset thereof, as some of the variables, such as perceptual skills, supervisor support and organizational culture novelty had not received enough empirical attention to merit inclusion. Many other predictors also had to be excluded, as they were investigated in only one or two studies (Bhaskar-Shrinivas *et al.* 2005). Variables that have received such isolated or limited research attention include spouses' prior contact with host nationals (Nicholson & Imaizumi 1993), post-transfer employment status of the spouse (Stephens & Black 1991) or stage of organizational growth (Dunbar 1992). Much could be learnt from a larger number of replications of interesting, isolated findings.

The lack of replications may also be responsible for the inadequate attention to context evident in the literature. Kim (1994) identifies host receptivity and conformity pressure as two characteristics of a social environment that impact adjustment. Host receptivity refers to 'the degree to which the environment is open to, welcomes, and accepts strangers into its social communications networks and offers them various forms of informational, technical, material, and emotional support' (pp. 396–7). Conformity pressure, on the other hand, refers to 'the extent to which the society challenges strangers to adopt the normative patterns of the host culture' (p. 398). Depending on the degree to which these two characteristics are present in a host community, one can develop the following two-by-two matrix (see Figure 20.4).

Kim (1994) and Mamman (1995) argue that receptivity is specific to the stranger's home culture in question. If the processes depicted in Figure 20.4 are at work and the assumption that receptivity is home culture specific is correct, it is impossible to say that expatriates from country A generally adjust better or worse. It is equally impossible to say that adjustment in country B is generally easier or more difficult. At best, one can say something about the adjustment of nationals from a specific country A in a specific country B. Some processes may be universal to all expatriate adjustments, whereas others are context-specific, so replications in different contexts are certainly desirable.

However, even 'country' may be too broad a construct for making accurate predictions about adjustment success. A number of more micro-level factors deserve attention, such as the presence of an extensive expatriate community (Stahl 1998). Kim (1994) notes that it is communities as well as societies that present meaningful delimitations of the environment. Demands made of someone entering a new community may vary considerably within a country. She argues that in metropolitan areas with an ethnically diverse population, considerably less pressure

		Conformity pressure	
		high	low
Receptivity towards strangers	high	conditional welcome (benign pressure)	welcoming
	low	hostile	tolerant (benign neglect)

Figure 20.4 Typology of social environments based on receptivity and conformity pressure (based on Kim 1994: 396–397)

to conform may be brought to bear on recent arrivals than in small, ethnically more homogenous rural towns. The same might apply to different neighbourhoods. Conformity pressure may thus vary within a single city (Kim 1994). Even one of the smallest environmental units, the individual's home and thus an element of the physical rather than the social environment, emerged as an adjustment-related factor in Kauppinen's (1994) interview-based exploration.

Taking these writings together, one arrives at a taxonomy of environmental levels as they are regularly investigated in the environmental psychology literature: the dwelling unit, the building, the neighbourhood, the community and the country (Churchman & Mitrani 1997). It appears immediately plausible that the environment and individual personal experiences, such as the house, the neighbourhood or the community he or she resides in, has a stronger impact on that individual's adjustment than the country he or she lives in. Yet only limited attention has been given to location on a sub-country level in expatriate adjustment research (for an example see Selmer 2005). Given that the importance of location at the sub-country level has been acknowledged in the environmental psychology literature and bearing in mind the important role location and urban geographic factors play in some of the domestic job transfer literature (see Pinder 1977; Carruthers & Pinder 1983) a research programme identifying the impact of location at various levels of specificity on expatriate adjustment would seem warranted.

Another possible source for the relative lack of certainty in our cumulative knowledge can be found in an insufficient acknowledgement of the true complexity of adjustment. Haslberger, Brewster & Hippler (2014) identify three issues likely to contribute to the inconsistencies found in much of the expatriate adjustment literature: the degree of organization of complexity, the assumption of linearity and multiple conjunctural causation and equifinality.

Weaver (1948) and Weinberg (1975) distinguish three different problem categories: problems of simplicity, problems of disorganized complexity and problems of organized complexity. Problems of simplicity can be solved analytically and result in deterministic laws. Problems of unorganized complexity can only be approached statistically as the future is inherently indeterminate, so only probabilistic statements are possible. Most social phenomena, including expatriate adjustment, present us with problems of organized complexity (Ragin 1989; Sutherland 1973). The future is predictable 'in principle', but too complex to model or analyse. Strictly speaking, neither deterministic nor probabilistic approaches are appropriate for problems of this nature. The approach many of us take to this uncomfortable level of complexity is analytical, that is, we base our research on the natural science model as if we were trying to identify deterministic relationships, but then declare our findings probabilistic. While this may be defensible

as one of the many equally unsatisfactory ways of tackling the overwhelming complexity of social phenomena such as adjustment, it might have led to some oversimplifications hampering the progress of our field.

One of these grand simplifications is the assumption of 'linearity in the face of evidently non-linear phenomena' (Sutherland 1973: 128). The Black *et al.* model assumes linearity and unidirectional causality. Yet Mendenhall, Macomber, Gregersen and Cutright (1998) argue that expatriate adjustment in all likelihood is a non-linear phenomenon. Some authors have adopted the notion of non-linear relationships. Thomas (1998) assumes such a relationship between language ability and expatriate success, Caligiuri (2000) points towards a possible non-linear relationship between agreeableness and supervisor-rated performance and Feldman and Tompson (1993) suspect the relationship between age and adjustment to be non-linear. Takeuchi, Lepak, Marinova and Yun (2007) identified some evidence for non-linear relationships between parental demands and the adjustment of accompanying spouses as well as between their perceived culture novelty and adjustment. Takeuchi, Shay and Li (2008) showed that foreign subsidiary operation experience moderates the interaction effect between decision autonomy and global integration pressure on expatriate adjustment.

Looking into interaction effects is a first step towards acknowledging multiple conjunctural causation. Multiple conjunctural causation and equifinality are key features of causal complexity (Ragin 1989). Multiple conjunctural causation refers to a situation in which it is not any particular condition that triggers an effect, but the intersection of conditions (Ragin 1989). Equifinality means that social phenomena can 'arrive at the same structural state via different causal trajectories' (Sutherland 1973: 23). In other words, different combinations of antecedents can produce the same end result (Hein 1999; Ragin 1989). In a situation of multiple conjunctural causation it is impossible to isolate the effects of individual antecedent variables. Modifying one or more components in a system changes the system as a whole and may affect the importance or relative contribution of other elements (Landy & Vasey 1984; Ragin 1989). The meta-analysis by Bhaskar-Shrinivas *et al.* (2005: 274) discussed above looked into 41 independent–dependent variable relationships. They identified 20 of those as 'potentially moderated'. Yet their attempt to identify these moderators proved 'singularly unsuccessful', two exceptions relating to an interaction between host country and language and an interaction between time on assignment and previous international experience notwithstanding. Multiple conjunctural causation and equifinality may well be responsible for this lack of success.

Conceptualization of adjustment

Comparing the conceptualization of adjustment by Black and colleagues as the 'the perceived degree of psychological comfort' to both the generic adjustment concept introduced earlier and to that of Ward and associates, it becomes immediately obvious that it is rather narrow and covers only a small section of the criterion space. It is a one-dimensional view of adjustment, focussing on affect across three facets. Yet Haslberger *et al.* (2013: 336) point out that '[e]xpatriates are not simply adjusted or unadjusted to their new situation. Rather, they understand and interpret their surroundings to a greater or lesser extent, they feel better or worse about it, and they interact more or less well with their hosts'. In other words, adjustment has a cognitive, an affective and a behavioural component (Haslberger *et al.* 2013).

The generic definition in on page 325 suggests anchoring expatriate adjustment firmly in the person-environment (P-E) fit literature (see, for example, French, Rodgers & Cobb 1974; Caplan 1983; Dawis & Lofquist 1984; Kristof-Brown, Zimmerman & Johnson 2005). It follows from this literature that each of the three dimensions (cognitive, affective and behavioural)

'is assessed against adequacy standards, some of which are set externally by the environment and some of which are set internally by the expatriate' (Haslberger *et al.* 2013: 338). P-E fit models describe the interaction between individuals and their environment. Individual and environment must continue to meet each other's requirements in order to maintain the interaction (Dawis & Lofquist 1984). The theory differentiates between needs–supply fit and demands–ability fit (Caplan 1983). The former refers to the needs of the individual that rely on environmental resources or supplies to be met. The latter refers to the demands of the environment and the individual's ability to meet these. Whether needs are adequately met is determined by the expatriates – they determine whether they are satisfied. Whether environmental demands are met is determined by the environment – it decides whether expatriates are satisfactory (for the distinction between satisfaction and satisfactoriness see Dawis & Lofquist 1984). The model by Ward and associates could be interpreted from a P-E fit perspective, with psychological adjustment or subjective well-being being assessed against internal standards and sociocultural adjustment or the cultural appropriateness of the sojourning individual's behaviour being assessed against the standards set by the host society.

The measurement of adjustment

The development of assessment instruments in psychological research is quite an elaborate affair. It involves establishing the relevant criterion space, sampling items from the relevant content domain, administering them to a development sample, establishing the dimensionality of the instrument by means of an exploratory factor analysis, establishing the stability of the emerging factors structure by means of a confirmatory factor analysis of data collected from a different population and finally developing the full nomological network of theoretically related constructs, establishing construct validity. The scale almost uniformly in use today, that is the one published by Black and Stephens (1989), has only partly undergone this process, leaving us with an instrument of uncertain validity on which an entire research field is based.

At least three different versions of the scale initially introduced by Black (1988) have appeared in published work, an 11–item scale (Black 1988), a 13–item scale (Black 1990a, 1990b) and finally the 14–item scale that has become the standard in the field. The 14–item scale published by Black and Stephens (1989) had undergone some significant revisions compared to the initial scale, with some items dropped (e.g. weather and the transportation system) and a number of others added, particularly in the areas of interaction adjustment and adjustment to the general nonwork environment. The rationale behind these modifications has not appeared in published work. The final, 14–item version uses 'living conditions in general', 'housing conditions', 'food', 'shopping', 'cost of living', 'entertainment/recreation facilities and opportunities' and 'health care facilities' to assess adjustment to the general nonwork environment, 'socializing with host nationals', 'interacting with host nationals on a day-to-day basis', 'interacting with host nationals outside of work' and 'speaking with host nationals' to assess adjustment to interacting with host nationals and 'specific job responsibilities', 'performance standards and expectations' and 'supervisory responsibilities' to assess work adjustment (Black & Stephens 1989: 542).

The use of the Black and Stephens instrument is problematic for a number of reasons: (1) it operationalizes adjustment as adjustment, (2) the environmental facets represented have no apparent empirical grounding, (3) all environmental facets are deemed to be of equal importance and (4) it does not allow for the assessment of environmental change and consequently does not allow for the assessment of the direction of that change.

Bearing in mind the multiple conceptualizations of adjustment introduced above, it is immediately obvious that the term 'adjustment' cannot serve as an unambiguous stimulus in

survey research (see also an assessment by Ady 1995). Yet in one form or another, the phrase, 'how adjusted are you' appears in most adoptions of the Black and Stephens scale. This could be read as, 'how satisfied are you', 'how accepted do you feel', 'how comfortable do you feel', 'how effective are you', amongst many others (Hippler, Caligiuri & Johnson 2014). This flexibility of interpretation points to the instrument's cardinal weakness – we do not know what it measures. Yet unless researchers succeed in establishing beyond reasonable doubt that the instrument they use to measure adjustment is congruent with their conceptualization of it, they are producing results of unknown validity.

The three-factor structure of the Black and Stephens measure has been shown to be stable across culturally dissimilar samples by Shaffer, Harrison and Gilley (1999). Yet stability is not the same as validity. As Spitzberg (1989) points out, whether factor structures can be replicated is a function of the original item input that is independent of its validity. Adjustment was established earlier as a person–environment relationship. Published work gives no indication how the 14 items were 'identified as the most salient or important aspects of the expatriates' host environment' (Hippler 2006: 66) from the perspective of those concerned, that is, the expatriates.

Not all facets within their host environment will be of equal importance to expatriates. A host of individual and contextual factors determine what emerges as salient to an individual (Hippler, Caligiuri & Johnson 2014). The 14-item scale assigns equal importance to the environmental facets represented in the scale. This assumes that 'shopping' is just as important as 'health care facilities', 'speaking with host nationals' or 'specific job responsibilities' for any individual concerned. While this might be true for some, it will not be true for others. 'Health care facilities', for example, may be of tremendous importance to those who need to avail of them, while other expatriates will not need them at all throughout their assignment and thus attach little importance to them. Hippler, Caligiuri and Johnson (2014) consider the absence of facet importance ratings one possible reason for the lack of predictive power and hold that it is the interaction between degree of adjustment and degree of importance of any particular facet that influences outcomes such as performance rather than degree alone. Identical ratings of the degree of adjustment will not facilitate the explanation of any differences in observed performance, whereas the interaction between degree and importance might.

There is an infinite number of facets that an individual's environment can be partitioned into. Adjustment is ubiquitous. Each individual meets with numerous environmental forces every day, which require him or her to respond. We adjust all the time. Research into the adjustment of expatriates is not primarily concerned with adjustment per se, but with the adjustment required because of the transfer, or in other words, with adjustment to change. The expatriate may be very unadjusted to the 'cost of living' (Black & Stephens 1989) at home and be equally unadjusted to the 'cost of living' while on assignment. So nothing has changed. Yet the same expatriate may have been very adjusted to her housing conditions back home, but be desperately unhappy with the cramped quarters she finds herself in on assignment or be overjoyed with the mansion style accommodation she can avail of. So the change experienced is considerable. The latter example also points to the importance of the valence of change. Anderson (1994) observed that much of the expatriate literature seems to assume that expatriates suffer enormous hardship. Yet how expatriates evaluate the change in their environment may change from facet to facet. Some changes may, in fact, be seen as very positive, for example, with regard to decision–making autonomy (frequently greater on assignment than at home) or the climate (one might think of an expatriate from the United Kingdom being assigned to Spain). The 14-item scale does not allow differentiating between facets in which the expatriate has experienced change and those in which he or she has not, nor does it allow establishing the desirability of the change, that is, any distinction between welcome and unwelcome change.

Performance and other distal outcome measures

Compared to research on expatriate adjustment, research on expatriate performance is still in its infancy. Expatriate adjustment has long been seen as an indicator of expatriate effectiveness (e.g. Liu & Shaffer 2005) and a desirable outcome in its own right. Yet as Sinangil and Ones (1997) point out, expatriates are not abroad for adjusting well, but for performing a job. The question thus becomes what role expatriate adjustment has to play in facilitating performance. Answering this question is not only hampered by the ambiguity of the adjustment concept, but by an equally ambiguous concept of what constitutes expatriate success. Critical questions to ask include the *what*, the *how* and the *who*. What are the relevant dimensions of expatriate performance? How should they be evaluated? And who should evaluate them? The answers to all these questions are fraught with difficulty.

The dimensions of expatriate performance

While this section will focus on success as defined by the organization, it is worth pointing out that the question of 'success for whom' is a very relevant one. An expatriate on a developmental international assignment may have developed valuable global management competencies. These represent transferable skills. Resigning soon after returning from such an assignment and accepting a better-paid position with a competitor on the basis of the newly acquired skills may well be deemed 'success' by the expatriate who conceives of himself as having a portable career. It is unlikely the firm initially sending the expatriate will see it the same way. Equally, an expatriate might be a stellar performer on assignment, yet her relationship or marriage might not survive the strain of the international assignment. The firm might consider this expatriate successful, yet she might not. And even if she does, the former spouse or partner might take a different view. Defining the relevant stakeholders, including the expatriate, the organization, the family (Lazarova, Westman & Shaffer 2010), or the host country employees (Takeuchi 2010), is of vital importance when discussing the question of expatriate success.

Amongst the many possible dimensions of expatriate performance, technical or task performance is probably the least contentious. This performance dimension relates to the job as defined in job analytic terms and pertains to whether or not the tasks and duties associated with a particular job have been performed to the required standard (Borman & Motowidlo 1993; Campbell, McCloy, Oppler & Sager 1993). How these tasks and duties are expected to be performed, however, may already be dependent on the host country context (Caligiuri 2006). The other dimension of expatriate performance frequently discussed is contextual performance (Borman & Motowidlo 1993), which relates to developing and maintaining relationships. Caligiuri (1997) and Caligiuri and Day (2000) further distinguish a dimension of assignment-specific performance to account for elements that have aspects of intercultural effectiveness to them that would not be relevant in a purely domestic context.

One important question to consider is whether adjustment is conceptually distinct from performance. Ones and Viswesvaran (1997) pose the question whether adjustment is a component or a determinant of job performance. Sinangil and Ones (2003) treat 'adjustment to foreign business practices', defined as 'knowledge and application of appropriate foreign business practices' (p. 476), as a component of the job performance dimension. P-E fit theory distinguishes between subjective and objective fit (French *et al.* 1974). In his earliest published writing on the subject, Black (1988) makes a distinction between subjective adjustment, which is the felt degree of comfort in the new work role, and objective adjustment, which refers to 'the degree to which the person has mastered the role requirements and is able to demonstrate that

adjustment via his or her performance' (p. 278). Performance would thus be an indicator of objective adjustment. Feldman and Thomas (1992) investigated both job satisfaction and job performance as elements of 'adjustment to the job'. One could cast job satisfaction as the 'need fulfillment' aspect of adjustment and job performance as the 'demand satisfaction' aspect of the person–environment relationship. A look at some of the early conceptualizations of adjustment discussed earlier would also suggest considerable overlap between adjustment and performance. If the assignment is part of a development programme and the acquisition of intercultural competencies is an expected outcome, performance and sociocultural adjustment may actually be identical. The conceptual confusion surrounding both the adjustment and the expatriate performance construct makes any discussion of the adjustment-performance link highly tentative.

The adjustment-performance link and other outcome measures

Reviewing the literature investigating the adjustment-performance link to date, Lazarova and Thomas (2012) conclude that evidence for this link is ranging from the non-existent to the very modest. The study of expatriate performance is beset with difficulties, prominent amongst them the issue of who rates the performance. Caligiuri (1997) found significant positive relationships between cross-cultural adjustment and self-rated overall performance as well as self-rated contextual/managerial performance and expatriate-specific performance. At the same time, none of the performance ratings provided by peers and leaders showed a significant relationship with cross-cultural adjustment. Other studies investigating the impact on job performance exclusively employed independent performance ratings. Contrary to Caligiuri's findings, Kraimer, Wayne and Jaworski (2001) found a significant path coefficient from work adjustment to supervisor-rated task performance and from interaction adjustment to expatriate contextual performance. Caligiuri's adjustment measure, however, most closely resembled general adjustment, a variable that showed no significant effect in Kraimer *et al.*'s study either. Sinangil and Ones (1997) found self-rated adjustment to living abroad (a measure combining general and interaction adjustment) to be the best concurrent predictor of various HCN-peer-rated performance indices.

Sinangil and Ones employed a multidimensional conceptualization of performance that goes far beyond the distinction between task and contextual performance. The field has yet to agree on how expatriate performance should be conceived of (Mol, Born & Van der Molen 2005). What the field does seem to agree on, however, is that both adjustment and performance are multidimensional constructs, a fact that allows for numerous permutations of relationships between the various components of the antecedent and the outcome constructs. Adjustment does not simply relate or does not relate to performance. A specific dimension or facet of adjustment might relate to a specific dimension of performance in a particular manner, yet in a different manner to another dimension. Parker and McEvoy (1993) found self-rated performance to be positively impacted by work adjustment, but negatively by general adjustment, that is, better work performance was related to lower general living adjustment. They conjectured that a compensation effect might have been at work. Those having adjusted poorly to the general life may immerse themselves in work, resulting eventually in higher self-rated work performance. This cause-and-effect relationship could also be reversed, hypothesizing that those with a higher commitment to work find less time to adjust to the general living conditions (Parker & McEvoy 1993).

Haslberger *et al.* (2013) distinguish between affective, behavioural and cognitive adjustment. Those three do not necessarily march in step. In order to achieve successful cognitive and

behavioural adjustment, the expatriate may have to immerse himself in the local culture. While immersing oneself in the local culture may facilitate the acquisition of local knowledge and culturally appropriate skills, it is also likely to heighten stress and exacerbate culture shock (Barna 1983). In other words, a decrease in affective adjustment may lead to an increase in cognitive and behavioural adjustment over time. Better understanding of the local culture and the skills to execute culturally appropriate behaviour should facilitate performance. Caligiuri (2006) draws attention to the fact that some international assignments require extensive communication for the successful completion of the assignment, whereas some technical assignments may require very little interaction indeed. So type of the assignment may be an important moderator. Successful interaction adjustment may be a necessary precursor to performance in some assignment types, but not in others.

What all these isolated findings and considerations demonstrate is that careful and extensive theorizing of the likely relationships between various adjustment and performance dimensions is required. This theorizing has commenced. Aycan (1997) hypothesizes subjective well-being and engaging in positive relationships with host nationals to be direct antecedents of good work performance and positive attitudes towards the new job. This reasoning is built upon the assumptions that feeling good furthers task accomplishment and that positive interaction with host nationals leads to learning appropriate behaviours, which will increase interpersonal effectiveness on the job and thus augment job performance. Harrison and Shaffer (2005) expect adjustment to affect performance via the mediating construct of effort regulation, with work adjustment affecting primarily task performance via passive task neglect and active task avoidance and interaction adjustment affecting contextual performance via time to proficiency and leader–team exchange. While theorizing has commenced, it is not yet converging to any large degree.

Meta-analytical reviews (Bhaskar-Shrinivas *et al.* 2005; Mol, Born, Willemsen & Van der Molen 2005) demonstrate that some – modest – relationship between the adjustment measure introduced by Black and Stephens (1989) and performance measures appears to exist. The exact nature of this relationship, however, seems complex and at present remains unclear. It has repeatedly been suggested that adjustment might act as a moderator and/or a mediator between predictor variables and performance variables (e.g. Chen, Kirkman, Kim, Farh & Tangirala 2010; Haslberger *et al.* 2013; Mol, Born & Van der Molen 2005). The empirical link between adjustment and a number of attitudinal (e.g. job satisfaction and organizational commitment) and behavioural outcomes (e.g. performance and withdrawal) of adjustment has been explored (Bhaskar-Shrinivas *et al.* 2005; Hechanova *et al.* 2003). The causality underlying these links, so far, has not. It seems likely that these links are recursive. It would appear reasonable to argue that enhanced sociocultural adjustment should lead to better task performance. Better task performance might lead to an enhanced 'perceived degree of psychological comfort', that is, psychological or affective adjustment, which in turn might have a positive effect on future skills acquisition (i.e. sociocultural adjustment), job satisfaction and performance.

Recent trends and future challenges

The challenges facing researchers in the field of expatriate adjustment are many. The following will present a necessarily subjective, incomplete and somewhat eclectic list of issues that require successful addressing to move our field forward. Some of these challenges have only recently emerged; others are long-standing and go back to the very beginnings of expatriate adjustment research.

The conceptualization of expatriate adjustment

Early reviews of the adjustment literature identified a broad range of conceptualizations of 'adjustment'. The work of Black and colleagues has focussed the field's attention on a single, narrow conceptualization of adjustment, that of the 'degree of perceived psychological comfort' and thus subjective well-being or a single dimension of adjustment. This focus has been both beneficial and detrimental. It was beneficial in that it furthered the generation of enough empirical investigations to facilitate the large-scale meta-analyses of Bhaskar-Shrinivas *et al.* (2005) and Hechanova *et al.* (2003) and was thus instrumental in integrating the burgeoning body of literature. It was detrimental in deflecting attention away from other dimensions of adjustment, namely the cognitive and the behavioural, and thus limiting the explanatory power of the adjustment construct. In his early review, Church (1982) concluded that, '[o]perationalization of adjustment in terms of several distinct but related dependent variables is probably necessary . . . because adjustment indices do not always covary substantially' (pp. 560–2). The issue of different indices of adjustment not covarying did not really occur of late, as we confined ourselves to a single index. This would be in order if we could conclude that this single index is the only one that matters. It is not. To advance our knowledge in the field of expatriate adjustment we should return to a more differentiated picture of the dependent variable, that is, adjustment. At least two avenues suggest themselves for achieving this objective. The first one would be the wider adoption of the two-dimensional conceptualization of Ward and associates in a business context. Going down this route would probably involve further revisions and modifications of the *SCAS* to better reflect the work context. Another route would be Haslberger *et al.*'s (2013) suggestion to assess the cognitive, affective and behavioural dimensions of adjustment separately, both against internal and external adequacy standards.

The measurement of adjustment

Even if researchers wanted to confine themselves to the investigation of adjustment as it is currently conceptualized, comprehensive critiques of the Black and Stephens measure (e.g. Lazarova & Thomas 2012) have identified an urgent need to improve on the instrument presently being used. The question which environmental facets are most relevant in an expatriation context and how adjustment to these facets should be assessed has not yet been satisfactorily answered. Hippler, Caligiuri and Johnson (2014) have made suggestions how change as well as the valence and significance of change could be built into our measurement instruments. Hippler, Caligiuri, Johnson and Baytalskaya (2014) offer an alternative instrument based on these suggestions. The debate on how to improve our instruments to measure expatriate adjustment is one that clearly needs to continue.

The acknowledgement of complexity

Some authors in the broader cross-cultural psychology literature are wary of some of the work that management scholars engage in. Ward, Bochner and Furnham (2001: 178) observe about our conceptual models of expatriate adjustment, 'they tend to treat expatriate adjustment as a general phenomenon applicable to all or most overseas assignments, despite evidence that adjustment patterns vary with the gender, location, and the cultural context of the sojourner'. A body of literature has developed around the selection criteria for international assignments. Yet it may well be that people are not likely to adjust or not adjust, but that they are likely to

adjust or not adjust to a specific culture or, indeed, a specific location. A candidate might be ideally suited to an assignment in Brazil, but not at all to one in Japan. Or a candidate might do well in tropical Mumbai, but not do at all well in hot, semi-arid Jaipur. This chapter has discussed the importance of context at various levels of specificity. Mol, Born, Willemsen and Van der Molen (2005) make a similar point when it comes to the assessment of expatriate performance. Unless we encourage replications across various contexts we will not remove current inconsistencies.

The fact that confining ourselves to only main effects may not be sufficient has long been recognized (e.g. Shaffer *et al.* 1999; Takeuchi *et al.* 2008). Takeuchi *et al.* (2008) turned to investigating interaction effects, that is, moderated relationships, with the stated intention of resolving previous, contradictory findings, and found evidence not only for simple, but for three-way interaction. We are thus moving into the realm of higher order interactions. These might well be responsible for Bhaskar-Shrinivas *et al.*'s (2005) lack of success in identifying moderators in their meta-analysis. Moving towards the investigation of interaction effects has to be welcomed, as it moves us closer towards the true complexity of the phenomenon under investigation. Whether this path will lead to resolving current inconsistencies remains to be seen. Higher order interactions, that is, interactions between interactions, are extremely difficult to anticipate and hypothesize (Verschuren 2001). Other suggestions involve the application of non-linear systems thinking to the study of expatriate adjustment (Mendenhall & Macomber 1997). Whatever path we take, we will have to come to terms with the true complexity of the phenomenon if we want to retain our hope ever to establish a consistent body of knowledge.

Acknowledging other stakeholders

Adjustment is an individually based state, an individual level variable. Much of the extant literature has turned to other individual level variables in the endeavour to predict and explain this individually based state, prominently to personality traits and individual skills and abilities. In a recent critical review Takeuchi (2010) called for a move away from this expatriate-centric view to one that encompasses other stakeholders including the expatriate's family, the expatriate's employing organization and HCNs. All of these stakeholders have featured in the expatriate management literature before, yet the focus has often remained on the expatriate, for example, investigating the effect of the spouse's adjustment on the expatriate's adjustment. Echoing this chapter's call for the acknowledgement of the true complexity of adjustment and adopting a person–situation interactionist perspective, Takeuchi suggests that managing expatriates successfully may involve managing a social system of interacting stakeholders. The integrative, interactionist framework involving multiple stakeholders he proposes takes account not only of the effect spouse/family related, parent company-related, HCN-related and foreign subsidiary-related antecedents might have on the individual expatriate's adjustment, but equally of the effect the individual expatriate's adjustment has on stakeholder-related consequences *and* the interactive effective between stakeholder-related antecedents and consequences. Research on the effect of stakeholder-related variables on expatriate adjustment is an important avenue to pursue in its own right, as these have received only limited attention compared to expatriate-related predictors. We still know comparatively little, for example, about the effect of the adjustment of accompanying children on the expatriate. Yet viewing an expatriate's adjustment as the outcome of a system in balance rather than an individual's failure or achievement may be just as important in guiding multinational companies in devising intervention programmes aimed at facilitating the expatriate's effectiveness and personal well-being.

Process models of adjustment

The current imbalance between outcome-oriented and process-oriented research on adjustment has to be redressed. Reconceptualizing the outcome variable and improving our measurement instruments will remain of limited value unless we understand *how*, precisely, various antecedents affect adjustment and adjustment affects performance. Adjustment as a process and its link to performance has attracted some conceptual and empirical attention (e.g. Farh, Bartol, Shapiro & Shin 2010; Lazarova, Westman & Shaffer 2010; Shay & Baack 2006; Shay & Tracey 2009; Zimmermann, Holman & Sparrow 2003). Sustained attention to the process of adjustment and how it unfolds and links to performance over time – coupled with longitudinal rather than cross-sectional studies – holds the promise of significantly advancing our field and greatly facilitating global mobility managers in better tailoring their support practices to address adjustment challenges at specific points during assignments.

Baseline data and control groups

Church (1982) identified the absence of baseline data or control groups from the sojourner adjustment literature as a methodological constraint more than 30 years ago. Yet to date, this concern has remained largely unaddressed. International assignees are undergoing a number of profound changes: they move house, they change jobs, they transfer to a different country, and so on. Yet only moving to a different country is unique to an international assignment. Simply assessing an expatriate's adjustment without comparing it to that of an individual undergoing the same set of changes bar the international nature of the move conflates all these issues. Maybe the adjustment challenge originates from moving house. Or from starting a new job. Moving from a small sales office in a rural area in the American mid-west to the headquarters in New York City may pose a whole raft of significant adjustment challenges. How do the challenges of an international assignment differ? Or do they? Maybe we should offer domestic job relocatees some of the support regularly suggested for – and less frequently offered to – international job changers? When discussing the measurement of adjustment, it was pointed out that expatriates might have been very unadjusted prior to relocation. If they were still very unadjusted abroad, nothing would have changed. By simply focussing on a single group, that of expatriates, and only measuring their adjustment while being abroad, we risk ascribing all adjustment difficulties uncovered to their international relocation – without a shred of evidence. The need for more longitudinal research has been emphasized before. This longitudinal work should take the first measurements of adjustment prior to international relocation, thus establishing a baseline that later measurements can be compared to. Research comparing domestic to international job-related relocation would hold the relocation aspect constant and thus allow attributing any effects observed to the international nature of the move (Hippler 2010).

Adjustment of other internationally mobile employees

Most of the expatriate adjustment research to date has focussed on company-sponsored, long-term assignees, that is, those sent abroad by their organization for a period of three to five years. The number of long-term assignments continues to increase (Brookfield 2012), so research focussing on this group remains as relevant as it ever was. However, alongside the continued use of long-term expatriates a host of alternative forms of global mobility have developed, including short-term assignments, frequent flyer assignments, commuter assignments or virtual

assignments (Mayerhofer, Hartmann, Michelitsch-Riedl & Kollinger 2004; Tahvanainen, Welch & Worm 2005). Employees prepared to work abroad without having an organizational sponsor, commonly known as self-initiated expatriates, are also gaining increasing research attention (Andresen, Al Ariss & Walther 2013; Vaiman & Haslberger 2013). The issues of subjective well-being and social functioning, that is adjustment, will be relevant to all globally mobile employees. Yet given the very different nature of their mobility experience, the different motivation for seeking or accepting a mobility opportunity and the different resources available to them, the importance, the success and the process of adjustment might differ markedly. A comprehensive research agenda should compare these issues across the various forms of global mobility in order to guide global mobility managers in their choice of appropriate interventions.

Conclusion

This chapter has documented some of the milestones of expatriate adjustment research over the past three decades. While great progress has been made, significant challenges remain, some only recently emerging, some dating back to the very beginnings of our field. The continued importance and frequent use of expatriate employees and the many unresolved conceptual and methodological issues discussed in this chapter should ensure that expatriate adjustment remains a topic of great interest and significant importance to researchers and global mobility managers alike. Even if we do not succeed in identifying 'a single, comprehensive theory of [expatriate] adjustment' as predicted by Church (1982: 563), we may make significant progress towards this goal by following the many leads and filling some of the persistent gaps identified in this chapter.

References

Ady, J. C. (1995) 'Toward a differential demand model of sojourner adjustment', *International and Intercultural Communication Annual*, 19: 92–114.

Anderson, L. E. (1994) 'A new look at an old construct: cross-cultural adaptation', *International Journal of Intercultural Relations*, 18: 293–328.

Anderzén, I. and Arnetz, B. B. (1999) 'Psychophysiological reactions to international adjustment', *Psychotherapy and Psychosomatics*, 68: 67–75.

Andresen, M., Al Ariss, A. and Walther, M. (eds) (2013) *Self-Initiated Expatriation: Individual, Organizational, and National Perspectives*. New York: Routledge.

Aycan, Z. (1997) 'Expatriate adjustment as a multifaceted phenomenon: individual and organizational level predictors', *The International Journal of Human Resource Management*, 8: 434–56.

Bandura, A. (1977) 'Self-efficacy: towards a unifying theory of behavioral change', *Psychological Review*, 84: 191–215.

Barna, L. M. (1983) 'The stress factor in intercultural relations', in D. Landis and R. W. Brislin (eds) *Handbook of Intercultural Training. Volume II: Issues in Training Methodology* (pp. 19–49), New York: Pergamon.

Benson, P. G. (1978) 'Measuring cross-cultural adjustment: the problem of criteria', *International Journal of Intercultural Relations*, 2: 21–37.

Berry, J. W. (1994) 'Acculturation and psychological adaptation', in A.-M. Bouvy, F. J. R. Van de Vijver, P. Boski and P. Schmitz (eds), *Journeys into Cross-Cultural Psychology* (pp. 129–41), Lisse: Swets & Zeitlinger.

Bhaskar-Shrinivas, P., Harrison, D. A., Shaffer, M. A. and Luk, D. M. (2005) 'Input-based and time-based models of international adjustment: meta-analytic evidence and theoretical extensions', *Academy of Management Journal*, 48: 257–81.

Black, J. S. (1988) 'Work role transitions: a study of American expatriate managers in Japan', *Journal of International Business Studies*, 19: 277–94.

Black, J. S. (1990a) 'Factors related to the adjustment of Japanese expatriate managers in America', in G. R. Ferris and K. M. Rowland (eds) *Research in Personnel and Human Resources Management* (Supplement 2, pp. 109–25). Greenwich, CT: JAI Press.

Black, J. S. (1990b) 'The relationship of personal characteristics with the adjustment of Japanese expatriate managers', *Management International Review*, 30: 119–34.

Black, J. S. and Stephens, G. K. (1989) 'The influence of the spouse on American expatriate adjustment and intent to stay in Pacific Rim overseas assignments', *Journal of Management*, 15: 529–44.

Black, J. S. and Gregersen, H. B. (1991) 'The other half of the picture: antecedents of spouse cross-cultural adjustment', *Journal of International Business Studies*, 22: 461–77.

Black, J. S. and Mendenhall, M. (1991) 'The u-curve adjustment hypothesis revisited: a review and theoretical framework', *Journal of International Business Studies*, 22: 225–47.

Black, J. S., Mendenhall, M. and Oddou, G. (1991) 'Toward a comprehensive model of international adjustment: an integration of multiple theoretical perspectives', *Academy of Management Review*, 16: 291–317.

Borman, W. C. and Motowidlo, S. J. (1993) 'Expanding the criteria domain to include elements of contextual performance', in N. Schmitt, W. C. Borman and associates (eds), *Personnel Selection in Organizations* (pp. 71–98). San Francisco: Jossey-Bass.

Brookfield (2012) *Global Relocation Trends 2012 Survey Report*. Woodridge, IL: Brookfield Global Relocation Services.

Caligiuri, P. M. (1997) 'Assessing expatriate success: beyond just "being there"', in D. M. Saunders (series ed.) and Z. Aycan (volume ed.) *New Approaches to Employee Management, vol. 4: Expatriate Management: Theory and Research* (pp. 117–40), Greenwich, CT: JAI Press.

Caligiuri, P. M. (2000) 'The big five personality characteristics as predictors of expatriate's desire to terminate the assignment and supervisor-rated performance', *Personnel Psychology*, 53: 67–88.

Caligiuri, P. M. (2006) 'Performance measurement in a cross-national context', in W. Bennet, C. E. Lance and D. J. Woehr (eds) *Performance Measurement: Current Perspectives and Future Challenges*, (pp. 227–43), Mahwah, NJ: Erlbaum.

Caligiuri, P. and Day, D. (2000) 'Effects of self-monitoring on technical, contextual, and assignment specific performance: a study of cross-national work performance ratings', *Group & Organization Management*, 25: 154–75.

Campbell, J. P., McCloy, R. A., Oppler, S. H. and Sager, C. E. (1993) 'A theory of performance', in N. Schmitt, W. C. Borman and associates (eds), *Personnel Selection in Organizations* (pp. 35–70). San Francisco: Jossey-Bass.

Caplan, R. D. (1983) 'Person-environment fit: past, present, and future', in C. L. Cooper (ed.) *Stress Research: Issues for the Eighties* (pp. 35–78). Chichester, UK: Wiley.

Carruthers, N. E. and Pinder, C. C. (1983) 'Urban geographic factors and location satisfaction following a personnel transfer', *Academy of Management Journal*, 26: 520–6.

Chen, G., Kirkman, B. L., Kim, K., Farh, C. I. C. and Tangirala, S. (2010) 'When does cross-cultural motivation enhance expatriate effectivness? A multilevel investigation of the moderating roles of subsidiary support and cultural distance', *Academy of Management Journal*, 53: 1110–30.

Church, A. T. (1982) 'Sojourner adjustment', *Psychological Bulletin*, 91: 540–72.

Churchman, A. and Mitrani, M. (1997) 'The role of the physical environment in culture shock', *Environment and Behavior*, 29: 64–86.

Dawis, R. V. and Lofquist, L. H. (1984) *A Psychological Theory of Work Adjustment: An Individual-Differences Model and Its Applications*. Minneapolis, MN: University of Minnesota Press.

Dictionary of Behavioral Science (1989) B. B. Wolman (ed.), 2nd edn. San Diego: Academic Press.

Dunbar, E. (1992) 'Adjustment and satisfaction of expatriate US personnel', *International Journal of Intercultural Relations*, 16: 1–16.

Farh, C. I. C., Bartol, K. M., Shapiro, D. L. and Shin, J. (2010) 'Networking abroad: a process model of how expatriates form support ties to facilitate adjustment', *Academy of Management Review*, 35: 434–54.

Feldman, D. C. and Thomas, D. C. (1992) 'Career management issues facing expatriates', *Journal of International Business Studies*, 23: 271–93.

Feldman, D. C. and Tompson, H. B. (1993) 'Expatriation, repatriation, and domestic geographical relocation: an empirical investigation of adjustment to new job assignments', *Journal of International Business Studies*, 24: 505–29.

French, J., Rodgers, W. and Cobb, S. (1974) 'Adjustment as person-environment fit', in G. V. Coelho, D. A. Hamburg and J. E. Adams (eds) *Coping and Adaptation* (pp. 316–33), New York, NY: Basic Books.

Goldberg, D. (1972) *The Detection of Psychiatric Illness by Questionnaire*. London: Oxford University Press.

Gullahorn, J. T. and Gullahorn, J. E. (1963) 'An extension of the U-curve hypothesis', *Journal of Social Issues*, 19: 33–47.

Harrison, D. A. and Shaffer, M. A. (2005) 'Mapping the criterion space for expatriate success: task- and relationship-based performance, effort and adaptation', *The International Journal of Human Resource Management*, 16: 1454–74.

Haslberger, A., Brewster, C. and Hippler, T. (2013) 'The dimensions of expatriate adjustment', *Human Resource Management*, 52: 333–51.

Haslberger, A., Brewster, C. and Hippler, T. (2014). *Managing Performance Abroad: A New Model for Understanding Expatriate Adjustment*. London: Routledge.

Hechanova, R., Beehr, T. A. and Christiansen, N. D. (2003), 'Antecedents and consequences of employees' adjustment to overseas assignment: a meta-analytic review', *Applied Psychology: An International Review,* 52: 213–26.

Hein, S. (1999) Internationaler Einsatz von Führungskräften: Gestaltung – Konfiguration – Erfolg, Wiesbaden: Gabler.

Hippler, T. (2006) 'Another scandal in Bohemia? A look back on how we measure expatriate adjustment', in M. J. Morley, N. Heraty and D. J. Collings (eds) *New Directions in Expatriate Research* (pp. 64–93). Houndmills, Basingstoke: Palgrave Macmillan.

Hippler, T. (2010) 'A comparative study of domestic, European and international job-related relocation', *The International Journal of Human Resource Management*, 21: 1837–62.

Hippler, T., Caligiuri, P. and Johnson, J. (2014) 'Revisiting the construct of expatriate adjustment: implications for theory and measurement', *International Studies of Management and Organization*, 44(3) (in press).

Hippler, T., Caligiuri, P., Johnson, J. and Baytalskaya, N. (2014) 'The development and validation of a theory-based expatriate adjustment scale', *The International Journal of Human Resource Management*, 25(14): 1938–1959.

Hobson, C. J., Kamen, J., Szostek, J., Nethercut, C. M., Tiedmann, J. W. and Wojnarowicz, S. (1998) 'Stressful life events: a revision and update of the social readjustment rating scale', *International Journal of Stress Management*, 5: 1–23.

Holmes, T. H. and Rahe, R. H. (1967) 'The social readjustment rating scale', *Journal of Psychometric Research*, 11: 213–8.

Kauppinen, M. (1994) *Antecedents of Expatriate Adjustment: A Study of Finnish Managers in the United States*. Helsinki: The Helsinki School of Economics and Business Administration, Centre for International Business Research (CIBR).

Kealey, D. J. (1989) 'A study of cross-cultural effectiveness: theoretical issues, practical applications', *International Journal of Intercultural Relations*, 13: 387–428.

Kim, Y. Y. (1994) 'Adapting to a new culture', in L. A. Samovar R. E. and Porter (eds) *Intercultural Communication: A Reader* (7th edn, pp. 392–405). Belmont: Wadsworth.

Kraimer, M. L., Wayne, S. J. and Jaworski, R. A. (2001) 'Sources of support and expatriate performance: the mediating role of expatriate adjustment', *Personnel Psychology*, 54: 71–99.

Kristof-Brown, A. L., Zimmerman, R. D. and Johnson, E. C. (2005) 'Consequences of individuals' fit at work: a meta-analysis of person-job, person-organization, person-group, and person-supervisor fit', *Personnel Psychology*, 58: 281–342.

Landy, F. J. and Vasey, J. (1984) 'Theory and logic in human resources research', in K. M. Rowland G. R. and Ferris (eds) *Research in Personnel and Human Resources Management*, 2: 1–34.

Lazarova, M. B., and Thomas, D. C. (2012) 'Expatriate adjustment and performance revisited', in G. Stahl, I. Björkman, and S. Morris (eds) *Handbook of Research in International Human Resource Management* (2nd edn, pp. 271–92). Cheltenham: Edward Elgar.

Lazarova, M., Westman, M. and Shaffer, M. A. (2010) 'Elucidating the positive side of the work-family interface on international assignments: a model of expatriate work and family performance', *Academy of Management Review,* 35: 93–117.

Lazarus, R. S., and S. Folkman (1984) *Stress, Appraisal, and Coping*. New York: Springer.

Liu, Y. and Shaffer, M. A. (2005) 'An investigation of expatriate adjustment and performance: a social capital perspective', *International Journal of Cross-Cultural Management*, 5: 235–54.

Lysgaard, S. (1955) 'Adjustment in a foreign society: Norwegian Fulbright grantees visiting the United States', *International Social Science Bulletin*, 7: 45–51.

Mamman, A. (1995) 'Socio-biographical antecents of intercultural effectiveness: the neglected factors', *British Journal of Management*, 6: 97–114.

Mayerhofer, H., Hartmann, L. C., Michelitsch-Riedl, G. and Kollinger, I. (2004) 'Flexpatriate assignments: a neglected issue in global staffing', *The International Journal of Human Resource Management*, 15: 1371–89.

McNair, D., Lorr, M. and Droppleman, L. (1971) *Profile of Mood States*. San Diego: Educational and Industrial Testing Service.

Mendenhall, M. E. and Macomber, J. H. (1997) 'Rethinking the strategic management of expatriates from a nonlinear dynamics perspective', in D. M. Saunders (series ed) and Z. Aycan (volume ed) *New Approaches to Employee Management, vol. 4: Expatriate Management: Theory and Research* (pp. 41–61). Greenwich, CT: JAI Press.

Mendenhall, M. E., Macomber, J. H., Gregersen, H. and Cutright, M. (1998) 'Nonlinear dynamics: a new perspective on IHRM research and practice in the 21st century', *Human Resource Management Review*, 8: 5–22.

Mol, S. T., Born, M. P. and Van der Molen, H. T. (2005) 'Developing criteria for expatriate effectiveness: time to jump off the adjustment bandwagon', *International Journal of Intercultural Relations*, 29: 339–53.

Mol, S. T., Born, M. P., Willemsen, M. E. and Van der Molen, H. T. (2005) 'Predicting expatriate job performance for selection purposes: a quantitative review', 36: 590–620.

Nicholson, N. and Imaizumi, A. (1993) 'The adjustment of Japanese expatriates to living and working in Britain', *British Journal of Management*, 4: 119–34.

Nikelly, A., Sugita, M., and Otis, J. (1964) 'Adjustment and mental health attitudes in foreign students', *Mental Hygiene* 48: 463–7.

Ones, D. S. and Viswesvaran, C. (1997) 'Personality determinants in the prediction of aspects of expatriate job success', in D. M. Saunders (series ed) and Z. Aycan (volume ed) *New Approaches to Employee Management, vol. 4: Expatriate Management: Theory and Research* (pp. 63–92). Greenwich, CT: JAI Press.

Parker, B. and McEvoy, G. (1993) 'Initial examination of a model of intercultural adjustment', *International Journal of Intercultural Relations*, 17: 355–79.

Pinder, C. C. (1977) 'Multiple predictors of post-transfer satisfaction: the role of urban factors', *Personnel Psychology*, 30: 543–56.

Ragin, C. C. (1989) *The Comparative Method: Moving Beyond Qualitative and Quantitative Strategies*. Berkeley, CA: University of California Press.

Searle, W. and Ward, C. (1990) 'The prediction of psychological and sociocultural adjustment during cross-cultural transitions', *International Journal of Intercultural Relations*, 14: 449–64.

Selmer, J. (2005) 'Is bigger better? Size of the location and expatriate adjustment in China', *The International Journal of Human Resource Management*, 16: 1228–42.

Shaffer, M., Harrison, D. A. and Gilley, K. M. (1999) 'Dimensions, determinants, and differences in the expatriate adjustment process', *Journal of International Business Studies*, 30: 557–81.

Shay, J. P. and Baack, S. A. (2006) 'An empirical investigation of the relationships between modes and degree of expatriate adjustment and multiple measures of performance', *International Journal of Cross Cultural Management*, 6: 275–94.

Shay, J. P. and Tracey, J. B. (2009) 'Expatriate adjustment and effectiveness: the mediating role of managerial practices', *Journal of International Management*, 15: 401–12.

Sinangil, H. K. and Ones, D. S. (1997) 'Empirical investigations of the host country perspective in expatriate management', in D. M. Saunders (series ed) and Z. Aycan (volume ed) *New Approaches to Employee Management, vol. 4: Expatriate Management: Theory and Research* (pp. 173–205). Greenwich, CT: JAI Press.

Sinangil, H. K. and Ones, D. S. (2003) 'Gender differences in expatriate job performance', *Applied Psychology: An International Review*, 52: 461–75.

Spitzberg, B. H. (1989) 'Issues in the development of a theory of interpersonal competence in the intercultural context', *International Journal of Intercultural Relations*, 13: 241–68.

Stahl, G. K. (1998) *Internationaler Einsatz von Führungskräften*. Munich: Oldenbourg.

Stephens, G. K. and Black, S. (1991) 'The impact of spouse's career-orientation on managers during international transfers', *Journal of Management Studies*, 28: 417–28.

Sutherland, J. W. (1973) *A General Systems Philosophy for the Social and Behavioral Sciences*, New York: Braziller.

Tahvanainen, M., Welch, D., and Worm, V. (2005), 'Implications of short-term international assignments', *European Management Journal*, 23: 663–73.

Takeuchi R. (2010) 'A critical review of expatriate adjustment research through a multiple stakeholder view: progress, emerging trends, and prospects', *Journal of Management*, 36: 1040–64.

Takeuchi, R., Lepak, D. P., Marinova, S. V. and Yun, S. (2007) 'Nonlinear influences of stressors on general adjustment: the case of Japanese expatriates and their spouses', *Journal of International Business Studies*, 38: 928–43.

Takeuchi, R., Shay, J. P. and Li, J. (2008) 'When does decision autonomy increase expatriate managers' adjustment? An empirical test', *Academy of Management Journal*, 51: 45–60.

Thomas, D. C. (1998) 'The expatriate experience: a critical review and synthesis', *Advances in International Comparative Management*, 12: 237–73.

Vaiman, V. and Haslberger, A. (eds) (2013) *Talent Management of Self-Initiated Expatriates: A Neglected Source of Global Talent*, Houndmills, Basingstoke: Palgrave Macmillan.

Van Bakel, M. (2012) *In Touch with the Dutch: A Longitudinal Study of the Impact of a Local Host on the Success of the Expatriate Assignment*. Nijmegen: Radboud University Nijmegen.

Verschuren, P. J. M. (2001) 'Holism versus reductionism in modern social science research', *Quality & Quantity*, 35: 389–405.

Ward, C. (1996) 'Acculturation', in D. Landis and R. S. Bhagat (eds) *Handbook of Intercultural Training* (2nd edn, pp. 124–47). Thousand Oaks, CA: Sage.

Ward, C. and Kennedy, A. (1993) 'Where's the "culture" in cross-cultural transition? Comparative studies of sojourner adjustment', *Journal of Cross-Cultural Psychology*, 24: 221–49.

Ward, C. and Chang, W. C. (1997) 'Cultural fit: A new perspective on personality and sojourner adjustment', *International Journal of Intercultural Relations*, 21: 525–33.

Ward, C. and Kennedy, A. (1999) 'The measurement of sociocultural adaptation', *International Journal of Intercultural Relations*, 23: 659–77.

Ward, C., Bochner, S. and Furnham, A. (2001) *The Psychology of Culture Shock* (2nd edn). Hove: Routledge.

Ward, C., Okura, Y., Kennedy, A. and Kojima, T. (1998) 'The u-curve on trial: a longitudinal study of psychological and sociocultural adjustment during cross-cultural transition', *International Journal of Intercultural Relations*, 22: 277–91.

Weaver, W. (1948) 'Science and complexity', *American Scientist*, 36: 536–44.

Weinberg, G. M. (1975) *An Introduction to General Systems Thinking*. New York: Wiley & Sons.

Wilson, J. (2013) 'Exploring the past, present and future of cultural competency research: the revision and expansion of the sociocultural adaptation construct', unpublished doctoral dissertation, Victoria University of Wellington.

Wilson, J., Ward, C. and Fischer, R. (2013). 'Beyond culture learning theory: what can personality tell us about cultural competence?' *Journal of Cross-Cultural Psychology*, 44: 900–27.

Zimmermann, A., Holman, D. and Sparrow, P. (2003) 'Unravelling adjustment mechanisms: adjustment of German expatriates to intercultural interactions, work, and living conditions in the People's Republic of China', *International Journal of Cross Cultural Management,* 3: 45–66.

Zung, W. W. K. (1965) 'A self-rating depression scale', *Archives of General Psychiatry*, 12: 615–30.

Demographics and working abroad

What's missing, what's next?[1]

Nancy K. Napier, Nigel Holden and
Marta Muñiz-Ferrer

Human prosperity never abides long in the same place.

Herodotus (c.490–425 BC), *The Histories* (2003)

Introduction

Expatriate management and its research have a long and short history. If we consider movement of people across boundaries for work, the discussion goes back hundreds, perhaps thousands, of years, particularly if we are willing to include the terrible institution of slavery. Chroniclers of ancient business history (Moore and Lewis, 1999) suggest that the predecessor of today's multinational corporations could be found in ancient Assyria around 2000 BC, when "the merchants . . . cultivated the favor of foreign princes, obtaining the legal right to settle as permanent residents in an organized body on the princes' territory, where they could directly supervise economic activity." By today's standards, the scale of business was minuscule, but it was nevertheless substantial in its own terms. Furthermore, it had something directly in common with modern times: the merchants of Assyria "adopted the material aspects" of their host countries, while ensuring that relationships were "correct and cordial."

In the next millennium – centuries before the rise of the Roman Empire – the Phoenicians had established "two sizeable self-sufficient [Mediterranean] settlements, each of which must have housed a population of at least 1,000 inhabitants in Iberia [modern-day Spain], for securing from the interior supplies of precious metals, grain meat and salt in exchange for wine, olives and textiles" (Barton, 2009). Clearly these hundreds of Phoenician traders formed what we would today call "a national group expatriate community" (Lauring and Selmer, 2009).

Fast-forward some 3,500 years when the Dutch were beginning to build up a huge trading empire, embracing the newly discovered emerging markets of Asia with their offerings of "spices, pepper, textiles, precious metals and luxury items like ivory, porcelain, tea and coffee" (Brotton, 2012). In the 1640s, the Dutch East India Company employed some 30,000 merchant sailors and dispatched 100,000 tons of goods to Asia. In the process, nearly a million people (of whom

some 130,000 perished en route) went to colonize and set up what we would today call "local subsidiaries and affiliates" in the newly acquired Dutch possessions. No wonder that two centuries later Marx and Engels would declare in *The Communist Manifesto*: "The need of a constantly expanding market chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connexions everywhere" (Marx and Engels, 1848/1985). But it would not be the bourgeoisie as a class that would dominate world business. Instead, it would become an internationally active corporate conglomerate, a direct descendant of the ancient Assyrian and Phoenician prototypes of some three thousand years ago: the multinational corporation.

If, then, we consider the more recent focus on professionals who work for multinational corporations and move across boundaries, the history is recent, perhaps 50 years. Gaining momentum in the 1960s, the notion of international management focused on the "typical" expatriate, who was male, white, sponsored and sent by his multinational firm, and usually posted to developed country locations. That profile, in conjunction with whether and how people move abroad for work, and the locations where many go for work have all changed dramatically. No small part of the cause is due to "the globalization of markets and the internationalization of businesses [that] has led to the appearance of new challenges for organizations in the area of human capital management" (Muñiz-Ferrer, Labrador-Fernández, and Arizkuren-Eleta, 2012). This suggests that global organizations, in a so-called "war for talent," will demand that more of their employees have experience abroad (Festing, 2012).

Further, even though the discussion about the war for talent and need for more international experience has increased on the one hand, other factors may act as a counterbalance to using expatriates for (relatively) short-term transfers. For instance, Ali (2011) raises the question of whether events like the 2008 financial crisis and the 2011 Arab Spring may shift thinking about expatriates yet again. In particular, Ali (2011: 171) argues that "rethinking the role of nationals in the labor market . . . [in terms of] granting expatriates with needed competences either citizenship or residency with a citizenship option" may become more frequently considered.

Still another set of factors may raise questions of whether expatriate transfers will continue at the pace they have to date. Specifically, international mobility may be increasingly constrained by the recognized difficulties of reentry, reluctance by parents to move school-aged children, and concerns about quality of life and safety (Torrington, 1994).

Finally, some of the most visible outcomes and changes in expatriate management are that more women, people of different ages, backgrounds, and ethnicities increasingly work abroad. Third-country nationals, self-initiated expatriates, and people working for nonprofit or other nongovernmental groups have also begun to be more prevalent over the years and many of those people and approaches are quite different from the traditional MNC sponsored professional transfers.

As is true in many areas of management research, the academic investigation about working abroad is, in some ways, ahead of and, in other ways, behind practice. For instance, the call for training and preparation and more deliberate selection of expatriates has been in the research literature for decades, especially since the upswing of transfers by MNCs in the 1960s (e.g., Mendenhall and Oddou, 1985; Mendenhall and Stahl, 2000; Vance and Paik, 2002). Unfortunately, this continues to be an area that researchers call for yet one that many firms sorely neglect. Preparation, intercultural training, and support for expatriates frequently are reduced to a few last minute briefings rather than a deliberately planned for and carefully implemented program (Rothwell, 1992, cited in Torrington, 1994: 23). Likewise, gaps exist in effective selection of new employees, expatriate mentoring, and support for adjustment on assignments, assessment of career and performance management, compensation and repatriation management,

and knowledge transfer, among other related expatriate and international management factors (Muñiz-Ferrer *et al.*, 2012). On the other hand, as we found in working on this chapter, there may be some areas where research is limited and yet could be fruitful both for researchers and for business organizations to appreciate more fully. As Szkudlarek (2010) has emphatically pointed out, "re-entry (its course, impact and features) still remains largely neglected and underestimated in the sojourner's transition trajectory."

To understand more about the role that demographics may or could play in the research literature, we structured the chapter around three key questions, which frame the sections of the chapter. First, we consider what demographic descriptors have been used in the literature to define those who work outside their home countries. Next, we review briefly key findings from recent research. Our focus is on research that has appeared especially in the last 5–8 years, as the most recent that should identify trends, changes, and directions that influence or are influenced by demographic changes.

Third, and based upon the review of the literature, we suggest areas or aspects that seem to be missing in recent research. In particular, we sought to discover aspects or demographic variables that have received less attention that perhaps warrant more, given some of the current or likely changes. Building upon that, we close with discussion of possible research directions – some that build upon existing research and some that move into unexplored newer areas.

Demographics and working abroad

Demographics generally include a set of variables that describe a population or group, but the range of variables considered seem to range widely. Typically, gender, age, ethnicity, and race are basic variables, although sociologists or demographers might include many others, such as disability, income level, or even residence. Considering types of demographic descriptors that could define those who work outside their home countries, we decided to use a broad definition but base it in research that looks at how to explore the diversity of the workforce, especially when it comes to cultural factors.

We use Chao and Moon's (2005) notion of the cultural mosaic and "tiles" as a way to include several categories that can describe various possibilities of the types of groups that define or describe individuals. Chao and Moon (2005) consider workforce population trends as a driving force for an increase in diversity of workers, whether in small or large organizations, who work globally or not. Their argument is that individuals have several categories of features that they "belong" to, including demographic, geographic, and associative aspects. We use this taxonomy because it broadened our consideration beyond strict "demographic" or inherited characteristics, and because other variables may be important for inclusion in future research and management of people who work abroad.

While Chao and Moon (2005) limit the demographic category to physical characteristics and identities that are inherited, we broaden our definition to include some of their geographic and associative "tiles" as well because we think they could be important in how expatriate management may change in the future. Thus, we draw upon their basic groupings more broadly. Their taxonomy of "tiles" in the mosaic of individuals appears in Table 21.1. We look for research that connect expatriates to nine of the fifteen "tiles," from each of the three categories:

- Demographic – age, gender, ethnicity, race
- Geographic – region/country
- Associative – family, religion, employer, profession

Table 21.1 Taxonomy of a cultural mosaic (Chao and Moon, 2005: 1130)

Primary category	Definition	Sample tiles
Demographic	Physical characteristics and social identities inherited from parents and ancestors	Age Ethnicity Gender Race
Geographic	Natural or man-made physical features of a region that can shape group identities	Climate Temperature Coastal/inland Urban/rural Regional/country
Associative	Formal and informal groups that an individual chooses to associate and identify with	Family Religion Employer Profession Politics Avocations

Further, we add other factors that were not included in the set of "tiles" used by Chao and Moon (2005). In particular, we suggest including experience and education (e.g., foreign language capability, residence and education in other countries), primarily because they may make people more predisposed to take on an expatriate experience and perhaps be able to succeed at it.

What's out there?

Given our rather broad definition of demographics, we examine recent research to gain an understanding of what has been studied that relates to those factors. We focus on research from the last decade, in particular the last 5–8 years, for a sense of what the most recent areas of emphasis have been.

The observation is that the options for expatriate or work abroad appear to have changed over the years, and with it, the type of research. Early research suggesting that multinationals, especially American multinationals, experienced higher attrition (e.g., than Japanese firms) may argue for the failure of a model that simply transferred people who had technical but not necessarily cultural skills or the preparation was minimal (Rothwell, 1992, cited in Torrington, 1994: 23). The traditional model for professionals working abroad appears to be shifting, from one where white males with technical skills were transferred from home to host countries to alternative approaches and models: firms using third country nationals or inpatriates who come to the home country for long term posts (e.g., Harvey, 1989, 1997; Harvey, Reiche, and Moeller, 2011); self–initiated expatriates make their own choices about when, where and how to move and work abroad (Lauring and Selmer, 2009); outward staffing from a multinational subsidiary (Collings, McDonnell, Gunigle, and Lavelle, 2010); or staffing a host country subsidiary with a person of the host's ethnic background but who has grown up, been educated and lived in the corporation's home country (e.g., second generation Chinese American moving to Beijing) (Thite, Sirnivasan, Harvey, and Valk, 2009). In addition, research has expanded from a focus mostly on multinationals from North America to include increasingly MNCs from the emerging economies (Gammeltoft, Pradhan, and Goldstein, 2010; Khanna and Palepu, 2010; Sauvant,

Maschek, and McAllister, 2009). Finally, research increasingly encompasses nonbusiness organizations, such as nongovernmental organizations (NGOs), nonprofits, religious, and types of organizations where employees work outside their home (Chang, 2005). In essence, the range of research and discussion about the nature of expatriate movement and motivation, both on the parts of organizations and individuals has changed dramatically in recent years. The result is that new approaches to staffing units outside a home country have begun to emerge.

When we look at demographic and related variables and expatriate management research, we search for evidence of the types of individuals that have been studied (or not) and consider nine demographic, geographic, and associative areas (Chao and Moon, 2005), as well as education and experience, to see whether research covered those aspects.

We were not surprised to find that the current state of research relating to demographics is rather lopsided. Certain areas have received more focus over the last decade than others which have received little or no attention (Berry and Bell, 2012). We review the key variables and what we found in the next section.

Women

In terms of areas with increasing volume of research, gender and women expatriates lead the field (Werhane, 2007). Much of the earlier research about professional women working outside their home began with a simple question (Adler, 1984) of whether women wanted international careers and what was holding them back if they did. That led to research that frequently focused on disadvantages and (a few) advantages that women hold (e.g., Forster, 2002; Napier, and Taylor, 2002; Vance, Paik, and White, 2006). Altman and Shortland (2008) pointed to two developments that led to "the turning point for women's careers in the international arena," namely the awareness of diversity as a valuable human resource factor in organizations and the importance of the service economy. Both factors gave rise to a proliferation of women in organizations generally, but in international careers for women in particular. One result has been that there are signs of a new breed of "Generation X" women who want to climb the organizational ladder and have more opportunities to do so (Altman and Shortland, 2008; Moeller, Napier, and McGoughty, 2014).

Kollinger (2005) found in a survey of 500 Austrian organizations that women are not being held back by the well-known prejudices, but rather that the lack of female talent in particular industrial sectors such as manufacturing, construction, and energy has been the factor most limiting to their progression. Perhaps, though, this merely feeds the "traditional" prejudice that, in the final analysis, there is invariably the expectation that "successful managers" still are and tend to be male rather than female, even internationally (Latu, Stewart, Myers, Lisco, Estes, and Donahue, 2011), and that performance varies by gender (Sinangil and Ones, 2003).

This is not to say that all of the problems begin at home. Unfortunately for women managers in some host countries – Kollinger (2005) explicitly refers to the Arab world, Africa, and Asia in this respect – there are strong cultural prejudices against the very appropriateness of foreign women having significant responsibility. Other research (e.g., Napier and Taylor, 2002) discounts this, however, and in fact identifies women's "differentness" as something that may work in their favor in terms of visibility. If white male businessmen are so common, then the women may stand out in a foreign setting, which some use to help their hosts remember them! No wonder then "maintaining equality between women and men managers overseas" remains "an important task for international human resource managers" (Culpan and Wright, 2002).

At the same time, there is no reason to believe that corporations have in the meantime made great strides in diminishing "their lack of understanding of the particular needs of female executives

in relation to the repatriation process" (Linehan and Scullion, 2002). This is hardly surprising. There is enough evidence to suggest that a corresponding lack of understanding applies to all managers who encounter the thorny process of repatriation, where reentry adjustment may take up to a year. It is hard to imagine how many have experienced the excitement of returning home with knowledge to share and then the agony of disinterest or downright refusal of home-office colleagues to care or want to learn (Linehan and Scullion, 2002; Szkudlarek, 2010; Torrington, 1994).

Other research has shifted more toward newer issues. Research has gone from the impact of expatriate careers on dual careers (of both men/women) to the experience of a trailing spouse (increasingly more often male). Perhaps as an expected extension, some work suggests that women are more often using alternative methods to find and work abroad (e.g., as self-initiated expatriates), or are relying less on organizations for their career structure, but instead are becoming "career self-agents" (Shapiro, Ingols, O'Neill, and Blake-Beard, 2009). Finally, an indirect but potential factor may be the increase in practice and in research of women who leave corporate management to become entrepreneurs (McGowan, Redeker, Cooper, and Greenan, 2011; O'Neil, Hopkins, and Bilimoria, 2008), across a range of countries from Canada (Hughes, 2006) to the United Arab Emirates (Itani, Sidani, and Baalbaki, 2011), and beyond.

Ethnicity and race

Some demographic variables like race, in particular, have received almost no recent attention. Tung and Haq (2012) examined race (and gender), with a focus on women moving to and from India. With the increasing diversity within countries and migration shifts among countries, this is a topic that demands skillful treatment, which to date, has had only limited attention. In addition, as emerging economies play a larger role in their regional and the world economy, they too face talent management questions. Increasingly, human resource management will likely be a challenge facing emerging markets MNCs as they internationalize. Their problem is that sometimes firms may put limits on the types of managers and expatriates they use. For example, Sauvant *et al.* (2009) report that Brazilian MNCs frequently prefer to transfer and use Brazilians over non-Brazilians. In family firms, their members may be favored as transfers. What happens, then, when the firm grows too large to use only family members or only Brazilians in key international positions? Another example is from the Russian firm Gazprom, which employs 432,000 people, yet has only 5,470 foreigners on its books, suggesting a very marked preference for Russian co-workers. How will such firms be able to grow globally if they limit who represents the firm?

Age

While articles in practitioner and some research journals increasingly discuss the impact of age and multiple generations in the workplace (Eisner and Harvey, 2009; Scott, 2009), less research has examined age as a factor in working abroad. There does seem to be a potential area that is emerging in the research on younger generation(s) in the workplace. That could find its way more into expatriate work as well. As we mentioned above, Altman and Shortland (2008) suggests that Generation X women are entering not only the domestic but the international workforce, and that may be a bellwether for what is to come in international management assignments more generally. Also, Scott (2009) has discussed the benefits of older and younger workforce members in terms of building a "two-way exchange" or mentorship relationship – where each age group has knowledge and skills to impart to the other. Perhaps the same holds in situations

not only where different aged professionals work together abroad, but also where there is the "coexistence of differing generational codes" (Muñiz–Ferrer *et al.*, 2012).

Japan's demographic situation – upside down population pyramid (massive numbers of older citizens and much fewer younger ones) – has yielded some fascinating, if somewhat indirectly, related research (Kohlbacher, 2011; Kohlbacher, Gudorf, and Herstatt, 2011; Kohlbacher and Herstatt, 2011). In particular, the idea of the "silver market," where older people dominate the economy, may suggest opportunities in Japan and within Japanese firms for younger expatriates. If Japanese firms are unable to successfully staff global positions with younger Japanese professionals, in part because they simply do not exist, what might that mean for foreigners? Such age-related issues may become more prevalent and important beyond Japan as many more western countries face the same shifts in population age.

Region and country

Chao and Moon (2005) argue that geography may affect who we are and how we operate. Whether we come from an urban or rural setting, whether we come from a tropical or arctic climate, they argue that such aspects may affect behavior. With regard to expatriates, research has focused on questions such as how expatriates adjust in certain regions or cultures, such as China (Selmer, 2005) or Japan (Napier and Taylor, 1995). Other research deals with what we can learn from movement of professionals throughout history, such as British expatriates living in pre-1948 India (Stening, 1994), in terms of how they dealt with human resource practices (e.g., selection, training, adjustment, and performance), and more recently, how expatriates move in and out of particular locations. Dickmann (2012), for example, examined why expatriates move to and stay in London; Yeoh and Khoo (1998) studied migration of skilled women expatriates in Singapore; Peterson (2003) examined expatriates from/in Central and Eastern Europe after the collapse of the Soviet Union; and Ariss (2010) sought to understand Lebanese SIEs who move to France.

Many expatriates experience "compound living" (Lauring and Selmer, 2009), such as in Saudi Arabia. In such self-contained, often national group, expatriate communities, socialization and integration with host-country nationals are more limited and thus adjusting to the local culture may be less critical. Further, as Lauring and Selmer (2009) suggest, in some countries expatriate businesspeople may come and interact with several cultures other than the host group, especially if they are less involved in business. Expatriate managers, for example, may have little need to adjust to and learn about the Saudi culture if they remain focused on other expatriates within their compound. If this happens, a danger is that the expatriate who lacks knowledge about the local culture may make faulty assumptions about the local employees.

Sometimes such solidarity within expatriate groups is evident in cities like Moscow, and possibly Bogota, as a form of self-protection in risky environments. The pattern is not just recent and not just western. In the 1980s, the Japanese were very compound-oriented, as thousands of Japanese families took up the expatriate life all over the globe, including the United States and the United Kingdom: they created a kind of sub-society of Japanese schools, shops, and restaurants to service Japanese expatriate managers and their families.

Employer/profession

Whereas the expectation for expatriates was, earlier, that they were transferred and sponsored by large multinational organizations, that pattern is changing. Increasingly, research discusses the rise in alternative ways that professionals (or future professionals) find ways to work abroad.

One of the approaches that has received attention recently is the self-initiated expatriate (SIE), or people who choose to move abroad without the backing or expected work assignment of a firm (Cerdin and Le Pargneux, 2010; Doherty, Dickmann, and Mill, 2011). Whether this group has always existed and is just now receiving research attention, or whether this is indeed a "new era" for expatriate management (Altman and Shortland, 2008), it has certainly become more visible in the literature.

The types of people (demographically speaking) who become self-initiated expatriates tend to include academics (Selmer and Lauring, 2010), older expatriates who choose certain countries (e.g., in Asia) because of the perceived benefit that age may confer (Selmer, Lauring, and Feng, 2009), young educated Eastern European professionals seeking greater opportunities outside their home countries (Felker, 2011; Vaiman and Holden, 2011), and women seeking greater prospects beyond their own countries, which they may feel discriminate against them (e.g., Ali, 2011).

Some research has examined the types of challenges and opportunities that arise when individuals choose to become self-initiated expatriates. Because SIEs may decide to move abroad in part for personal development or related reasons, and because professional positions may be difficult to identify in the host country, underemployment (Lee, 2005) is not uncommon when the SIE is unable to find a position that fully uses his or her skills and talents.

On the other hand, because SIEs in principle are choosing to relocate rather than being transferred by a firm, they typically have a greater stake in making the transfer succeed (Peltokorpi and Froese, 2009). Expatriate adjustment generally can be a challenge, even when an individual or family wants to make the move. But because a self-initiated expatriate has initiated the move, she or he may be able to adjust more readily to a new environment (Wang, 2008). In fact, the SIE may already speak the language or understand (or at least want to understand) the new culture, whereas a typical MNC employee transferring for her firm may be less prepared, especially if there are personal challenges (e.g., a trailing spouse, children and their schooling in another country).

An ongoing study of 15 Finnish managers who between them have 279 years of international business experience and of whom 12 have lived in other countries as expatriates have revealed that a motivation for expatriate life was the opportunity for them to "belong to a wider, distinctive community of international business practitioners" (Kemppainen and Holden, 2013). They viewed their companies as facilitators of the longed-for experience, while the companies themselves, as part of their employer branding, positioned themselves as offering exceptionally rewarding careers to competent, internationally minded persons with a proven command of English.

Family

Research that relates to expatriates and family has increased particularly as more women have taken professional positions outside their home countries. Recent research has included the challenges of living in an expatriate compound abroad (e.g., Lauring and Selmer, 2009), the positive and negative aspects of the decision to leave home (Lazarova, Westman, and Shaffer, 2010; Tharenou, 2008), and the challenges of dual career couples and being the spouse of an expatriate (Cole, 2011; Harvey, 1998; Kupka, Everett, & Cathro, 2008).

Ongoing research in Spain finds that the lack of family adaptation to the host country is one of the main reasons for international assignment failure, defined as the expat coming back to the home country before the assignment ends (Herzig, 2011). Other researchers are suggesting that about half of all expatriate assignments are curtailed for nominal family reasons (Gómez-Mejía, Balkin, and Cardy, 2008). The word "nominal" is key, because a major factor in all this

is the lack of attention given by organizations to expatriates' families during the different stages of the expatriation process from candidate selection to repatriation. During candidate selection, companies often neglect the spouse and family situation (spouse professional career, children ages), intercultural skills, and motivation to move. During assignment preparation and training, many companies provide cross-cultural training programs to expats but not to their families, who will also be exposed to a different culture. Regarding assistance in the host country, after a first period of euphoria as the expatriate experiences the new culture, some expats and their families fail to integrate and adjust (Bohdal, 2009). In addition, for some families, it may be difficult to find schools for their children in the home language.

Companies should continue helping both the expatriate and family with support and training, such as providing "buddy systems" (Gómez-Mejía *et al.*, 2008). When it comes to repatriation, turnover rate is often quite high (20–40%). One reason, experienced by both expat and family, is reverse culture shock (Gómez-Mejía *et al.*, 2008). Finally, as long as it is the main support for the expatriate, the family needs to be considered in all stages of the expatriation process.

Experience and education

We noted earlier that there is evidence that corporate headquarters of MNCs may be dismissive of knowledge acquired by expatriate employees on foreign assignments. In this way, firms run the danger of cutting themselves off from the experience of their expatriate managers accumulated over many years. The headquarters' reaction represents "a closed and reserved attitude" (Szkudlarek, 2010) and what Adler (1981) identified – some thirty years ago – as "a xenophobic response" to so-called foreign knowledge.

We would describe the attitude as a form of ethnocentric globalism, which retrospectively may have been an Achilles' heel of Japanese organizations in the 1980s when their managers bestrode the world as lords of the universe – loyal patriots first and international managers second (Holden, 2002; Kopp, 1999). Firms need to improve the way in which they repatriate their managers and access their vast knowledge for several reasons. First, if disgruntled employees leave the firm (which happens), then the cost of replacement is substantial. Second, when a new person takes over from the departed employee, the former has to acquire much of the same knowledge from scratch, which is a slow process.

At first glance these things appear to have no direct connection with the world of education. Yet, in fact, they do. In the last thirty years, courses or modules on cross-cultural management have become increasingly prominent in business schools throughout the world. Even those students who do not opt for these courses will surely have heard the expressions "cross-cultural awareness" and "cross-cultural sensitivity." However, it may be a moot point if these ideals, all too often delivered in tandem with the increasingly *passé* Hofstede cultural dimensions, really do influence future (international) managers for the better. What is important in this context is to alert cross-cultural educators and others organizational developers, in the widest sense of the term, to the need for a new, robust managerial competence for harvesting expatriates' foreign knowledge, which is in reality a cross-culturally acquired confection of know-how and experience.

What is missing and where could we go next?

As we reviewed the literature that incorporated demographic factors into the expatriate management experience, we were struck by one general (perhaps obvious) and two more specific observations. Our general observation is that the field and its scholars will never lack interesting

questions to pursue. For all of the research in the last thirty years, it is truly remarkable how much more understanding we need – about the people who work abroad, about the organizations that send, hire or fire them, about the conditions that help and hinder individual and organizational success, and about how the nature of global work is changing. Any one of us could become the silver-haired researchers we all noticed as youngsters and wondered "just what keeps them going so long?"

Our two more specific observations are that there is work to be done building on what has already been researched *and* that many untapped areas exist. We address each briefly below.

Areas to build on

Several areas seem ripe for additional and more in-depth research. A lot of work has laid a good foundation that can only strengthen new directions and questions. For example, the whole realm of the implications of women's involvement in international management and expatriate positions is exploding with interesting questions. As more women worldwide go into professional careers that take them in global directions, as more women become entrepreneurs (especially in fields that are becoming global), and as more women consider and become self-initiated in their pursuits, the issues they raise will be fascinating and complex. Furthermore, as initial inklings of the potential differences of women across the generations become more visible, that could be a riveting area for exploration. At its most fundamental may be a question of whether women's careers in international management will create new models of what it means to be expatriates, to manage expatriates, and to succeed.

The whole category of self-initiated expatriates also reflects a new set of directions, some relating to age for instance. If younger unattached or older, nearing retirement or already retired, generations of people decide to work abroad, what will that look like? Is there an inverted U-curve on who works abroad? What will that mean for organizations that hire SIEs, for universities or other training programs, and for the recipient countries and organizations? Will it mean more self-initiated careers longer term? With older people living healthy longer lives, the chances for more migration may increase and we have little to guide us on its implications, on whether people will pursue SIE stints as one part of their careers or will they build full careers by initiating their own moves in a systematic way.

Related to women and SIEs is, of course, the whole notion of dual careers and families in the array of expatriate management. Will the questions around family and spouse differ in the future? If, as some suggest, American managers become more reluctant to uproot children or spouses, will that mean fewer transfers in the future? If that happens in particular countries, as in the US, will that eventually bring about a future decline in the global knowledge and expertise of Americans? Or, with the growing discussion about the importance of global experience being so important for children, will there be more interest and requests for expatriate experience and transfers within firms? How, though, do firms, training organizations, or societies in general prepare for those alternative futures?

Newer areas to consider

When we reviewed the last few years of research on expatriate management, several notable gaps emerged. We will look briefly at the demographic and related variables in terms of what is missing to identify possible future research directions for the next section of the chapter.

As we mentioned above, very little research exists on ethnicity or race, which may signal that it is not important in organizations that send managers abroad or that it is simply an area

where few have asked questions. But it seems a legitimate area for potential investigation for several reasons. First, multinationals in emerging economies are fast becoming some of the largest in the world, whether they come from China, India or Brazil or whether they set up subsidiaries or make cross-border acquisitions, they too will begin needing global talent. Does that raise questions about whether certain ethnicities will be accepted readily or do we hold assumptions, like we do with women, for example, that certain groups just "cannot work in a certain region." Just as the early – proven later to be false – assumptions about women and international management, do we hold untested assumptions about certain ethnicities as being better expatriates than others? Are Zambians better than Peruvians? Do we have any data to even raise such questions?

We found little that explicitly addressed class or income levels as it may or may not relate to expatriates and people who work outside of their home countries. The closest possible link might be self-initiated or locally hired expatriates, who would not have company sponsored compensation packages. That line of research might, somewhat indirectly, give us an opening into the notion of class. Would class make a difference in certain regions or countries? Napier and Taylor (2002) did find class was an issue when they examined experiences of professional women working in Turkey, but that it was not the class that women were perceived to be in, but, instead, class made a difference in terms of the groups of people with whom the women worked. In particular, women who worked with men from educated families did not encounter resistance (in part because those educated men very often had educated sisters) but they did encounter some reluctance or outright resistance from men in the workplace who were less educated or who came from rural areas. So, rather than the expatriates' backgrounds, it was the host country employee backgrounds that made a difference. This could also be a question of urban/rural backgrounds, as well. Since we found no direct research on whether the expatriate or host country urban/rural variable matters, it is most likely closer to class than other variables.

Even though we did not explicitly find research on whether certain professions appear to perform or adjust to international assignments better than others, we suspect that some might. Would professions where a goal is to complete a tangible project (e.g., build a bridge) or where the standards of performance are universal (beyond a specific setting or culture) be different than those where the task is ongoing or based upon building relationships (e.g., customer relations, marketing)?

Further, we found very little or no literature on certain variables (e.g., politics, religion, sexual orientation). Perhaps they are not considered truly demographic factors, but might they come into play for expatriate assignments? We thought it intriguing that we could not find anything relating to whether an expatriate's politics or religion matters or should matter, although it seems reasonable that religion may make a difference in some parts of the world. Further, while there were a few scholarly articles about gay expatriates or spouses (Collins, 2009; Gedro, 2010) and several in the practical newsletter-type literature, the academic research stream seems emerging rather than robust at present.

The issue of repatriation has long been a topic in the research literature but differences across different demographics has not. While the challenges of the return and reentry processes are well documented, little refers to whether different groups or demographic categories have different types of experiences. Does it matter? Is it more difficult – or perhaps easier – for women generally or for women to return to certain countries? Is it harder for older expatriates who may be closer to retirement? Or for younger ones trying to build a career but finding that their experiences may not be tapped? Finally, is it important to understand whether or not firms in certain industries or based in certain regions are better able to tap knowledge and how?

Another glaring gap in the literature is the near dominance of research from western and industrialized perspectives. This is to be expected, perhaps, since much research for decades has come from North America and Europe. But, particularly in international management, it is critical that more emerge from the locations where so much of the world's globalization efforts occur. Since so much of the research in international management, until only recently, has taken a western, northern hemisphere view, perhaps we are simply missing demographic and related questions altogether? Is the western-dominated world even able to ask the questions that should be asked going forward?

Somewhat related is the question of what differences may exist in types of organizations, whether they are small and medium sized enterprises, nongovernment or nonprofits, or other types. For example, research in Spain suggests that smaller firms in particular, but it could apply to larger and nonbusiness organizations as well, need "more flexible geographical mobility policies which will permit companies to fulfill their objectives while reducing the cost of international postings." Perhaps this could drive new models of structuring and managing international assignments or knowledge transfer as well.

Given these areas of missing literature, what does it mean for future research? Of course, we argue that more would be valuable in any of these areas but we will build on these and suggest areas to augment in the ongoing streams as well. In fact, we may be at a major crossroad in which "new paradigms, a consequence of the increase in [international] mobility, of technological change and of globalization, present new problems, for which traditional solutions are often inadequate" (Muñiz-Ferrer *et al.*, 2012).

Notes

1   We thank Shanshan Bai, Boise State University, for her support on the paper.

References

Adler, N. J. (1981). Re-entry: Managing cross-cultural transitions. *Group and Organizational Studies*, 6 (3): 341–356.

Adler, N. J. (1984). Women do not want international careers: And other myths about international management. *Organizational Dynamics*, 13 (2): 66–79.

Ali, A. J. (2011). Talent management in the Middle East. In: H. Scullion and D. Collings (Eds.), *Global Talent Management*. London: Routledge, 155–177.

Altman, Y. and Shortland, S. (2008). Women and international assignments: Taking stock – a 25 year review. *Human Resource Management,* 47 (2): 199–216.

Ariss, A. A. (2010). Understanding self-initiated expatriates: Career experiences of Lebanese self-initiated expatriates in France. *Thunderbird International Business Review*, 52 (4): 275–285.

Barton, S. (2009). *A History of Spain*. London: Palgrave Macmillan.

Berry, D. P. and Bell, M. P. (2012). 'Expatriates': Gender, race and class distinctions in international management. *Gender, Work and Organization*, 19 (1): 10–28.

Bohdal, U. (2009). Entsendungsmanagement im Wandel. Frankfurt: Deloitte Consulting. Available online at www.dgfp.de/wissen/personalwissen-direkt/dokument/81823/herunterladen.

Brotton, J. (2012). *A History of the World in Twelve Maps*. London: Allen Lane.

Cerdin, J.-L. and Le Pargneux, M. (2010). Career anchors: A comparison between organization-assigned and self-initiated expatriates *Thunderbird International Business Review*, 52 (4): 287–299.

Chang, W. (2005). Expatriate training in international nongovernmental organizations: A model for research. *Human Resource Development Review*, 4 (4): 440–461.

Chao, G. T. and Moon, H. (2005). The culture mosaic: A metatheory for understanding the complexity of culture. *Journal of Applied Psychology*, 90 (6): 1128–1140.

Cole, N. D. (2011). Managing global talent: Solving the spousal adjustment problem. *The International Journal of Human Resource Management*, 22 (7): 1504–1530.

Collins, D. (2009). "We're there and queer:" Homonormative mobility and lived experience among gay expatriates in Manila. *Gender & Society*, 23 (4): 465–493.

Collings, D. G., McDonnell, A., Gunigle, P., and Lavelle, J. (2010). Swimming against the tide: Outward staffing flows from multinational subsidiaries. *Human Resource Management*, 49 (4): 575–598.

Culpan, O. and Wright, G. H. (2002). Women abroad: Getting the best results from women managers. *International Journal of Human Resource Management*, 13 (5): 784–801.

Dickmann, M. (2012). Why do they come to London? Exploring the motivations of expatriates to work in the British capital. *Journal of Management Development*, 31 (8): 783–800.

Doherty, N., Dickmann, M., and Mill, T. (2011). Exploring the motives of company-backed and self-initiated expatriates. *The International Journal of Human Resource Management*, 22 (3): 611.

Eisner, S. P. and Harvey, M. E. O. (2009). C-Change? Generation Y and the glass ceiling. *S. A. M. Advanced Management Journal*, 74 (1): 13–28.

Felker, J. A. (2011). Professional development through self-directed expatriation: Intentions and outcomes for young, educated Eastern Europeans. *International Journal of Training and Development,* 15 (1): 76–86.

Festing, M. (2012). Strategic human resource management in Germany: Evidence of convergence to the US model, the European model, or a distinctive national model? *The Academy of Management Perspectives,* 26 (2): 37–54.

Forster, N. (2002). Another "glass ceiling"? The experiences of women professionals and managers on international assignments. *Gender, Work & Organization*, 6 (2): 79–90.

Gammeltoft, P., Pradhan, J. P., and Goldstein, A. (2010). Emerging multinationals: Home and host country determinants and outcomes. *International journal of Emerging Markets*, 5 (3/4): 254–265.

Gedro, J. (2010). The lavender ceiling atop the global closet: Human resource development and lesbian expatriates. *Human Resource Development Review*, 9 (4): 385–404.

Gómez-Mejía, L., Balkin, D., and Cardy, R. (2008). *Gestión de Recursos Humanos*. Madrid: Pearson Prentice Hall.

Harvey, M. (1989). Repatriation of corporate executives: An empirical study. *Journal of International Business Studies*, 20 (1): 131–146.

Harvey, M. (1997). Inpatriation training: The next challenge for international resource management. *International Journal of Intercultural Relations*, 21 (3): 393–428.

Harvey, M. (1998). Dual-career couples during international relocation: The trailing spouse. *The International Journal of Human Resource Management*, 9 (2): 309–331.

Harvey, M., Reiche, B. S., and Moeller, M. (2011). Developing effective global relationships through staffing with inpatriate managers: The role of interpersonal trust. *Journal of International Management*, 17 (2): 150–161.

Herodotus (2003). *The Histories*. London: Penguin Books.

Herzig, M. (2011). *¿Cómo se puede aumentar la tasa de éxito en el proceso de expatriación? Un análisis de buenas prácticas* (How could we improve success in expatriation processes? An analysis of good and bad practices). Unpublished working paper, Universidad Pontificia Comillas, Madrid.

Holden, N. J. (2002). Matsushita Electric: A learning company. In: N. J. Holden (Ed.), *Cross-Cultural Management: A Knowledge Management Perspective*. Harlow, UK: Pearson Education, 133–158.

Hughes, K. D. (2006). Exploring motivation and success among Canadian women entrepreneurs. *Journal of Small Business and Entrepreneurship*, 19 (2): 107–120.

Itani, H., Sidani, Y. M., and Baalbaki, I. (2011). United Arab Emirates female entrepreneurs: motivations and frustrations. *Equality, Diversity and Inclusion: An International Journal*, 30 (5): 409–424.

Kemppainen, R. and Holden, N. J. (2013). Intertwining personal and organizational experience: Nordic technology companies' engagement with asymmetries of cross-cultural knowledge sharing, networking and learning. Work in progress.

Khanna, T. and Palepu, K. G. (2010). *Winning in Emerging Markets: A Road Map for Strategy and Execution*. Boston, MA: Harvard Business School Publishing.

Kohlbacher, F. (2011). Business implications of demographic change in Japan: Chances and challenges for human resource and marketing management. In: F. Coulmas and R. Lutzeler (Eds.), *Imploding Populations in Japan and Germany: A Comparison*. Leiden: Brill, 269–294.

Kohlbacher, F. and Herstatt, C. (2011). *The Silver Market Phenomenon*. Heidelberg: Springer.

Kohlbacher, F., Gudorf, P., and Herstatt, C. (2011). Japan's growing silver market – an Attractive Business Opportunity for Foreign Companies? In: S. Kunisch, S. Boehm, and M. Boppel (Eds.), *From Grey to Silver: Managing the Demographic Change Successfully*. Heidelberg: Springer, 189–205.

Kollinger, I. (2005).Women and expatriate work opportunities in Austrian organizations. *International Journal of Human Resource Management*, 16 (7): 1243–1260.

Kopp, R. (1999). The rice-paper ceiling in Japanese companies. In: S. L. Beechler and A. Bird (Eds.), *Japanese Multinationals Abroad: Individual and Organizational Learning*. New York: Oxford University Press, 107–130.

Kupka, B., Everett, A. M., and Cathro, V. (2008). Home alone and often unprepared – intercultural communication training for expatriated partners in German MNCs. *The International Journal of Human Resource Management*, 19 (10): 1765–1791.

Latu, I. M., Stewart, T. L., Myers, A. C., Lisco, C. G., Estes, S. B., and Donahue, D. K. (2011). What we "say" and what we "think" about female managers: Explicit versus implicit associations of women with success. *Psychology of Women Quarterly*, 35 (2): 252–266.

Lauring, J. and Selmer, J. (2009). Expatriate compound living: An ethnographic field study. *The International Journal of Human Resource Management*, 20 (7): 1451–1467.

Lazarova, M., Westman, M., and Shaffer, M. A. (2010). Elucidating the positive side of the work-family interface on international assignments: A model of expatriate work and family performance. *Academy of Management Review*, 35 (1): 93–117.

Lee, C. H. (2005). A study of underemployment among self-initiated expatriates. *Journal of World Business*, 40 (2): 172–187.

Linehan, M. and Scullion, H. (2002). Repatriation of European female corporate executives: An empirical study. *International Journal of Human Resource Management*, 13 (2): 254–267.

Marx, K. and Engels, E. (1985). *The Communist Manifesto*. London: Penguin Books (first published in 1848).

McGowan, P., Redeker, L. C., Cooper, S. Y., and Greenan, K. (2011). Female entrepreneurship and the management of business and domestic roles: Motivations, expectations and realities. *Entrepreneurship & Regional Development: An International Journal*, 24 (1–2): 53–72.

Mendenhall, M. and Oddou, G. (1985). The dimensions of expatriate acculturation: A review. *The Academy of Management Review*, 10 (1): 39–47.

Mendenhall, M. and Stahl, G. K. (2000). Expatriate training and development: Where do we go from here? *Human Resource Management*, 39 (2–3): 251–265.

Moeller, M., Napier, N. K., and McGoughty, R. (2014). Career and family expectations of women in international management: A view across generations. In: K. Hutchings and S. Michailova (Eds.), *Research Handbook of Women in International Management*. Cheltenham: Edward Elgar.

Moore, K. and Lewis, D. (1999). *Birth of the Multinational: 2000 Years of Ancient Business History – From Ashur to Augustus*. Copenhagen: Copenhagen Business School Press.

Muñiz-Ferrer, M., Labrador-Fernández, J., and Arizkuren-Eleta, A. (Eds.) (2012). *Internacionalización y capital humano*. Madrid: Universidad Pontificia Comillas.

Napier, N. and Taylor, S. (1995). *Western Women Working in Japan: Breaking the Corporate Barrier*. Greenwich, CT: Quorum.

Napier, N. and Taylor, S. (2002). Experiences of women professionals abroad: Comparisons across Japan, China and Turkey. *The International Journal of Human Resource Management*, 13 (5): 837–851.

O'Neil, D. A., Hopkins, M. M., and Bilimoria, D. (2008). Women's careers at the start of the 21st century: Patterns and paradoxes, *Journal of Business Ethics*, 80 (4): 727–743.

Peltokorpi, V. and Froese, F. J. (2009). Organizational expatriates and self-initiated expatriates: Who adjusts better to work and life in Japan? *The International Journal of Human Resource Management*, 20 (5): 1096–1112.

Peterson, R. B. (2003). The use of expatriates and inpatriates in Central and Eastern Europe since the Wall came down. *Journal of World Business*, 38 (1): 55–69.

Sauvant, K. P., Maschek, W. A., and McAllister, G. (2009). Foreign direct investment by emerging market multinational enterprises, the impact of the financial crisis and recession and challenges ahead. OECD Global Forum on International Investment. Available online at www.oecd.org/investment/global forum/44246197.pdf.

Scott, A. (2009). Twitter ye not. *www.peoplemanagement.co.uk/features*, September 24: 22–24.

Selmer, J. (2005). Cross-cultural training and expatriate adjustment in China: Western joint venture managers. *Personnel Review*, 34 (1): 68–84.

Selmer, J. and Lauring, J. (2010). Self-initiated academic expatriates: Inherent demographics and reasons to expatriate. *European Management Review*, 7: 169–179.

Selmer, J., Lauring, J., and Feng, Y. (2009). Age and expatriate job performance in Greater China. *Cross Cultural Management: An International Journal*, 16 (2):131–148.

Shapiro, M., Ingols, C., O'Neill, R., and Blake–Beard, S. (2009). Making sense of women as career self-agents: Implications for human resource development. *Human Resource Development Quarterly*, 20 (4): 477–501.

Sinangil, H. K. and Ones, D. S. (2003). Gender differences in expatriate job performance, *Applied Psychology*, 52 (3): 461–475.

Stening, B. W. (1994). Expatriate management: Lesson from the British in India, *The International Journal of Human Resource Management*, 5 (2): 385–404.

Szkudlarek, B. (2010). Re-entry – A review of the literature. *International Journal of Intercultural Relations*, 34 (1): 1–21.

Tharenou, P. (2008). Disruptive decisions to leave home: Gender and family differences in expatriation choices. *Organizational Behavior and Human Decision Processes*, 105 (2): 183–222.

Thite, M., Sirnivasan, V., Harvey, M., and Valk, R. (2009). Expatriates of host-country origin: "Coming home to test the waters." *The International Journal of Human Resource Management*, 20 (2): 269–285.

Torrington, D. (1994). *International Human Resource Management: Think Globally, Act Locally*. Hemel Hempstead, UK: Prentice Hall.

Tung, R. L. and Haq, R. (2012). International assignments to/from India: Do race and gender matter? *The International Journal of Human Resource Management*, 23 (2): 221–235.

Vaiman, V., and Holden, N. (2011). Talent management in Central and Eastern Europe: Challenges and trends. In: D. Collings & H. Scullion (Eds.), *Global Talent Management*. London: Routledge.

Vance, C. M. and Paik, Y. (2002). One size fits all in expatriate pre-departure training? Comparing the host country voices of Mexican, Indonesian and US workers. *Journal of Management Development*, 21 (7): 557–571.

Vance, C. M., Paik, Y., and White, J. A. (2006). Tracking bias against the selection of female expatriates: Implications and opportunities for business education. *Thunderbird International Business Review*, 48 (6): 823–842.

Wang, I. M. (2008). The relations between expatriate management and the mentality and adjustment of expatriates. *Social Behavior and Personality: An International Journal*, 36 (7): 865–882.

Werhane, P. H. (2007). Women leaders in a globalized world. *Journal of Business Ethics*, 74 (4): 425–435.

Yeoh, B. and Khoo, L. (1998). Home, work and community: Skilled international migration and expatriate women in Singapore. *International Migration*, 36 (2): 159–186.

22

Work–life balance and coping of international assignees

Olivier Wurtz and Vesa Suutari

Introduction

Work–life balance (WLB) concerns are often critical to international assignments. Experienced international managers mention them as one of the key challenges in their career (Suutari, 2003), and the majority of international assignees (IAs) report work as regularly interfering with their private life (Grant-Vallone & Ensher, 2001). Indeed, work is more disruptive to private life in expatriation than in domestic assignments (IRC/ORC, 2006/2007; Shortland & Cummins, 2007), and the disruptions caused by expatriation are thus likely to affect the often fragile balance in couples and families (Caligiuri, Hyland, Joshi, & Bross, 1998; Lazarova, Westman, & Shaffer, 2010). This view is also supported by the Global Relocation Trends of 2012, since expatriates consider family issues to be the most important cause of premature departures from an international assignment (GMAC, 2012). Family related concerns were also found to be the main reason for turning down an international assignment, accounting for more than half of refusals: 34 percent of them were due to family concerns, and 17 percent related to a spouse's career. Generally, it seems that when abroad, the boundaries between private and professional life are weaker (Caligiuri & Lazarova, 2005), with problems like stress in one domain more easily affecting the other than in domestic cases.

However, expatriates and their organizations can play an active role in the management of WLB. Assignees can use various methods to cope with expatriation hardships: some suffer quietly, some make plans for the future, and others implement actions to resolve the issues they face (e.g., Stahl & Caligiuri, 2005). In the literature, such actions are referred to as coping strategies, a term describing individual reactions to difficult and challenging situations (Lazarus & Launier, 1978). Several different kinds of coping strategies have been identified (e.g., Connor-Smith & Flachsbart, 2007; Lazarus & Folkman, 1984; Stahl & Caligiuri, 2005) and it is also already known that such strategies are effective to varying degrees. For example, active problem-solving efforts have often (but not always) been found to be more efficient than disengaging responses (Selmer, 1999a; Stahl & Caligiuri, 2005; Ward & Kennedy, 2001). However, less research has focused on WLB perspectives (or family level coping), as studies have concentrated more on expatriate coping in general (see e.g., Stahl & Caligiuri, 2005).

Companies can also take measures to limit work–life challenges. For example, appropriate training, family/life support measures, and work-related policies to reduce work–life conflict

play an important role in ensuring employees benefit from better WLB. In the context of international assignments, the importance of overall support functions – such as pre-departure training, acclimatization programs, or dual career support practices – has been emphasized as a means to address the adjustment challenges faced by families. Helping the family to adjust better to a new situation makes life much easier for an expatriate who is trying to cope with expectations both from their work and their family.

This chapter first discusses the work–life balance issues faced by international assignees, and after framing a view on common types of work–life conflicts, the focus turns to the coping strategies expatriates use to manage these challenges; the policies and actions companies can take in order to support work–life balance problems are also discussed. Finally, some practically relevant research directions are proposed.

What is work–life balance?

Work–life balance refers to the relations and the cross-influences between an individual's work and private life domains. One example could be that of a manager working long hours, and not being able to support his or her partner in household chores and in raising children. This balance between work and life has been defined as "satisfaction and good functioning at work and at home and with a minimum role conflict" (Clark, 2000: 751). When looking at the interaction between these two spheres of life, one can refer to "contagion" or "spill-over" (Caligiuri *et al.*, 1998; Mäkelä, Suutari, & Mayerhofer, 2011), which describe the process of transference of moods, behaviors and the like between two domains, namely the professional and the private (Lazarova *et al.*, 2010; Carlson, Kacmar, Wayne, & Grzywacz, 2006). For instance, lack of sleep caused by needing to care for a young baby may affect a parent's work life. These impacts are bi-directional: private life can affect work life – described as "Life-to-Work" influences – but professional life can also have major effects on private life ("Work-to-Life" matters).

These cross-domain effects are either positive or negative. When they are negative, they are referred to as "work–life conflicts", which are defined as "a form of inter-role conflict in which the role pressures from the work and the family domains are mutually incompatible in some respect" (Greenhaus & Beutell, 1985: 77). However, these cross-domain influences can also be positive and can generate "enrichment" (Greenhaus & Powell, 2006). The engagement and positive effects from one domain can generate engagement and positive effects in the other. For instance, professional satisfaction may, for some individuals, increase levels of energy and happiness outside of work (Lazarova *et al.*, 2010). The present paper will focus primarily on work–life conflicts and the related coping strategies applied by expatriates.

Work–life conflicts of international assignees

During international assignments, the issues of WLB are typically perceived as being very important, and the spill-over between work life and personal life are stronger than in domestic assignments (IRC/ORC, 2006/2007; Shortland & Cummins, 2007). First, the boundaries between the work and non-work domains are likely to be weaker in expatriation, with spill-over becoming more common as a result. An international assignment is typically professionally driven; the work domain therefore has a major impact on private life and on family members in particular. In this regard, the decision to move abroad is not only a personal professional decision, but is also always a family level decision with a broad impact on the family's overall life and related WLB challenges. In addition, when living abroad, social networks and support are often limited compared to those available in the home country. As a result, international

assignees often suffer from isolation. Therefore, social relations might be limited to those with colleagues and with the expatriate's family, giving them an unusually pervasive role. From the family perspective, the situation can be even more challenging: the expatriate has his or her corporate networks, daily activities, and support networks, while the family may feel even more isolated and find it difficult to integrate with the local community. It seems that the mechanisms employed to limit the influence of one domain on another are more difficult to deploy in expatriation (Shaffer, Harrison, Gilley, & Luk, 2001). The cross–influences of the professional and the extra–professional are therefore likely to be stronger abroad.

Second, the adjustment to both work and family life roles are demanding challenges (Lazarova et al., 2010) that increase the influence of each domain, and make the concomitant management of both domains an issue (Caligiuri et al., 1998; Lazarova et al., 2010; Van der Zee, Ali, & Salomé, 2005). International assignees often face significantly greater professional and private demands and challenges, and this is likely to increase the challenges posed to the work–life balance. Expatriates must adjust to their work responsibilities, but also to their evolving private, and especially family, roles (Lazarova et al., 2010). They thus face significant professional and personal disruptions, which include a new role and culture that must be adjusted to, and often increased responsibilities and pressure and make professional adjustment demanding (Harris, 2004). In addition, there is a need for adjustment outside of the working environment, and when there is an accompanying family, to a demanding and evolving family context. This phenomenon is heightened by the increased dependency among family members that often occurs abroad (Arieli, 2007; Schneider & Asakawa, 1995). Family system theory emphasizes (Caligiuri et al., 1998; Minuchin, 1974) that families are a system within which every individual's moves affect the balance of the system in itself, as well as the other members. The strong external shock to the family system generated by the expatriation can dramatically increase the demands a family places on an expatriate (Caligiuri et al., 1998; Lazarova et al., 2010). Furthermore, such demands arise in a situation in which the expatriate needs to work hard to cope with a new and often very demanding job, within a new organizational and institutional context.

Work–life conflicts have been classified into three categories: time-based, strain-based and behavior-based (Greenhaus & Beutell, 1985). *Time-based conflicts* refer to situations in which one domain causes the individual to not be present often enough, either mentally or physically, in the other (Ford, Heinen, & Langkamer, 2007; Greenhaus & Beutell, 1985). In the expatriate context, this typically appears through long working hours and, thus, absence from home (Mäkelä & Suutari, 2011; Shortland & Cummins, 2007). *Strain-based conflicts* concern cases where stress and tensions from one domain impact the other. This is very typical among expatriates when the required work drains energy and focus (Mäkelä et al., 2011). *Behavior-based conflicts* occur when behaviors from one role are incompatible with the other role. For instance, the leadership style effective at work may not be appropriate at home, making it difficult for the assignee to display appropriate behavior in both domains. In addition to these usual generic groups, Mäkelä and Suutari (2011) have suggested that there are work–life conflicts specific to international mobility. These *mobility-based conflicts* are, for instance, the cyclical nature of life since international contracts are typically short-term arrangements (of a few years' duration), after which one has to find a new job and sometimes a new place to live as well. Generally, any kind of job insecurity has been found to cause work–life conflicts (Voydanoff, 2004). It is also common that after one international assignment, expatriates will leave for another, either directly after the old assignment or after spending some time back in their home country. Absence from one's home country can lead to problems in sustaining friendships or close relationships with relatives, while new social networks are left behind at the end of an assignment.

Work and life issues do not contribute equally to work–life conflicts; work–life issues are more frequently caused by work than by private life during expatriation. For example, Grant-Vallone and Ensher (2001) observed that among expatriates working in Europe, 60 percent of international assignees reported work interfered with their private life, while 20 percent mentioned their personal life interfered with work.

We will next discuss the causes and the consequences of work–life conflicts for IAs.

Determinants of work–life conflicts among expatriates

Besides analyzing what kinds of work–life conflicts appear, there has been a great deal of interest in understanding the determinants (antecedents) of either conflicts or enrichment (e.g., Eby, Casper, Lockwood, Bordeaux, & Brinleya, 2005). Antecedents to WLB have typically been classified into three main categories, those arising in the work domain, the non-work domain, and the individual domain (Guest, 2002). Work domain antecedents include, for instance, flexibility of work schedules, number of working hours, and supervisors' supportiveness. The non-work domain group includes factors such as family issues and leisure time activities (Guest 2002). Individual and demographic variables include factors such as gender, age, career stage, and personality (Eby *et al.*, 2005; Kinnunen & Mauno, 2008).

It can be expected that many antecedents play a role in both domestic and international career contexts. However, the effects of certain antecedents may be different in the international context (e.g., having a stronger impact or different consequences). For example, having a teenage child often presents families with challenges related to the child's age, but those challenges may be different if the typical personal growth issues that teenagers face are arising in an unfamiliar cultural milieu removed from social networks (e.g., friends and extended family in the home country). Experienced international managers would advise colleagues with teenaged children to think carefully before accepting an international career move.

At the *individual level*, factors such as *gender* matter. It seems, for instance, that female expatriates face more work–life conflicts (Harris, 2004; Mäkelä *et al.*, 2011; Punnett, 1997), although in the domestic setting the impact of gender has been found to be weak (Kinnunen & Mauno, 2008). This can be a result of different elements, such as the often greater involvement of women in child rearing; the additional professional hardships generated in countries with more traditional gender norms; or the norms that make matters more complicated for a male partner following their spouse abroad than vice versa. *Career stage* is another factor. At early *career stages,* individuals often put a great deal of effort into succeeding at work and building their careers. This naturally creates work–life conflicts, in particular if the assignee already has a family. Later on in their career, individuals may start to place more value on their free time and family affairs, and thus aim to achieve a better overall work–life balance. *Individual motivation* always plays a role as well: the higher the personal work motivation and commitment, the more work–life conflict (WLC) is reported (Shih, Chiang, & Hsu, 2010). On the other hand, personal international orientation may prevent feelings of WLC when assignees are highly motivated to work in this kind of challenging international environment. *Experience* also affects WLB, as managers and families used to frequent relocations are more likely to have identified ways to achieve a better work/non-work balance (Suutari, 2003).

Many *work-domain factors* can generate WLC for expatriates, since most assignees *work longer hours* than they did in their home country (IRC/ORC, 2006/2007; Shortland & Cummins, 2007). The assignment often also involves taking a *more senior position* or one with broader *responsibilities* than the previous domestic one (Solomon, 1995; Suutari & Brewster, 2000), which makes the assignment a considerable development challenge for the expatriate. Moreover, the

level of *autonomy* permitted in expatriate positions is typically higher than in previous domestic positions, which causes issues when there is less support available and expatriates have to work in areas beyond their main area of competence. On the one hand, a high level of autonomy may decrease the instances of conflict, since the person may be able to work more flexibly (Voydanoff, 2004). However, the onerous overall workload and extensive development needs faced by expatriates make this adjustment difficult in practice. The nature of work may also be more international and involve additional challenges caused by *time zone differences* or increased *international travel*; expatriates frequently report going on many business trips, and often long ones (IRC/ORC, 2006/2007; Shortland & Cummins, 2007). For the majority of them, these trips included weekends or were outside normal working hours. The availability of *organizational* (and supervisor) *support* has been shown to affect work-to-life conflicts, as assignees not in receipt of sufficient support are more likely to experience these conflicts (Grant-Vallone & Ensher, 2001).

As discussed earlier, aspects concerning the *non-work domain* are very important in the international career context. First, it has been reported that *having a family* is in itself a source of conflict (Mäkelä, Suutari, & Brewster, in press) requiring the integration of professional plans with the family and its needs. This leads to a narrowing of career options, and limits working hours for some. It is easy to understand that *family characteristics,* such as the number of children or their age, affect the perceptions of conflict (Byron, 2005; Kinnunen & Mauno, 2008). The *overall level of family stress* has also been found to be a source of conflict (Byron, 2005). In the international career context, such stress experiences can be generated by difficulty in adjusting or the loss of the family's social ties (e.g., Shortland & Cummins, 2007). Expatriates also stress that the *host culture* has an impact (Mäkelä *et al.*, in press); as it is easier to create social connections with locals in some cultures than in others and standard working hours might vary considerably across countries. When international relocation is a shared family effort, the *family motivation toward the international assignment*, and more generally the *support provided by the family,* play a key role in mediating work–life conflict.

Consequences of work–life issues

Work–life conflict has various consequences for both individuals and families. Such outcomes are divided into three categories: individual, work, and family.

From the perspective of *individual well-being*, several important consequences have been identified. In domestic career settings, it has been widely reported (for a meta-analysis see Allen, Herst, Bruck, & Sutton, 2000) that work–life conflict is strongly connected to work-related stress, work-related strain, and burnout. Work-family conflict has also been connected with affective outcomes such as *dissatisfaction,* and with behavioral outcomes such as the *amount of effort* expended on the domain (Kinnunen & Mauno, 2008; Wayne, Musisca, & Fleeson, 2004). Detrimental health effects of these conflicts have also been verified in longitudinal research settings (Frone, Russell, & Cooper, 1997). In the international career context, it has been shown that work interference with private life increases *depression* and *anxiety* among expatriates (Grant-Vallone & Ensher, 2001). Psychological consequences of expatriation (such as stress) can therefore be exacerbated by work-to-family conflicts. For parents, being unable to devote as much time as they would like to their children can create stress and lead to more serious consequences for emotional well-being, and the risk of that situation arising is increased for expatriate parents.

For expatriates, work–life conflict also affects various *work-related outcomes*. The conflicts between professional and private demands put expatriates in a sub-optimal work situation. It

thus becomes more difficult for them to focus completely on their work, or to be fully dedicated to it. This reduces work satisfaction (Shih *et al.*, 2010), since expatriates facing WLC are likely not only to experience less satisfaction with their family life, but also *less satisfaction with their work life*. WLC also affects expatriate *professional performance* (Shih *et al.*, 2010). Furthermore, as discussed earlier, WLC affects *decisions to expatriate* (Dickmann, Doherty, Mills, & Brewster, 2008) and can cause *premature departure* or at least trigger an intention to leave prematurely (Andres, Moelker, & Soeters, 2012; Shaffer *et al.*, 2001). These outcomes are undesirable for the employer, as a lack of candidates willing to go abroad causes staffing problems, and premature returns leave a position abroad unfilled. Hiring replacements takes time and effort, in addition to the business consequences of having a position remain vacant. Similarly, unexpected repatriation causes problems at home, as planned career moves after the international assignment will have to be reassessed. Finally, it has been shown, at least for female expatriate managers, that WLC affects *progression to senior-management positions* as such experiences prevent female expatriates from reaching top positions. Women often feel that they must choose between a successful international career and having a family (Linehan & Walsh, 2000).

Work–life conflict, such as that arising from not being able to spend enough time with one's family or contribute equally to domestic duties because of work constraints, or being stressed at home because of work issues, naturally also produce *family level outcomes*. In the first place, WLC can affect *satisfaction with family relationships* (Andres *et al.*, 2012; Kinnunen & Mauno, 2008), which in turn can have a serious impact on a family and perhaps even lead to *divorce*. When work interferes with life issues, it can intensify family problems. The combination of WLC with the hardships of expatriation can propel the family to *leave the country*, most notably in situations where expatriates cannot provide as much emotional and instrumental support as needed. If the expatriate does not follow, the difficulties brought about by long distance relationships and international travel can surface. It has also been found that international assignees with greater levels of commitment to the family or to the company experience stronger consequences of WLCs (Shaffer *et al.*, 2001). *Commitment* notably intensifies the impact of conflicts on the intent to leave.

As this discussion indicates, international assignees and their families face many forms of work–life conflict and, consequently, its various negative effects. In light of these issues, questions addressing how expatriates can cope in such situations, and how companies can support their coping, become important.

Coping with work–life conflict

The way people react to expatriate assignments is important (e.g., Stahl & Caligiuri, 2005). There are many hardships related to expatriation – work–life issues being one of the most important – and the way international assignees react to them, in terms of the coping strategies they display in order to face these challenges, can make a significant difference. We will next examine how expatriates cope generally with the challenges of international assignments. Afterwards, we will focus on the methods of coping with WLC.

Coping on international assignments

Coping refers to "efforts . . . to manage (i.e., master, tolerate, reduce, minimize) environmental and internal demands, and conflicts among them, which tax or exceed a person's resources" (Lazarus & Launier, 1978: 311). In other words, coping strategies describe reactions to difficult and challenging situations. Those reactions can be behavioral or cognitive. Coping strategies

Table 22.1 Classification of coping strategies. Inspired from Lazarus and Folkman (1984), Carver, Scheier, and Weintraub, (1989), and Connor-Smith and Flachsbart (2007)

Coping Dimensions	Coping Strategies
Problem-focused coping strategies	*Active coping*: problem-solving action
	Planning: elaboration of plans, or strategies
	Restraint: wait before acting too quickly
	Suppression of competing activities: focus on the problem faced and avoidance of distraction
	Use of instrumental social support: collection of help, advice, information from others
Emotion-focused coping strategies	*Acceptance*: psychological accommodation with the situation: learning to live with it
	Behavioral disengagement: termination or limitation of the efforts to solve the problem faced
	Denial: pretending that the problem has not occurred, that the situation is not difficult
	Focus on and venting of emotions: emphasis on emotions and expression of them
	Humor: consideration and focus on the humor in the situation
	Mental disengagement: attempt to divert attention from the source of stress
	Positive reappraisal: reappraisal, re-evaluation of the situation to see the good side of it, infusion with positive meaning
	Substance use: consumption of alcohol or drugs
	Religious coping: comfort, consolation, help sought through religion
	Use of emotional social support: collection of understanding and empathy for one's feelings

are often classified into two groups: *problem-focused* and *emotion-focused* coping strategies. Problem–focused reactions aim to resolve the issue faced, while emotion–focused ones try to handle the emotions generated. Both groups include various, more specific coping strategies. A classification of coping strategies, adapted from Lazarus and Folkman (1984), Carver, Scheier, and Weintraub, (1989), and Connor–Smith and Flachsbart (2007) is shown in Table 22.1.

Problem–focused coping strategies include reactions such as *active coping* (problem-solving action), *planning*, and collecting advice in order to solve the problems encountered (*use of instrumental social support*). *Humor* and *positive reappraisal*, as well as the *use of emotional support*, *denial*, and consumption of alcohol or drugs (*substance use*) are emotion-focused responses.

These reactions are not mutually exclusive. An individual facing hardships often displays different reactions. For instance, an English expatriate freshly arrived abroad on assignment may simultaneously dream of the next vacation in England (*mental disengagement*), take local language classes (*active coping*), and attempt to see the situation as an opportunity to discover an exotic country (*positive reappraisal*). Individual reactions are both influenced by context and by the individual. For example, the host culture and organizational support are contextual factors that affect individual reactions abroad.

Coping does not necessarily imply mastery over the environment (Lazarus & Folkman, 1984). Some situations cannot be changed and some problems cannot be solved; these must then be endured. "Effective coping under these conditions is that which allows the person to tolerate, minimize, accept, or ignore what cannot be mastered" (Lazarus & Folkman, 1984: 140).

According to Lazarus and Folkman (1984), coping strategies are not intrinsically good or bad. They are not always successful in their attempts to manage a difficult situation; one may actively attempt to solve the problem faced, and succeed or fail. The effectiveness and the consequences of coping strategies depend on the encounter, on the problem faced, and on the situation (Stahl & Caligiuri, 2005). For instance, active problem-solving coping reactions are often inefficient in situations that cannot be changed and that can only be endured. In contrast, *denial* can in some cases produce positive outcomes.

What do we know about the coping of international assignees?

Research on expatriate coping is fairly scarce. However, it has been found that some take refuge in expatriate enclaves (Selmer, 1999a), some actively learn the host country's language (Tung, 1998), some drink more than usual (Feldman & Thomas, 1992), and others play sports (Stahl & Caligiuri, 2005); their reactions vary greatly. Stahl and Caligiuri provide a comprehensive list of the coping mechanisms displayed by IAs (2005).

Their findings show different problem-focused coping responses, from exploration of new ways of actions (active coping), to focusation and setting clear priorities (suppression of competing activities), to the use of tactics to achieve personal goals (active coping and planning), or taking host nationals as role models, or adopting local norms and values (active coping). Many types of emotion-focused coping strategies were also used, such as emphasizing the positive in the situation or change goals (positive reappraisal), making plans for the time after the assignment (mental disengagement), or sharing one's frustration with a friend (use of emotional social support and focus on and venting of emotions).

These expatriates' reactions can be affected by many factors: individual as well as environmental factors can influence or constrain the reactions displayed. First, the country of origin impacts the coping strategies displayed abroad: there seems to be some regularities in the way co-nationals react abroad. In particular, Selmer (1999b) provided some evidence that French expatriates are more likely to employ emotion-focused coping than British or American ones. Second, motivational factors also influence coping strategies that deal with the difficulties of expatriate life. Specifically, an unwillingness to adjust facilitates mental disengagement, and limits the efforts taken to integrate with locals (Selmer, 2001). Environmental factors also have some influence, facilitating or constraining reactions to some extent. For instance, cultural distance affects expatriate responses (Selmer, 2002); expatriates from countries that are culturally closer to their host country seem to display more emotion-focused coping strategies.

According to cognitive coping theory (Lazarus & Folkman, 1984), the appraisal of the situation plays a role in the choice of coping mechanisms. It has been shown that such appraisal directly affects reactions to international assignments. Expatriates who feel they are unable to adjust tend to display less restraint and tolerance (Selmer, 2001).

If we analyze the effectiveness of these coping strategies, research suggests that problem-focused coping strategies are often adaptive, and thus efficient, while emotion-focused coping strategies have an impact that is more mixed or detrimental. For example, problem-focused coping is positively related to professional and non-professional expatriate adjustment (Stahl & Caligiuri, 2005), and negatively related to depression (Ward & Kennedy, 2001). More detailed interpretation suggests integration efforts are positively related to relationships with locals (Feldman & Thomas, 1992), displaying patience and tolerance was positively related to

professional and private adjustment (Selmer, 1999a), and active problem solving was positively linked to professional adjustment (Selmer, 1999a). Moreover, the effectiveness of coping reactions has been shown to vary depending on the context. In particular, occupational position and cultural distance moderate their effectiveness; problem-focused types of reactions are more useful for lower-level international assignees, and when cultural distance is higher (Stahl & Caligiuri, 2005).

On the other hand, emotion-focused coping strategies are sometimes, although not always, detrimental. Denial would harm relations with the locals, while palliative coping (such as excessive use of alcohol) would have a negative impact on one's intent to remain, as well as on job satisfaction (Feldman & Thomas, 1992). Yearning for one's home country could harm psychological well-being and professional adjustment (Selmer, 1999a). Looking for refuge in expatriate enclaves is negatively related to professional adjustment, as well as, in one of the two studies investigating this relationship, with psychological and professional adjustment (Selmer, 1999a). More generally, emotion-focused coping would have a negative influence on general and interactional adjustment, at least for women (Selmer & Leung, 2007). Avoidance seems to facilitate depression (Ward & Kennedy, 2001) while psychic reappraisal could increase an expatriate's intent to remain in situ, internal motivation, and professional satisfaction (Feldman & Thomas, 1992), and humor appears to counter depression (Ward & Kennedy, 2001). The findings of these cross-sectional studies call for the implementation of longitudinal or multiple data source studies of the effectiveness of coping strategies employed by international assignees.

An assessment of what is already known about *coping with work–life issues* could easily conclude that the answer is "very little." The investigation of how IA's cope with work–life issues is a nascent stream of research that has to date only been discussed in a handful of articles (Mäkelä & Suutari, 2011; Mäkelä, Saarenpää, Suutari, & Wurtz, 2012). These studies have focused more on very experienced global careerists (with long-term international careers and therefore multiple international assignments behind them), and work–family issues more than broader work–life issues. The results indicate that expatriates use a wide range of coping strategies to face work–life issues, but problem-focused coping reactions are more commonly reported than emotion-focused ones.

Beginning with *problem-focused coping strategies*, it appears that expatriates commonly apply *active coping*. Some change employers, or even choose to become an entrepreneur in order to be able to handle WLC more effectively. Another reported response is to provide one's family with high living standards, rather than trying to save as much as possible. Regularly traveling back home is also a way of coping with the issues related to the distance from relatives. Active *planning* was another important strategy; some respondents had organized their working days in order to integrate and solve private needs as well. For instance, they had arranged time to drive their children to school or leisure activities. Other important planning activities concern the choice of housing and schooling, often made carefully prior to their initial departure. Furthermore, the expatriates actively utilized *instrumental social support*. Some international assignees look for advice and assistance in order to face WLC, notably from co-nationals or international mobility experts. They might also obtain support for household chores, including help with childcare. The international assignee's partner, who will often not be working during the assignment, can provide strong instrumental support, by contributing more to childcare and domestic duties, thereby allowing the partner to focus on work, devote long hours to it, and undertake business travel more easily. Many international assignees also make use of corporate support policies. The support provided is often multifaceted: some companies offer the opportunity for the family to visit the host country in advance of the placement, some help to find schools, manage administrative requirements, and so on. Finally, *suppression of competing*

activities is also demonstrated. For example, expatriates reported limiting their time spent with friends and pursuing hobbies in order to decrease WLC. One final option used was working less at the beginning of their international assignment in order to have more time to help the family adjust.

With regard to *emotion-focused coping strategies*, *acceptance* often appeared as a coping strategy among expatriates. Some international assignees work at becoming accustomed to their situation. They accept it as a part of their career, consider their job to be very important, and are therefore willing to accept the hardships resulting from their professional move. Some expatriates are more willing than others to accept the *emotional social support* on offer as an aid to coping with the difficulties of expatriation. This support might come from relatives in their home country and their accompanying family, but above all is something offered by their partners. It appears that it is important to involve other family members (particularly spouses and older children) in the decision to accept an international assignment. Having the support of other family members for the move will make it easier for the family as a whole to cope with any difficulties that arise, and maintain the flow of emotional support to the assignee that makes their lives easier. Third, *positive reappraisal* was sometimes evident. Some international assignees and their families reinterpret their difficult experience as an important opportunity for growth, learning, and developing skills. In so doing, they positively re-appraise the impact of the situation upon the whole family, approaching challenging issues as opportunities to experience different cultures and enhance their adaptability. Some regard expatriation as an opportunity for their spouse to spend more time with the children and increase their involvement in the family than would be possible if both were working in the home country. Furthermore, some also reinterpret the hardships encountered abroad as an opportunity to draw closer as a family. Finally, *behavioral disengagement* emerged in some cases. Assignees rarely reported disengaging reactions but some of them took the extreme option of quitting their jobs. Avoidance strategies can also sometimes be applied *before* an assignment, as occurs when a posting is assessed as potentially being too demanding on the family and the offer is rejected.

The findings reported above are based on relatively few articles (Mäkelä & Suutari, 2011; Mäkelä *et al.*, 2012), and investigation of the coping strategies applied to handle WLC in expatriation should be extended. Future research should also analyze how effective such strategies are in achieving better WLB. The study of the effectiveness of international assignee coping responses provided different promising findings (e.g., Stahl & Caligiuri, 2005). However, more research is needed, most notably concerning the work-family interface and the issues that often arise abroad.

How can organizations support the WLB of expatriates?

There are various measures available to organizations to limit WLC and its negative consequences. Companies often focus on life-to-work conflict, but these measures and policies can also help manage work-to-life issues (Grant-Vallone & Ensher, 2001). Moreover, the measures taken should be applied early in the assignment in order to help expatriates build supportive habits, and prevent them and their families from suffering through negative spirals (Shaffer *et al.*, 2001). We next discuss how training, practical support, and measures limiting work-to-life conflicts can help international assignees and their families.

To begin, different types of training can ease work–life issues on international assignment, and are most effective if extended to the family unit (Caligiuri *et al.*, 1998). First, sessions dedicated to the management and limitation of work–life conflict could be offered. This can help assignees and their families react positively to such problems, and even consciously limit their impact.

These sessions can also help individuals benefit from the possible mutual enrichment of the work and life domains. Second, cross-cultural training before and after departure can facilitate adjustment, and help the family view the assignment as an opportunity to learn. Such training should be practical, however, alerting families to potential difficulties, and offering advice on how to handle them. When successful, such training can also limit family resistance to the move and its negative effects. Lastly, language training can facilitate adjustment and improve the family's independence.

One of the challenges identified concerning the motivation to participate in training is that expatriates are not always conscious beforehand of the hardships they may encounter or of the benefits of the training. They are often already very busy and may see training as waste of time (Shortland & Cummins, 2007); being able to counter such assumptions is therefore an important task.

Practical support can be of great assistance to assignees and their accompanying family, and can mitigate WLC. Such support can start long before departure with a country visit, help with finding housing and identifying appropriate schools for children. Then, once in the host country, help can be offered with administrative, banking, and social security tasks, which are often onerous and extremely time-consuming. The company can also help expatriates and their families re-create networks and integrate into some communities by paying for membership to clubs, organizing events for the spouse or family, and providing coaching and advice. This is especially useful in making the family less dependent on the expatriate assignee (Caligiuri *et al.*, 1998). Support for household chores and childcare can also be provided. A beneficial by-product of such support can be that it contributes to fostering positive perceptions of the employer among family members.

Specific measures to limit work-to-life conflicts can also be taken. Corporate policies can reduce the impact of work on private life (Grant-Vallone & Ensher, 2001). This can be achieved by limiting responsibilities and working hours, providing employee flexibility and time off work, and creating a supportive work climate. First, working hours, as well as the amount of responsibilities and travel can be limited. Expatriates often have challenging responsibilities and a heavy workload. Limiting these to a reasonable level can reduce working hours and WLC. On top of limiting work demands, more resources can be made available (Kinnunen & Mauno, 2008): organizational social support, job clarity, and job control can help the individual manage his or her work responsibilities better and limit the conflicts generated (Kinnunen & Mauno, 2008; Michel, Kotrba, Mitchelson, Clark, & Baltes, 2011). Second, greater work flexibility can help expatriate employees to manage the demands of their private life. The organization can offer the option to work from home on occasion, and flexible working hours and freedom to attend to domestic issues. Third, an employer offering an employee leave of absence to take care of the family can also reduce that employee's WLC (e.g., Glass & Finley, 2002; Poelmans & Sahibzada, 2004). Taking care of the family might include being with children when they are ill or during school vacations, or parental leave upon the birth of a child. Finally, a supportive work–family culture within the organization is also key (Allen, 2001; Anderson, Coffey, & Byerly, 2002; Mauno, Kinnunen, & Ruokolainen, 2006). It can influence the effectiveness of all other measures, because it will determine whether the employee feels free to utilize them. If the informal organizational culture is not supportive of the family and work–life balance, the employee taking advantage of such kinds of measures is likely to be seen as lacking commitment to the organization, lazy, or unmotivated (e.g., Pitt-Catsouphes, Matz-Costa, & MacDermid, 2007). This creates strong barriers to accessing family friendly arrangements (Anderson *et al.*, 2002). Some even consider that "informal workplace practices are more strongly related to worker outcomes than formal policies" (MacDermid & Wittenborn, 2007: 566). Clear company

communication and training emphasizing the benefits of a family supportive culture, and publicizing the measures taken to support families, can motivate managers to be more supportive of their families (Mauno *et al.*, 2006).

Finally, as Fischlmayr and Kollinger emphasized: "as work–life balance has an individual meaning, support measures offered by companies are thus also required to be tailored individually" (2010: 467).

Future research

Although work–family issues are critical for international managers, research on international assignees' work–life issues and their coping responses remains in its infancy, and offers many interesting research opportunities. There is potential, for instance, to investigate whether some kinds of international managers and some international mobility contexts are more prone to WLC (Walsh, 2009). Types of assignments, supervisor support, subsidiary characteristics, host countries, types of families, or work responsibilities, for instance, might be expected to affect work–life issues, but precisely how remains unclear. Self-initiated expatriates, commuters, international business travelers, "rotationals," and "flexpatriates" are likely to experience WLC. There should be some common aspects among the various aspects of WLC experienced by these different global employees, but also certain specific aspects. The investigation should therefore broaden the scope of such research in order to examine all of these work experiences. Moreover, single expatriates are likely to experience a different type and acuteness of WLC to those who are married or cohabiting. The children of an international assignee are also likely to play a role; the demands and challenges experienced in the work–life area are likely to be significantly different for IAs who have children than for those who do not.

Second, the effectiveness of the coping responses for WLC should be examined. The different reactions displayed to cope with these issues probably have different outcomes and varying levels of success. Their effectiveness also depends on the context and on the work–life issue that they are trying to address. Similarly, the effectiveness of corporate measures in limiting WLC should be analyzed empirically.

Furthermore, international assignments probably do not unfold uniformly, but go through different phases (e.g., Black & Mendenhall, 1991). The occurrence of WLC is also unlikely to be uniformly distributed over the course of the assignment. A study of the role of time on international assignments and on the frequency and gravity of WLC would offer interesting insights into this phenomenon, and provide useful information for those designing support programs.

Finally, international assignments can be difficult for families, on occasion causing family splits, but scientific evidence on this topic is sparse. Therefore, a rigorous evaluation of the impact of international assignments on divorce and separation rates is definitely merited.

Conclusion

International assignees typically work longer hours, assume greater responsibilities, and travel more than their counterparts at home. The expatriate situation means they often face WLC. These issues comprising WLC affect their well-being, satisfaction with life and work, and also performance and promotions. They can also lead IAs to depart a posting prematurely. Various factors influence WLC, and particularly how acute it is: these include family characteristics, organizational support, the host culture, individual motivation, career stage, and gender. It is worth noting that various actions can be taken at the individual level to cope with these issues,

and at the organizational level to limit their effect. Coping methods evidently employed by IAs are problem solving, planning, using instrumental and emotional social support, and acceptance, and positive reappraisal. In some cases, IAs can be seen to be disengaging. On the employer side, there is a wide array of measures available to limit the effect of these issues: training, practical support, and also the application of various policies to limit work-to-life conflict.

References

Allen, T. D. 2001. Family supportive work environments: The role of organizational perceptions. *Journal of Vocational Behavior*, 58, 414–435.

Allen, T. D., Herst, D. E. L., Bruck, C. S., & Sutton, M. 2000. Consequences associated with work-to-family conflict: A review and agenda for future research. *Journal of Occupational Health Psychology*, 5, 278–308.

Anderson, S. E., Coffey, B. S., & Byerly, R. T. 2002. Formal organizational initiatives and informal workplace practices: Links to work–family conflict and job related outcomes. *Journal of Management*, 28, 787–810.

Andres, M., Moelker, R., & Soeters, J. 2012. The work–family interface and turnover intentions over the course of project-oriented assignments abroad. *International Journal of Project Management*, 30, 752–759.

Arieli, D. 2007. The task of being content: Expatriate wives in Beijing, emotional work and patriarchal bargain. *Journal of International Women's Studies*, 8, 18–31.

Black, S. J., & Mendenhall, M. 1991. The U-curve adjustment hypothesis revisited: A review and theoretical framework. *Journal of International Business Studies*, 22(2), 225–247.

Byron, D. 2005. A meta-analytic review of work-family conflict and its antecedents. *Journal of Vocational Behavior*, 67, 169–198.

Caligiuri, P. M., & Lazarova, M. 2005. Expatriate assignments and work–family conflict. In S. A. Y. Poelmans (Ed.), *International Research in Work and Family*: 121–146. Mahwah, NJ: Lawrence Erlbaum Associates.

Caligiuri, P. M., Hyland, M. A. M., Joshi, A., & Bross, A. S. 1998. Testing a theoretical model for examining the relationship between family adjustment and expatriates' work adjustment. *Journal of Applied Psychology*, 83, 598–614.

Carlson, D. S., Kacmar, K. M., Wayne, J. H., & Grzywacz, J. G. 2006. Measuring the positive side of the work-family interface: Development and validation of a work-family enrichment scale. *Journal of Vocational Behavior*, 68, 131–164.

Carver, C. S., Scheier, M. F., & Weintraub, J. K. 1989. Assessing coping strategies: A theoretically based approach. *Journal of Personality and Social Psychology*, 56, 267–283.

Clark, S. 2000. Work/family border theory: a new theory of work/family balance, *Human Relations,* 53(6), 747–770.

Connor-Smith, J. K., & Flachsbart, C. 2007. Relations between personality and coping: A meta-analysis. *Journal of Personality and Social Psychology*, 93(6), 1080–1107.

Dickmann, M., Doherty, N., Mills, T., & Brewster, C. 2008. Why do they go? Individual and corporate perspectives on the factors influencing the decision to accept an international assignment. *The International Journal of Human Resource Management*, 19(4), 731–751.

Eby, L., Casper, W., Lockwood, A., Bordeaux, C., & Brinleya, A. 2005. Work and family research in IO/OB: Content analysis and review of the literature (1980–2002). *Journal of Vocational Behavior*, 66, 124–197.

Feldman, D. C., & Thomas, D. C. 1992. Career management issues facing expatriates. *Journal of International Business Studies,* 23, 271–294.

Fischlmayr, I. C., & Kollinger, I. 2010. Work–life balance – a neglected issue among Austrian female expatriates. *International Journal of Human Resource Management*, 21(4), 455–487.

Ford, M., Heinen, B., & Langkamer, K. 2007. Work and family satisfaction and conflict: A meta-analysis of cross-domain relations. *Journal of Applied Psychology,* 92, 57–80.

Frone, M. R., Russell, M., & Cooper, M. L. 1997. Relation of work–family conflict to health outcomes: A four-year longitudinal study of employed parents. *Journal of Occupational and Organizational Psychology,* 70, 325–336.

Glass, J., & Finley, A. 2002. Coverage and effectiveness of family responsive workplace policies. *Human Resource Management Review*, 12, 313–337.

GMAC. 2012. *Global Relocation Trends 2012 Survey Report*. Woodridge, IL: GMAC Global Relocation Services.

Grant-Vallone, E. J., & Ensher, E. A. 2001. An examination of work and personal life conflict, organizational support, and employee health among international expatriates. *International Journal of Intercultural Relations*, 25(3), 261_278.

Greenhaus, J. H., & Beutell, N. J. 1985. Sources of conflict between work and family roles. *Academy of Management Review*, 10, 76–88.

Greenhaus, J. H., & Powell, G. N. 2006. When work and family are allies: A theory of work-family enrichment. *Academy of Management Review*, 31, 72–92.

Guest, D. 2002. Perspectives on the study of work–life balance. *Social Science Information*, 41(255): 255–279.

Harris, H., 2004. Global careers: Work–life issues and the adjustment of women international managers. *Journal of Management Development*, 23(9), 818–832.

IRC/ORC. 2007. *2006/2007 IRC/ORC Expatriate Work–Life Balance Survey*. New York: Industrial Relations Counselors and Organization Resources Counselors, Inc.

Kinnunen, U., & Mauno, S. 2008. Work-family conflict in individuals' lives: prevalence, antecedents, and outcomes. In K. Näswall, J. Hellgren, & M. Sverke (Eds.), *The Individual in the Changing Working Life*: 126–146. Cambridge, UK: Cambridge University Press.

Lazarus, R. S., & Launier, R. 1978. Stress–related transactions between person and environment. In L. A. Pervin & M. Lewis (Eds.), *Perspectives in Interactional Psychology*: 287–327. New York: Plenum Press.

Lazarus, R. S., & Folkman, S. 1984. *Stress, Appraisal, and Coping*. New York: Springer Publishing Company.

Lazarova, M. B., Westman, M., & Shaffer, M. A. 2010. Elucidating the positive side of the work-family interface on international assignments: A model of expatriate work and family performance. *Academy of Management Review*, 35(1), 93–117.

Linehan, M., & Walsh, J. 2000. Work-family conflict and the senior female international manager. *British Journal of Management,* 11(Supplement), S49–S58.

MacDermid, S. M., & Wittenborn, A. K., 2007. Lessons from work–life research for developing human resources. *Advances in Developing Human Resources*, 9, 556–568.

Mäkelä, L., & Suutari, V. 2011. Coping with work-family conflicts in the global career context. *Thunderbird International Business Review*, 53(3), 365–375.

Mäkelä, L., Suutari, V. & Mayerhofer, H. 2011. Lifes of female expatriates: Work–life balance concerns. *Gender in Management: An International Journal*, 26(4), 256–274.

Mäkelä, L., Saarenpää, K., Suutari, V., & Wurtz, O. 2012. How to cope with work-family conflicts in an international career context? In B. Molinelli & V. Grimaldo (Eds.), *Handbook of the Psychology of Coping: New Research*: 151–168. New York: Nova Publishers.

Mäkelä, L., Suutari, V., & Brewster, C. in press. The antecedents of work–life conflicts and enrichment among Finnish global careerists. *Journal of Finnish Studies*.

Mauno, S., Kinnunen, U., & Ruokolainen, M. 2006. Exploring work- and organization-based resources as moderators between work-family conflict, well-being and job attitudes. *Work & Stress*, 20 (3), 210–233.

Michel, J. S., Kotrba, L. M., Mitchelson, J. K., Clark, M. A., & Baltes, B. B. 2011. Antecedents of work–family conflict: A meta-analytic review, *Journal of Organizational Behavior*, 32, 689–725.

Minuchin, S. 1974. *Families and Family Therapy*. Cambridge, MA: Harvard University Press.

Pitt-Catsouphes, M., Matz-Costa, C., & MacDermid, S. 2007. HRD responses to work–life stressors. *Advances in Developing Human Resources (ADHR),* 9(4).

Poelmans, S., & Sahibzada, K. 2004. A multi-level model for studying the context and impact of work–family policies and culture in organizations. *Human Resource Management Review*, 14, 409–431.

Punnett, B. J. 1997. Towards effective management of expatriate spouses. *Journal of World Business,* 32(3), 243–257.

Schneider, S. C., & Asakawa, K. 1995. American and Japanese expatriate adjustment: A psychoanalytic perspective. *Human Relations*, 48(10), 1109.

Selmer, J. 1999a. Effects of coping strategies on sociocultural and psychological adjustment of Western expatriate managers in the PRC. *Journal of World Business*, 34, 41–51.

Selmer, J. 1999b. Western business expatriates' coping strategies in Hong-Kong vs the Chinese Mainland. *Asia Pacific Journal of Human Resources*, 37, 92–105.

Selmer, J. 2001. Psychological barriers to adjustment and how they affect coping strategies: Western business expatriates in China. *International Journal of Human Resource Management*, 12, 151–165.

Selmer, J. 2002. Coping strategies applied by Western vs overseas Chinese business expatriates in China. *International Journal of Human Resource Management,* 13(1), 19–34.

Selmer, J. & Leung, A. S. M. 2007. Symptom and problem focused coping strategies of business women expatriates and their socio-cultural adjustment in Hong Kong. *Women in Management Review*, 22(7), 588–605.

Shaffer, M. A., Harrison, D. A., Gilley, K. M., & Luk, D. M. 2001. Struggling for balance amid turbulence on international assignments: Work–family conflicts, support, and commitment. *Journal of Management*, 27, 99–121.

Shih, H.-A., Chiang, Y.-H., & Hsu, C.-C. 2010. High involvement work system, work–family conflict, and expatriate performance – examining Taiwanese expatriates in China. *The International Journal of Human Resource Management*, 21(11), 2013–2030.

Shortland, S. & Cummins, S. 2007. Work–life balance: Expatriates reflect the international dimension. *Global Business and Organizational Excellence*, 26(6), 28–42.

Solomon, C. M. 1995. Repatriation: up, down or out? *Personnel Journal*, 74(1), 28–37.

Stahl, G. K., & Caligiuri, P. 2005. The effectiveness of expatriate coping strategies: The moderating role of cultural distance, position level, and time on the international assignment. *Journal of Applied Psychology*, 90 (4), 603–615.

Suutari, V. 2003. Global managers: Career orientation, career tracks, life-style implications, and career commitment. *Journal of Managerial Psychology*, 18(3), 185–207.

Suutari, V., & Brewster, C. 2000. Making their own way: International experience through self-initiated foreign assignments. *Journal of World Business*, 35, 417–436.

Tung, R. L. 1998. American expatriates abroad: From neophytes to cosmopolitans. *Journal of World Business*, 33(2), 125–144.

Van der Zee, K. I., Ali, A. J., & Salomé, E. 2005. Role interference and subjective well-being among expatriate families. *European Journal of Work and Organizational Psychology*, 14(3), 239–262.

Voydanoff, P. 2004. The effects of work demands and resources on work-to-family conflict and facilitation. *Journal of Marriage and the Family*, 66, 398–412.

Walsh, J. 2009. Working time and work–life balance. In A. Wilkinson, N. Bacon, T. Redman and S. Snell (Eds.), *The Sage Handbook of Human Resource Management*. London: Sage Publications.

Ward, C., & Kennedy, A. 2001. Coping with cross-cultural transition. *Journal of Cross-cultural Psychology*, 32, 636–642.

Wayne, J. H., Musisca, N., & Fleeson, W. 2004. Considering the role of personality in the work–family experience: Relationships of the big five to work–family conflict and facilitation, *Journal of Vocational Behaviour,* 64, 108–130.

23

Taking stock of repatriation research

Mila Lazarova

Introduction

In the context of human resource management repatriation is most frequently defined as brining individuals from their international assignment location back to their home organization. As many expatriate topics, repatriation started attracting critical mass of attention in the mid- to late 1980s. Early studies examined repatriation adjustment and satisfaction but invariably linked the two constructs to *retention*. By and large they described repatriation as a fairly disheartening experience – with repatriates facing many professional and adjustment challenges and companies struggling with repatriate turnover. The research also implied that the turnover problem was due largely to poor management of the repatriation process on behalf of organizations.

Estimates of repatriate turnover have varied widely. According to the Global Relocation Trends Survey Report, an oft-cited source of expatriation data, between 2008 and 2012, assignee turnover has varied between 8 and 13 percent, but most of it (75% to 85%) occurs after repatriation (Brookfield Global Relocation Services, 2009, 2010, 2011, 2012a). In the few instances that the survey (Brookfield Global Relocation Services, 2001, 2012a) asks that respondents compare expatriate and domestic turnover, no significant differences emerge. Other studies have provided evidence that repatriate turnover is substantially higher (Doherty & Dickmann, 2012). More targeted research has found wide variation among companies: one study reported voluntary turnover ranging from nil to 70 percent across companies (Pattie, White, & Tansky, 2010). The study also concluded that firms that offered no repatriate support practices reported an average repatriate turnover higher than domestic turnover.

Even in the face of such inconsistent evidence, repatriation retention concerns remain very salient for organizations, as arguably losing even one repatriate employee is more costly than losing an employee that has not been posted internationally. The key reasons for this revolve around both the financial investment lost when repatriates leave and the negative consequences for knowledge and competencies transfer as well as the influence of cases of unsuccessful repatriation on the decisions of other employees of whether to take international assignments (Bolino, 2007; Lazarova & Caligiuri, 2001; Stroh, 1995). Further, domestic research has suggested that turnover can be very costly for organizations more generally. A recent meta-analysis suggested that there is a significant and negative relationship between turnover and organizational

performance and the relationship is even stronger in the case of voluntary turnover than in the case of involuntary turnover (Park & Shaw, 2013).

Over the last decade the environment in which expatriation takes place has undergone important shifts. The global economy has been through a major crisis the effects of which are still felt throughout the world. It has further increased already existing cost-cutting efforts in organizations. Expensive expatriation programs are scrutinized and more companies are now trying to measure their return on investment (Doherty & Dickmann, 2012; McNulty, De Cieri, & Hutchings, 2009). Aided by developments in technology and the more affordable cost of travel, a portfolio of new assignment types have been introduced such as commuter assignments, frequent travel, short-term project work, or virtual international work (e.g., Collings, Scullion, & Morley, 2007). Beyond the purely economic incentives, demographic trends have contributed to the need to introduce alternative assignment types. As more and more women have entered the workforce, dual career couples are now the norm for many professional employees. This has created additional barriers for companies in terms of recruiting new assignees (e.g., Brookfield Global Relocation Services, 2012a). Meanwhile, economic insecurity has increased the salience of the idea that individual careers are best "managed" not by organizations but by individuals who ought to be mindful of all of their available options – within and outside their current department, organizations, or even profession (Arthur, Khapova, & Wilderom, 2005; Hall, 2004)

All of these trends combined have to a certain extent decreased the attention to retention. In line with arguments advanced by boundaryless career scholars, the negative tone of the literature has softened somewhat in the last decade, as repatriates are now being advised to consider their assignment as an investment in their own career and changing employers is more commonly perceived as a desirable post-assignment alternative. Simultaneously, organizations are being directed to focus on knowledge and competency transfer rather than only on retention. A wider range of variables are now being investigated in repatriation research, such as embeddedness, underemployment, identity change, coping strategies, career success, career value, and knowledge and competencies transfer. While such developments are encouraging from a research standpoint and bring optimistic notes in the description of repatriation, a review undertaken for the purposes of this chapter suggests that many of the challenges of repatriation remain alive and well, both from individual and organizational perspectives. Many repatriates still end up disillusioned, retention remains problematic, and is still the most frequently mentioned repatriation outcome. Recent findings regarding long-term career outcomes of assignees are not encouraging (Hamori & Koyuncu, 2011; Kraimer, Shaffer, & Bolino, 2009) and we still know little about knowledge transfer during and following assignments. This chapter will review the key ideas in repatriation research, outlining traditional and emerging perspectives on repatriation. We also refer to several expatriations studies that provide insight into repatriation-related constructs.

Early accounts of the repatriation experience

Initial interest in repatriation stemmed from an early recognition that there was something unique about the repatriation experience. Returnees reported that their repatriation was perhaps equally challenging, if not more challenging, than expatriation (Adler, 1981; Harvey, 1989; Harvey, 1982). Research suggested that many experienced reverse culture shock (Black & Gregersen, 1991b; Gullahorn & Gullahorn, 1963). Unlike in the case of expatriation, in which people expect to be faced with a new environment, repatriation should simply be "going back to normal." What remains unaccounted for is that the expatriation experience is fairly profound and many individuals go through tremendous change over the course of their assignments. At the same time repatriates' home countries and their families, friends, and associates also change. Returning

home is also generally associated with loss of social prominence and frequently, decrease in income, which can relate to negative life-style changes (Gregersen & Black, 1995; Harvey, 1989). The return challenges are experienced not only by repatriates but also by their family members (Black & Gregersen, 1991a)

Equally troublesome are challenges on the professional front. Repatriates report that their skills are underutilized, their experience is ignored, they are placed in jobs only because open positions are available, without any consideration of the skills they can bring, managers and co-workers are not receptive to the "foreign" ideas and knowledge repatriates can transfer. Repatriation has been related to limited career choices leading to stifled career progressions (Black, 1992; Gomez-Mejia & Balkin, 1987; Harvey, 1989).

Perhaps the most prominent dependent variables in early repatriation research (1980–1990s) were *repatriation adjustment* (Black, 1992, 1994; Black, Gregersen, & Mendenhall, 1992; Gregersen & Stroh, 1997) and spouse *repatriation adjustment* (Black & Gregersen, 1991b; Gregersen & Stroh, 1997). Adjustment is commonly defined as overcoming culture shock (Oberg, 1960) or a process of adaptation (achieving a degree of comfort) to a new environment (e.g., Black *et al.*, 1992; Church, 1982). A key premise of repatriate adjustment research is that return from a long stay abroad is followed by challenges very similar to those faced when one first sets out to a new setting. Black and colleagues (1992) proposed a model of repatriation adjustment that gave rise to a number of empirical studies of the experiences of repatriates and their spouses (e.g. Black, 1992, 1994; Black & Gregersen, 1991b; Gregersen & Stroh, 1997). The model examined anticipatory and in-country repatriation adjustment. Both adjustment types were hypothesized to have three facets: work, interaction, and general adjustment.

Beyond adjustment, other important variables studied were *commitment* to parent company and/or to local work unit (Gregersen, 1992; Gregersen & Black, 1996; Stroh, Gregersen, & Black, 1998) and repatriation satisfaction (Adler, 1981; Gomez-Mejia & Balkin, 1987; Hammer, Hart, & Rogan, 1998; Tung, 1998). Studies also examined effectiveness upon re-entry (Adler, 1981), "repatriation outcomes" (i.e., career relevance, commitment, support for skills obtained abroad; Baughn, 1995), "adjustment to new jobs" (a broad concept including general job satisfaction, positive job attitudes, intent to remain with the company, psychological wellbeing, overall performance; Feldman & Tompson, 1993), job performance (Black, 1992; Gregersen & Black, 1995), and repatriation problems (Harvey, 1982; Napier & Peterson, 1991). These outcomes shared many of the antecedents of repatriation adjustment, namely, characteristics of the assignment (e.g., cultural similarity between home and assignment country), characteristics of the job upon return (e.g., job discretion), experiences upon return, degree of change between successive job assignments, individual variables (demographics such as age or gender, and attitudinal variables such as met expectations or coping strategies), organizational factors (e.g., organizational support), perceived opportunities upon return, and impact of assignment on career (Black & Gregersen, 1991b; Black *et al.*, 1992).

Repatriate adjustment is still widely studied (e.g., Nery-Kjerfve & McLean, 2012) and research is consistent with early work: people vary in the amount of time they need to adjust back to their home country and adjustment to work circumstances and changed personal circumstances do not necessarily move in lock-step fashion. Studies are still mostly conducted within the framework put forward by Black *et al*. (1992). More recent work has extended the model and emphasized the role of corporate support pre- and post-repatriation, met expectations, and career management strategies (MacDonald & Arthur, 2005; Shen & Hall, 2009). Research has also explored the role of coping strategies for repatriation adjustment. A study of non-corporate repatriates provided evidence that emotion-focused coping (trying to mitigate the negative emotions stemming from a problem but not attacking the problem itself, e.g., cognitive

avoidance) was negatively related to repatriation adjustment, whereas problem-focused coping (trying to address the underlying problem directly, e.g., conflict resolution) was positively related to adjustment (Herman & Tetrick, 2009; see also Stahl & Caligiuri, 2005).

Research has suggested that repatriation adjustment is closely linked to retention, job and repatriation satisfaction and organizational commitment of returning expatriates (Nery-Kjerfve & McLean, 2012; Stevens, Oddou, Furuya, Bird, & Mendenhall, 2006). A recent study indicated that it is also related to global management competencies transfer and that it correlates positively with job motivation (Furuya, Stevens, Bird, Oddou, & Mendenhall, 2009). Shen and Hall (2009) have also proposed that adjustment is a key predictor of whether repatriates explore other career options and the type of career explorations in which they engage.

Repatriation satisfaction remains an equally popular research topic. Thus Bonache (2005) compared levels of satisfaction with current job, career prospects, salary, co-workers, and company internal communication in a sample of domestic employees, expatriates and repatriates. Repatriates reported lowest satisfaction among the three groups. More recent research reinforces previous propositions that repatriation satisfaction is driven by organizational support (e.g., Stevens *et al.*, 2006), clarity of the repatriation process, accurate expectations changes in compensation, or change in social status (e.g., Vidal, Valle, & Aragón, 2008), and is related to turnover intentions (Vidal *et al.*, 2008). Most recently, Ren, Bolino, Shaffer, and Kraimer (2013) drew on the on-the-job demands–resourced model and on theories of relative deprivation to build an integrated model of repatriation satisfaction. The model posits that job demands (psychological contract breach associated with pay, career derailment, and perceived underemployment) induce feelings of relative deprivation, which are at the heart of repatriate career satisfaction. Further, they suggest that job resources (perceptions of value of their assignment for their own careers and their organizations) moderate the demands–satisfaction relationship.

Repatriate retention: what matters most?

A key assumption of studies of repatriate adjustment, commitment and satisfaction is that ultimately what matters most in repatriation is retention. While we uncovered only two empirical studies that studied turnover explicitly (Gregersen & Black, 1995; Stroh, 1995) until the late 1990s, virtually all repatriation research, regardless of the specific outcomes assessed, was justified by invoking the dangers of high repatriate turnover. Implicitly or explicitly, researchers invariably linked the variables they examined to turnover. The next section is organized by groups of variables that have been found to predict retention. To avoid repetition, we also mention relevant studies with outcomes other than, but related to, retention such as repatriate career satisfaction or organizational commitment.

The indispensable role of organizational support

An underlying theme in repatriation research is that the source of most repatriation troubles is mismanagement on behalf of organizations. Unlike the more deliberate planning during expatriation, repatriation is often handled reactively. Repatriates are not forewarned of the potential emotional response they are likely to have upon returning home and there is no attention paid to their career development after they re-join their home organization. This leads to maladjustment and dissatisfaction, and ultimately, turnover. Also implied is that if all aspects of potential repatriation problems are considered and appropriately addressed by the MNC in advance, repatriate turnover will occur less often (see Harvey & Moeller, 2009; Lazarova & Cerdin, 2007; Ren *et al.*, 2013). This perspective, taken by many of the early repatriation

studies, has been fittingly referred to as the *traditional dissatisfaction-maladjustment perspective* (Ren *et al.*, 2013).

Research has largely supported these propositions. In one of the earliest empirical studies on these issues Stroh (1995) asked explicitly whether organizations made a difference when it came to repatriate turnover. She found support for links between intention to turnover and, respectively, corporate behaviors and attitudes that demonstrate that the assignment was valued, the availability of career plans, and the difficulties in placing repatriates due to downsizing (see also Gregersen & Black, 1995). Looking at repatriation support more broadly, Lazarova and Caligiuri (2001) assessed the availability and the perceived importance of commonly recommended 11 repatriation practices (e.g. career planning sessions, mentoring programs). They found that repatriates very much appreciated support from their organizations – but rarely received it. The support practice with highest availability (available to barely half of the sample) was continuous communications with the home office. The more support repatriates received, the less likely they were to consider quitting. Similar results have been reported by subsequent studies. Stevens and colleagues (2006) investigated the role of organizational support for repatriate attachment (typically associated with retention) and satisfaction and found that both strategic repatriation practices (e.g., showing that assignment was positive for one's career) and general support practices (focused on logistics of repatriation) were positively related to attachment and satisfaction. Organizational support has also been found to impact competencies acquisition and transfer (Furuya *et al.*, 2009) and knowledge transfer upon repatriation (Reiche, 2012).

Career support: perhaps most important of all?

Doherty and colleagues (2008) suggested that more recent research on repatriation tend to place repatriation in the context of individual careers, rather than describe it as the end point of assignments. Indeed, a distinct theme in research is that retention is enhanced when organizations cater to repatriate careers and provide opportunities for career advancement (e.g., Bossard & Peterson, 2005; Kraimer *et al.*, 2009; Reiche, Kraimer, & Harzing, 2011; Ren *et al.*, 2013). Thus Bolino (2007) maintains that repatriates leave primarily because their careers are mismanaged and they are dissatisfied and unhappy with their career progress and advance opportunities. Bolino's model includes career development practices (connectivity mechanisms such as mentorship, or building networks) as key antecedents to intra-organizational success. Perceptions of intra-organizational success are in turn a predictor of repatriate turnover. Bolino (2007) also suggests that the latter relationship is moderated by the expectations of whether assignment will lead to career success and by whether the assignment was accepted for career development or personal development reasons. Further, if repatriates do not feel they have repatriated successfully, not only are they more likely to quit but they are also likely to influence the willingness of other employees to accept expatriate assignments. In related theoretical work, Shen and Hall (2009) suggest that organizational support is an important predictor of repatriation adjustment, which in turn influences the extent to which the repatriate engages in career explorations. Defined as the appraisal of internal attributes and exploration of external options and constraints, career explorations include the distinct possibility of departure from the organization. Along similar lines, Zikic, Novicevic, Harvey, and Breland (2006) discuss the interaction of organizational career support for repatriates and post-assignment career exploration for determining repatriate career growth/success.

Empirical research supports the importance of career support for retention. Thus in the Lazarova and Caligiuri's study (2001), the two most valued support practices were visible signs that the organization values international experience and career planning sessions (see also Lazarova & Cerdin, 2007). Kraimer and colleagues (2009) also found that organizational career support

appears to facilitate repatriate retention. Their findings suggested that turnover intentions were lower among repatriates of US based MNCs who perceived that the organization provided career support and opportunities for career advancement. Similarly, Reiche *et al.* (2011) found that those repatriates who perceived more career opportunities were less likely to quit their organizations within 2 to 4 years of repatriation. Reviewing studies on global career experiences Shaffer, Kraimer, Chen and Bolino (2012) point out that expatriates who see a connection between their assignment and career development are more likely to remain with the organization. In another recent targeted review of repatriation research, Nery-Kjerfve and McLean (2012) offer a very similar view of the repatriate experience.

Summing up, the importance of organizational support for retention and a number of positive individual and organizational outcomes remains a persistent theme in repatriation research. Unfortunately, evidence also abounds that organizations ignore such findings and still do not offer appropriate support. Many offer only minimal support, with most willing to provide logistical help but only a handful providing career planning and support. For example, in 90 percent of the firms surveyed in a recent study there was no designated point of contact to help repatriates reintegrate back to their home office (Pattie *et al.*, 2010). In an another example, the most common way of identifying return jobs was through networking rather than through more established mechanisms (Brookfield Global Relocation Services, 2012a).

It is not just support: individual perceptions and expectations also matter

Another underlying theme of research is that it is not only support offered that matters but whether the support offered meets the expectations of assignees. While the availability of a particular repatriation assistance program is, more or less, an objective fact, individual perceptions about the assistance are much more subjective. Researchers have invoked the literature on *met expectations* (Wanous, Poland, Premack, & Davis, 1992) and work on social exchange theory and *psychological contracts* (Robinson & Rousseau, 1994; Rousseau, 1990) to explain the role of subjective perceptions of support. According to social exchange theory, the employment relationship is reciprocal and based on a long-term, loosely defined, exchange of fairness rather than on specific obligations (Hutchison, 1997). In this context it is less specific support practices per se but rather the perceptions of adequacy of support that matter in decisions to quit. In line with such arguments, the literature has also suggested that it is not so much what repatriates get but rather whether they get what they are promised or believe they deserve that may drive retention.

First introduced in expatriate research by Guzzo, Noonan, and Elron (1994), the psychological contract quickly appeared in studies of repatriation. Stroh, Gregersen, and Black (1998) suggest that the extent to which work-related expectations with respect to job demands, job constraints, and job discretion and non-work expectations (e.g. living conditions) were met had a significant influence of repatriates' commitment. The authors then made an implicit link to turnover and suggested that ensuring that the expectations of returning employees were met substantially increased the chance that organizations would retain them post-repatriation.

In accordance with the theory of met expectations, Bolino (2007) proposes that repatriate expectations moderate the negative relationship between intra-organizational career success and repatriate turnover. He surmises that that turnover will be higher among employees who believe that their organizations promised them that working overseas would facilitate intra-organizational career success and failed to keep such promises than among those who felt such promises were kept or did not perceive that such promises were made in the first place. In related empirical work Kraimer *et al.* (2009) found that the relationship between perceived organizational support

and career advancement upon repatriation (on the antecedents side) and turnover intentions was be mediated by perceived underemployment, or the perception that employees are placed in jobs that require significantly lower qualifications than those they believe they have post-assignment. Similarly Chi and Chen (2007) found that a subjective perception of psychological contract fulfillment was a more important predictor of job attitudes (organizational commitment and turnover intentions) than actual changes in position, pay, and skill improvement. A particularly salient variable for the repatriates was what the authors called upward counterfactual thinking (repatriates engaging in comparing their current status and position to what they believe their position would have been had they not gone on assignment and speculating that their imagined alternative circumstances would be better than those they are actually in, for example, thinking that they would have been promoted faster had they only not gone on an assignment). The study found a positive relationship between upward counterfactual thinking and turnover intentions.

Studies that focus on outcomes other than retention have also rested on the theoretical foundations of psychological contract. Thus, Ren and colleagues (2013) suggest that psychological contract breach with regards to pay will play a pivotal role in predicting repatriate career satisfaction. Further, McNulty, De Cieri, and Hutchings (2013) provide evidence that perceived psychological contract fulfillment in relation to career development, personal or family opportunities, job security, and financial gain impacts expatriates' perceptions of individual return on investment from assignment. In other words, the literature has provided plenty of support for the proposition that meeting repatriates expectations and ensuring fulfillment of their psychological contract is related to increased retention and other positive repatriation outcomes.

The literature has also examined the notion that the subjectivity of psychological contracts also means that employees and employers may have very different ideas of what their contract entails. Yan, Zhu, and Hall (2002) develop a theoretical framework that draws on agency theory, career theory and psychological contract theory and argue that organizational and individual success in terms of managing expatriation and repatriation is highest when both parties perceive the contract as relational. Individuals experience least repatriation success when they perceive their psychological contract as relational but their organization perceives it as transactional. The latter situation occurs when employers do not perceive assignments to be of strategic significance, or when they misinform employees, under the pressure of social expectations and legitimacy, that the assignment will have positive career benefits. Such promises rarely come to fruition, leaving repatriates feeling betrayed and experiencing a contract violation, which frequently results in turnover. Empirical work confirms that such mismatch is not only a theoretical possibility. Paik, Segaud, and Malinowski (2002) found that HR managers and repatriates had different expectations how each area of repatriation should be handled. Pate and Scullion (2010) suggest that the majority of the employers perceive the international assignment contract to be transactional and thus try to specify contract length and set terms and conditions so that they are aligned with organizational interests. There is also evidence that employees too increasingly adopt a more transactional mindset, become less reliant on any one organization and seek employment elsewhere at the end of their assignment.

The role of individual career-related attitudes

Given the importance of career-related outcomes for repatriates, studies have examined the idea that certain career attitudes will be closely related to retention. For example, Lazarova and Cerdin (2007) discussed the role of *career activism*, a multidimensional construct that reflects individual desire and motivation to take charge of one's career. They found that externally oriented facets

of the construct (e.g., getting informed about outside opportunities) were positively related to turnover intentions. Their work was framed within an emerging *proactive perspective* that suggests that decisions to quit might be driven equally by what organizations do and by what individuals want for their careers. Along the same lines, Bolino (2007) proposes *satisfaction with career progress* as a predictor of retention (see also similar empirical findings from a large expatriate sample; Stahl, Miller, & Tung, 2002)

Ren *et al.* (2013) found that *perceived assignment value to one's own career* was positively related to career satisfaction. Further, perceived assignment value strengthened the negative relationship between career derailment and career satisfaction. The researchers suggested that high perceived value of the assignment may make repatriates feel entitled to career advancement upon repatriation. Such sense of entitlement may then make the lack of advancement even more salient and the feelings of deprivation more pronounced, thus plunging career satisfaction at lower levels compared to the case of repatriates who did not perceive their assignments to be very valuable to their careers. The study also found that money was less important for career satisfaction for those that reported high perceived career value of assignments.

Drawing on identity theory Kraimer, Shaffer, Harrison, and Ren (2012) suggest that assignees develop *international employee identities* (i.e., they think of themselves as international employees and identify strongly with their international experience.) International identity is strongly influenced by perceptions of expatriate on-the-job and off-the-job embeddedness. If upon return they perceive that their job autonomy, job responsibility, compensation, status, and promotional opportunity compares negatively to that of their peers that have not been on international assignments, they are likely to experience identity strain. This identity strain is, in turn, related to turnover upon repatriation. These predictions were largely supported empirically. Kohonen (2008) also explored the role of new identity construction and its impact on repatriation. Three types of identity modification were uncovered in a small sample of Finnish managers. For the group of "identity shifters", expatriation was a powerful experience and in turn, they developed re-entry career expectations of being assigned to important and meaningful jobs, rather than of simply being promoted vertically. Their organizational identity became weaker during their assignment and they were more interested in working for another organization upon return. Some interviewees reported a more balanced identity. They were happy abroad but their roots were at home. Finally, there were the non-shifters, individuals that felt like they had developed new skills but did not feel like they had undergone a profound change. Unfortunately, the study did not elaborate on which group was most numerous. Suutari and Mäkelä (2007) examined a group of Finnish managers with multiple international assignments who also spoke of developing a *global career identity* as a result from having lived through many challenging work experiences. This new identity had several aspects: awareness of a high level of career capital, high level of trust in employability, significantly broader pool of possible future employers, and internal career motivation (e.g., being motivated by interesting work responsibilities and personal goals, rather than external career success such as promotions/higher salaries).

Job/organizational embeddedness: a new perspective in repatriation research

Recently, researchers have employed a job embeddedness perspective to the study of repatriation and repatriate turnover. Shen and Hall (2009) maintain that the type of experience assignees have (e.g., how did their social network change, or did they undergo identity change during their posting) will determine their degree of job embeddedness (which they conceptualize as a combination between perceived cost of leaving the company, the perceived link with the home

organization and home committees, perceived individual-organizational fit, individual-environment fit, and perceived job-ability fit). The degree of job embeddedness, together with the difficulty in repatriation adjustment (in turn driven by support and met or unmet expectations) then determine repatriate's career explorations. The model also stipulates that the link between degree of job embeddedness and career explorations will be moderated by perceived career growth opportunities and personal factors. Shen and Hall (2009) advise organizations that providing support to repatriates and families will strengthen the perceived link with the host organization and the perceived costs of leaving, hence increasing job embeddedness and, by extension, increasing retention.

In another application of the embeddedness perspective, Reiche et al (2011) propose that assignees' social ties (defined as ties to their managers at headquarters and the average level of trust within their network) and their perceived fit with the host unit are positively related to two perceived sacrifices that repatriates would have to make if they quit the organization, namely, firm-specific learning during the assignment and perceived career prospects. These sacrifices then relate to retention. In a rare example of a longitudinal study, the authors test their model in a sample of inpatriates in German MNCs. They find that perceived career prospects mediate the relationships between, respectively, inpatriates' fit with HQ and their trusting ties with HQ and turnover. Further, firm-specific learning moderates the relationship between perceived career prospects and turnover at the two-year mark so that the relationship is stronger when firm-specific learning is low. The basic rationale of the proposition is that high levels of firm-specific learning during the assignment likely mitigate the importance of perceived career prospects for retention. Based on social exchange theory, the repatriates anticipate that there will be longer term benefits to staying as the organization will reward their investment in learning by offering them job security, stimulating work or higher salaries. In contrast, those that perceive low levels of firm-specific learning may feel less tied down to the organization and their decision to leave would be more closely linked to perceived career prospects (Reiche et al., 2011).

Is what is good for the individual repatriate also good for the organization and vice versa?

In the last decade scholars have suggested that definitions of repatriation success need to move beyond retention (e.g., Lazarova & Cerdin, 2007). From an individual perspective success entails accomplishing one's personal objectives, gaining valuable knowledge and competencies and perceiving career benefits as a consequence of international work. None of these desirable outcomes require that repatriates continue to be employed by the organization that sent them on assignment. Career development need not happen in the same organization, as there may be plenty other organizations that will gladly pay for the value of international experience. For organizations, retaining people is only a first step to utilizing their experience. If they are assigned to jobs that require no international skills or knowledge, as evidence invariably suggests, that experience goes to waste. On the other hand, if they proactively manage repatriation and exert targeted efforts to harvest new knowledge and new relationships developed by the repatriate during their expatriate term, retention by itself becomes less critical (Inkson, Pringle, Arthur, & Barry, 1997; Lazarova & Cerdin, 2007; Stahl, Chua, Caligiuri, Cerdin, & Taniguchi, 2009; Tung, 1998). Research has thus recognized that individual and organizational success may not always coincide. This is also reflected in work on return on investment (ROI), which points out that there may be tension between assessment of individual and organizational level outcomes (Doherty & Dickmann, 2012) and that there is a dynamic and complex relationship that exists between individual and corporate ROI (McNulty et al., 2009). Individual ROI is

the foundation of corporate ROI (McNulty *et al.*, 2013). But individuals tend to view ROI largely in non-financial value based terms, whereas from a corporate standpoint, ROI is viewed in terms of capability development and improving internationalization efforts. Other organizational benefits include building global networks, developing cultural understanding, managing corruption, bringing leadership skills, and facilitating knowledge transfer (McNulty *et al.*, 2013). Achieving the latter outcomes does imply retention but this becomes more important for organizations than individual repatriates.

Individual career success: reality or wishful thinking?

Research has provided a lot of evidence about the *belief* of assignees that their stint abroad will ultimately lead to positive steps in their career (Bolino, 2007; Nery-Kjerfve & McLean, 2012; Shaffer *et al.*, 2012; Stahl *et al.*, 2009; Tung, 1998). For example, Tung (1998) reports that the majority of expatriates perceive that their international assignment is essential for their career development, even though they may not be guaranteed positions in their home organization, much less promised a promotion upon return. In another example McNulty *et al.* (2013) report that almost everyone (97% of their respondents) believe that assignments will be associated with career progression and advancement (fulfilling family or personal goals was a distant second at 41%; see also work by Stahl *et al.*, 2009). Notably, many studies that report positive career consequences, including the examples just provided, are of *expatriates* currently on assignments rather than of *repatriates* and they ask respondents to speculate about what the outcomes of their assignments will be. Such positive expectations notwithstanding, the reality is far more complex.

In a recent review of research on global work experiences (the majority of the 114 papers reviewed related to corporate expatriates), Shaffer *et al.* (2012) specifically comment that studies refer to two types of career consequences from assignments: *intrinsic* and *extrinsic*. *Intrinsic* outcomes are subjectively defined and refer to career outcomes such as satisfaction or overall sense of wellbeing. *Extrinsic* career outcomes are objectively defined and include observable indicators of career advancement and on development of career competencies. Distinguishing between types of career outcomes is in line with Schein's (1996) notions of *internal* and *external* careers and the protean and boundaryless careers frameworks, which maintain that subjective ("psychological") aspects of career success should complement its objective aspects, as measured by number of promotions, pace of ascent of the corporate ladder or increased compensation (Arthur *et al.*, 2005; Baruch, 2004; Briscoe & Hall, 2006; Hall & Chandler, 2005). This distinction is important. A careful review of research shows that the majority of the literature is about intrinsic/internal career outcomes while there is very limited and inconclusive evidence regarding extrinsic/external career outcomes of assignments.

Intrinsic careers appear to flourish . . . Evidence of intrinsic career-related outcomes abounds. Thus Tung's (1998) study cited above indicated that expatriates perceived their assignments to be developing subjective, internally perceived careers rather than externally prescribed careers. Specifically, assignments were thought to lead to acquiring skills and core competencies and as such, were perceived as essential for career development, even though such development was not indicated by objective metrics such as number of promotions. These findings are echoed in a related study of German expatriates (Stahl *et al.*, 2002), in which the majority of expatriates saw their assignments as potentially beneficial for their career advancement, despite perceived problems in corporate career management systems and doubts that assignments would have career benefits in the company of expatriation. Instead, respondents perceived their assignments as opportunities for development and viewed their impact more broadly. Thus less than 60 percent of respondents believed that their assignments would lead to advancement within

the company but 89 percent believed that it would lead to career opportunities among other employers. The majority of respondents agreed that assignments were related to the development of intercultural skills (95%) and professional and managerial skills (84%). Most expatriates also commented that assignments enhanced their personality development and enriched their personal life. Incidentally, when asked to report their satisfaction with various policies and practices, the lowest reported satisfaction was that with long-range repatriation planning. Most were doubtful that they would be formally rewarded for pursuing international assignments, developing an international perspective, or developing the company's worldwide network. Nevertheless nearly 60 percent were not concerned about career advancement upon repatriation (Stahl *et al.*, 2002). A study of 20 Finnish managers with multiple international assignments found that international work experiences developed all three forms of individual *career capital*, specifically knowing-why capital (e.g., self-awareness), knowing-how capital (e.g., work related competencies) and knowing-whom capital (network of professional contacts) (Suutari & Mäkelä, 2007). A recent study of Japanese repatriates suggested that assignments were associated with global management competencies leaning (Furuya *et al.*, 2009). Most recently McNulty *et al.* (2013) suggested that there were widespread beliefs that assignments increase people's marketability, visibility, and confidence.

In recent theoretical work on *career exploration,* Zikic *et al.* (2006) also emphasize internal careers, suggesting that repatriates can be agents of their own career success. They define career exploration as "gathering information about the self and various career options in the changed home country environment, with a goal of fostering career prosperity, development and growth" (p. 635). Repatriates can engage in career exploration as means of coping with the challenges presented by their transition out of their expatriate role. Repatriate hope and expectations are the main drivers of career exploration, which in turn can lead to career growth and success (see also Shen & Hall, 2009).

. . . But it appears that extrinsic careers are floundering. Research on objectively defined career impact is much more limited and its results are not nearly as optimistic. Benson and Pattie (2008) point out that no studies examine in parallel expected and actual career outcomes of expatriation and repatriation. They compared career expectations and career accomplishments of repatriates, expatriates, and domestic US employees without international work experience and discovered that expatriates and repatriates perceived greater internal and external opportunities for career development and expected greater wage growth than domestic employees. However, the authors also found that assignments had little or no impact on the objective career success of international assignees. Repatriates did not have any salary advantages compared to domestic employees and received fewer promotions than their domestic counterparts.

Kraimer and colleagues (2009) found that there was a curvilinear relationship between number of assignments and career advancement upon repatriation. The number of assignments was negatively related to career advancement but the relationship flattened out as the number of assignments approached four. Further, the study found that the acquisition of managerial skills was negatively related to career advancement, while acquiring cultural skills, completing assignment objectives, and organizational career support was not related to career advancement. The authors surmise that the skills acquired on assignment either remain invisible to organizations or are perceived to be too culturally specific to be of any use after repatriation. While speculative, this rationale is completely in line with much of past literature on repatriation that suggests that skills acquired abroad remain underutilized. Similar results were echoed in a study of self-initiated Irish repatriates who reported that their international experience was negatively perceived by potential employers in Ireland. Many struggled to get employers to recognize their international experience, with some perceiving it as a detriment in their job search. This negative

effect was even more pronounced for individuals looking for jobs at higher organizational levels (Begley, Collings, & Scullion, 2008).

One possible explanation of such disheartening findings is that not all assignments are created equal. Some are very technical in nature and there is little expectation of new skill development and subsequent promotions, whereas others are explicitly designed as developmental and it is the latter that are followed by career progression. The idea that assignments are different is not new (Edstrom & Galbraith, 1977) but few have extended it to discuss how this influences the way assignments are managed (Caligiuri, 2005). Those that have addressed assignment types find meaningful differences. Stahl and colleagues (2009) found that developmental assignees were more optimistic about their career advancement opportunities with their existing employer and with other employees compared to functional assignees. While developmental assignees reported the same levels of satisfaction with company support and repatriation concerns, they also had significantly higher turnover intentions compared to functional assignees. In the repatriation context, Kraimer and colleagues (2009) reported that being on a development assignment was positively related to career advancement upon repatriation.

Another explanation is that studies often examine the career impact of repatriates that stayed with their company upon repatriation (e.g., Benson & Pattie, 2008) and thus may suffer from a "restriction of range" problem as the more proactive repatriates leave upon repatriation to find a better career realization elsewhere. Studies have suggested that repatriates tend to be less optimistic about their career prospects in their own organization than about their career prospects on a larger scale (Lazarova & Cerdin, 2007; Stahl *et al.*, 2009). Evidence suggests that assignees have high external marketability and receive multiple offers even before they repatriate (Suutari & Brewster, 2003). This also points to one inherent challenge of repatriation research: it is extremely difficult to track repatriate careers over time, especially the careers of those that may quit after repatriation and this significantly hinders our ability to study the long-term career impact of assignments. We did uncover one study that comes close to accomplishing this task. Examining the career trajectories of a sample of 1,001 chief executives, based in 23 countries and affiliated with the 1,000 largest corporations in Europe and the United States, Hamori & Koyuncu (2011) determined that international experience slowed the executives' ascent to the top. Further, longer assignments, larger number of assignments, assignments taken at later career stages and assignments at corporations other than the CEOs' current employer were shown to be detrimental to the speed of ascent to top corporate positions. These results cast further doubt on whether the long-term career benefits of assignment are as positive as past research focused on intrinsic careers has suggested.

Summing up, we do not really know if assignments are followed by career success. The latest review on global work experiences (Shaffer *et al.*, 2012) indicates that all forms of global employees expect their global work experiences will translate to positive extrinsic career outcomes – but the empirical evidence is mixed, suggesting underemployment or even demotions. The authors suggested that one important question for future research is what assignment–related factors and individual differences explain why some corporate expatriates are promoted upon repatriation and others are not.

Organizational transfer of knowledge and competencies: the jury is still out

Researchers have argued that a key benefit of assignments for organizations is transferring the knowledge and competencies expatriates acquire during their foreign postings (e.g., Berthoin Antal, 2001; Lazarova & Tarique, 2005; Oddou, Osland, & Blakeney, 2009; Reiche, 2012).

While the ideas have been developed theoretically, there is still relatively limited empirical research to test the veracity of theoretical models (Nery-Kjerfve & McLean, 2012).

Scholars maintain that knowledge transfer upon repatriation is not automatic. Thus Lazarova and Tarique (2005) suggest that in order for knowledge to be transferred effectively there needs to be a fit between individual readiness to transfer knowledge and organizational receptivity to knowledge. Both individual readiness and organizational receptivity can be conceptualized as having a cognitive and a motivational aspect. On the cognitive side, it is important to have an ability to transfer knowledge (individuals must have knowledge to transfer and organizations must utilize appropriate tools that allow them to capture knowledge). On the motivational side, individuals must be motivated to share their knowledge and organizations must offer the appropriate incentive mechanisms. Knowledge transfer is optimized when the type of knowledge (tacit/explicit, general/firm-specific) gained by repatriates is matched by the right knowledge transfer mechanisms and when career opportunities provided by the organization are congruent with repatriate career aspirations. Lazarova and Tarique (2005) acknowledge that turnover is a possible outcome of repatriation but suggest that that even if repatriate post-return tenure is short, organizations can still extract at least some of their newly acquired knowledge.

Along similar lines, Oddou, Osland and Blakeney (2009) also describe the process as resting on a match between ability and motivation to transfer on behalf of repatriates and their work units. They discuss the process through which repatriates can transfer knowledge, starting with their return and (re-) socialization to their work unit norms. Repatriates are in the role of newcomers and it is their responsibility to fit in and acquire the attitudes, norms, and behaviors of the group. The development of mutual trust is of utmost importance. Meanwhile, members of the work unit engage in a process of social categorization of the repatriate (will they be accepted as a trusted in-group member or held at bay as an out-group member?) The repatriate in- or out-group status then affects the ability to transfer knowledge. This ability to transfer knowledge is also affected by specific expertise, social networks, position power, and position responsibilities. Repatriate motivation is influenced by their career considerations and commitment to their work unit. The ability of the work unit to receive knowledge is determined by its orientation toward learning and absorptive capacity and its motivation to receive knowledge is affected by the perceived knowledge criticality, the global mindset of its members and the management style of its leader (Oddou et al., 2009).

Both of these theoretical papers draw heavily on a study of knowledge transfer in MNCs by Minbaeva, Pederson, Bjorkman, Fey, and Park (2003), which posited that absorptive capacity, a key driver of knowledge transfer, was largely determined by a combination of employee ability and employee motivation, and the latter two were predicted by various HR practices (e.g., training was shown to be related to ability and performance-based compensation and internal communication were related to motivation). A key conclusion from the empirical test of the model was that neither employee ability nor motivation, when taken separately, is sufficient to facilitate knowledge transfer (Minbaeva et al., 2003). In more recent work, Minbaeva, Mäkelä, and Rabbiosi (2012) elaborate on the micro-foundation of knowledge transfer and suggest that organizational practices influence individual perceptions, attitudes, behavioral choices, which in turn drive the extent to which an individual employee engages in knowledge exchange (see also, Choi & Jonhanson, 2012; Husted & Michailova, 2002; Mäkelä & Suutari, 2009; Minbaeva & Michailova, 2004).

The little empirical research on knowledge transfer upon repatriation that we uncovered also suggests that multiple things need to be in place for knowledge transfer to occur. Berthoin Antal, Stroo and Willemns (n.d.) conducted a small-scale but very revealing study of how repatriates pass on knowledge to their organizations. They conducted semi-structured interviews

with repatriates that had been back home for between 6 months and 3 years and HR managers in German MNCs. They discovered that while most returnees felt it was their "obvious and natural responsibility" to contribute to organizational learning (p. 23), no active processes of extracting knowledge from the returnees were employed by their organizations. Although there were no formal impediments to knowledge transfer, there were also no supportive conditions. There was initial resistance to in supervisors and colleagues to accepting and understanding the "foreign" knowledge repatriates were attempting to transfer. The authors identified informal barriers in the process of organizational learning, in the culture and structure of the organization and in the way repatriation was managed. As a result a wide gap remained between individual and organizational learning.

In a study of Japanese repatriates, Furuya and colleagues (2009) found that global management competency learning was positively related to general organizational support. Similarly, global management competencies transfer was positively related to the implementation of repatriation policies. Perhaps not surprisingly, they also found that there was higher competencies transfer in cases where there was higher global management competencies learning. Most recently, drawing on social resources theory and social exchange theory, Reiche (2012) examined the role of social capital for knowledge transfer (see also Mäkelä & Suutari, 2009). The results of his longitudinal study suggested that structural social capital (number of workgroup contacts) was related to continued access to host unit knowledge upon repatriation and relational social capital (trusted ties among workgroup contacts) was related to access to and transfer of host unit knowledge upon repatriation. Intriguingly, the study also indicated that the positive relationships between structural social capital and knowledge transfer were weaker at high level career-related support. Reiche (2012) elaborated that structural host-unit social capital was only relevant to transfer of knowledge when perceived career support was low. High perceived career support reduces the need for structural social capital and thus potentially facilitates cross-unit knowledge flows. The author surmised that such support would be particularly relevant in the case of short-term assignments, in which expatriates lack the time they need to build sufficient social ties and in culturally distant contexts.

Concluding thoughts on challenges and new opportunities of repatriation research

Repatriation research has made immense strides in expanding the issues studied to create a more multi-layered description of the repatriate experience. Yet challenges remain. As discussed, while studies of retention are useful, retention by itself should not be equated with individual and organizational success. The trend to distinguish between individual and organizational outcomes is a promising one. On the individual side, we need to study long-term outcomes such as changes in identity, knowledge, and competencies acquisition, and career outcomes. In the case of career outcomes we must state explicitly what we study – and must extend our examination of external careers, especially in the face of conflicting and unconvincing evidence about the career payoffs of assignments. A related question has to do with the long-term *wellbeing* of repatriates – after the dust has settled, do they perceive that their assignment was a road worth taking and why? What makes an assignment successful or not *in the long run*? Such questions must be asked well after individuals return. Their answers shortly after repatriation are likely to be influenced by a number of factors stemming from the transition back to their home environment.

As clichéd as it may sound, it should be emphasized, yet again, that to be able to accomplish this we need more longitudinal studies (Collings, Doherty, Luethy, & Osborn, 2011). Research has claimed that assignments lead to identity transformation and to knowledge and skill gains,

and bear long-term consequences for people's careers. These are long-term outcomes by definition. Indeed, people often take assignments based on the long-term promise they hold (e.g., Stahl *et al.*, 2002). Yet as a field we have been unable to study development over time. This is not to be read as an indictment of many excellent past studies. There are indeed many challenges in collecting longitudinal data, and there may even be more so in the future, given how over-surveyed repatriates are. But scholars must pool resources, cultivate relationships with respondents, and think about innovative ways of staying in touch with them beyond their employment with the expatriating organizations. Notable recent examples here are provided by work by Reiche and colleagues (Reiche, 2012; Reiche *et al.*, 2011) and Kraimer and colleagues (2012).

Taking a dynamic rather than a static perspective is also needed in research on variables of organizational interest (Doherty & Dickmann, 2012). We must know more about appropriating skills, networks, and knowledge from repatriates. There is literature on knowledge transfer (Argote & Ingram, 2000; Bjorkman, Barner-Rasmussen, & Li, 2004; Gupta & Govindarajan, 2000) and building social capital in MNCs (Inkpen & Tsang, 2005; Kostova & Roth, 2003) that we can draw on. There have been theoretical frameworks on knowledge transfer upon repatriation specifically. As admirable as solid theoretical development is, the field now needs more empirical work. Further, research on knowledge transfer in particular needs multiple respondents. Plenty of studies have documented the frustration of repatriates with their colleagues and managers. But what about those colleagues and managers, often portrayed as narrow-minded and ethnocentric – how do they assess the knowledge brought back by the expatriate and what factors are relevant for this assessment? What repatriate knowledge is perceived as "valuable" and why? Most work on repatriation reflects the perspective of repatriates themselves. But there are two parties involved in any transfer so why not study repatriate colleagues more closely? On a larger scale, are there unique challenges associated with repatriate knowledge transfer per se above and beyond what we know from the more general literature on knowledge transfer (e.g., knowledge stickiness, absorptive capacity, inertia)? What makes repatriate knowledge transfer different than any other type of knowledge transfer? Regardless of the answer to the latter questions, MNCs appear to need "best practices" recommendations on how to facilitate knowledge transfer and generally maximize organizational gains post-assignment. For example, the 2012 Global Relocation Trends Survey Report suggested that less than 10 percent of organizations are able to measure the return on assignments. When asked why, the majority of organizations responded that they did not know how to do so. This is a clear indication of the need to address such issues. Such applied research may not be as prestigious in terms of "A" publications but it will have high value for practitioners. From an HR standpoint studies must also go to HR managers and ask whether there is any strategic intent in managing the expatriation cycle and what it is (or if not, why not?), and how expatriation is linked to succession planning (or if not, why not)?

Future research must also account for the changing context of expatriation. As noted at the opening of this review, these days expatriation comes in many forms. Yet two thirds of studies of global work experiences are of traditional expatriates (Shaffer *et al.*, 2012). Are there any repatriation issues in the case of short-term and project assignees and what are they? At what point (3 months, 6 months, or 9 months?) does returning back to the home office feels like a unique experience rather than business as usual? How does repatriation rank in the list of concerns these new assignees have? Is repatriation even a meaningful construct for these assignees (see initial work on this topic by Starr, 2009)? Even looking at "traditional" expatriation, are assignments of a different type (e.g., functional, developmental) managed differently and why (Caligiuri, 2005)? Further, research has focused almost exclusively on the repatriation of parent

country nationals. Work on the specific repatriation experiences of TCNs and inpatriates must be encouraged (Reiche, 2012; Reiche *et al.*, 2011). For example, how willing are they to return to their country if their assignment was in a higher status location, and has provided them with a chance to work alongside key organizational players?

An increasing number of studies now examine the so-called "self-initiated assignees" (e.g., Doherty, Dickmann, & Mills, 2011; Suutari & Brewster, 2000). Research on their repatriation is still limited and comes primarily from small-scale interview-based studies. One view is that self-initiated repatriation is not that different from self-initiated expatriation: individuals assume responsibility and take initiative to get a job back in their home country. There are frustrations, but they are more or less anticipated (Altman & Baruch, 2012). Other voices are more pessimistic. A study of returning Irish self-initiated expatriates suggested that securing jobs was very challenging and required going back to school or taking any available offers (including temporary or freelance work) to gain fresh Irish experience. Those that did get jobs felt that they had fewer and not as exciting opportunities (Begley *et al.*, 2008). Future research should explore the repatriation experiences of this group more systematically. Self-initiated returnees have no HR department to blame for mismanaging repatriation and are not in a position to expect support by anyone. As such, how does their experience differ from that of corporate expatriates? Retention is not a concern but identity (re-)formation, knowledge, and competencies gains and career enhancement may be more salient issues. To some degree, research on self-initiated repatriation may provide a purer test of the impact of international experience on identity and careers. Shaffer and colleagues' recent review (Shaffer *et al.*, 2012) suggests a number of outcomes on global employment experiences (aside from expatriation) that should be examined by future work – for example, promotion opportunities, employability, and benefits to personal development, but also stressful job search or lower wage increases and fewer promotions compared to corporate expatriates.

Another unexplored area is managing the repatriation process in MNCs from developing countries, especially in the case of expatriates sent to more developed countries. Research on Western multinationals has suggested that the primary reason for assignments is technical or functional, driven by the necessity to fill skill gaps in the foreign subsidiary. Management development assignments are more important for MNCs from certain countries and people are sent to specific locations where they can hone new skills (for example, position filling has been found to be most important for American and British MNEs and in the Latin and Far Eastern region, whereas management development is most important for German, Swiss, and Dutch MNCs and tends to occur more in Anglo-Saxon countries than in the Far Eastern region; (Harzing, 2001a; Harzing, 2001b)). It is plausible to assume that MNCs from developing countries use more developmental assignments (see Brookfield Global Relocation Services, 2012b), and that many such assignments happen in more economically advanced countries. If knowledge and competency acquisition are higher up on the agenda than in many Western MNCs, is repatriation managed differently? Initial evidence suggests that while repatriates tend to have similar complaints as their Western counterparts about how their repatriation is handled, the majority tend to report positive career advancement upon return. A study by Kulkarni, Lengnick-Hall and Valk (2010) about the experience in Indian MNCs provides evidence that repatriates perceive that their repatriation is managed informally, without account of any potential adjustment challenges, that support is infrequent and minimal and assistance provided is often unhelpful. On the other hand, when questioned about their advancement within the organization after their assignments, all respondents believe that assignments helped them in a positive way after returning to India. Even if they had returned to a similar job role, they perceived more opportunities resulting from their assignment. As the authors admit, it is possible that

these findings are due to the fact that most of the study's respondents were fairly senior and, given the country's economic growth, India is a context where opportunities for advancement abound. But it is also possible that repatriates are indeed more valued – and their careers are better rewarded – as a result of their foreign postings. Other evidence suggests that retention may be an even bigger issue for repatriates from developing countries. HR managers have noted that those sent for development purposes do not want to come back as they perceive their home location as a hardship location compared to the assignment country. If staying is not possible, they tend to seek jobs elsewhere in the assignment country.

In conclusion, research on repatriation has experienced remarkable growth. New topics are being studied and novel theoretical perspectives are being applied. These trends are likely to continue. What is less encouraging is that for many individuals, the repatriation experience appears to have undergone little change since we have started studying repatriation. Organizations still appear to be unable to harvest skills, knowledge, and networks developed during assignments, even in a changing context of increasing global competition where access to knowledge is a key success driver. Even studies that are more positive in tone have not furnished definitive evidence that assignments are followed by more desirable job postings and career advancement. There are very few studies on the personal growth individuals experience or on exactly what is being gained abroad and, equally importantly, how it is being applied upon return. All of these questions provide many opportunities for scholarly contributions that will enable us to deepen our understanding of the process and outcomes of repatriation.

References

Adler, N. J. 1981. Re-entry: Managing cross-cultural transitions. *Group and Organizational Studies*, 6: 341–356.

Altman, Y., & Baruch, Y. 2012. Global self-initiated corporate expatriate careers: A new era in international assignments. *Personnel Review*, 41(2): 233–255.

Argote, L., & Ingram, P. 2000. Knowledge transfer: A basis for competitive advantage in firms. *Organizational Behavior and Human Decision Processes*, 82(1): 150–169.

Arthur, M. B., Khapova, S. N., & Wilderom, C. P. M. 2005. Career success in a boundaryless career world. *Journal of Organizational Behavior*, 26(2): 177–202.

Baruch, Y. 2004. *Managing careers: Theory and practice*. Harlow, UK: FT Prentice-Hall.

Baughn, C. 1995. Personal and organizational factors associated with effective repatriation. In J. Selmer (Ed.), *Expatriate management: New ideas for international business*: 215–230. Westport, CT: Quorum Books.

Begley, A., Collings, D., & Scullion, H. 2008. The cross-cultural adjustment experiences of self-initiated repatriates to the Republic of Ireland labour market. *Employee Relations*, 30(3): 264–282.

Benson, G. S., & Pattie, M. 2008. Is expatriation good for my career? The impact of expatriate assignments on perceived and actual career outcomes. *The International Journal of Human Resource Management*, 19(9): 1636–1653.

Berthoin Antal, A. 2001. Expatriates' contributions to organizational learning. *Journal of General Management*, 26(4): 62–84.

Berthoin Antal, A., Stroo, I., & Willems, M. n.d. *Drawing on the knowledge of returned expatriates for organizational learning*. Case studies in German multinational companies (FS II 00–104).

Bjorkman, I., Barner-Rasmussen, W., & Li, L. 2004. Managing knowledge transfer in MNCs: The impact of headquarters control mechanisms. *Journal of International Business Studies*, 35: 443.

Black, J. S. 1992. Coming home: The relationship of expatriate expectations with repatriation adjustment and job performance. *Human Relations*, 45(2): 177–192.

Black, J. S. 1994. O Kaerinasai: Factors related to Japanese repatriation adjustment. *Human Relations*, 47(12): 1489–1508.

Black, J. S., & Gregersen, H. B. 1991a. The other half of the picture: Antecedents of spouse cross-cultural adjustment. *Journal of International Business Studies*, 22(3): 461–477.

Black, J. S., & Gregersen, H. B. 1991b. When Yankee comes home: Factors related to expatriate and spouse repatriation adjustment. *Journal of International Business Studies*, 22(4): 671–694.

Black, J. S., Gregersen, H. B., & Mendenhall, M. E. 1992. Toward a theoretical framework of repatriation adjustment. *Journal of International Business Studies*, 23(4): 737–760.

Bolino, M. C. 2007. Expatriate assignments and intra-organizational career success: Implications for individuals and organizations. *Journal of International Business Studies*, 38: 819–835.

Bonache, J. 2005. Job satisfaction among expatriates, repatriates and domestic employees: The perceived impact of international assignments on work-related variables. *Personnel Review*, 34(1): 110–124.

Bossard, A. B., & Peterson, R. B. 2005. The repatriate experience as seen by American expatriates. *Journal of World Business*, 40(1): 9–28.

Briscoe, J. P., & Hall, D. T. 2006. The interplay of boundaryless and protean careers: Combinations and implications. *Journal of Vocational Behavior*, 69(1): 1–18.

Brookfield Global Relocation Services. 2009. *Global relocation trends: 2009 survey report*, relocation trend reports. Woodridge, IL: Brookfield.

Brookfield Global Relocation Services. 2010. *Global relocation trends: 2010 survey report*, relocation trend reports. Woodridge, IL: Brookfield.

Brookfield Global Relocation Services. 2011. *Global relocation trends: 2011 survey report*, relocation trend reports. Woodridge, IL: Brookfield.

Brookfield Global Relocation Services. 2012a. *Global relocation trends: 2012 survey report*. Woodridge, IL: Brookfield Global Relocation Services, LLC.

Brookfield Global Relocation Services. 2012b. *Meeting the challenges of assignments from developing locations*. Woodridge, IL: Brookfield.

Caligiuri, P. 2005. Performance measurement in a cross-national context: Evaluating the success of global assignments. In W. Bennett, D. Woehr, & C. Lance (Eds.), *Performance measurement: Current perspectives and future challenges*. Mahwah, NJ: Lawrence Erlbaum.

Chi, S.-C. S., & Chen, S.-C. 2007. Perceived psychological contract fulfilment and job attitudes among repatriates: An empirical study in Taiwan. *International Journal of Manpower*, 28(6): 474–488.

Choi, S.-G., & Jonhanson, J. 2012. Knowledge translation through expatriates in international knowledge transfer. *International Business Review*, 21: 1148–1157.

Church, A. T. 1982. Sojourner adjustment. *Psychological Bulletin*, 91(3): 540–572.

Collings, D., Doherty, N., Luethy, M., & Osborn, D. 2011. Understanding and supporting the career implications of international assignments. *Journal of Vocational Behavior*, 78: 361–371.

Collings, D. G., Scullion, H., & Morley, M. J. 2007. Changing patterns of global staffing in the multinational enterprise: Challenges to the conventional expatriate assignment and emerging alternatives. *Journal of World Business*, 42: 198–213.

Doherty, N., & Dickmann, M. 2012. Measuring the return on investment in international assignments: An action research approach. *International Journal of Human Resource Management*, 23(16): 3434–3454.

Doherty, N., Dickmann, M., & Mills, T. 2011. Exploring the motives of company-backed and self-initiated expatriates. *The International Journal of Human Resource Management*, 22(3): 595–611.

Doherty, N., Brewster, C., Suutari, V., & Dickmann, M. 2008. Repatriation: The end or the middle? In M. Dickmann, C. Brewster, & P. Sparrow (Eds.), *International HRM: Contemporary Issues in Europe*: 174–191. London: Routledge.

Edstrom, A., & Galbraith, J. R. 1977. Transfer of managers as a coordination and control strategy in multinational organizations. *Administrative Science Quarterly*, 22(2): 248–263.

Feldman, D. C., & Tompson, H. B. 1993. Expatriation, repatriation, and domestic geographical relocation: An empirical investigation of adjustment to new job assignments. *Journal of International Business Studies*, 24(3): 507–529.

Furuya, N., Stevens, M. J., Bird, A., Oddou, G., & Mendenhall, M. 2009. Managing the learning and transfer of global management competence: Antecedents and outcomes of Japanese repatriation effectiveness. *Journal of International Business Studies*, 40(2): 200–215.

Gomez-Mejia, L., & Balkin, D. B. 1987. The determinants of managerial satisfaction with the expatriation and repatriation process. *Journal of Management Development*, 6(1): 7–17.

Gregersen, H. B. 1992. Commitments to a parent company and a local work unit during repatriation. *Personnel Psychology*, 45(1): 29–54.

Gregersen, H. B., & Black, J. S. 1995. Keeping high performers after international assignments: A key to global executive development. *Journal of International Management*, 1(1): 3–31.

Gregersen, H. B., & Black, J. S. 1996. Multiple commitments upon repatriation: The Japanese experience. *Journal of Management*, 22: 209–229.

Gregersen, H. B., & Stroh, L. K. 1997. Coming home to the arctic cold: Antecedents to Finnish expatriate and spouse repatriation adjustment. *Personnel Psychology*, 50(3): 635–654.

Gullahorn, J. T., & Gullahorn, J. E. 1963. An extension of U-curve hypothesis. *Journal of Social Issues*, 19(3): 33–47.

Gupta, A. K., & Govindarajan, V. 2000. Knowledge flows within multinational corporations. *Strategic Management Journal*, 21(4): 473–496.

Guzzo, R. A., Noonan, K. A., & Elron, E. 1994. Expatriate managers and the psychological contract. *Journal of Applied Psychology*, 79: 617–626.

Hall, D. T. 2004. The protean career: A quarter-century journey. *Journal of Vocational Behavior*, 65(1): 1–13.

Hall, D. T., & Chandler, D. E. 2005. Psychological success: When the career is a calling. *Journal of Organizational Behavior*, 26(2): 155–176.

Hammer, M. R., Hart, W., & Rogan, R. 1998. Can you go home again? An analysis of the repatriation of corporate managers and spouses. *Management International Review*, 38(1): 67–86.

Hamori, M., & Koyuncu, B. 2011. Career advancement in large organizations in Europe and the United States: Do international assignments add value? *International Journal of Human Resource Management*, 22(4): 843–862.

Harvey, M. 1982. The other side of foreign assignments: Dealing with the repatriation dilemma. *Columbia Journal of World Business*, 17(1): 53–59.

Harvey, M. 1989. Repatriation of corporate executives: An empirical study. *Journal of International Business Studies*, 20(1): 131–144.

Harvey, M., & Moeller, M. 2009. Expatriate managers: A historical review. *International Journal of Management Reviews*, 11(3): 275–296.

Harzing, A. W. 2001a. An analysis of the functions of international transfer of managers in MNCs. *Employee Relations*, 23(6): 581–598.

Harzing, A. W. 2001b. Who's in charge? An empirical study of executive staffing practices in foreign subsidiaries. *Human Resource Management*, 40(2): 139–158.

Herman, J. L., & Tetrick, L. E. 2009. Problem-focused versus emotion-focused coping strategies and repatriation adjustment. *Human Resource Management*, 48(1): 69–88.

Husted, K., & Michailova, S. 2002. Diagnosing and fighting knowledge sharing hostility. *Organizational Dynamics*, 31(1): 60–73.

Hutchison, S. 1997. A path model of perceived organizational support. *Journal of Social Behavior and Personality*, 12: 159–174.

Inkpen, A., & Tsang, E. 2005. Social capital, networks, and knowledge transfer. *Academy of Management Review*, 30(1): 1146–1165.

Inkson, K., Pringle, J., Arthur, M. B., & Barry, S. 1997. Expatriate assignment versus overseas experience: Contrasting models of international human resource development. *Journal of World Business*, 32(4): 351–368.

Kohonen, E. 2008. The impact of international assignments on expatriates' identity and career aspirations: Reflections upon re-entry. *Scandinavian Journal of Management*, 24(4): 320–329.

Kostova, T., & Roth, K. 2003. Social capital in multinational corporations and a micro–macro model of its formation. *Academy of Management Review*, 28(2): 297–317.

Kraimer, M. L., Shaffer, M. A., & Bolino, M. C. 2009. The influence of expatriate and repatriate experiences on career advancement and repatriate retention. *Human Resource Management* 48(1): 27–47.

Kraimer, M. L., Shaffer, M. A., Harrison, D. A., & Ren, H. 2012. No place like home? An identity strain perspective on repatriate turnover. *Academy of Management Journal*, 55(2): 399–420.

Kulkarni, M., Lengnick-Hall, M. L., & Valk, R. 2010. Employee perceptions of repatriation in an emerging economy: The Indian experience. *Human Resource Management*, 49(3): 531–548.

Lazarova, M., & Caligiuri, P. 2001. Retaining repatriates: The role of organization support practices. *Journal of World Business*, 36(4): 389–401.

Lazarova, M., & Tarique, I. 2005. Knowledge transfer upon repatriation. *Journal of World Business*, 40(4): 361–373.

Lazarova, M., & Cerdin, J. L. 2007. Revisiting repatriation concerns: Organizational support versus career and contextual influences. *Journal of International Business Studies*, 38(4): 404–429.

MacDonald, S., & Arthur, N. 2005. Connecting career management to repatriation adjustment. *Career Development International*, 10(2): 145–159.

Mäkelä, K., & Suutari, V. 2009. Global careers: a social capital paradox. *International Journal of Human Resource Management*, 20(5): 992–1008.

McNulty, Y., De Cieri, H., & Hutchings, K. 2009. Do global firms measure expatriate return on investment? An empirical examination of measures, barriers and variables influencing global staffing practices. *International Journal of Human Resource Management*, 20(6): 1309–1326.

McNulty, Y., De Cieri, H., & Hutchings, K. 2013. Expatriate return on investment in the Asia Pacific: An empirical study of individual ROI versus corporate ROI. *Journal of World Business*, 48(2): 209–221.

Minbaeva, D. B., & Michailova, S. 2004. Knowledge transfer and expatriation in multinational corporations: The role of disseminative capacity. *Employee Relations*, 26(6): 663–679.

Minbaeva, D., Pederson, T., Bjorkman, I., Fey, C. F., & Park, H. J. 2003. MNC knowledge transfer, subsidiary absorptive capacity, and HRM. *Journal of International Business Studies*, 34: 586–599.

Minbaeva, D. B., Mäkelä, K., & Rabbiosi, L. 2012. Linking HRM and knowledge transfer via individual-level mechanisms. *Human Resource Management*, 51(3): 387–405.

Napier, N. K., & Peterson, R. B. 1991. Expatriate re-entry: What do repatriates have to say? *Human Resource Planning*, 14(1): 18–28.

Nery-Kjerfve, T., & McLean, G. N. 2012. Repatriation of expatriate employees, knowledge transfer, and organizational learning: What do we know? *European Journal of Training and Development*, 36(6): 614–629.

Oberg, K. 1960. Cultural shock: Adjustment to new cultural environments. *Practical Anthropology*, 7: 177–182.

Oddou, G., Osland, J. S., & Blakeney, R. N. 2009. Repatriating knowledge: Variables influencing the "transfer" process. *Journal of International Business Studies*, 40(2): 181–199.

Paik, Y., Segaud, B., & Malinowski, C. 2002. How to improve repatriation management: Are motivations and expectations congruent between the company and expatriates? *International Journal of Manpower*, 23(7): 635–648.

Park, T.-Y., & Shaw, J. D. 2013. Turnover rates and organizational performance: A meta-analysis. *Journal of Applied Psychology*, 98(2): 268–309.

Pate, J., & Scullion, H. 2010. The changing nature of the traditional expatriate psychological contract. *Employee Relations*, 32(1): 56–736.

Pattie, M., White, M. M., & Tansky, J. 2010. The homecoming: A review of support practices for repatriates. *Career Development International*, 15(4): 359–377.

Reiche, B. S. 2012. Knowledge benefits of social capital upon repatriation: A longitudinal study of international assignees. *Journal of Management Studies*, 49(6): 1052–1077.

Reiche, B. S., Kraimer, M., & Harzing, A.-W. 2011. Why do international assignees stay? *Journal of International Business Studies*, 42: 521–544.

Ren, H., Bolino, M. C., Shaffer, M. A., & Kraimer, M. L. 2013. The influence of job demands and resources on repatriate career satisfaction: A relative deprivation perspective. *Journal of World Business*, 48(1): 149–159.

Robinson, S. L., & Rousseau, D. M. 1994. Violating the psychological contract: Not the exception but the norm. *Journal of Organizational Behavior*, 15: 245–259.

Rousseau, D. M. 1990. New hire perceptions of their own and their employer's obligations: A study of psychological contracts. *Journal of Organizational Behavior*, 11(5): 389–400.

Schein, E. H. 1996. Career anchors revisited: Implications for career development of 21st century. *Academy of Management Executive*, 10: 80–88.

Shaffer, M., Kraimer, M., Chen, Y.-P., & Bolino, M. C. 2012. Choices, challenges, and career consequences of global work experiences: A review and future agenda. *Journal of Management*, 38(4): 1282–1327

Shen, Y., & Hall, D. T. 2009. When expatriates explore other options: Retaining talent through greater job embeddedness and repatriation adjustment. *Human Resource Management*, 48(5): 793–816.

Stahl, G., & Caligiuri, P. 2005. The effectiveness of expatriate coping strategies: The moderating role of cultural distance, position level, and time on the international assignment. *Journal of Applied Psychology*, 90(4): 603–615.

Stahl, G. K., Miller, E. L., & Tung, R. L. 2002. Toward the boundaryless career: A closer look at the expatriate career concept and the perceived implications of an international assignment. *Journal of World Business*, 37: 216–227.

Stahl, G. K., Chua, C. H., Caligiuri, P., Cerdin, J.-L., & Taniguchi, M. 2009. Predictors of turnover intentions in learning-driven and demand-driven international assignments: The role of repatriation concerns, satisfaction with company support, and perceived career advancement opportunities. *Human Resource Management*, 48(1): 89–109.

Starr, T. L. 2009. Repatriation and short-term assignments: An exploration into expectations, change and dilemmas. *International Journal of Human Resource Management*, 20(2): 286–300.

Stevens, M. J., Oddou, G. R., Furuya, N., Bird, A., & Mendenhall, E. 2006. HR factors affecting repatriate job satisfaction and job attachment for Japanese managers. *International Journal of Human Resource Management*, 17(5): 831–841.

Stroh, L. K. 1995. Predicting turnover among repatriates: Can organizations affect retention rates? *International Journal of Human Resource Management*, 6(2): 443–456.

Stroh, L. K., Gregersen, H. B., & Black, J. S. 1998. Closing the gap: Expectations versus reality among repatriates. *Journal of World Business*, 33(2): 111–124.

Suutari, V., & Brewster, C. 2000. Making their own way: International experience through self-initiated foreign assignments. *Journal of World Business*, 35(4): 417–436.

Suutari, V., & Brewster, C. 2003. Repatriation: Empirical evidence from a longitudinal study of careers and expectations among Finnish expatriates. *International Journal of Human Resource Management*, 14(7): 1132–1151.

Suutari, V., & Mäkelä, K. 2007. The career capital of managers with global careers. *Journal of Managerial Psychology*, 22(7): 628–648.

Tung, R. L. 1998. American expatriates abroad: From neophytes to cosmopolitans. *Journal of World Business*, 33(2): 125–144.

Vidal, E. S., Valle, R. S., & Aragón, I. B. 2008. International workers' satisfaction with the repatriation process. *The International Journal of Human Resource Management*, 19(9): 1683–1702.

Wanous, J. P., Poland, T. D., Premack, S. L., & Davis, K. S. 1992. The effects of met expectations on newcomer attitudes and behaviors: A review and meta-analysis. *Journal of Applied Psychology*, 77(3): 288–297.

Yan, A., Zhu, G., & Hall, D. T. 2002. International assignments for career building: A model of agency relationships and psychological contracts. *Academy of Management Review*, 27(3): 373–391.

Zikic, J., Novicevic, M. M., Harvey, M., & Breland, J. 2006. Repatriate career exploration: A path to career growth and success. *Career Development International*, 11(7): 633–649.

24

Expatriate return on investment

Past, present and future

Yvonne McNulty

Introduction

While there has been much talk about the value to be gained from international assignments and how to assess the benefits of expatriation (e.g. Collings, Scullion, & Dowling, 2009; Hamori & Koyuncu, 2011; Pinto, Cabral-Cardoso, & Werther, 2012), including its measurement (e.g. Colakoglu, Lepak, & Hong, 2006; Wang, Dou, & Li, 2002), few solutions have been offered. Much of this discussion has led to the term "expatriate return on investment" (ROI) being increasingly used to represent the full range of costs and benefits attributable to global staffing activities, including international assignments and expatriate programs. And yet empirical research on this important topic remains inadequate, if not grossly under-researched, in comparison to the extensive dialogue that has endured for the past decade or more.

Consider, for example, that measuring expatriate ROI has been called the "holy grail" of the international human resource profession (Russ-Eft & Preskill, 2005; Welch, Steen, & Tahvanainen, 2009), in large part due to expatriation being an increasingly expensive undertaking. Yet, while organizations spend billions of dollars annually on expatriates, many appear to get an altogether "unsatisfactory" return (Brookfield, 2012). Furthermore, few companies seem to have a clear strategy for how to measure expatriate ROI in a meaningful way (Cartus & Primacy, 2010; McNulty, De Cieri, & Hutchings, 2009) with very little improvement in expatriate ROI-based management techniques over the past decade. The main barriers include not knowing how to achieve it, not having time, a lack of top management support, and it not being important to their organization (Brookfield, 2012; McNulty *et al.* 2009). These figures suggest that expatriation may be a massive waste of time, money, and resources when the ability to secure a return on investment is marginal at best.

Part of the problem is that some companies have a short-term profit-driven focus, ignoring such forces as international careers and the "global war for talent." Others fail to run their mobility programs like they often do other areas of their business: with rational strategic practices, and a clear strategy and focus to ensure an acceptable level of "success" (McNulty & Inkson, 2013). But if expatriates are among an organization's most expensive employees, then there ought to be a better way to manage them and secure a better ROI.

What the above illustrates is not only the nature of expatriate ROI, but also the urgency with which credible data and ideas are needed. Yet the reality is that empirical research on expatriate ROI is relatively scarce, with only a handful of studies – and researchers – offering substantive guidance. Our understanding of this topic therefore remains in its infancy, both among academics and practitioners, in terms of progress on expatriate ROI management techniques and the implementation of ROI metrics. This is in spite of a growing, and somewhat intense, interest in this "hot topic" from many different professions, including academia.

The purpose of this chapter is to present the current state of knowledge about expatriate ROI, including: (a) a balanced overview of the main empirical studies examining expatriate ROI, (b) key issues and current debates as to how ROI could – and should – be approached, implemented, and measured; and (c) how the future research agenda relating to expatriate ROI is likely to unfold. Specifically, the chapter is organized to address: (1) how expatriate ROI has been, and should be, defined; (2) current debates about the measurement of expatriate ROI; and (3) how the return on investment from expatriates needs to be considered in the future. We also provide some guidance for practitioners as to what current research on expatriate ROI means for IHRM practice as well as the implementation of global mobility policy.

Historical timeline of expatriate ROI research

Industry and practitioner research

The earliest published report that presents reliable[1] expatriate ROI data stems from GMAC (2001), an IHRM consulting firm headquartered in the United States (note: GMAC became "Brookfield" in 2008). In the 2001 annual survey of global relocation trends, data reported for the first time indicate that while one-third of the 150 surveyed companies rated their expatriate ROI as good or excellent, more than two-thirds considered it to be average, fair, or poor. More a decade later, data reported in the 2013 survey (n = 136) indicates that more than two-thirds of companies rate their ROI as "good," with only 8 percent rating it as "fair." While Brookfield (2013) notes that this is

> a dramatic reversal from the last two years and well under the 22% historical average . . . [it is not surprising] given the relatively low international assignment attrition rate and the low failure rate. That said, only 25% of respondents rated their ROI as very good or excellent.
>
> (p. 25)

Other data on expatriate ROI reported by Brookfield include: (1) the percentage of companies that formally measure ROI, (2) reasons for not measuring ROI, (3) measures that are factored into ROI calculations, and (4) initiatives to improve ROI. Brookfield notes in the 2013 report that while

> companies that formally measure international assignment ROI remain firmly in the minority [at] 14%, the percentage continues to rise. The percentage is 5% above last year's report (9%) and is the highest it has been in the last five years.
>
> (p. 24)

Since 2004, other consulting firms (e.g. Cendant, 2004; ECA International, 2007; Ernst & Young, 2010; Mercer, 2005–2006; PricewaterhouseCoopers & Cranfield University, 2006) have

replicated Brookfield and reported similar ROI data, yet the Brookfield data continues to be tracked and cited by IHRM scholars because the reports not only constitute one of the industry's most reliable sources of global relocation data and trends, but the longevity of the survey (currently in its 18th year) enables comparisons of data year-on-year with historical averages to then help gauge the relative importance of annual variations. It must be noted, however, that, unlike academic studies where changes to questions are avoided, industry surveys are prone to change the wording of questions and/or omit questions altogether when they are deemed "irrelevant" or no longer "trendy," thereby impacting on the reliability of some data. A good example of this is the recent omission, by Brookfield, of the question that asks companies to agree or disagree with a stated definition of expatriate ROI; although the question had been included in 11 prior surveys since 2002 on the basis that "acceptance of the definition . . . implies acceptance of an objective standard by which to evaluate assignment success" (p. 55), it was not included in the 2013 report and no explanation was given.

A notable exception to the survey data reported above is that of Johnson (2005), a former director of consulting services at Cendant Mobility (now Cartus), whose article in *Compensation and Benefits Review* was aimed at educating senior executives and professionals who design, implement, evaluate, and communicate compensation and benefits policies and programs about how to measure international assignment ROI, taking into account the costs and benefits related to assessing expatriation success.

Academic research

The first study on expatriate ROI in the academic literature was published in 2004. In their seminal article, McNulty and Tharenou (2004) adopted systems theory to conceptualize a multidisciplinary definition of expatriate ROI, and a cost–benefit approach to its antecedents in terms of the human resource (HR) activities that would increase or decrease ROI. The McNulty and Tharenou model subsequently provided the initial framework and impetus from which other studies (including their own) were conducted and/or new frameworks developed and extended.

Empirical studies relating to expatriate ROI began to emerge in 2007, with the publication of a study exploring the extent to which HR managers in the German chemical industry account for the value of international assignments (Schmidt & Minssen, 2007). This was followed by: (a) a case study focusing on a practical ROI tool deployed by a US-headquartered company (McNulty, 2008); (b) an in-depth examination of ROI practices in 51 global firms (McNulty *et al.*, 2009); (c) a study of HR managers versus repatriates' viewpoints about ROI (Welch *et al.*, 2009); and (d) the development of metrics to measure ROI (Doherty & Dickmann, 2012).

The focus of most of these early studies has been on the ROI to companies and how well they are able (or not able) to measure expatriate ROI, including challenges and barriers to its measurement. This stream of research also began to question whether ROI was the right approach to assessing expatriate value (Welch *et al.*, 2009) or, given that expatriation is often a cost of doing business, whether ROI should be measured at all (McNulty *et al.*, 2009).

More recent empirical studies by McNulty and colleagues have progressed research on expatriate ROI to consider alternative perspectives. For example, McNulty and De Cieri (2011) provide an updated conceptualization of the original McNulty and Tharenou (2004) model to incorporate a multidimensional structure consisting of three main components (external factors, the expatriate management system, and ROI outcomes related to the costs and benefits to organizations and assignees). McNulty, De Cieri and Hutchings (2013) further expand the focus
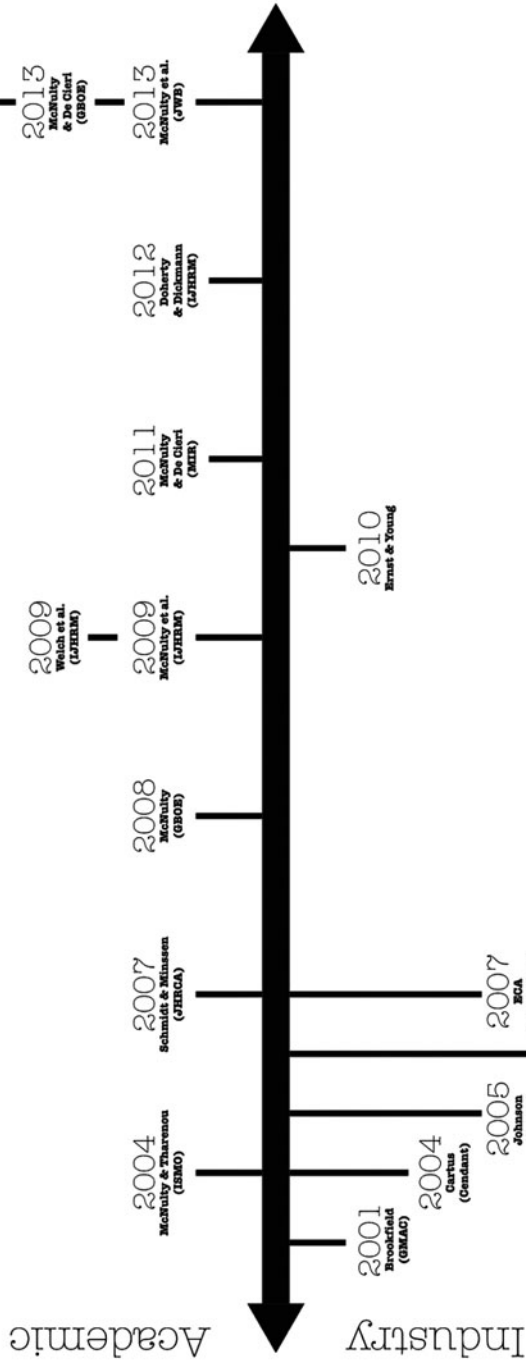
Figure 24.1 Timeline of expatriate ROI research undertaken in industry and academia

402

on company ROI to also include individual (assignee) ROI perspectives, a concept elaborated in greater detail in McNulty and Inkson (2013).

The culmination of McNulty and colleagues research is represented in McNulty and Inkson (2013), a management book aimed at educating mobility managers about expatriate ROI in practice. In their book, the authors provide definitive guidance on evaluating expatriate ROI (McNulty & De Cieri, 2013) as well as detailed discussions on ROI-related concepts that includes the duality of corporate versus individual ROI (McNulty, 2013), global careers and expatriate psychological contracts (Inkson, McNulty, & Thorn, 2013; Vance & McNulty, 2014), expatriate family issues (McNulty, 2012), changing assignee profiles and the global staffing mix (Cole & McNulty, 2011; McNulty, 2014a), and the opportunity costs associated with localization (Tait, De Cieri, & McNulty, 2014) and local-plus compensation (McNulty & Aldred, 2013).

The body of research on expatriate ROI is depicted in Figure 24.1 showing a timeline of the research that has been undertaken.

Key issues and current debates about expatriate ROI

Defining the construct of expatriate ROI

Initial research surrounding expatriate ROI began with a focus on defining the construct. The most common definition historically among practitioners has been that of Brookfield (GMAC, NFTC, & SHRM Global Forum, 2002): "achievement of the assignment objectives at the expected cost." McNulty and Tharenou (2004) showed this definition to be inadequate because expatriation is more than simply a financial "cost" – there is also a non-financial cost and value that needs to be included. This shortcoming led to the development of an alternative definition that is frequently cited in academia:

> a calculation in which the financial and non-financial benefits to the firm are compared with the financial and non-financial costs of the international assignment, as appropriate to the assignment's purpose.
>
> (McNulty & Tharenou, 2004, p. 73)

An advantage of their definition is that McNulty and Tharenou explicitly recognize that while the concept of expatriate ROI should include and acknowledge a financial cost and benefit component, it must also include a non-financial component, which represents what many managers believe is the primary reason for using expatriates, particularly those on long-term international assignments (see McNulty *et al.*, 2009). The focus is therefore not on financial cost alone, but on *value*.

McNulty and Inkson (2013) argue, however, that the objectives (purpose) of an international assignment, "may be too nebulous for some companies to identify, making defining expatriate ROI clearer for some organizations than for others" (p. 29). For example, objectives such as "professional development," "succession planning," and "building leadership capabilities" are often difficult to articulate in a meaningful way. This is likely why the definition above avoids being overly prescriptive, to instead be customized according to a wide range of financial and non-financial costs and benefits appropriate to different assignment purposes and company expatriation strategies. McNulty and Tharenou (2004) argue that this is essential because there are multiple reasons for using international assignments, which makes it impossible to determine a "one best" definition of expatriate ROI that will fit every company or every assignment.

Indeed, investments in expatriation are likely to be defined differently across various assignment types within different business units, industries, and regions. As one manager indicated in a study of expatriate ROI,

> companies have got different end points that they wish to achieve . . . [so] it's fatally flawed to think that one answer suits everyone because it doesn't.
>
> (McNulty, 2010, p. 181)

What is apparent from the McNulty and Tharenou (2004) definition of expatriate ROI is that *strategic intent* is of paramount importance. As McNulty and Inkson (2013) note:

> How is the international assignment intended to contribute to the organization's strategic goals, and the elaboration of these goals in tactical and operational terms? If an international assignment does not have a clear purpose from which expected assignment outcomes and value can be determined, then how can it be evaluated and how can the company ever know whether the investment was justified? Strategy then must be a key *determinant* of assignment purpose.
>
> (p. 30)

Beyond strategy, however, there are other reasons that knowing the assignment purpose matters. McNulty and Tharenou (2004) suggest that differences in assignment purpose will lead to different choices in the HR practices used to support expatriates. For example, if the purpose of an assignment is to control, coordinate, and assist in the transfer of a company's culture, then expatriates will be selected, trained, and compensated differently than if the purpose of the assignment is mostly knowledge transfer or to fill a technical position. The purpose of an assignment also moderates the costs and benefits arising from international assignments. For instance, more expatriate ROI may be gained by pre-departure training of an expatriate who will be a chief executive abroad than of an expatriate who will provide the technical skill for a company project. On the other hand, the purpose of an assignment will also dictate who is selected to go in terms of the individual factors relating to expatriates themselves and the ways in which these may ultimately impact on expatriate ROI, where the choice of candidate for a developmental assignment (for example) should be dictated by what the assignment is intended to achieve.

Measuring expatriate ROI

While obtaining a measure of expatriate ROI has been a high priority for many companies for at least the past decade, on the basis that doing so will assist in making critical decisions about global staffing, McNulty *et al.* (2009) found that most firms do not have formal procedures in place to measure expatriate ROI. Instead, there is a heavy reliance on informal practices that are seldom aligned to a global strategy in an attempt to measure *something*, even if that something isn't particularly meaningful in terms of guiding future decision-making. The informal measures of expatriate ROI that have been used include: (1) anticipated outcomes; (2) short-term financial measures; (3) short-term functional measures; (4) long-term strategic measures; and (5) individual measures. Table 24.1 provides examples of these informal measures and their levels of usage by organizations, along with sample quotes from various mobility managers.

McNulty and Inkson (2013) are highly critical of these informal measures for a number of reasons. First, the reported outcomes from these measures was found to be based mostly on

Table 24.1 Informal ROI measures

Measure	%	Evidence
Anticipated outcomes: ROI calculated as a decision making tool	24	By the time we find someone who is going on an assignment it is a done deal. The estimate and the approval process is just a formality.
Short-term financial: Determine whether revenues increase as a result of expatriation	30	In terms of ROI . . . we're able to determine it from apportioned revenue from the individual in what they charge . . . it's relatively easy for us to determine how much somebody bills and offset that against assignment costs and look for baseline data to determine ROI.
Short-term functional: Assessment as to whether local objectives met, repatriation turnover, and premature returns/failures	41	It comes down to really the success in the assignment, are they actually doing the job . . . it's got to be the fact that we increase sales by X or we design something new or we do whatever we needed to do . . . the actual fundamental job you sent them to do.
Long-term strategic: Benefits assessed in retention rates, promotion rates, talent management and succession planning	31	The return on investment would be that we continue to have a viable talent which is enhanced by the overseas experience . . . somebody who is able to get the job done, but who is now more culturally savvy and can be counted on again for an assignment.
Individual measures: Benefits accruing to expatriate rather than firm (e.g. career capital, financial gain)	12	Mobility has very much more to do with what is the net cash position going to be to the employee, and are we doing the right thing by the employee.

Note: Managers provided multiple responses, so percentages do not add up to 100.

Source: Adapted from McNulty, Y., De Cieri, H., & Hutchings, K. (2009). Do global firms measure expatriate return on investment? An empirical examination of measures, barriers and variables influencing global staffing practices. *International Journal of Human Resource Management*, 20(6), 1309–1326.

ad hoc data and subjective perceptions of reality, with many mobility managers admitting that their assessments were based on "intuition," a "feeling," a "belief," or an (often biased) interpretation of an actual outcome. As one informant in their study admitted (p. 151):

> We have all the data in the systems which are trackable, all the costs are trackable, and that's no issue because we can call them out of the system without much difficulty . . . it's not difficult to do. But we don't do it I'm afraid to say . . . it's all basically perception.

A further problem is that these informal measures relate to past performance and provide only retrospective data as observed once the assignment has terminated, thereby diminishing managers' ability to obtain predictive information upon which they might act. Additionally,

because informal measures are easier to obtain, they typically produce quantitative indices (e.g. turnover rates, failure rates) that often lead to inferences about unobserved relationships.

McNulty *et al.* (2009) further contend that the use of ill–defined informal measures, the observation of only a few factors or outcomes within a limited context (e.g. assignment failure), and ignoring the possible inter-relatedness of various factors that simultaneously impact on expatriate ROI creates problems for many companies. Additionally, focusing only on isolated factors and their outcomes tends to focus too much on the global mobility program alone, rather than on other wider organizational and international forces. Consequently, inappropriate data on their own reveal very little about *why* certain expatriate outcomes occur.

Of the very few studies that examine the measurement of expatriate ROI, Doherty and Dickmann (2012) provide one of the most comprehensive sets of metrics yet to be developed. In their study of nine multinationals conducted in collaboration with a consulting firm, the authors develop a set of key metrics to capture data relating to performance, promotion, repatriation, and retention outcomes from international assignments, as well as remuneration and other financial costs in the processing and management of assignees. While the list of metrics reported (see Appendix A in their article) represents only part of the full set of metrics that were developed, their study nonetheless represents a small but very critical step in advancing knowledge about the measurement of ROI.

On a smaller scale and in less detail, Johnson (2005) also provides some guidance on measuring expatriate ROI. Using metrics that are focused predominantly on the financial costs associated with international assignments, the author suggests, as a first step, to calculate the expenses incurred by employees in relation to international assignments (e.g. salary, taxes, housing, education
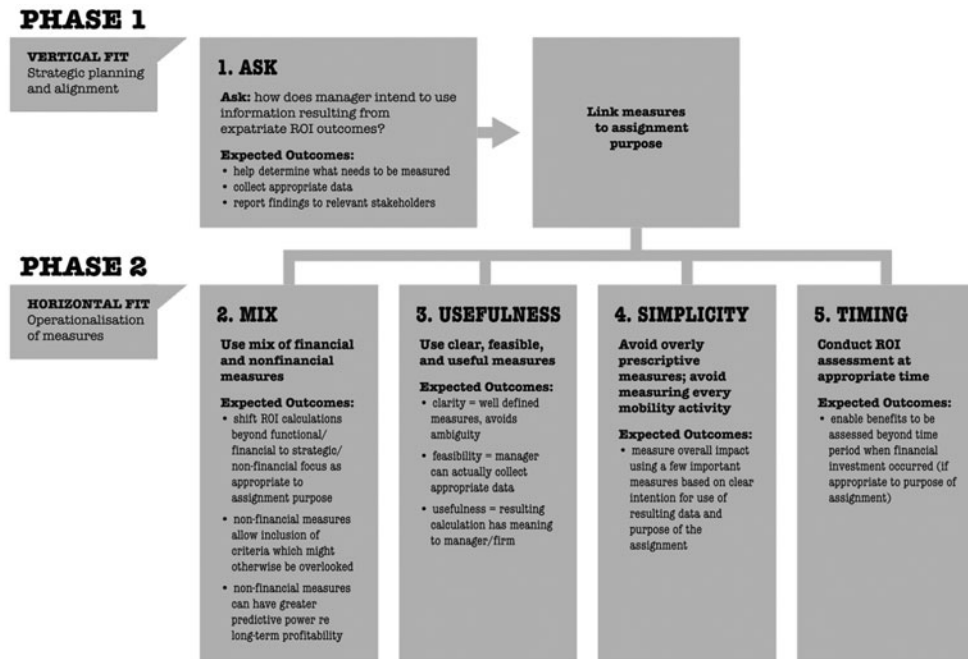
Figure 24.2 Expatriate ROI evaluation framework

assistance for dependents, household goods shipment, spouse support, cross-cultural training, goods and services allowances, repatriation logistics, and reassignment costs, among others), followed by the administrative costs of running an international assignment program (e.g. salary of HR and mobility staff).

Taking a different stance, McNulty and De Cieri (2013) provide an alternative perspective to measuring expatriate ROI by focusing less on metrics and instead on "an evaluation framework" centered around strategic planning and alignment (vertical fit) and the operationalization of measures (horizontal fit) (see Figure 24.2). They propose that such a framework is an essential first step *before* metrics are developed and selected, arguing that when there is no underlying mindset to metrics' usage – no expatriate ROI philosophy applied to the choice of measure and what value the metric can ultimately deliver – then the metrics can be somewhat meaningless, ill applied, and, in some cases, quite misleading. The reasoning behind their approach is that metrics may tell a company *what* it got, but it won't tell the company *why* it got that particular result. Consequently, if the company doesn't know why, it will not be able to improve or repeat those practices that have helped it achieve some measure of lasting return from its global mobility program. McNulty and De Cieri's (2013) central argument is not that metrics are unimportant, but that more rigor is needed around metrics selection and usage.

Theoretical approaches to expatriate ROI

If prior attempts to evaluate international assignment value using measures of expatriate ROI have been criticized for lacking rigor and substance (McNulty & Tharenou, 2004; Welch *et al.*, 2009), how then should expatriate ROI be considered from a theoretical standpoint? There are three schools of thought.

Action research approach

Focusing predominantly on the ROI to companies, Doherty and Dickmann (2012) illustrate how organizations attempt to assess ROI by reporting on the development of a range of metrics. Using an action research approach, they developed a set of metrics to explore and gauge the ROI of international assignments. Key insights from their study were then synthesized to provide actionable outcomes for participating companies. Although their study did not rely on a single theoretical framework, it was nonetheless guided methodologically by the use of "contextualization," in terms of the impact of context on the design, assessment, implementation, and interpretation of the research itself. This was achieved by employing a case-study approach among a group of companies and by providing a "rich description of the setting, establishing frames of reference, and the inclusion of a temporal dimension, i.e. tracking the outcomes of expatriation over time" (p. 3439).

Using case-study data on each of the nine organizations, the researchers' measured expatriate investment starting from the company systems and calculating the costs for each of the international assignees. They found that during the process of developing the metrics, organizational representatives were afforded the opportunity to debate the purpose of metrics and influence the type of measures produced. The measures that were then developed were found to be more valuable, meaningful, and useful to the participants because they were subsequently used in internal reviews and benchmarking across organizations, as well as incorporated in companies' systems, thereby leading to corporate policy changes. Doherty and Dickmann (2012) contend that an action research approach helps to overcome the problems of buy-in and the lack of a skills base to develop measures, as found by McNulty *et al.* (2009). Certainly, the

outcomes from their study illustrate that working in close collaboration with practitioners lends itself well to "developing metrics that are feasible and suitable for purpose for practitioners" (p. 3439).

A shortcoming of the study, however, is that the reliability and validity of the metrics developed for, and arising from, the project were not reported in full and therefore could not be tested or replicated in further research. As the authors themselves state, "due to the extent and competitive sensitivity of the measurement information, we can only present parts of the measurement approach" (p. 3453). Thus, while action research in direct collaboration with industry practitioners is beneficial on the one hand for developing practices that have real meaning among those that ultimately will benefit (i.e. companies), this study only partially advances our understanding about the measurement of expatriate ROI because, for commercial reasons, the authors were restricted to reporting only what was done, but not what was fully found or developed.

Furthermore, although Doherty and Dickmann (2012) claim that "previous research on ROI has tended to be driven by an academic impetus and agenda" and that their research instead "develops and produces a process and metrics which [companies] were facilitated to apply within their organizational settings," the metrics published from their study nonetheless focus predominantly on the financial investment portion of ROI "starting from the company systems and calculating the costs for each of the international assignees [in an attempt to provide] higher quality data" (p. 3449). These key metrics relate to expatriate management costs and benefits in areas such as total compensation, long-term financial benefits, allowances, support staff, outsourcing, and cross-cultural and language training. As such, the "other half" of the expatriate ROI equation (metrics relating to non-financial costs and benefits, which the authors devote nearly one-third of the early part of their paper discussing the merits of) have been downplayed, save for descriptive statistics explaining changes in performance, promotion, repatriation and retention rates year-on-year (but with no metrics given to explain how these changes were measured or how the metrics were deployed).

One cannot help but ponder that a less than ideal outcome of the Doherty and Dickmann (2012) study is that, despite the intention to achieve a "mutual interaction [between] academics and practitioners in the development of actionable knowledge" (p. 3449), intellectual property constraints instead won the day. For instance, although the study was aimed at "engagement with practitioners to develop critical reflections, in this case, on the approach to ROI, to enable the development of workable, appropriate and applicable processes and tools" (p. 3440), it may have instead been driven by the way business is done in the consulting world (payment for knowledge) thereby handicapping the wider publication of the very tools and processes the authors stated are essential in studies of this kind.

Furthermore, while the study provides clear evidence of "a first step toward closing the rigour–relevance gap in the field of ROI," the subsequent heavy focus on overcoming that there has been "limited progress in the practice of *measuring* ROI" (p. 3438) has, by default, ignored that true ROI rests not just in its measurement, but also in its management (McNulty & Inkson, 2013), taking into account not just corporate ROI but also individual ROI concerns. Additionally, the assumption that ROI metrics should focus predominantly on performance, promotion, repatriation and retention is, again, a leap of faith, given that ROI outcomes are, and should be, customized according to a variety of contexts, including purpose of the assignment, industry characteristics, the external environment, and individual employee considerations, which much of the research on expatriate ROI has been discussing for some time (McNulty & De Cieri, 2011; McNulty *et al.*, 2013).

Intellectual capital approach

A second school of thought about expatriate ROI takes an interpretive perspective to reframe the value of international assignments by exploring HR managers' and expatriates' experiences of the practices and activities relating to expatriation. The approach relies on exploring the social reality of a phenomenon as experienced by participants using abductive reasoning (the dynamic interaction between data and theory). Utilizing a qualitative two-country study of nine multinational companies and drawing data from both organizational representatives and repatriates, Welch *et al.* (2009) argue that, unlike McNulty *et al.* (2009), the failure of companies to measure ROI is likely not due to a lack of formal systems and procedures, but because ROI may not be an appropriate approach to measuring the human capital investment in international assignments. Presenting their study as a "voyage of discovery, sense-making and interpretation" that deviates from the "conventional presentation of empirical research" (p. 1329), the authors determine from their data that an intellectual capital approach may be a potentially more relevant construct when assessing international assignment outcomes (see Figure 24.3). This is because, in addition to capturing firm-specific interdependent and long-term intangible costs and benefits, such an approach can also account for expatriates' individual agency as an important component of the "career capital" they seek by undertaking international assignments (Dickmann & Doherty, 2008).

Figure 24.3 highlights three interdependent components of intellectual capital (Bontis and Fitz-enz 2005): (1) human capital, defined as an individual's set of knowledge, skills and abilities acquired through education and experience; (2) structural capital comprising data and information in relation to "the knowledge left behind when human capital walks out the door each night" (p. 1334); and, (3) social capital, where personal relationships and networks are used for company-related purposes.
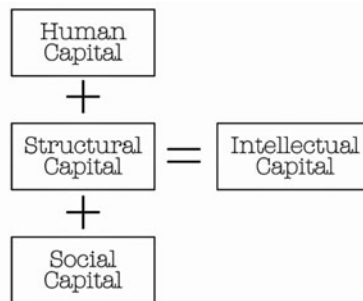
Figure 24.3 Re-framing the value of international assignments through intellectual capital

Source: Adapted from Welch, D., Steen, A., and Tahvanainen, M. (2009). All pain, little gain? Reframing the value of international assignments. *International Journal of Human Resource Management*, 20(6), 1327–1343.

The benefit of an intellectual capital approach is in first recognizing that any assessment of international assignment value rests with the individual undertaking the assignment – expatriates. This is reflected in the manner in which the components of intellectual capital (human, structural and social) are invested in the individual who then chooses whether or not to share their skills with the organization, as well as the extent to which the organization is able to exploit the required knowledge and information from expatriates for the betterment of the firm as a whole – essentially, "converting individual intellectual capital – a private good – into

organizational intellectual capital" (p. 1335). From an intellectual capital perspective, Welch *et al.* (2009, p. 1335) contend that

> International assignments add significantly to the multinational's knowledge base, increasing its value and consequently competitive advantage through the ability to transfer and exploit information and knowledge more efficiently. An international assignment, therefore, reveals the multidimensional nature of intellectual capital, and how individual and firm intellectual capital accumulates over time.

The authors show that harvesting intellectual capital nonetheless remains a difficult endeavor, with two issues that remain challenging. The first concern is related to ensuring knowledge transfer upon repatriation, a problem that other researchers have long studied (Bonache & Zarraga-Oberty, 2008; Lazarova & Tarique, 2005). Based on human capital theory, knowledge transfer captures very well the outcomes expected from *management development* as an assignment purpose, but if we consider that there are many purposes, of which management development is one but which also includes skills acquisition and corporate governance, then a human capital approach limits the benefits to be gained from *every* international assignment other than for management development purposes.

A second concern is related to how well the HR function is able to develop effective talent management systems to support global staffing initiatives, and by doing so demonstrate the value and relevance of its own function "through the use of measurement tools to enhance credibility among their management peers" (Welch *et al.*, p. 1337). This latter issue is one that has also been around for some time, where HR is perceived to have a "limited 'zone of influence,'" being confined to the "period of assignment because that's what we can impact," and being viewed as "the administrator of the company's international assignment policies" (p. 1338) but "not in a strong position to influence how the organization manages its investment in intellectual capital" (p. 1337). As the authors note, although their proposed intellectual capital perspective is aimed at capturing "the true worth – to organizations and individuals – of international assignments (p. 1327) . . . the concept is [nonetheless] complex and poses methodological challenges" (p. 1340).

While the authors' argument as to the appropriateness of "ROI" terminology to measure international assignment value has some merit, the issues they identify are more or less the same as those at the center of the ongoing debate about expatriate ROI in general: the intangible nature of much of the benefits to be gained from expatriation activities (McNulty and Tharenou, 2004), the lack of strategic focus by HR managers and other mobility executives on ROI in general (McNulty & De Cieri, 2011), and the need for what McNulty and Inkson (2013) call "the eROI mindset." Thus, one could argue that it is not the terminology that matters, that is, whether one is assessing "ROI," "intellectual capital," "human capital," "costs and benefits," or "value," as much as what is at the core of the approach being used. Unlike traditional accounting that focuses ROI on a (financial) cost recovery approach, the earliest research on expatriate ROI by McNulty and Tharenou (2004) makes it clear that ROI in the management discipline requires reinvention and re-application to include a "complex range of intangibles inherent in the use of international assignments" which "has more to do with appropriate measurement techniques than with the process of measuring" (Doherty and Dickmann, 2012, p. 1335). As such, the "danger that a formal ROI system may foster an approach to assignment management driven by a desire to recover costs incurred during the assignment, and a tendency to emphasize direct, monetised costs" (p. 1335) is a very real one, also identified in early research (McNulty and Tharenou, 2004) and which remains a continuing (and unfortunate) focus,

even today in the most credible consulting surveys and reports (e.g. Brookfield Global Relocation Services, 2012). Researchers on expatriate ROI therefore agree that more emphasis is required to avoid the improper use of traditional accounting ROI which will likely result in any measurement of international assignment value "becoming a cost containment tool that fails to capture items such as the opportunity costs of using an expatriate rather than a host country national (HCN), or the indirect cost of expatriate under-performance" (Welch *et al.*, 2009, p. 1335).

Systems theory approach

A third school of thought in relation to expatriate ROI focuses on systems theory to explain international assignment outcomes. Building on prior frameworks (e.g. McNulty & Tharenou, 2004), McNulty and De Cieri (2011) present a "contemporary" framework of expatriate ROI that extends beyond a focus only on management practices linked to expatriate activities, to instead focus on a broader combination of external and strategic factors, as well as factors at the organizational and individual level. Anchored in systems theory (Ackoff, 1971; Von Bertalanffy, 1972), they apply "systems thinking" to argue that expatriation is one sub-system within a larger management system, where expatriate processes interact not only with each other but also, as a whole, with other systems in a company such as talent management programs and succession planning. By taking into account all of the factors, and inter-relationships among the factors that are likely to impact on ROI, companies are compelled to "reconcile the demands of stability with the dynamic challenges of internal and external change in order to facilitate and achieve satisfactory organizational outcomes (in this case, ROI)" (p. 901).

At the heart of the McNulty and De Cieri (2011) framework is the "expatriate management system" defined as a configuration of organizational activities, events, processes, policies, practices, and strategies that are directed at influencing the outcomes of long-term international assignments, to impact the international concerns and goals of global firms (p. 905). The system is multidimensional and factor configurations are likely to vary across individuals, assignments, and firms. The system consists of four components: (1) global staffing strategy; (2) purpose of an international assignment; (3) organizational factors; and (4) individual factors. This then sits within a broader conceptual framework that adopts a multidimensional structure comprised of three main components: (1) external factors; (2) the expatriate management system; and (3) expatriate ROI outcomes which include the costs and benefits to organizations and individuals. The theoretical foundation to support the conceptual framework rests in the entire expatriate management system which impacts on expatriate ROI. This occurs because, as shown in Figure 24.4, each component acts as a determinant of other components in the system. Organizational and individual factors are proposed to have important uni- and bi-directional inter-relationships, with ROI outcomes feeding back into the expatriate management system to influence global staffing strategies and overall international assignment management.

One strength of the framework is the inclusion of a feedback loop, where ROI outcomes are fed back into the overall expatriate management system at the strategy level, to impact and improve future global staffing initiatives. This represents clear evidence as to how strategy may be developed in response to practice, that is, how a global staffing strategy could be developed, improved, or adapted in response to external, organizational and individual factors arising during international assignments. Without a feedback loop between ROI outcomes and strategy, ROI is not likely to improve, nor is its assessment likely to be of any long-term benefit considering that the importance of an ROI outcome is not just in determining the rate of return, but also in understanding how and why ROI may increase and decrease.

Figure 24.4 Conceptual model of expatriate return on investment

Source: McNulty, Y. and Inkson, K. (2013). *Managing Expatriates: A Return on Investment Approach*. New York: Business Expert Press.

The core argument as to why an expatriate management system matters is that when companies fail to adopt a systems approach, the subsequent limited focus on isolated factors can prevent mobility managers from reframing international assignments in the broader context of their organization's overall strategic capabilities. At best, any resulting "measures" of ROI will give the perception that measurement is in some way driving the desired organizational actions expected from expatriates, even if the impact is not visible or is misleading. At worst, careless measurement may drive the wrong actions and create long-term problems of improper resource allocation and increased costs (McNulty & Inkson, 2013).

A key construct of an expatriate management system is its dynamic nature, whereby components are likely to enter and exit the system according to a variety of conditions, for example, where purpose of an assignment may determine whether a short-term versus long-term assignment is required, whereas the location where subsidiary staffing is required may influence the choice to use expatriate or local staffing options. On this basis, changes to the structure of an expatriate management system should be both expected and required in order to better understand, and subsequently improve, ROI.

The most obvious shortcoming of the framework is its "somewhat simplified representation of the dynamic inter-relationships between the factors" (p. 903), many of which may be more complex than presented, given that the components of the framework consider a range of factors at the local, national, regional, and global levels of analysis that a company would be expected to encounter and manage. This is especially true in light of McNulty *et al.*'s (2009) finding that there are many barriers to implementing expatriate ROI systems among global firms, largely because mobility managers are under-staffed, lacking in the skills needed to develop ROI programs, and many have little buy-in from top management for such initiatives. Thus, the complexity inherent in such a framework may be out of reach for many practitioners that work in this field.

Systems theory has also been criticized for lacking theoretical rigor in studies that use the approach, for example, in terms of the possible non-relevance of strategy as well as incorrect assumptions about linear causality (e.g. Fleetwood & Hesketh, 2006; Paauwe & Boselie, 2005). While McNulty and De Cieri address these assumptions, more empirical research is needed to test their conceptual framework "in situ." Furthermore, as the authors note, "the inter-relationships between some external, strategic, organizational, and individual factors in our framework may be so mutually intertwined that it may not be possible to determine which factors in isolation or in combination are likely to lead to certain performance outcomes" (p. 903). The authors acknowledge that they do not present a conclusive list of factors that can play a role in expatriate ROI where "identification and understanding of factors will continue to evolve [as] new streams of research further extend the framework over time" (p. 903).

Future research agenda for expatriate ROI

Although research on expatriate ROI remains in its infancy, the small number of empirical studies to date have provided an incremental but significant foundation thus far. More research is nonetheless needed in three key areas: (1) individual ROI, (2) push versus pull factors, and (3) ROI metrics.

Individual ROI

An advantageous feature of the McNulty and De Cieri (2011) framework lies in the logic of its theoretical grounding to explain how an expatriate management system impacts on expatriate ROI outcomes, including those at the *individual* level. Yet, much of the research on expatriate ROI conducted to date has predominantly focused on the return on investment of international assignments to *companies* – what McNulty *et al.* (2013) coin "corporate ROI." But as McNulty and Inkson (2013) have recently shown, while it is important that researchers consider corporate gains, the next stage of research must also focus on returns for the individual expatriate in terms of his or her personal return on investment, or individual ROI (iROI), as a way to explain overall expatriate ROI outcomes. Future research must therefore consider a new research paradigm as represented by McNulty and Inkson (2013) in Figure 24.5.

Figure 24.5 Expatriate ROI equation

Source: McNulty, Y. and Inkson, K. (2013). *Managing Expatriates: A Return on Investment Approach*. New York: Business Expert Press.

McNulty and Inkson (2013) argue that a focus on iROI is critical, because expatriates "are the very people that companies rely on to deliver the value they seek – the *e* in eROI – given that they are making their own investments of time, energy and skill into an international assignment so that the company will ultimately benefit" (p. 38).

Corporate ROI ("cROI" for short) is defined by McNulty and Inkson (2013) as *the return on investment to companies arising from expatriation,* whereas individual ROI (iROI) is a construct that draws on individuals' motives for undertaking and accepting international assignments and the benefits they expect to gain by doing so. Individual ROI is defined as *the perceived benefits that accrue to expatriates arising from international assignment experience in relation to professional and personal gains*. In simple terms, expatriate ROI, then, is an amalgamation of corporate and individual costs and benefits that combine to impact on the overall return on investment from expatriates companies expect.

It is worth noting that the McNulty and Inkson (2013) definition both draws on, and extends, what is commonly referred to as expatriates' "career capital," that is, their energy, values, skills and networks built up over their working lives, enabling each to acquire competencies that can be used within, as well as across, companies (Dickmann, Doherty, Mills, & Brewster, 2008; Stahl, Miller, & Tung, 2002). The definition further relies on psychological contract theory to explain the exchange agreement between organizations and their expatriates in terms of reciprocal expectations about employee performance, support, communication, and equity. For example, some of the beneficial cROI outcomes that employers receive from expatriates include the internationalization of skills and knowledge transfer, whereas the iROI outcomes that expatriates receive through their international assignments include personal *career enhancement* and *family and personal opportunities* (Hippler, 2009; McNulty *et al.*, 2013). Similarly, Cartus found that 90 percent of companies report *career development* as a major reason for their employees to engage in global mobility (Cartus & Primacy, 2010). But there are individual costs that expatriates also incur, in areas such as family difficulties, and decreased compensation arising from local–plus and localization strategies deployed by their companies (McNulty & Aldred, 2013; Tait *et al.*, 2014).

Why does iROI play such a critical role in the future of expatriate ROI research? The answer lies in an increasingly dual-dependency that is emerging in the employer-employee relationship during expatriation, insofar as the relationship is no longer dominated *only* by the interests of the company. As McNulty and Inkson (2013, p. 36) note:

> Gone are the traditional days when expatriation was a solely company-controlled activity, used by firms as a somewhat ruthless tool to reward, incentivize, and direct employees as faceless commodities and resources for the company's overall gain. As countless studies and

reports now attest, the increasing internationalization of work, the changing nature of employment (for example, where individuals are now expected to have upwards of seven or more career changes during their lifetime), and the routine acceptance of global mobility as an inevitable part of one's working life, have compelled many employees to seek out long-term international assignments as a way to ensure continued employment. Thus, employees, and expatriates in particular, are nowadays increasingly focused on how best to negotiate the opportunities that international work presents, and how personal investments in global mobility can ensure "lifetime employability."

The future research agenda for expatriate ROI rests in a weakening of the company as the dominant stakeholder in the expatriate employment relationship. Furthermore, because today's companies need expatriates more than ever, this then affects the expatriate ROI that can be expected, not in the least because *finding expatriate candidates* is one of the biggest challenges they face. The inevitable fallout from this talent shortage will then give rise to alternative forms of global staffing to enable firms to build a dynamic pool of candidates, which at the same time will mean companies are unable to rely on only parent country nationals (PCNs), over whom they have historically had considerable control.

Push versus pull factors

One of the most important, and significant, hidden costs and benefits that need to be considered when assessing expatriate ROI is that, with the emergence of a dual-dependency perspective that is heavily focused on iROI outcomes, many expatriates – and especially those that are company-assigned – are no longer as loyal to their employers as they once were. For expatriation, this represents a dramatic shift in the expatriate employment relationship, not least because the traditional view of expatriates' commitment to their firm has rested on the assumption that there are significant "ties that bind" them to their organizations as a result of the "bells and whistles" (i.e. balance sheet) compensation package they receive that then minimizes financial and other risks they face in being abroad.

But as McNulty *et al.* (2013) and McNulty and Aldred (2013) explain, the introduction of local-plus compensation as a cost-saving measure for companies has resulted in diminished loyalty among many expatriates, and along with it an increase in the number of expatriates seeking alternative employment *during an assignment*. A local-plus package is one where employees are paid according to the salary levels, structure, and administration guidelines of the host location, as well as being provided with limited "expatriate-type" benefits such as transportation, housing, and dependents' education in recognition of the employee's "foreign" status (Stanley, 2009).

These changes show that today's expatriates are increasingly more inclined to reject the traditional safety net afforded by company-assigned expatriation in favor of having more control over their international careers and their family life. Indeed, in their study of 31 Asia-Pacific based expatriates, McNulty *et al.* (2013) found that nearly 40 percent of expatriates were moving away from long-term loyalty-based international assignment contracts (i.e. many assignments with the same firm), toward more short-term transactional type contracts (i.e. many assignments with many firms). "Vertical mobility" (i.e. promotion) to enhance career growth in only one firm was found to be less important than "lateral mobility" across a range of jobs, functions, borders*, and employers*.

These changes signify a change in expatriates' career orientation, from company-controlled "servant," to free-agent "entrepreneur" (McNulty, 2013). In simple terms, expatriates are increasingly pursuing "boundaryless careers," a term that implies the progression of career moves

across multiple employment settings and multiple borders (Thomas, Lazarova, & Inkson, 2005). What matters for expatriate ROI is whether, and how, this change in career orientation occurs – are expatriates *pulled* by a deeply held desire to "work and travel abroad" over which companies have no control, or *pushed* inadvertently by employers who are unresponsive to their personal and career needs? The often hidden but long-term cost in terms of expatriate ROI to the company can be significant if expatriates leave and take their newly developed expertise to other companies, particularly competitors.

What the reality of iROI highlights is that, aside from the benefits accruing from international assignments, there are also many hidden costs that have thus far not been anticipated nor addressed in academic research – costs that are brought about by the emergence of iROI. McNulty and Inkson (2013, p. 38) suggest that these can cause new retention problems for companies including,

> that "external marketability" to other employers has emerged as a new and valuable iROI commodity on the international labor market; that the personal goals of expatriates seem often to be in conflict with the strategic goals of the companies they work for; and that the values, types of work, careers, and lifestyles that expatriates now wish to pursue appear to be changing.

McNulty and Inkson (2013, p. 38) further contend that the problem overwhelmingly seems to lie with

> companies [that] do not reward and support today's modern expatriates in a way that matters [where] there exists a very wide gap between the value that companies perceive their expatriates hold and the feeling by expatriates that they are even valued by the companies that employ them.

One area of future research that therefore appears crucial is to more closely examine the push and pull factors that: (a) cause a shift in expatriates' career orientation; (b) influence expatriate retention both during and after an international assignment; (c) determine the "currency" (both economic and developmental) of the psychological contract for expatriates; and (d) the subsequent impact on both long-term and short-term cROI, and overall eROI, to companies.

Metrics

A third but no less important aspect critical to expatriate ROI research in the future is the development of metrics. Hand in hand with any investigation of expatriate ROI is the need for a reliable set of metrics relevant to measuring the outcomes and value to be gained from international assignments, as well as global mobility and global staffing initiatives in general. Doherty and Dickmann (2012, p. 3437) note that,

> It is important to acknowledge there has been an enduring issue around measurement and the ability to show the contribution of HRM to the bottom line. For the case of [international assignments], similar measurement issues persist.

McNulty and De Cieri (2013, p. 22) further state that,

> The proper measurement of expatriate ROI is less about the adoption of poorly defined metrics, and much more about assessing how metrics can be used to determine an

individual's value to a company in terms of the present value of a future service that he or she is expected to provide either on, or after, an international assignment.

The development of HRM metrics in general has largely been undertaken by consulting firms (e.g. PricewaterhouseCoopers, 2010) or by scholar practitioners (e.g. Fitz-enz, 2002; Phillips, Stone, & Phillips, 2001). These metrics include, among others, *revenue per full-time employee* (FTE), *profit per FTE*, *cost per FTE*, *remuneration/cost ratios*, and *human capital ROI* (Fitz-enz, 2002; PricewaterhouseCoopers, 2006, 2010). Using frameworks and definitions developed by McNulty and colleagues (McNulty and Inkson, 2013; McNulty and Tharenou, 2004), Doherty & Dickmann (2012) build on this work to present the first set of metrics specifically focused on assessing expatriate ROI. But while this foundational work provides an important first step as to what could be measured taking into account the barriers that firms are likely to encounter and initial attempts to overcome them, future research is needed to expand expatriate ROI metrics in terms of their number, relevance, and application in practice.

Conclusion

In summing up, it is important to note three key issues that contribute to the increased complexities surrounding expatriate ROI research and practice. First, future research must consider that the ROI from international assignments (cROI) is different to the ROI from expatriates (iROI) (McNulty & Inkson, 2013).

Second, both "the meanings of international assignments" and "the meanings of expatriate" are in a state of flux and re-development (McNulty, 2014b), with implications as to how the value to be determined from global mobility will be measured and managed in the future. Indeed, the continuing preoccupation with single, long-term, "there-and-back" assignments of PCNs is an outdated model that continues to create problems for sponsoring organizations. Today's more diverse and complex types of assignments,[2] along with a range of new types of expatriates including non-traditional assignees,[3] contribute to a much needed refocus on "global staffing" as opposed to simply "expatriation," as companies attempt to expand their talent pool options while struggling to fulfill their global employment needs.

Third, there is no singular theory that frames, or explains, the construct of expatriate ROI, nor should there be. Indeed, for a topic on which so little is still known and for which so little has been extensively studied (compared to other IHRM issues), researchers are well placed to consider a variety of theoretical perspectives as well as to extend current theoretical frameworks, including intellectual capital and systems theory approaches, among others. What remains important is that our research efforts related to expatriate ROI continues despite the complexities, given the increase in global mobility activity that is expected to last into the next decade, and beyond.

Notes

1   A 1999 industry article was, in fact, the first to report on expatriate ROI (see Handel, 1999). Utilizing a performance indicator (PI) adapted from The Georgia Institute of Technology Weighting System to determine if an expatriate had succeeded in an international assignment, from which ROI outcomes could then be determined, Handel reported on an ROI calculation developed by Schell that attempted to determine whether accumulated ROI was sufficient to cover the incremental costs of an international assignment. Despite its simple logic, McNulty (2010) could not replicate the calculation with similar data in 2003 and assumed the formula to be flawed (see Appendix A in her thesis), which was subsequently confirmed by Schell via personal communication. Further attempts by McNulty to obtain

literature on the The Georgia Institute of Technology Weighting System from which to verify, replicate, and test the formula were unsuccessful.

2   The different types of assignments include long-term, short-term, commuter, frequent business traveler, flexpatriate, accommodation, inter-regional, one-way, localized, indefinite, rotational, sequential, and unaccompanied (split).

3   The different types of expatriates include parent-country nationals (PCNs), third-country nationals (TCNs), expatriates of host country origin/returnees (EHCOs), foreign executives in local organizations (FELOs), localized expatriates (LOPATS), and inpatriates.

References

Ackoff, R. 1971. Towards a system of systems concepts. *Management Science*, 17(11): 661–671.

Bonache, J., & Zarraga-Oberty, C. 2008. Determinants of the success of international assignees as knowledge transferors: A theoretical framework. *International Journal of Human Resource Management*, 19(1): 1–18.

Bontis, N., & Fitz-enz, J. 2002. Intellectual capital ROI: A causal map of human capital antecedents and consequents. *Journal of Intellectual Capital,* 3(3): 223–247.

Brookfield Global Relocation Services. 2012. *Global Relocation Trends Survey Report*. Woodridge, IL.

Brookfield Global Relocation Services. 2013. *Global Relocation Trends Survey Report*. Woodridge, IL.

Cartus, & Primacy. 2010. *Global Mobility Policy and Practices Survey*. Wilmington, NC.

Cendant. 2004. *Emerging Trends in Global Mobility: Policy and Practices Survey*. Wilmington, NC.

Colakoglu, S., Lepak, D., & Hong, Y. 2006. Measuring HRM effectiveness: Considering multiple stakeholders in a global context. *Human Resource Management Review*, 16(2): 209–218.

Cole, N., & McNulty, Y. 2011. Why do female expatriates "fit-in" better than males? *Cross Cultural Management: An International Journal*, 18(2): 144–164.

Collings, D., Scullion, H., & Dowling, P. 2009. Global staffing: A review and thematic agenda. *International Journal of Human Resource Management*, 20(6): 1253–1272.

Dickmann, M., & Doherty, N. 2008. Exploring the career capital impact of international assignments within distinct organizational contexts. *British Journal of Management*, 19: 145–161.

Dickmann, M., Doherty, N., Mills, T., & Brewster, C. 2008. Why do they go? Individual and corporate perspectives on the factors influencing the decision to accept an international assignment. *International Journal of Human Resource Management*, 19(4): 731–751.

Doherty, N., & Dickmann, M. 2012. Measuring the return on investment in international assignments: An action research approach. *International Journal of Human Resource Management*, 23(16): 3434–3454.

ECA International. 2007. *Return on Investment Survey*. London.

Ernst & Young. 2010. *Global Mobility Effectiveness Survey*. London.

Fitz-enz, J. 2002. *The ROI of Human Capital*. New York, NY: Macmillan.

Fleetwood, S., & Hesketh, A. 2006. HRM-performance research: Under-theorized and lacking explanatory power. *International Journal of Human Resource Management*, 17(12): 1977–1993.

GMAC, NFTC, & SHRM Global Forum. 2001. *Global Relocation Trends Survey*. Warren, NJ.

GMAC, NFTC, & SHRM Global Forum. 2002. *Global Relocation Trends Survey*. Woodridge, IL.

Hamori, M., & Koyuncu, B. 2011. Career advancement in large organizations in Europe and the United States: do international assignments add value? *The International Journal of Human Resource Management*, 22(4): 843–862.

Handel, J. 1999. Determining ROI of expatriate assignments. *ACA News*, 42: 22–25.

Hippler, T. 2009. Why do they go? Empirical evidence of employees' motives for seeking or accepting relocation. *International Journal of Human Resource Management*, 20(6): 1381–1401.

Inkson, K., McNulty, Y., & Thorn, K. 2013. The global careers of Australians and New Zealanders. In C. Reis & Y. Baruch (Eds.), *Careers Without Borders: Critical Perspectives*. New York: Routledge, 135–160.

Johnson, L. 2005. Measuring international assignment return on investment. *Compensation and Benefits Review*, 37(2): 50–54.

Lazarova, M., & Tarique, I. 2005. Knowledge transfer upon repatriation. *Journal of World Business*, 40(4): 361–373.

McNulty, Y. 2008. How a major multinational is working to overcome the barriers to improved expatriate ROI. *Global Business and Organizational Excellence*, 27(3): 38–47.

McNulty, Y. 2010. *Expatriate Return on Investment in Global Firms*. Melbourne: Monash University.

McNulty, Y. 2012. "Being dumped in to sink or swim": An empirical study of organizational support for the trailing spouse. *Human Resource Development International*, 15(4): 417–434.

McNulty, Y. 2013. Are self-initiated expatriates born or made? Exploring the relationship between SIE orientation and individual ROI. In V. Vaiman, & A. Haslberger (Eds.), *Talent Management of Self-Initiated Expatriates: A Neglected Source of Global Talent*. Hampshire: Palgrave-Macmillan.

McNulty, Y. 2014a. Women as female breadwinners in non-traditional expatriate families: Status–reversal marriages, single parents, split families, and lesbian partnerships. In K. Hutchings, & S. Michailova (Eds.), *Research Handbook on Women in International Management*. Cheltenham: UK: Edward Elgar, 332–336.

McNulty, Y. 2014b. What is the meaning of expatriate? Defining the construct of corporate expatriation. Academy of Management Annual Meeting. Philadelphia, PA: 1–5 August.

McNulty, Y. 2015. The added value of expatriation: Assessing the return on investment of international assignments. In M. Andresen, & C. Nowak (Eds.), *HRM Practices – Assessing Added Value*. New York, Switzerland: Springer, 89–106.

McNulty, Y., & Tharenou, P. 2004. Expatriate return on investment: A definition and antecedents. *International Studies of Management and Organization*, 34(3): 68–95.

McNulty, Y., & De Cieri, H. 2011. Global mobility in the 21st century: Conceptualising expatriate return on investment in global firms. *Management International Review*, 51(6): 897–919.

McNulty, Y., & Aldred, G. 2013. Local–plus: Winning the compensation battle but losing the talent war, *Strategic Advisor*, 9. Woodridge, IL: Brookfield Global Relocation Services.

McNulty, Y., & De Cieri, H. 2013. Measuring expatriate return on investment with an evaluation framework. *Global Business and Organizational Excellence*, 32(6): 18–26.

McNulty, Y., & Inkson, K. 2013. *Managing Expatriates: A Return on Investment Approach*. New York, NY: Business Expert Press.

McNulty, Y., De Cieri, H., & Hutchings, K. 2009. Do global firms measure expatriate return on investment? An empirical examination of measures, barriers and variables influencing global staffing practices. *International Journal of Human Resource Management*, 20(6): 1309–1326.

McNulty, Y., De Cieri, H., & Hutchings, K. 2013. Expatriate return on investment in Asia Pacific: An empirical study of individual ROI versus corporate ROI. *Journal of World Business*, 48(2): 209–221.

Mercer. 2005–2006. *International Assignments Survey*. Geneva.

Paauwe, J., & Boselie, P. 2005. HRM and performance: What next? *Human Resource Management Journal*, 15(4): 68–83.

Phillips, J., Stone, R., & Phillips, P. 2001. *The Human Resources Scorecard: Measuring the Return on Investment*. Boston, MA: Butterworth-Heinemann.

Pinto, L., Cabral-Cardoso, C., & Werther, W. 2012. Compelled to go abroad? Motives and outcomes of international assignments. *International Journal of Human Resource Management*, 23(1): 2295–2314.

PricewaterhouseCoopers. 2006. *Key Trends in Human Capital: A Global Perspective – 2006*. UK.

PricewaterhouseCoopers. 2010. *Key Trends in Human Capital: A Global Perspective – 2010*. UK.

PricewaterhouseCoopers, & Cranfield University. 2006. *Measuring the Value of International Assignments*. UK.

Russ-Eft, D., & Preskill, H. 2005. In search of the holy grail: Return on investment evaluation in human resource development. *Advances in Developing Human Resources*, 7(1): 71–85.

Schmidt, S., & Minssen, H. 2007. Accounting for international assignments: The case of the German chemical industry. *Journal of Human Resource Costing and Accounting*, 11(3): 214–228.

Stahl, G., Miller, E., & Tung, R. 2002. Toward the boundaryless career: A closer look at the expatriate career concept and the perceived implications of an international assignment. *Journal of World Business*, 37(3): 216–227.

Stanley, P. 2009. Local–plus packages for expatriates in Asia: A viable alternative. *International HR Journal*, 3(Fall): 9–11.

Tait, E., De Cieri, H., & McNulty, Y. 2012. *The Opportunity Cost of Saving Money: An Exploratory Study of Permanent Transfers and Localisation of Expatriates in Singapore*. Paper presented at the Australia and New Zealand Academy of Management Conference, Perth, Australia.

Thite, M., Srinivasan, V., Harvey, M., & Valk, R. 2009. Expatriates of host-country origin: "Coming home to test the waters." *International Journal of Human Resource Management*, 20(2): 269–285.

Thomas, D., Lazarova, M., & Inkson, K. 2005. Global careers: New phenomenon or new perspectives? *Journal of World Business*, 40(4): 340–347.

Vance, C., & McNulty, Y. 2014. Why women prefer self-initiated expatriation: A comparison of female versus male international career development approaches. *International Studies of Management and Organization*, 44(2): 34–54.

Von Bertalanffy, L. 1972. The history and status of general systems theory. *Academy of Management Journal*, 15(4): 407–426.

Wang, G., Dou, Z., & Li, N. 2002. A systems approach to measuring return on investment for HRD interventions. *Human Resource Development Quarterly*, 13(2): 203–224.

Welch, D., Steen, A., & Tahvanainen, M. 2009. All pain, little gain? Reframing the value of international assignments. *International Journal of Human Resource Management*, 20(6): 1327–1343.

Part 4

Contemporary issues in IHRM

This page intentionally left blank

IHRM issues in mergers and acquisitions

Satu Teerikangas, Günter K. Stahl, Ingmar Björkman and Mark E. Mendenhall

Introduction

This chapter addresses the key international human resource management concerns when undertaking mergers and acquisitions (M&A) across borders. Mergers and acquisitions are a form of an inter-organizational encounter; thus they share, in part, features with other forms of inter-organizational encounters, including joint ventures, alliances or outsourcing arrangements (Borys & Jemison, 1989; Parmigiani & Rivera-Santos, 2011). The distinguishing feature of M&A transactions is that beyond mere strategic change they result in a change in ownership. It is this change of ownership that lies at the heart of many of the human resource-related concerns experienced in many M&As: indeed, for the employee, a change of ownership represents not only a change in employer, but a change in the psychological contract with one's employer as well.

The study of M&As had an early focus on the management of the M&A process, starting with the works of Mace and Montgomery (1962) and Howell (1970). A financial and strategic focus arose in the 1970s, followed by an interest in the people and cultural sides of M&A activity in the 1980s. The 1990s saw an increase in work on the cross-border dimensions of M&As, including their cultural and language implications for managers (Cartwright, 1998; Cartwright & Schoenberg, 2006). The early 21st century has seen identity and power considerations emerge, and samples have been broadened from US and European acquirers to also include acquiring firms from emerging markets including China and India (Teerikangas *et al.*, 2012). Though studied from many lenses, including finance and strategy (Haleblian *et al.*, 2009; Faulkner *et al.*, 2012), the analysis in this chapter focuses on extant theoretical and empirical studies on the sociocultural dimensions underlying M&A activity.

The first section of this chapter serves as an extended introduction to the M&A phenomenon and its human dimensions. Trust, M&A process management, and cultural dynamics are addressed in subsequent sections, and the chapter concludes with implications for HR practice and future research.

What are mergers and acquisitions?

The collective term, "mergers and acquisitions," is somewhat misleading, given that in terms of transaction numbers 98 percent of all M&A transactions are acquisitions (Buckley & Ghauri, 2002). In acquisitions, the "acquiring" firm purchases the "target" or "acquired" firm either using cash or stock, whereas in mergers two or more organizations are combined into one new entity. From a managerial perspective, this means that acquisitions often incur a "takeover" approach by the acquiring firm, which seemingly has the upper hand in the transaction. The post–acquisition era can also be termed a "merger" even though the transaction has been an acquisition. Thus, the term "merger" can be used metaphorically to portray an image of a "collective, shared" future, and thus alleviate acquired firm employee concerns (Faulkner *et al.*, 2012).

Taking a historical lens, throughout the 20th century, fueled by the internationalization of firms, the globalization of the business world, and the liberalization of trade, M&A activity has increased rapidly, becoming by the dawn of the 21st century a worldwide phenomenon spanning most sectors and industries (Kolev *et al.*, 2012), and driving industry consolidation. Firms have engaged in M&A activity for various reasons. Strategic rationales include product or market expansion, internationalization, access to resources including technology, research and development, people, and elimination of excess capacity on the market. M&A are at times also defensive moves to purchase a competitor or protect against a takeover. In addition to these overt motives, unstated psychological motives have also been reported, including empire-building, managerial hubris and overconfidence, CEO narcissism, the thrill of making deals, and the systemic effect of herd-like behavior (Sudarsanam, 2012). In essence, a view of M&A activity emerges that combines not only its strategic and financial dimensions, but also its less overtly visible psychological and human dimensions as well.

The apparent corporate obsession with M&A activity that is suggested by the rising numbers of M&A deals over the past three decades is not matched by the performance of M&As. Though the vending side has been found to gain financial profit from such transactions, the acquiring firms' financial performance, whether measured in months or years, portrays a more challenging image (King *et al.*, 2004; Haleblian *et al.*, 2009). It appears that many acquiring firms never gain financially from their M&A activity, and when they do, the positive impact is visible three to twelve years after the transaction (Biggadike, 1979; Birkinshaw *et al.*, 2000; Quah & Young, 2005).

The centrality of the human factor in M&A activity

In seeking reasons for the difficulty in making M&As succeed, a number of causal factors have been brought forward by scholars. The difficulty of post-deal integration and implementation management is typically seen as "the" challenge in making M&As succeed (Haspeslagh & Jemison, 1991; Larsson & Finkelstein, 1999). The question is not only one of change management or strategy implementation, both of which are difficult endeavors in their own right, but further one of combining two hitherto separate organizations into one. This combination of organizations introduces cultural clashes, be it at the level of team, organizational, or national cultures (Teerikangas & Véry, 2006; Stahl & Voigt, 2008). The change of ownership further represents a violation to the employees' psychological contract; this enforced, and often sudden ownership change tends to be a cause of great concern for employees that in turn causes high levels of uncertainty, stress, and turnover rates in M&As (Napier, 1989; Cartwright and Cooper, 1990). Issues of identity also arise, as do power conflicts between the two sides as they

struggle for authority in the new regime (Giessner et al., 2012; Stahl et al., 2013; Tienari & Vaara, 2012).

Beyond these challenges in the post-deal implementation phase, the pre-deal phase is also mired by human resource challenges (Sudarsanam, 2012). How should the target firm be valued? How should the target firm's intangible assets be valued? What psychological biases will intervene in the decision-making processes leading to the acquisition? Is there sufficient time to assess the target firm (Harding & Rouse, 2007)? Is the information for the valuations reliable?

If well managed, the human side in M&A has been found to have a long-lasting impact on the performance of the acquisition and the buying firm. These consequences have been quantified by Larsson & Finkelstein (1999); they found that employee motivation enables the realization of synergies potentially available through an acquisition. Birkinshaw et al. (2000) conclude that a well-managed human integration has an enabling effect on the progress of integration. In contrast, stress, uncertainty, and rumoring in the post-merger integration time period have been found to negatively impact the financial performance of the parent firm (Buono & Bowditch, 1990; Davy, Kinicki, Kilroy, & Scheck, 1998; Marks & Mirvis, 1985) amounting even to "the loss of two hours of productive work per employee per day" (Wishard, 1985 quoted by Napier, 1989: 275). High levels of uncertainty have, moreover, been evidenced to lead to rumoring (Ivancevich, Schweiger, & Power, 1987) that runs counter to effective work. Mergers and acquisitions, if badly managed, also lead to labor and managerial turnover (Hambrick & Cannella, 1993; Hayes, 1979; Krug & Nigh, 2001; Véry, Lubatkin, Calori, & Veiga, 1997) and higher degrees of absenteeism (Davy et al., 1998), both of which have a potentially detrimental effect on firm effectiveness. The significance of the people dimension in M&As gains more weight if considered in terms of the long-term nature of these reactions – they persist and tend even to become emphasized over time (Schweiger & DeNisi, 1991). In the following section, as we proceed to an overview of the human and managerial considerations in M&As, our aim is to give voice to some of the prominent themes that this broad body of work and experience has led us to identify.

Dealing with employee uncertainties in M&As

How do employees react to M&As?

Prior research has emphasized the negative impact of M&As on employees in the acquired firm. This has been termed the "merger syndrome" (Buono & Bowditch, 1989; Marks & Mirvis, 1985), referring to the psychological challenge caused by the change that an M&A represents to employees. Moreover, negative reactions, such as increased levels of employee uncertainty (Buono & Bowditch, 1989; Marks, 1982; Risberg, 2001), rising levels of stress (Cartwright & Cooper, 1992), lower morale (Sinetar, 1981), and rumoring (Ivancevich et al., 1987) have been shown to occur. Feelings of loss and deprived identity abound (Cartwright & Cooper, 1990), as do worries about job security (Mace & Montgomery, 1962). Acquisitions have even been described in terms of "organizational death" (Marks & Vansteenskiste, 2008). These studies tend to paint a bleak and negative image of the human toll resulting from M&As.

Although they do exist, the positive effects of M&As on the employees concerned have received less attention than the negative effects (Teerikangas, 2012). In particular, findings from recent studies lend evidence to the presence of positive employee reactions. In a comparative study of hostile versus friendly mergers, Fairfield-Sonn, Ogilvie, and DelVecchio (2002) found that whilst hostile mergers result in long-term negative employee reactions, friendly mergers result in long-term positive reactions. Further, certain kinds of post-acquisition changes

(e.g. in human resource management practices and organizational culture), have been shown to have a positive effect on employee attitudes, as recently exemplified by Froese, Pak, and Chong (2007) in a study of cross-border acquisitions in Korea. Teerikangas (2012) found that target firm employees react positively to forthcoming transactions. This occurs especially when the transaction is viewed as an opportunity. In such cases, acquired firm managers become proactive agents leading the transformation, and in so doing engage the organization in the change process.

Other factors come into play to provide a nuanced view of employee reactions to M&As. In phase-based studies of human reactions during M&A (e.g. Ashkanasy & Holmes, 1995; Buono & Bowditch, 1989; Graves, 1981; Ivancevich et al., 1987; Schweiger et al., 1987), employee reactions have been shown to lean toward the negative in the pre-deal phase, and gradually, depending on the quality of integration management and the way in which the acquisition is experienced, turn to the positive in the post-acquisition era. In summary, it would seem that M&As are greeted with a mix of positive and negative reactions by employees; however, the media and many management scholars have tended to emphasize negative reactions of employees to M&A activity.

What explains employee reactions to M&A?

Previous research has suggested that the extent of culture shock (Buono, Bowditch, & Lewis, 1985; Buono & Bowditch, 1989) and the direction of post-deal changes implemented (Cartwright & Cooper, 1992; Froese et al., 2007) influence acquired firm employee reactions. However, the issue of whether domestic or cross-border deals result in higher levels of stress has produced conflicting evidence (Larsson & Risberg, 1998; Véry, Lubatkin, & Calori, 1996; Weber, 1996). Nahavandi and Malekzadeh (1988) see that the match between the preferred acculturation modes of involved firms dictates the likely degree of "acculturative stress" following acquisitions. In their paper, the acquired reactions to the buying firm are conceptualized as stemming from the degree of partner attractiveness and the extent to which the acquired firm wishes to preserve its own culture. Expectations of the future have also been found to predict employee reactions (Dackert, Jackson, Brenner, & Johansson, 2003). In summary, the greater the cultural discrepancy between the organizations involved and the less attractive the partner and the vision of a future with the partner, the more likely it is that employees will react negatively to an acquisition.

It has been established that the manner in which the change process is managed has a significant effect on the outcome of a merger or acquisition (Kavanagh & Ashkanasy, 2006). For example, leadership has been found to affect the extent to which post-deal cultural change is accepted (Kavanagh & Ashkanasy, 2006). Where the effect of leadership style on post-merger satisfaction has been studied (Covin et al., 1997), the characteristics of transformational leadership (i.e. a leadership style involving charisma, inspiration, and transcendental goals) have been found to be the strongest predictors of merger satisfaction. Yet, the ability and competence of managers to effectively deal with a process as complex as a merger or acquisition has been questioned (Covin et al., 1997; Kavanagh & Ashkanasy, 2006).

The significance of timely and honest communication throughout the M&A process has been emphasized (Bastien, 1987; Ivancevich et al., 1987; Schweiger & DeNisi, 1991). A host of practical tips (e.g. with regard to the use of courses, workshops, and psychological counseling) have also been suggested as a means of dealing with the human challenge in M&As (Buono & Bowditch, 1989; Marks & Mirvis, 2001). The buying firm's cooperative pre-deal attitudes have

been found to help steer employee reactions toward the positive (Marks, 1991; Schweiger *et al.*, 1987). The way employees are treated matters, and thus respect has been emphasized as a critical variable to M&A success (Krug & Nigh, 2001). The significance of retaining key target firm talent, for example, through their early involvement (Krug & Nigh, 2001; Schuler, Jackson, & Luo, 2004) and mutual relationship building (Marks & Mirvis, 2001) has also been highlighted in the literature, and the role of the human resource function pre and post-deal has been emphasized by some scholars as being critical (Antila, 2006; Lorange, 1996; Schuler *et al.*, 2004).

Building and maintaining trust in M&A

Recently, the role of trust has been discussed as a critical success factor in M&A processes. While few attempts have been made to systematically examine trust dynamics in M&As, indirect evidence about the critical role of trust in the M&A process can be drawn from a large body of research that suggests that the development of trust is critical to the successful formation and implementation of cooperative alliances between firms, such as joint ventures, R&D collaborations, and marketing partnerships (Child, 2001; Inkpen & Currall, 2004; Krishnan, Martin & Noorderhaven, 2006; Zaheer, McEvily & Perrone, 1998). For example, in joint ventures factors such as open communication and information exchange, task coordination, informal agreements, and levels of surveillance are all manifestations of trust between joint venture partners (Currall & Inkpen, 2002; Krishnan *et al.*, 2006).

In the context of M&As, case studies (e.g. Chua, Engeli, & Stahl, 2005; Olie, 1994) as well as interviews with managers and employees affected by M&As (e.g. Krug & Nigh, 2001) suggest that trust is critical to post-merger integration process dynamics and outcomes because it helps management to overcome resistance, gain commitment from the employees, and develop a sense of shared identity. It has been observed that the turbulence following the announcement of a merger or an acquisition creates a breeding ground for distrust because the situation is unpredictable, easy to misinterpret, and people tend to feel vulnerable (Hurley, 2006; Krug & Nigh, 2001; Marks & Mirvis, 2001). Social networks and mutual understanding established through years of working together are sometimes destroyed in an instant. With a new organization, a new top management team, and a new superior, there is little trust initially and employees are left wondering what the next wave of changes will bring. Employees may perceive a merger as a psychological contract violation or a breach of trust, requiring renegotiation of the broken psychological contract (Buono & Bowditch, 1989; Cartwright & Cooper, 1992). The period following the announcement of a merger or takeover is thus one of vulnerability and intense risk assessment in which employees have to judge whether the acquiring firm's management (and their own management) can be trusted.

The following quote from Daniel Vasella, CEO of Novartis, concerning the merger that created the Swiss pharmaceutical giant highlights both the importance and fragility of trust in M&As:

> Only in a climate of trust are people willing to strive for the slightly impossible, to make decisions on their own, to take initiative, to feel accountable; trust is a prerequisite for working together effectively; trust is also an ally to fight bureaucracy. . . . We must fill this vacuum as fast as we can, we must restore confidence [after the merger]. We must earn it by "walking the talk," with candour, integrity, openness, fairness . . . We need to create a culture based on trust.
>
> (Chua *et al.*, 2005: 391–392)
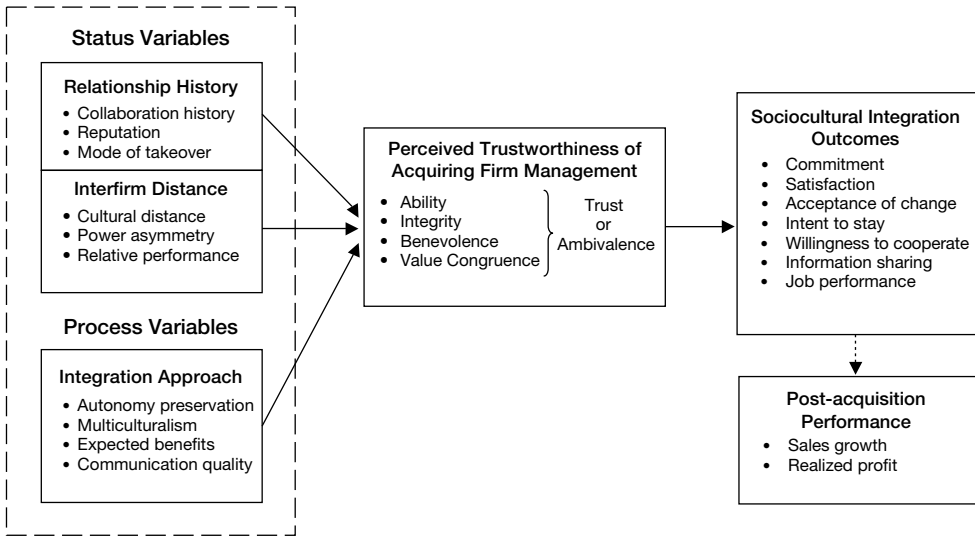
Figure 25.1 Model of the antecedents and consequences of trust in mergers and acquisitions

Despite the large body of anecdotal evidence supporting the critical role of trust in M&As, surprisingly little is known about the factors that facilitate or hinder the development of trust in acquired or merging organizations. Stahl and Sitkin (2010) propose that factors related to the firms' relationship history and inter-firm distance, as well as process variables related to the acquirer's integration approach affect target firm member trust in the acquiring firms' management (see Figure 25.1).

Relationship history. The extent to which the members of a target firm perceive the acquirer to be trustworthy is a function of prior *inter-firm contact* or, in the absence of a history of collaboration, the *reputation* of the acquirer. A large body of research on the role of trust in work groups, strategic alliances, and socially embedded partnerships suggests that trust evolves over time through repeated interactions (Inkpen & Currall, 2004; Ring & Van de Ven, 1992; Zaheer *et al.*, 1998). If members of the combining firms had a conflict-rich, inequitable, or otherwise problematic exchange prior to the acquisition (e.g. a failed joint venture), this is likely to limit the potential for trust to emerge. Another important factor in determining target firm members' trust is the *mode of takeover* or tone of the negotiations (whether it is friendly or hostile). It has been argued that hostile takeover tactics can result in sharp inter-organizational conflict and difficulties integrating acquired firms (Buono & Bowditch, 1989; Hitt *et al.*, 2001). Hambrick and Cannella (1993) have observed that the atmosphere surrounding a hostile takeover is often characterized by bitterness and acrimony, making smooth social integration after the deal less likely. This is supported by research showing that hostile takeover attempts lead to resistance and increased "in-group out-group" bias (Elsass & Veiga, 1994; Krug & Nigh, 2001).

Inter-firm distance. Cultural distance, power asymmetry, and relative performance may affect trustworthiness attributions through perceptions of inter-firm distance. Although studies that tested the impact of cultural distance on post-acquisition integration process dynamics and

outcomes have yielded inconclusive results (see Cartwright & Schoenberg, 2006; Stahl & Voigt, 2008; Teerikangas & Véry, 2006; Weber & Drori, 2008 for reviews), trust research has clearly shown that shared norms and values facilitate the development of trust and the emergence of a shared identity (Lewicki *et al.*, 1998; Sarkar *et al.*, 1997). Conversely, trust can erode and the potential for conflict increase when a person or group is perceived as not sharing key values (Sitkin & Roth, 1993).

Social Identity Theory suggests that in a merger situation, the mere existence of two different cultures is enough to lead to in-group/out-group bias and conflict: organizational members, while emphasizing their own positive distinctiveness, tend to exaggerate the differences between their own and the other's culture (e.g. Hogg & Terry, 2000; Kleppestø, 2005; Vaara, 2003). In cross-border acquisitions, feelings of resentment, hostility, and mistrust may be further fueled by cultural stereotypes, prejudices and xenophobia (Vaara, 2003). In addition to cultural distance, *differences in power* between the acquiring and acquired firm is likely to affect trust dynamics. In the case of asymmetrical power relations, target firm members' needs are often overlooked or trivialized by the acquirer (Datta & Grant, 1990; Hambrick & Cannella, 1993; Marks & Mirvis, 2001). Acquiring executives tend to adopt an attitude of superiority and treat the members of the target firm as inferior, thus leading to status degradation and the voluntary departure of key employees (Hambrick & Cannella, 1993; Krug & Nigh, 2001).

Poor target firm performance in the past relative to the acquirer may have a similar effect, as it is likely to increase an acquirer's tendencies toward arrogance and domination. For instance, Hambrick and Cannella (1993) have observed that even if executives of a poorly performing firm are not fired outright after their acquisition, they may feel inferior or depart voluntarily because they are anticipating the dominating behaviors of their "conquerors." Lower-level employees are likely to experience anxiety from fears they might lose their jobs or be unable to meet the acquirer's performance standards. Paradoxically, though, it has been observed that when a smaller or underperforming firm is acquired by a significantly larger or financially healthy buyer, target firm members often welcome the takeover and are energized to become part of something larger or more successful than themselves (e.g. Chaudhuri, 2005; Evans *et al.*, 2002). This is especially true when they see the acquiring company as being a savior or having a more enlightened culture, or when they see other positive outcomes in being associated with the acquirer (better pay, more prestige, etc.). Thus, there is not a general effect of power asymmetry and relative performance; rather, the effect on target firm members' trust will depend on the perceived personal risk and benefits resulting from the merger or takeover, as discussed below.

Integration approach. In addition to the status variables discussed above, trust is influenced by a set of process variables relating to the acquirer's post-acquisition integration approach, most notably the removal of autonomy. Autonomy removal can be devastating from the perspective of the members of the target firm and lead to feelings of helplessness and open hostility (Hambrick & Cannella, 1993; Marks & Mirvis, 2001), as managers and employees vigorously defend their autonomy – a situation that Datta and Grant (1990) have termed the "conquering army syndrome." Research suggests that the degree to which an acquiring firm tends to impose its policies, norms, and expectations on the target firm partly depends on the acquirer's *multiculturalism* (Nahavandi & Malekzadeh, 1988; Pablo, 1994). The term multiculturalism refers to the degree to which an organization values cultural diversity and is willing to tolerate and encourage it (Nahavandi & Malekzadeh, 1988). A multicultural acquirer considers diversity an asset, and is therefore likely to allow an acquired firm to retain its own values and modus operandi. In contrast, a unicultural acquirer emphasizes conformity and adherence to a unique organizational

ideology, and is therefore more likely to impose its culture on the target firm. Furthermore, there is evidence that the *expected benefits* of the organizational changes that result from the takeover, particularly the quality of the post-acquisition reward and job security changes, is a critical factor in determining employees' reactions to an acquisition (Cartwright & Cooper, 1992; Van Dick *et al.*, 2006). For instance, Bartels *et al.* (2006) found that the expected utility of a merger (anticipated benefits such as salary increases or more job security) was the strongest predictor of employees' identification with the post-merger organization. Chaudhuri (2005), in an in-depth case study of one of Cisco's acquisitions, found that strong financial incentives and a vision of the merged entity that included an important role for the acquired employees helped to promote trust and encouraged acquired employees to stay.

Finally, the *quality of communication* is a key factor in determining the level of trust that target firm members have in the acquirer's management. M&As are associated with high degrees of stress and uncertainty for the individuals affected by them, especially those of the target firm. Providing acquired employees with credible and relevant information can reduce this uncertainty and mitigate feelings of mistrust and suspicion (Bastien, 1987; Schweiger & DeNisi, 1991), as well as increase employees' identification with the post-merger organization (Ellis *et al.*, 2009). A lack of credible and open communication, on the other hand, has been found to result in intense rumor activity, anxiety over job security, and feelings of suspicion and mistrust (Buono & Bowditch, 1989; Marks & Mirvis, 1998).

Preliminary evidence from several empirical studies (Stahl, Chua, & Pablo, 2006, 2012; Stahl, Larsson, Kremershof, & Sitkin, 2011) suggests that the degree to which target firm members trust the acquiring firm management affects a variety of behavioral and attitudinal outcomes, including employee commitment (e.g. Weber *et al.*, 1996), resistance (e.g. Larsson & Finkelstein, 1999), turnover (e.g. Schoenberg, 2004), level of acculturation (e.g. Larsson & Lubatkin, 2001), and cooperation (e.g. Weber *et al.*, 1996), and, ultimately, the post-acquisition performance. For example, the results of a case survey (Stahl *et al.*, 2011) suggest that while aspects of the combining firms' relationship history and inter-firm distance, such as pre-acquisition performance differences, power asymmetry, and cultural distance, seem to be relatively poor predictors of trust, integration process variables such as the acquirer's tolerance for diversity, the adoption of a hands-off integration approach, the quality of communication, and the quality of the post-acquisition reward and job security changes are major factors influencing target firm member trust. This study further suggests that not only does trust have a powerful effect on target firm members' attitudes and behaviors, it may also contribute to the realization of synergies, as reflected in accounting-based performance improvements. This is consistent with research on post-merger integration that indicates that aspects of the sociocultural integration process, such as the acquirer's ability to build an atmosphere of mutual respect and trust, facilitate the transfer of capabilities, resource sharing and learning; and, conversely, sociocultural and human resources problems can undermine the realization of projected synergies (e.g. Birkinshaw *et al.*, 2000; Larsson & Finkelstein, 1999; Stahl & Voigt, 2008).

Managing M&As

Having acknowledged the challenge that M&As represent to employees and the need for the establishment of mutual trust, the focus in this section shifts to an appreciation for the variables associated with M&A process management. The role of the HR function is to support managers in the challenging task of M&A management; the better the HR professionals comprehend M&A process dynamics, the better they are able to support managers throughout its phases.

Overview of the M&A process

Whilst insights to the managing of M&As can be found in early publications (e.g. Mace & Montgomery, 1962; Kitching, 1967; Howell, 1970), it was the seminal work of Jemison and Sitkin (1986) and Haspeslagh and Jemison (1991) that formally posited a "process" perspective to M&As. On the basis of a series of in-depth case studies of international acquisitions, Haspeslagh and Jemison (1991) articulated the tenet that what distinguishes successful acquisitions is an understanding of the processes through which acquisition decisions are made and through which acquisition integration is managed.

Prior to this perspective, many scholars claimed that acquisitions were viewed as individual deals, with a primary focus on price. Moreover, the decision-making process leading to acquisitions tended to be considered a sequential, linear process involving setting strategic objectives, search and screening, strategic evaluation, financial evaluation, negotiation, agreement, and integration. In contrast, the process view advocated by Haspeslagh and Jemison (1991) portrays acquisitions not as independent, once-off deals, but rather as belonging to a firm's long-term renewal strategy. What is more, they contend, whilst concluding a deal is significant, value is realized only if the target is rightly integrated – hence, "integration management" matters. Their key argument is that instead of viewing (pre-acquisition) decision-making and (post-acquisition) management as separate activities and phases, as they often are in M&A practice, M&A scholars and practicing managers should treat them as interdependent processes.

This leads to the view of the acquisition process as consisting of two interrelated phases: the phase preceding the deal (the pre-acquisition phase) and the phase following the deal (the post-acquisition phase). The aim of the pre-acquisition evaluation process is to decide whether to engage in an acquisition or not. The acquiring company has a strategic rationale for the purchase, including potential value creation, against which it assesses the attractiveness of the deal. The integration process can be defined as a guided process to implement organizational change affecting mainly the acquired unit (possibly the acquiring organization too, depending on the integration strategy), and ultimately the parties involved, with the aim of aligning the new unit with the sought strategic direction.

Not all M&As are alike, and this bears consequences on the human side of M&A dynamics. The more the transaction incurs integration and post-deal change, the more likely it is that "people needs" will require significant attention from management. Several typologies of M&A integration strategies have been proposed (see e.g. Kitching, 1967; Howell, 1970; Buono & Bowditch, 1989; Napier, 1989; Cartwright & Cooper, 1992; Bower, 2001). An oft cited approach is the typology proposed by Haspeslagh and Jemison (1991), which identifies four integration strategies for the post-deal time period: *absorption*, *symbiosis*, *preservation*, and *holding*. These integration strategies differ with respect to the desired degree of target firm strategic interdependence, and target firm autonomy.

In "*holding*" acquisitions, the acquiring firm does not seek to integrate the target nor create value from the deal; rather, it might seek financial integration or managerial cooperation. This strategy is appropriate for the acquisition of unrelated entities, or acquisitions that are not inherently strategic in nature. In the "*preservation*" mode, the target firm retains autonomy, usually as a separate subsidiary or division of the acquiring firm. It is likely that little integration takes place, and as a result, the target is not likely to incur much change in the post-deal era. By contrast, in "*absorption*" acquisitions where the aim is explicitly to "absorb" the acquired firm into the acquiring firm's organization, a strong integration of the acquired firm into the acquiring firm is expected. Integration is likely to be a "one-way only" affair, where the acquiring

firm's best practices and operational processes are imposed on the target with little interest in mutual learning or knowledge transfer.

In "*symbiotic*" acquisitions the aim is to ensure a balance between target firm autonomy on the one hand, and integration into the acquiring firm on the other hand. Central to the implementation of the symbiotic approach is the reciprocal exchange of knowledge, skills, and capabilities between the two firms. Given that the process is inherently bi-directional, the management of symbiotic acquisitions is deemed the most challenging of all integration types (Haspeslagh & Jemison, 1991).

The four-quadrant typology of integration strategies suggests that not all acquisitions are alike in terms of their integration processes, management challenges, and requirements. Using this typology, integration management seems to be the most critical and demanding in "absorption" or "symbiotic" acquisitions. One limitation of this typological scheme is that the integration strategies adopted by acquiring firms rarely fit neatly into existing typologies. In practice, acquiring firms tend to adopt integration strategies that combine various features of different integration approaches (Haspeslagh & Jemison, 1991). Another limitation is that the typology assumes that acquiring firms explicitly decide on post-acquisition integration strategies. This decision might not always be explicit, nor might it involve the entire firm. In practice, there are likely to be a myriad of different post-deal strategies implemented throughout the organizations. Ultimately, the number of different post-acquisition strategic regimes is reflected in the number of parallel integration processes at work (e.g. Teerikangas, 2006).

Best practices in integration management

Planning. Planning has been referred to in the research literature as a critical factor in ensuring the success of M&A integration. As early as 1970, Howell's study of over 40 acquiring companies found many to be poorly prepared for acquisitions because of a lack of planning. In their survey of 751 cross-border acquisitions, Colombo *et al.* (2007) confirm that planning, through its positive impact on the post-acquisition climate and managerial appointments in the target firm, significantly impacts acquisition performance.

Speed and timing. Timing is also critical to the success of acquisitions. There is an ongoing debate about the significance of the speed of integration to M&A success. There are diverging views as to whether a quick or slow start is best to accomplish the acquisition (Schweiger *et al.*, 1993; Schweiger & Goulet, 2000; Ranft & Lord, 2002; Stahl *et al.*, 2013). Whilst practitioner cases point to the need for "swift" action (De Noble *et al.*, 1988; Epstein, 2004), academic findings have maintained a more nuanced stance. Among proponents of swift post-deal action, the immediate post-deal period has been referred to as the "window of opportunity" (Ranft & Lord, 2002). In the weeks and months following the acquisition, the target organization expects and awaits change to take place. Implementing change has been found to be easier in this period, because change is expected.

A link to performance has also been identified. In their large-scale survey of acquisitions related to Italian firms, Colombo *et al.* (2007) found a negative correlation between a temporal lag (i.e. time between deal closure and start of integration) and performance and climate. It is in this respect that the concept and argued importance of the "first 100 days" (e.g. Angwin, 2004) is well-known in M&A practice. In a study of GE Capital's acquisitions, Ashkenas, DeMonaco and Francis (1998) reported that the first 100 days are typically spent creating an integration plan, while some argue that the first 100 days constitute the timeframe during which all critical actions should be launched. Yet, in a study of whether and how the first 100 days impact the performance of acquisitions, Angwin (2004) found little evidence of such an impact,

thus suggesting that this timeframe might be "more of convenience than substance" (2004: 428). On the other hand, Angwin (2004) found a correlation between the volume of changes implemented in the first 100 days and perceptions of success three-four years post-deal.

By contrast, in the context of cross-border acquisitions, recent research evidence suggests that changes should *not* be made immediately after the deal. Rather, post-deal changes should be made over time, as the acquiring firm will be better able to target the changes required, once its knowledge of the acquired organization increases (Quah & Young, 2005). It is possible that both slow and rapid integration speeds may be necessary at different intervals. Teerikangas (2006) found that rapid action is needed at the early start of the integration phase, with regard to communications and changes that are implemented soon after the deal, in order to ensure that acquired firm staff know what is taking place. Thereafter, a gradual integration pace created space for making longer-term decisions on more significant, larger-scale changes required in the acquired firm. These findings suggest that both kinds of integration actions are needed and that the choice between quick versus slow pace is not an "either/or" proposition. Timing and speed are critical, yet they depend on the deal type, context, relatedness of firms, and the nature of the acquisition/integration strategy.

Socialization and interactions. M&As are at heart social encounters – encounters of people who differ from each other. In this respect, it is not surprising that socialization and interactions have been found to be critical to successful post-deal integration. Calori *et al.* (1994) discussed the importance of "informal control mechanisms" (Ouchi, 1981; Bartlett and Ghoshal, 1989) in M&A integration. Larsson and Lubatkin (2001) emphasized the importance of "social controls" in fostering acculturation following M&As. The role of mutual interaction to the success of M&A integration has been addressed by Buono and Bowditch (1989), Olie (1990), Cartwright and Cooper (1992), and Larsson and Finkelstein (1999). These studies call for recognizing the importance of exchange and interaction in promoting learning, sharing knowledge, and ensuring successful post-deal integration (Schweiger & Goulet, 2000; Larsson & Lubatkin, 2001). Given the significance of knowledge transfer in the context of R&D acquisitions, work on the integration of acquired R&D units (Håkanson, 1995) also emphasizes the importance of informal means of communication. Larsson and Finkelstein (1999) regard the degree of organizational integration and the ensuing degree of inter-firm interaction as significant for the success of M&As.

Communications. The centrality of integration-related communications has been found to be a critical factor to M&A success (Bastien, 1987; Ivancevich *et al.*, 1987; Schweiger & DeNisi, 1991). Haspeslagh and Jemison (1991) posit that inter-firm interactions are "at the heart of integration" (1991: 117). In their study of technology acquisitions, Ranft and Lord (2002) found that frequent and open communications facilitate post-deal integration. In particular, they found the richness of exchanges to be determinative of the effectiveness of communication (i.e. face-to-face contact has more effect than virtual contact). They concluded that rich communications in turn support knowledge transfer and the establishment of a climate favorable to change. Similarly, Ellis *et al.* (2009) found that the degree of open communications is positively related to value creation during and after integration. Involving target firm managers in decision-making was found to have positive performance effects only if previously supported by open communications. Intriguingly, communications and involvement impact acquisition performance in different ways: whilst open communications have a positive effect on financial returns, involvement has a positive effect on gains in market position. This would mean that managers involved in acquisitions should revert to different managerial approaches, depending on the desired objectives in the deal (Ellis, *et al.*, 2009).

The role of HR is critical with respect to post-deal communication effectiveness. Notwithstanding, this role will bear different consequences depending on the size of the acquiring firm.

In larger organizations the communications department coordinates external communications, whilst HR typically is in charge of within-firm communications and coaching management teams with respect to the right tone of communicating information. In the Nokia Siemens Networks merger in 2007, HR coordinated a series of town-hall meetings for staff in certain countries at the start of the merger, where the merger's strategic aims and typical psychological issues that surface in M&As were presented and discussed. In contrast, in smaller-sized firms that potentially lack a proper HR function per se, communication protocols remain the remit of the founding owner or entrepreneur, with all the risks and opportunities that such a state of affairs involves.

Attitudes. Attitudes have been found to derive both value enhancing and value destructive effects on the progress and outcomes of M&As. The M&A literature shows the importance of the buying firm's attitudes in enhancing mutual cooperation in the post-deal phase (Olie, 1994; Deiser, 1994), the need to create an atmosphere supportive of capability transfer (Haspeslagh & Jemison, 1991), the role of "assertive tolerance" in managing the post-deal integration phase (Napier *et al.*, 1993), and the importance of fairness during post-acquisition integration (Hambrick & Cannella, 1993). The importance of "respect" in the way acquired firm management and employees are treated was noted by Krug and Nigh (2001) in their study of acquired firm executive departures.

Recent findings support this view. A study of European and American firms' acquisitions in Eastern Germany (Thomson & McNamara, 2001) cite the role of "corporate entrepreneurship" in enabling integration, thereby affecting acquisition success.[1] In her study of acquisitions by worldwide industry leaders, Kanter (2009) found that successful buyers have been able to integrate and motivate new staff members. Such "winners" can be distinguished from other firms on the basis of their attitudes: they do not act like conquerors. Rather, they act as "welcoming hosts," "eager learners," and "fixers vs. destroyers." Teerikangas (2012) found that attitudes of cooperation and mutuality need to be balanced with attitudes associated with enabling change in order for post-merger success to occur.

Whilst fairness and equality are often raised as cornerstones of successful mergers, cases of failed mergers point to the potential ambiguities therein. In a study of the failed Telia and Telenor merger, Meyer and Altenborg (2007) contend that the notion of equality is in practice not an objective concept, but subject to a myriad of local interpretations. Moreover, they point out that in the context of a merger the principles of equality in roles and responsibilities might lead to "structural paralysis" because decisions cannot be taken, and national interests cannot be bridged.

Scholars have also cautioned against the presence of potentially negative attitudes in the aftermath of M&As. Deiser (1994) alludes to the impact of the buying firm's attitude in the post-acquisition process and advises against the buying firm blindly imposing its ideas upon the acquired firm. The presence of a "not-invented-here" syndrome has been referred to by Blake and Mouton (1984) and Buono and Bowditch (1989). They note that interpersonal relations can be tense in times of M&As, even moving toward hostility owing to group dynamics. They caution that employees are likely to resent ideas not coming from their group. Inter-organizational problems in times of M&As typically relate to "competing claims," "secrecy vs. deception" (Buono & Bowditch, 1989), "we vs. they," "superior vs. inferior," "attack and defend," and "win vs. lose" behaviors (Marks, 1991). These findings touch on the debate on inter-group relations in social psychology, where it is argued that social conditions should be positive in order for inter-group encounters to succeed. Otherwise, the groups will revert to dysfunctional behavior, through which each will favor their in-group members at the expense of the out-group members (Sherif, 1962; Tajfel, 1978).

Among potentially destructive attitudes, Haspeslagh and Jemison (1991) identify "determinism" as a problem in acquisitions. By determinism, they mean situations, where managers cling to their initial goals for the deal regardless of mounting evidence of the need to change these objectives. The source of determinism can be traced to how and when the acquisition decision was justified in the pre–deal phase. Indeed, in retrospect, the initial justification for the acquisition might be flawed, based on limited information, or might have been purposefully communicated in simplistic terms in order to be understood. Also, unexpected events such as industry or contextual changes might have prompted changes to the initial strategy.

To summarize, attitudes can bear positively or negatively on M&As. Whilst attitudes of fairness, experimentation, learning, ambition, and humility underlie experiences of successful integration, one must beware of the potential for destructive reactions in the post–acquisition encounter of any two organizations.

Who is in charge of integration?

Extant research has found the following roles as significantly impacting M&A success: top management teams, change agents, acquired firm managers, and key target firm talent. These roles will be reviewed in this section.

Top management attention. In addition to demanding the attention of business or integration managers, acquisitions require the attention of senior managers (Haspeslagh & Jemison, 1991). Without such attention a "leadership vacuum" might occur in the post–acquisition phase. At worst, top managers forget the acquisition soon after the deal. Yet this omission masks the targets' need for top management attention and steering. At worst, such inattention can result in the failure to make, implement, or effectively communicate decisions throughout the organization. The role of top management is to set the right atmosphere or tone for integration, so that both sides are interested in sharing ideas and are willing to collaborate in a mutually respectful manner. Haspeslagh and Jemison (1991) term this "institutional leadership."

Integration teams and boundary-spanning change roles. Who is responsible for integration? In their study of General Electric's ("GE") acquisition process across a number of deals, Ashkenas *et al.* (1998) identified the integration manager as key to the success of the company's acquisitions. The authors note that it was after significant acquisition experience that GE realized the appointment of a manager in charge of the integration process to be critical to acquisition success. Regarding GE Capital's acquisitions, Ashkenas *et al.* (1998) identified the integration manager's role as (1) facilitating and managing integration activities, (2) helping the acquired business to understand GE Capital, (3) helping GE Capital to understand the target business, and (4) building a connective tissue between the organizations. In a follow-up study of companies across industries, Ashkenas and Francis (2000) clarified the role of the integration manager; they observed that so-called "enlightened" companies typically appoint an executive, "guide" or "shepherd," to coordinate post–acquisition phase activities.

In a similar vein, Haspeslagh and Farquhar (1994) found interface management or "gatekeeping" between the buying and acquired firms to be a critical variable that impacts the progress of post–acquisition integration. Effectively this task is incidental to the role of the "integration manager." In acquisitions where exchange and integration between the combined firms is to be expected, "interface management" becomes important to the extent that "the quality of interface management becomes a key to unlocking acquisition value" (Haspeslagh & Jemison, 1991: 156). The role of interface management is to control the pace, nature, and timing of inter–firm interactions. Depending on the integration approach, interface management serves a gatekeeping function to (1) provide transitional management in a full integration "absorption"

acquisition, (2) support mutual knowledge transfer in a "symbiotic acquisition," or (3) protect target firm boundaries in a "preservation" strategy where granting target firm autonomy is high priority.

In a recent study of Nordic multinational firms' cross-border acquisitions (Teerikangas *et al.*, 2011), the presence and proactivity of integration managers was found to have a performance enhancing versus a destructive impact. In the pre-acquisition phase, integration managers support the capturing of value by relationship building. Negative media coverage or internal rumoring about a forthcoming transaction can result in unnecessary staff turnover. If change is sought post-deal, then the presence of an integration manager (team) is critical with respect to pursuing the set targets, implementing change, and supporting the processes of knowledge transfer and cultural change. Also, the target firm's knowledge base needs to be nurtured and respected, lest its value come to be under-utilized.

What capabilities are required of such individuals? Excellent integration managers combine professional expertise with human touch and linguistic and cultural intelligence (Teerikangas, 2006). In a study of individuals engaged in boundary-spanning activities in times of organizational change including mergers, Balogun *et al.* (2005) found that these individuals typically align agendas and sell the initiative, manipulate situations to ensure that the message is effectively delivered, gather intelligence, and lobby for help from senior managers. A key factor characterizing these individuals is that they work within social networks and strongly rely on their networks to achieve results. By implication, the work of these individuals is highly network-dependent.

Use insiders or outsiders in management? A major discussion in the M&A field centers on the destiny of top managers in the post-deal regime: Should top managers stay or go? Angwin and Meadows (2009) suggest that the choice of whether to use target or outsider managers depends on the integration strategy. Where there is low interdependency between the firms or the target is given considerable autonomy following the deal (i.e. "preservation" acquisitions), the tendency to use insiders (i.e. target firm managers) is predominant. Insiders also appear to be favored when the target is granted little autonomy and is in financial difficulty (it is assumed that an insider is best positioned to deal with the dire situation). In contrast, where there is high interdependency between the firms (i.e. "absorption" acquisitions), and change and new perspectives are required, the tendency to opt for outsiders in top managerial positions prevails. In "symbiotic" acquisitions, firms typically start with an insider manager, only to replace him or her later by an outsider. In "holding" acquisitions, although insiders are predominant, outsiders, when used, tend to achieve better results. In sum, the integration strategy and the acquisition context dictate the choice of management.

The selling side and involving acquired firm management. Evidence advises involving the acquired organization (Haspeslagh & Farquhar, 1994; Angwin, 2004; Graebner, 2004) as a means of fostering integration and mutual learning. Véry and Schweiger (2001) stressed the importance of such involvement, especially where the acquisition occurred in a country in which the acquiring firm had no prior experience. Graebner's (2004) study of technology acquisitions suggested that target firm managers have a distinct and crucial role in ensuring the successful integration of their entity into the new parent firm. These managers usually enable realizing expected and serendipitous value creation in acquisitions. In order to realize expected values, acquired firm managers typically engage in "mobilizing actions" that help maintain the momentum of change, be it by setting goals and clear tasks for target firm employees or coordinating with acquiring firm management for support. Moreover, in successful acquisitions, acquired firm leaders also engage in "mitigating actions" that address personnel issues and uncertainties in times of the change. Graebner (2004) further found that serendipitous value was created when acquired firm

engineers and managers were provided with cross-organizational responsibilities. Teerikangas (2006) claims that when target firm managers are pro-acquisition, talent retention bears beneficial consequences − it is appreciated as a sign of trust. Acting locally, they can drive the target's "self"-integration. However, this choice bears negative consequences if target firm managers resist the new regime.

The majority of M&A research has focused on the perspective of the buying firm. However, the work of Graebner and Eisenhardt (2004) takes the seller's view in their research on M&As. They find that sellers are triggered to be positive toward their firm being acquired if they are facing strategic hurdles or have a personal motivation to sell the firm due to fear of failure, stress, financial gain, or dilution risk. Moreover, target company leaders were found to be ready to sell their firm when they identified combination potential between the acquiring and target firms, or when organizational rapport (e.g. cultural fit, personal fit, trust, and respect) existed between the two firms. Graebner and Eisenhardt (2004) provide not only a seller-focused, but also a relationship-focused perspective on acquisitions, in contrast to a buyer-focused, and agency-theory focus that is common in the existing literature. In light of this result, Graebner and Eisenhardt (2004) posit the acquisition process not as a takeover, but rather at best as a courtship.

Key talent. In terms of ensuring future performance, retaining key employees is critical. This applies especially to sectors that are highly reliant on human capital. In biotechnology acquisitions, retaining engineers is perhaps more critical than retaining senior managers, owing primarily to the unique expertise of the former. In their study of targets acquired by pharmaceutical companies, Paruchuri *et al.* (2006) found that negative effects of acquisitions are not homogenous across employee types; rather, acquisitions affect the productivity of some employees more than others, depending on their particular skill sets. Also, they found that acquisition integration has an overall negative effect on the productivity of inventors following acquisitions, and that inventors whose work is far from the acquiring firm's core tend to suffer more than others. Moreover, engineers who boasted a strong pre-acquisition network are likely to suffer most in the aftermath of a takeover because the acquisition and resulting integration tend to redefine the structure of social networks. Whilst these changes are constructive from an integration perspective, they are destructive from an innovation perspective because inventors tend to rely on strong social networks to collaborate. It generally takes some time after the acquisition for these networks to become functional again.

Synthesis. The task of achieving M&A integration rests on a number of shoulders. It falls primarily on acquiring firm top management, who should be fully committed to integration, and should visibly express this commitment to the members of the target firm. Second, successful integration rests on the work of transition teams and integration managers who are appointed for an interim period to coordinate change efforts. At best, such teams should involve members of both organizations. In particular, the involvement of acquired firm managers has been found to have beneficial effects. The question of whether acquired firm managers should stay or go depends on the acquisition and integration type.

Cultural clashes and cultural change in M&As

Beyond employee concerns and the challenge of post-deal integration, a central question concerns the nature and dynamics of cultural encounters during M&A activities. This question has been studied from the lenses of performance consequences, change dynamics, cultural change, and the intercultural dimensions inherent in M&As.

Culture and M&A performance

Many M&A scholars who studied the impact of organizational culture differences on the performance of domestic transactions found contradictory evidence. Whilst Datta (1991), Chatterjee *et al.* (1992), and Weber and Camerer (2003) find that cultural differences have a negative impact on performance, Krishnan *et al.* (1997) found that differences in top management team functional backgrounds have a positive impact. However, Weber (1996) did not find a direct relationship between cultural differences and M&A financial performance but he did find that corporate culture differences have a negative impact on both integration progress as well as commitment. These relationships are likely to be stronger for service than for manufacturing firms, and the impact of cultural differences is also likely to be stronger, when high degrees of integration and autonomy removal are sought (Weber, 1996). Interestingly, Datta's (1991) findings were robust regardless of the degree of integration; thus, even the question of "depth of integration" needs to be treated with caution.

In parallel to the above studies, another group of scholars explored the impact of national culture differences on the performance of international M&As. Here, two types of findings are identified. On the one hand, national culture differences are found to bear positive outcomes (Morosini *et al.*, 1998; Chakrabarti *et al.*, 2009; Gubbi *et al.*, 2010). On the other hand, researchers argue for a more nuanced picture of the impact of national culture on post-deal performance. Slangen (2006) found that the effect of national culture depends on the degree of integration (i.e. it is not static from one deal to another). Brock (2005) and Reus and Lamont (2009) argue that national cultures have an indirect effect on acquisition performance through their effect on "interim" metrics, such as resource sharing and integration (Brock, 2005), communication, retention, and understanding. Also, differing dimensions of cultures were found to have differing performance effects (Brock, 2005), and buyers from economically more developed countries fared better as well (Chakrabarti *et al.*, 2009; Gubbi *et al.*, 2010). The performance effect becomes more positive the greater the distance between the participating firms' home countries (Morosini *et al.*, 1998; Chakrabarti *et al.*, 2009). Finally, Reus and Lamont (2009) noted a simultaneous negative and positive impact of national cultures.

Research on the dual impact of organizational and national culture on M&A performance points to an increasingly nuanced, yet mixed picture. Whilst organizational culture is found to positively affect attitudes, stress, and behaviors (Weber *et al.*,1996), it is in parallel found to increase post–acquisition conflict (Sarala, 2010), and not affect knowledge transfer (Sarala and Vaara, 2010). National culture is found to negatively impact attitudes, stress and behaviors (Weber *et al.*, 1996), positively impact acculturative stress (Véry *et al.*, 1996), have no impact on post-acquisition conflict (Sarala, 2010), and provide opportunities for knowledge transfer (Sarala & Vaara, 2010). Further, buyers from some countries would tend to outperform others (Véry *et al.*, 1997). In general, related deals perform better the longer the timeframe of the measurement (Véry *et al.*, 1997).

In synthesis, the issue of whether and how cultural differences impact merger and acquisition performance continues to be open to debate (Stahl & Voigt, 2008; Teerikangas & Véry, 2006). The field has moved from an initial focus on US deals, to a focus also on European, Asian, and worldwide transactions. Whilst the work was initially dominated by a focus on organizational culture, this early shift was rapidly replaced by studies on national culture, and studies combining the effects of national and organizational cultures on performance. It is worth noting that studies rely on existing models of national cultural differences, especially Hofstede's (2004) or more recently House *et al.*'s (2004) dimensions. Likewise, organizational culture is largely proxied using differences at the level of management teams. In terms of performance measurement, the

study of organizational or national cultures on M&A performance has largely relied on financial metrics, whilst the study of national and organizational cultures has operationalized performance using non-financial measures (Teerikangas, 2012).

The cultural clash in M&As

If interest in the domestic dimensions of culture clash following M&As has been relatively scant since the 1980s, this seeming disinterest has been replaced by an emerging interest in the cultural dynamics at stake in cross-border M&As.

Cultures clashing in domestic M&As. Among the early studies was that of Marks (1982), who found that cultural clashes occur in the merging of domestic firms. Buono *et al.* (1985) introduced the concept of "culture shock" occurring when two organizational cultures merge. As culture provides a frame of life for its members, cultural changes are among the most difficult for people to cope with. Buono *et al.* (1985) found that a culture shock follows an organizational merger and affects the members by contributing to changing feelings and discomfort. Despite the employees' rational understanding of the need to merge, culture shock impacts their willingness to view the deal in a positive light. These findings were among the first in the study of M&As to point to the fact that the cultural side of mergers warrants attention (Buono *et al.*, 1985; Buono & Bowditch, 1989).

The introduction of the concept of acculturation by Nahavandi and Malekzadeh (1988) was the next conceptual milestone in this stream of research. The concept of acculturation, borrowed from cross-cultural psychology (Berry, 1983), represents the cultural adaptation process and alternative scenarios in the merging of two organizational cultures. The choice of the acculturative mode depends on both the acquirer and the acquired company. When an acculturative mode accepted by both companies is chosen, less acculturative stress is expected to occur. The contribution is significant in that it recognizes different approaches and choices for cultural integration. The concept of acculturative stress is useful in highlighting the emotional distress incurred by the acquired company's members. It is also noted that different sub-units within the company can experience different levels of acculturative stress, and unrelated acquisitions can be made to succeed if the correct acculturative mode is chosen. A year later, Buono *et al.* (1985) defined four modes of integrating cultures in M&As: cultural pluralism, cultural blending, cultural takeover, and cultural resistance. These modes mirror the acculturative modes presented by Nahavandi and Malekzadeh (1988).

These early initiatives based on either US domestic mergers or conceptual work have thereafter maintained an almost "unrivalled" position in the literature on M&As given that few scholars have thereafter sought to study the cultural dynamics of domestic deals. A notable step in this direction was the introduction of the stepfamily metaphor (Allred *et al.*, 2005) as a means of understanding the challenge of managing M&As. The two phenomena are argued to share similar characteristics (e.g. culture shock, high levels of stress, role ambiguity), tasks (e.g. establishing new relationships), and issues (e.g. high failure rates, power issues). Based on the stepfamily literature, they posit that challenges experienced in times of M&As could be extrapolated from those experienced by stepfamilies. Drawing a parallel, this would mean that M&As would suffer from biological discrimination (i.e. buying firm discrimination), incomplete institutionalization (i.e. leading to misunderstandings), and deficit-comparison (i.e. acquired firms ending in a disadvantageous position as compared to the buying firm and competitors). In order to sustain high success rates in M&As, Allred *et al.* (2005) suggest that firms (a) acquire similar targets, (b) properly evaluate the target prior to the deal, and (c) ensure the buying firm's full commitment to the venture.

Cultural clashes in cross-border M&As. The first papers to address cultural encounters in cross-border mergers were by Olie (1990, 1994), who focused on cross-border merger integration. He argued that both organizational and national cultures meet in cross-border mergers, with the latter influencing the former. Olie (1990) found obstacles in international M&As as being related to the way people react as culture-bearers. First, there is resistance to changing working methods and opposition against any alienation from the national character of the environment. Second, there is a perceived threat to one's own position in the company. A third issue concerns nationalism existing in the countries owing to their historical backgrounds. He argued that integration success of cross-border mergers depends on the degree of interaction between the two firms, the degree of integration, and the extent to which the firms value their original cultures. In a later study, Olie (1994) looked at the nation and firm-specific factors influencing cross-border mergers. He found that the degree of compatibility of administrative practices, management styles, organizational structures and cultures, kind and degree of post-merger consolidation, the extent to which parties value and want to retain their organizational integrity, and the nature of the relationship between the two organizations together contribute to explain the difficulties encountered in the post-merger integration process in a cross-border merger setting.

Building on the work of Nahavandi and Malekzadeh (1988) in a cross-border setting, Larsson (1993) found that national cultures create additional barriers to the development of joint corporate cultures in the post-acquisition phase. In a similar vein, Malekzadeh and Nahavandi (1998) discuss acculturation in the context of cross-border M&As, wherein double-layered acculturation (Barkema & Bell, 1996), that is, changes in both national and corporate cultures, occurs. Despite these advances, there is a relative scarcity of research on the dual impact of national and organizational cultures on cross-border M&As.

The management of cultural change following M&As

Another stream of research in the literature has focused on cultural change following M&As (Buono & Bowditch, 1989; Olie, 1990; Cartwright & Cooper, 1992, 1993; Schweiger *et al.*, 1993; David & Singh, 1994; Forstmann, 1998). The direction of cultural change has been found to dictate the ease of change, especially if the change is paralleled with increased levels of openness in the organizational culture (Cartwright Cooper, 1992, 1993). Where beliefs are widely shared and strongly held, cultural change is likely to be challenging (Buono & Bowditch, 1989). Cartwright and Cooper (1992) identify four approaches to culture change: aggressive, conciliative, corrosive and indoctrinative. They found that a combinative use of these approaches is fruitful, and argue that culture change should begin with an understanding of both participating cultures followed by an "unfreezing" of these cultures. Next, a positive and realistic view of the future should be presented to people in both organizations – this ensures the wide-scale involvement of organizational members and creates a realistic timescale for the integration process. Finally, it is necessary to monitor the change process and take corrective action where necessary.

Sales and Mirvis (1984) argue that managing a culture in transition requires understanding not only the factors influencing acculturation, but also the processes underlying them. They contend that the new culture must first perceive a threat to its culture. This phase can best be managed by preparing strategically and emotionally for the change, rehearsing the possible implications, and developing ground rules for cross-cultural contact. Second, there should be cross-cultural contact between the two firms. The management of this phase entails managing the processes of polarization, evaluation and ethnocentrism as well as the conflicts resulting from cultural differences. Third, acculturation begins. This phase should be accompanied by a conscious scanning of culture and its re-examination.

Buono *et al.* (1985) unfold the process of culture change and identify the following factors as meaningful ways of influencing integration in M&As: changing the behavior of organizational members, justifying this change, using cultural communication to facilitate the change, hiring and socializing new recruits to speed up the change, and removing deviants. The extent to which cultural change can be achieved has also been questioned (Buono & Bowditch, 1989), and the importance of attitudes (Napier *et al.*, 1993; Deiser, 1994; Morosini, 1998) when implementing cultural change has been viewed as critical. In a review of existing literature, Schraeder and Self (2003) found that training, support, and socialization are important means of fostering acculturation in the post-acquisition period.

In her study of organizational culture change following M&As, Bijlsma-Frankema (2001) identified factors that promote the progress of cultural integration following M&A. The identified factors include the degree of mutual trust between the parties, which is then strengthened by shared norms, and further enabled by dialogue – even in instances of deviance or conflict resolution. Whilst Bijlsma-Frankema notes that the factors have been already identified in the literature, the same factors were present in all of the successful M&A cases in her study, and likewise absent in the unsuccessful cases.

More recent findings focus on the human reactions to cultural change as well as the practice of cultural changes in cross-border M&As. Styhre *et al.* (2006) point to "cultural anxieties" that are raised in employees' minds in times of cross-border mergers. In other words, cultural changes following cross-border mergers represent an emotionally painful process for organizational members who have to gradually let go of their previous culture whilst developing an allegiance toward the new one.

In a study of cultural change following a cross-border acquisition in the retail sector in the UK, Pioch (2007) found that whilst top management sees post-acquisition cultural change from a company-wide integration perspective, the larger part of employees experience a daily differentiation of cultures at the shop floor. The former have internalized the new organizational culture at Schein's (1985) level of assumptions, whereas for the majority of employees only surface-level cultural changes are experienced. Moreover, Pioch points to the presence and impact of industrial cultures and notes that in industries that increasingly share global practices, such as the retail sector, an acquisition does not necessarily entail as much change as one might assume, given that industry-wide, the sector has been globally moving toward a similar direction for some time.

A study of research and development unit acquisitions found that post-acquisition structural and cultural integration processes are intertwined (Teerikangas & Laamanen, 20134). Thus, cultural integration begins only once structural integration is in progress. All the while, national and organizational cultures impede structural integration if structural integration is not adjusted to the target's cultural regime. Once structural integration begins, cultural change is then facilitated in an iterative manner over time by the emerging, new structure. These findings demonstrate the mutually reinforcing effects of structural and cultural integration in cross-border acquisitions.

Calling for a recognition of the parallel presence of espoused versus practiced cultures in organizations, Teerikangas and Irrmann (2014) present post-acquisition cultural change as a dyadic, bipolar process, whereby targets cohabit the space between espoused and practiced values. Depending on the acquirer's cultural maturity, targets align with either the espoused *or* the practiced culture. Further, whereas previous research parallels cultural change with explicit "initiatives," it is argued that cultural change results also from all post-acquisition integration activity, that is, integration and interactions drive cultural change. This emergent nature of cultural change reflects Brannen and Salk's work (2000) on negotiated cultures in joint ventures, where organizational cultures emerge dynamically. Whereas much of the research on culture in M&As

assumes that firms not only "have" cultures but, further, "know" their cultures and cultural integration strategies, the studied acquisitions pointed to greater naiveté and lacking cultural awareness than is suggested (Teerikangas & Irrmann, 2014).

In conclusion, existing research has highlighted that there are alternative approaches to cultural change and that cultural change occurs in phases. Best practices with regard to enabling cultural change revolve around attitudes conveying trust and safety, communications, dialogue, clarity of goals, and employee rotation. However, there are complexities surrounding cultural change; for example, the links between cultural change and the overall progress of integration need to be considered, and cultural change relates to change toward both espoused and practiced acquiring firm cultures.

Cross-cultural interactions and dynamics

How do national cultural differences bear upon the progress of cross-border acquisitions? A series of studies on acquirer behavior across national boundaries confirm that acquirers from different countries differ in their approach toward due diligence (Angwin, 2000) and integration management (Dunning, 1958; Jaeger, 1983; Calori *et al.*, 1994; Lubatkin *et al.*, 1998; Child *et al.*, 2001; Larsson & Lubatkin, 2001; Pitkethly *et al.*, 2003; Teerikangas, 2006). These differences can be reflected back onto the national culture of the involved firms. All the while, some constants across acquirers have been found, just as some acquiring nations would not seem to conform to their cultural stereotype when engaged in acquiring activities (Child *et al.*, 2001). In this respect, based on a recent study of international firms' acquisitions in Japan, Olcott (2008) points to there not being one approach that characterizes international firms' integration styles in Japan.

Also, target firms from different countries have been found to prefer different kinds of integration approaches, in line with their home countries' national cultures (Morosini, 1998; Cartwright & Price, 2003). Particular emphasis has been placed on the dimensions of uncertainty avoidance (Morosini, 1998; Schoenberg, 2000), risk orientation (Schoenberg, 2000), and individualism versus collectivism (Morosini, 1998). Despite these preferences, it seems that acquisitions in which the target firm has been involved in the integration through informal activities meet greater success than others (Calori *et al.*, 1994; Child *et al.*, 2001; Larsson & Lubatkin, 2001). This would seem to suggest that the involvement of acquired firms is a critical success factor in M&A activity.

Surprisingly, less effort has been placed at studying the reality of national cultures interacting in times of M&A. In this respect, the findings of Barmeyer and Mayrhofer (2007) in a study on the European EADS tri-party merger are of interest. They found intercultural team-working as being negatively affected by the French, German, and Spanish parties' differing perceptions and interpretations of what teamwork and cooperation mean. This resulted in misunderstanding as regards to how one ought to behave in teams. What is more, Barmeyer and Mayrhofer (2007) identified differences in perceptions and interpretations of leadership, especially around the notion of "authority" and what it means across country contexts. The authors conclude that these differences are likely to complicate the process of integration, as members involved in the merger adopt different behavioral strategies to reach their goals. Whilst the strategies are aligned with their respective national cultural backgrounds, their everyday presence makes intercultural work prone to misunderstanding.

Teerikangas (2012) found that the effectiveness of integration progress in cross-border M&As depends on the extent to which differences in institutions, national cultures, and language are recognized. Inattention to the behavioral, managerial, and communication-related dimensions of national cultures (Hall, 1967; Hofstede, 2001) leads to different expectations with

regard to appropriate organizational behavior and results in misunderstandings. Longer-term, this can lead to reducing the effectiveness of cross-border interactions. The national cultural roots of both parties' behaviors help to explain the challenge that acquired firm managers experience in adapting to a new parent firm's managerial environment (Morosini, 1998; Teerikangas, 2006). Indeed, the prevailing management style in the buying firm is influenced by its respective home country's national culture (Calori *et al.*, 1994; Lubatkin *et al.*, 1998; Child *et al.*, 2001). Unless this influence is recognized, however, "mistakes" made by acquired firm managers tend to be termed as "deviant" or "wrong" behavior. In other words, for successful intercultural cooperation to occur, both parties need to recognize the influence of their respective cultural heritage on their interactions. Until this occurs, both sides will continue to complain about the other's seemingly "deviant" or "wrong" behavior.

In cross-border contexts, the effectiveness of inter-organizational interfaces is further impacted by language (Marschan *et al.*, 1997; Feely & Harzing, 2003). The lack of a joint native language slows down cooperation, causes misunderstandings, and makes it more difficult and time-consuming to develop a relationship based on trust (Teerikangas & Irrmann, 2013). Moreover, acquired firm managers fear that longer-term, the lack of a joint language has consequences for their potential to climb the parent firm's corporate career ladder (Marschan *et al.*, 1997; Piekkari *et al.*, 2005; Vaara *et al.*, 2005).

Working across national cultures in M&As

Some studies have taken a step further to understanding how national cultures should be accounted for throughout the international M&A process, and they contend that cultural differences should be managed throughout the entire process. In a study on the impact of organizational fit on post-acquisition performance, Datta (1991) found that organizational fit should be evaluated together with the financial evaluation of the deal. Datta defined organizational fit as the differing management styles, reward, and evaluation systems between the acquired and acquiring firms. He found that management styles were especially prone to causing difficulties in all types of acquisitions. Cartwright and Cooper (1993) noted that effective evaluation of cultural differences and similarities of the partners prior to entering the deal and starting integration is an early means of assessing the success potential in the merger.

Schweiger *et al.* (1993) argue that strategy is critical in guiding the change. Morosini and Singh (1994) studied the management of cultural differences in post-acquisition integration and suggested acquirers to adopt a culture-related post-acquisition strategy, coherent with the target country's national culture. They termed this the "national culture compatible strategy." This was deemed especially relevant in cross-border acquisitions, as characteristics influenced by national culture are especially difficult to change. This kind of strategy was seen as a way of ensuring that the aspects of national culture most likely to cause challenges would be adequately managed.

In their study of the creation of the European Aeronautic Defence and Space Company, a tri-party merger between the French Aerospatiale Matra, the German DASA, and the Spanish CASA, Barmeyer and Mayrhofer (2007) describe how shared organization structures, the development of an organizational culture geared toward an "EADS spirit," as well as specific human resource management practices geared toward enhancing team-working and cooperation between members of the formerly separate organizations, as well as leadership and career development, were used to further the ties between the formerly disparate organizations.

Tolerance has been found key in intercultural management. Napier *et al.* (1993) looked at how organizational diversity is managed in cross-border mergers from a human resource management perspective. They found that assertive tolerance is a powerful integration tool.

Chatterjee *et al.* (1992) found a tolerant attitude as a positive factor toward ensuring acquisition success; an over-controlled approach should thus be avoided.

Intercultural training has been established as a means of enhancing awareness of cultural differences (Black & Mendenhall, 1990; Thomas & Inkson, 2005), the assumption being that cultural differences can be learnt about, and in so doing, managed or even manipulated (David & Singh, 1993). Schweiger and Goulet (2005) tested the effect of deep versus surface-level cultural learning interventions on acquired firm employees' experiences of being acquired. They argue that the positive experience of an acquisition is not a matter of merging similar cultures, but rather a matter of cultural learning. Consistent with their hypotheses, they find that deep-level cultural learning interventions resulted in enhanced intercultural awareness, understanding, and communication, as well as geared attitudes toward cooperation and integration, in contrast to units that received no learning interventions, where as a result, cultural misunderstandings flourished. Despite these positive findings, surface-level cultural interventions did not result in the partner being better accepted. Interestingly, surface-level learning interventions were found to have limited effect, possibly even furthering existing stereotypes.

In a recent study of EADS, Barmeyer and Mayrhofer (2007) identified distinct intercultural training practices geared to improving the organizational members' intercultural skills. This was particularly salient in the context of this merger, which was formed on the basis of a simultaneous merger of three formerly separate European national organizations (French, German, and Spanish respectively) in the aerospace industry. The intercultural training sessions were part of EADS's management's goal of creating the "Corporate Business Academy" that trained the organization's managers in leadership, change management, business excellence skills in addition to intercultural management.

Morosini (1998) looked at how cultural differences can be managed in cross-border M&As. He argues that pragmatic cross-cultural skills are required to successfully manage in the international arena. National cultural differences also provide a competitive advantage to the firm, as each national culture introduces new organizational routines into the organization.

In summary, we conclude that the behaviors of both the buying and acquired parties are dependent on their national culture heritage. Differences in the merging partners' national cultures should be included in the management of the acquisition process, starting from evaluation, through strategy, and the building of cross-cultural skills in integration work. The impact of national cultural distance on post-merger integration is likely to be negative if these measures are not undertaken.

Implications for HR processes in M&As

Having completed our overview of the human and managerial dimensions of M&A activity, we now turn to addressing the direct HR implications of M&A activity. It needs to be recognized that a plethora of acquirer profiles exist. In addition to experienced serial acquirers with M&A program management offices that include professional HR expertise (Laamanen & Keil, 2008), there is a spectrum of acquirers who range from zero to high in terms of their past acquisition experience. This experience tends to parallel the firms' maturity in terms of HR expertise. Whilst the larger-sized multinationals with active acquisition programs tend to boast upper-end HR capability, a large portion of acquisitions are made by small to medium-sized firms with little HR expertise.

Four acquirer scenarios with respect to the degree of the firm's HR expertise and its degree of HR awareness in times of M&A can be identified (see Figure 25.2). Depending on the acquirer's profile, the human resource challenge in an M&A will be tackled more or less

Degree of awareness of human
resource issues in M&As

HIGH

| HR issues intuitively managed in M&A: No HR function, yet executives' high awareness to human factors in M&A | HR issues professional managed in M&A: Professional HR function & executives' high awareness to human factors in M&A |

LOW

| No attention to human side in M&A: No HR function coupled with executives' lacking awareness for human factors in M&A | HR needs to sell itself into M&A: Professional HR function, yet executives' low awareness to human factors in M&A |

LOW   HIGH

Degree of in-house HR expertise

Figure 25.2 HR's involvement in M&As – four scenarios

professionally from a human resource standpoint. Whilst the active acquirers aware of human factors in M&A would naturally acknowledge HR as a strategic M&A partner (as in the upper right hand quadrant of Figure 25.2), in other cases a formal HR department may not exist (this is the case in both of the left-hand quadrants of Figure 25.2). If an HR function exists, but its significance in the M&A process has not been recognized by top management, then the local HR staff will need to sell themselves to management in order to be able to join the negotiating table (this is the case in the lower right-hand quadrant).

HR roadmap in times of M&A. The challenge that the HR function faces is not only one of supporting line and top management in dealing with the human dimensions of this change, but further, in enabling simultaneously the change amidst its own organization, that is, the HR function (Galpin & Herndon, 2000; Antila, 2006), see Figure 25.3. Thus, HR bears two roles.

HR professionals need to secure the integration of the HR function in M&A transactions; we term this, "transactional" HR activity. As administrative experts (Antila, 2006), HR professionals are engaged in conducting pre-acquisition HR due diligence (Harding & Rouse, 2007), including compensation and benefits audits, which feed directly onto the financial deal valuation schemes driving decision-making about whether to go/not go for the deal. Once a deal has been decided upon, HR needs to secure that basic HR activities function regardless of the change in ownership. Rewards, pay, benefits, and pensions become strategic factors that need to be in place before a transaction goes live – who wants to work let alone engage if one's pay is not secured? The task of coordinating reward and pay packages in major mergers is a strategic task requiring enormous amounts of work and politics. Finally, HR professionals need to plan and coordinate the integration of HR policies and practices across the merging organizations. Whose
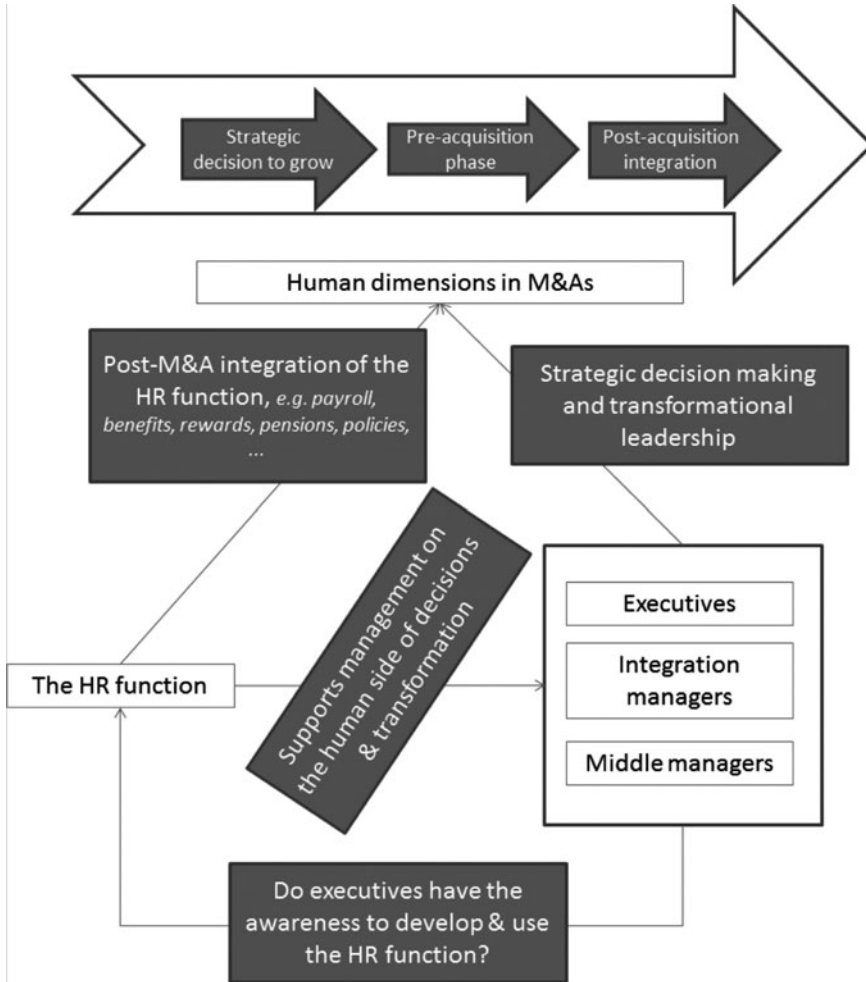
Figure 25.3 Situating HR's and management's roles in dealing with human dimensions of M&A activity

sickness absence policy is adhered to? What are the consequences on the party that seemingly loses many of its benefits?

In parallel, HR professionals are ideally called in to support the decision-making, planning, and implementation of the organizational transformation that a merger or acquisition represents. We term this "transformational" HR activity following an M&A. We use the term "ideally," as industry experience posits differences between acquirers in this respect. Here, the acquirer types previously identified come into play, see Figure 25.2.

In order for HR professionals to be able to perform this role, however, they need to step out of an administrative HR role toward a strategic HR role. Using Ullrich's typology of HR roles, in her study of HR roles in M&As, Antila (2006) terms this the strategic partner role. This requires not only courage to act, but beyond this, an appreciation of the M&A process, its strategic, financial, and sociocultural implications. This was the purpose of the front-end and middle sections of this chapter: provide HR professionals a bird's eye understanding of M&As,

the M&A process, and management dynamics therein. It is critical to note that despite frameworks and process maps, the contingency variables shaping M&A activity are numerous (Teerikangas *et al.*, 2012): deals differ depending on type of purchase, payment method, countries involved, and so on. Thus, whilst an appreciation of M&A process dynamics is critical, it is also important to appreciate how HR approaches might need to be adjusted from one deal and transformation project to the next. In particular, the role of HR will depend on the degree of integration sought in the transaction; when medium to high degrees of integration are sought, the role of HR in transformation support increases. In this role, HR ideally supports executives and middle managers in strategic decision-making and M&A process management both pre- and post-deal. The strategic support roles that HR professionals engage in support of management thus include:

- Identifying the strategic and sociocultural success factors behind mergers and acquisitions and ensuring that key decision-makers and change agents are made aware of them;
- Engagement from the pre-deal phase onward in identifying the strategic rationale for the transaction, partner search and selection and M&A process planning and management;
- Gaining early entry into the pre-acquisition phase to provide strategic decision-making support on sociocultural dimensions, including the conduct of management and cultural audits;
- Being involved in the selection of change agents for the transformation phase, that is, the acquiring firm integration manager(s) and target firm managers in charge of integration;
- Making a change management game plan for the transformation phase;
- Ensuring that a communications plan toward internal and external stakeholders exists;
- Appreciating the challenge that a change of ownership incurs on employees throughout the organizational hierarchy, and providing adequate support;
- Emphasizing the significance of motivating and engaging employees in times of major change, such as acquisitions and mergers;
- Securing the retention of key talent through talent planning exercises; managing the layoff process, if relevant, and liaising with local staff/trade unions;
- Facilitating the cultural clashes and opportunities involved, as well as the sought processes of cultural change;
- Coaching management on the above-mentioned sociocultural dimensions of M&A activity to ensure that in their decision-making and daily behaviors, executives and line managers begin to walk the right talk.

Future research directions

Looking forward, the domain of M&A management and its human implications offer exciting and important avenues for future research. Despite the corporate significance of M&As, ample research opportunities in its study remain. In the broader realm, calls have been made to further our appreciation of the dynamics underlying and predicting M&A performance (King *et al.*, 2004; Haleblian *et al.*, 2009). Despite the acknowledged significance of the human factor to M&A success, this raises the question – how does HR enable the creation of value in M&As? Further, which HR related factors impact M&A performance, and what is the process through which this implication occurs? What is the array of human dimensions that needs to be accounted for, and how do they account for M&A performance? In parallel, calls for greater methodological and philosophical pluralism in the study of M&As have been made (Meglio & Risberg, 2010; Cartwright *et al.*, 2012) in order to secure enhanced appreciations of its dynamics.

A number of specific HR related research directions can be identified. For one, we noted how extant theorizing has preferred seeming negative takes on the employee outcries in the portrayal of M&As. This begs the question – under which conditions employee reactions veer toward the positive (Teerikangas, 2012)? Further, what explains employee engagement and talent retention in M&As? Where are examples of corporations that have successfully maneuvered the human mires following M&As? There would thus appear to be a need to parallel the rise of positive organizational scholarship (Cameron *et al.*, 2003) in the study of M&A processes.

For another, what are the HR and human implications in mega-mergers vs. (smaller scale) acquisitions? Clearly, human and HR dynamics as well as HR roles differ per transaction type. Yet, extant theorizing appears to have paid lip-service to this distinction (Faulkner *et al.*, 2012). There is a need to further refine our appreciation of M&A transactions across contexts. Here, beyond transaction types, country contexts come into play. Whilst emerging market acquirers seem to perform better than acquirers from traditional markets (Gubbi *et al.*, 2010), what are the underlying HR antecedents explaining these results? For example, Indian acquirers are witnessed to bear a more "human" touch than UK or US acquirers (Kale & Singh, 2012).

Third, whilst the culture-performance debate has intrigued scholars, several important questions remain unanswered. In particular, processual research detailing the complex cultural dynamics at play during mergers versus acquisitions is in need (Teerikangas & Véry, 2006; Stahl & Voigt, 2008). Here, recent insights from international business research on the complexity of the modern cultural encounter will be useful.

Fourth, in the realm of M&A integration management, only a handful of papers have addressed individual actors and roles in M&As. Paralleling the increasing interest in strategy as practice (Johnson *et al.*, 2003; Whittington, 2006) and the role of middle managerial agency (Huy, 2002; Buchanan, 2003; Mantere, 2008), HR scholars could further our appreciation of HR roles in mergers versus acquisitions. Under which conditions do acquirers have a mature HR function that is ready to act, when an opportunity to purchase emerges? Who has responsibility for the human agenda in M&As? Whilst prior research has seemingly signed this responsibility onto HR, the reality is more complex. What is the process whereby line managers/executives on the one hand, and HR professionals on the other, come to jointly create a positive HR agenda in M&As? Are there elements of positive emotional contagion in this process (Barsade, 2002; Losada & Heaphy, 2004)? Finally, whilst M&A integration has created much buzz in the 1990s in the scholarly literature, less is known about integration within the HR function prior to and following M&A transactions. Looking ahead, there are many opportunities to take these important lines of inquiry forward. Beyond scholarly impact, there is a need for an appreciation of the practiced reality of mergers and acquisitions.

Note

1   Corporate entrepreneurship refers to post-acquisition behaviors characterized by a learning capability, a team orientation, a culture of experimentation, and ambition in terms of high aspirations.

References

Allred, B. B., Boal, K. B., & Holstein, W. K. (2005). "Corporations as Stepfamilies: A New Metaphor for Explaining the Fate of Merged and Acquired Companies." *Academy of Management Executive*, 19/3: 23–37.

Angwin, D. (2000). "Mergers and Acquisitions across European Borders: National Perspectives on Pre-acquisition Due Diligence and the Use of Professional Advisers." *Journal of World Business*, 36/1: 32–57.

Angwin, D. (2004). "Speed in M&A Integration: The First 100 Days." *European Management Journal*, 22/4: 418–430.

Angwin, D., & Meadows, M. (2009). "The Choice of Insider or Outsider Top Executives in Acquired Companies." *Long-Range Planning,* 42: 359–389.

Antila, E. (2006). "The Role of HR Managers in International Mergers and Acquisitions: A Multiple Case Study." *International Journal of Human Resource Management,* 17: 999–1020.

Ashkanasy, N. M., & Holmes, S. (1995). "Perceptions of Organizational Ideology Following Merger: A Longitudinal Study of Merging Accounting Firms." *Accounting, Organizations and Society*, 20: 19–34.

Ashkenas, R. N., & Francis, S. C. (2000). "Integration Managers: Special Leaders for Special Times." *Harvard Business Review*, 78/6: 108–116.

Ashkenas, R. N., DeMonaco, L. J., & Francis, S. C. (1998). "Making the Deal Real: How GE Capital Integrates Acquisitions." *Harvard Business Review*, 76/1: 165–178.

Balogun, J., Gleadle, P., Hope Hailey, V., & Willmott, H. (2005). "Managing Change Across Boundaries: Boundary–Shaking Practices." *British Journal of Management,* 16: 261–278.

Barkema, H. G., & Bell, H. J. (1996). "Foreign Entry, Cultural Barriers, and Learning." *Strategic Management Journal*, 17: 151–166.

Barmeyer, C., & Mayrhofer, U. (2008). "The Contribution of Intercultural Management to the Success of International Mergers and Acquisitions: An Analysis of the EADS Group." *International Business Review*, 17/1: 28–38.

Barsade, S. G. (2002). "The Ripple Effect: Emotional Contagion and Its Influence on Group Behavior." *Administrative Science Quarterly*, 47: 644–675.

Bartels, J., Douwes, R., De Jong, M., & Pruyn, A. (2006). "Organizational Identification During a Merger: Determinants of Employees Expected Identification with the New Organization." *British Journal of Management*, 17: 49–67.

Bartlett, C. A., & Ghoshal, S. (1989). *Managing Across Borders: The Transnational Solution*. London: Random House Business Books.

Bastien, D. T. (1987). "Common Patterns of Behaviour and Communication in Corporate Mergers and Acquisitions." *Human Resource Management*, 26: 17–33.

Berry, J. W. (1983). "Acculturation: A Comparative Analysis of Alternative Forms." In R. Samuda and S. Woods (Eds.), *Perspectives in Immigrant and Minority Education*. New York: University Press of America: 65–78.

Biggadike. R. (1979). "The Risky Business of Diversification." *Harvard Business Review,* 57/3: 103–111.

Bijlsma-Frankema, K. (2001). "On Managing Cultural Integration and Cultural Change Processes in Mergers and Acquisitions." *Journal of European Industrial Training*, 25: 192–207.

Birkinshaw, J., Bresman, H., & Håkanson, L. (2000). "Managing the Post-Acquisition Integration Process: How the Human Integration and Task Integration Processes Interact to Foster Value Creation." *Journal of Management Studies*, 37/3: 395–425.

Black, J. S., & Mendenhall, M. (1990). "Cross-Cultural Training Effectiveness: A Review and a Theoretical Framework for Future Research." *Academy of Management Review*, 15/1: 113–136.

Blake, R. B., & Mouton, J. S. (1984). "How to Achieve Integration on the Human Side of the Merger." In R. B. Black and J. S. Mouton (Eds.), *Solving Costly Organisational Conflicts: Achieving Intergroup Trust, Cooperation and Teamwork*. San Francisco: Jossey-Bass: 41–56.

Borys, B., & Jemison, D. B. (1989). "Hybrid Arrangements as Strategic Alliances: Theoretical Issues in Organizational Combinations." *Academy of Management Review*, 14/2: 234–249.

Bower, J. L. (2001). Not All M&As Are Alike – and That Matters. *Harvard Business Review*, 79(3): 93–101.

Brannen, M. Y., & Salk, J. E. (2000). "Partnering Across Borders: Negotiating Organizational Culture in a German-Japanese Joint Venture." *Human Relations*, 53/4: 451–487.

Brock, D. (2005). "Multinational Acquisition Integration: The Role of National Culture in Creating Synergies." *International Business Review*, 14/3: 269–288.

Buchanan, D. (2003). "Demand, Instabilities, Manipulations, Careers: The Lived Experience of Driving Change." *Human Relations*, 56/6: 663–684.

Buckley, P. J., and Ghauri, P. N. (2002). *International Mergers and Acquisitions: A Reader*. London: Thomson.

Buono, A. F., & Bowditch, J. L. (1989). *The Human Side of Mergers and Acquisitions: Managing Collisions between People, Cultures and Organizations*. London: Jossey-Bass.

Buono, A. F., Bowditch, J. L., & Lewis, J. W. (1985). "When Cultures Collide: The Anatomy of a Merger." *Human Relations*, 38/5: 477–500.

Calori, R., Lubatkin, M., & Véry, P. (1994). "Control Mechanisms in Cross–Border Acquisitions: An International Comparison." *Organization Studies*, 15/3: 361–379.

Cameron, K. S., Dutton, J. E., & Quinn, R. E. (2003). *Positive Organizational Scholarship*. San Francisco: Berrett-Koehler.

Cartwright, S. (1998). "International Mergers and Acquisitions: The Issues and Challenges." In M. Gertsen, A.-M. Søderberg and J. E. Torp (Eds.), *Cultural Dimensions of International Mergers and Acquisitions*. Berlin: De Gruyter: 5–16.

Cartwright, S., & Cooper, C. L. (1990). "The Impact of Mergers and Acquisitions on People at Work: Existing Research and Issues." *British Journal of Management*, 1: 65–76.

Cartwright, S., & Cooper, C. L. (1992). *Managing Mergers, Acquisitions and Strategic Alliances: Integrating People and Cultures*. Oxford: Butterworth-Heinemann.

Cartwright, S., & Cooper, C. L. (1993). "The Role of Culture Compatibility in Successful Organizational Marriage." *Academy of Management Executive,* 7/2: 57–70.

Cartwright, S., & Price, F. (2003). "Managerial Preferences in International Merger and Acquisition Partners Revisited: How Much Are They Influenced?" In C. Cooper and A. Gregory (Eds.), *Advances in Mergers and Acquisitions*. Amsterdam: JAI Press: 1, 81–95.

Cartwright, S., & Schoenberg, R. (2006). "Thirty Years of Mergers and Acquisitions Research: Recent Advances and Future Opportunities." *British Journal of Management*, 17/1: 1–5.

Cartwright, S., Teerikangas, S., Rouzies, A., & Wilson-Evered, E. (2012). "Methods in M&A: A Look at the Past, and the Future, to Forge a Path Forward." *Scandinavian Journal of Management*, 28/2: 95–106.

Chakrabarti, R., Gupta-Mukherjee, S., & Jayaraman, N. (2009). "Mars-Venus Marriages: Culture and Cross-Border M&A." *Journal of International Business Studies*, 40: 216–236.

Chatterjee, S., Lubatkin, M. H., Schweiger, D. M., & Weber, Y. (1992). "Cultural Differences and Shareholder Value in Related Mergers: Linking Equity and Human Capital." *Strategic Management Journal*, 13: 319–334.

Chaudhuri, S. (2005). "Managing Human Resources to Capture Capabilities: Case Studies in High-Technology Acquisitions." In G. K. Stahl & M. E. Mendenhall (Eds.), *Mergers and Acquisitions: Managing Culture and Human Resources*. Stanford: Stanford Business Press: 277–301.

Child, J. (2001). "Trust – The Fundamental Bond in Global Collaboration." *Organizational Dynamics*, 29/4: 274–288.

Child, J., Faulkner, D., & Pitkethly, R. (2001). *The Management of International Acquisitions*. Oxford: Oxford University Press.

Chua, C. H. Engeli, H.-P., & Stahl, G. (2005). "Creating a New Identity and High-Performance Culture at Novartis: The Role of Leadership and Human Resource Management." In G. K. Stahl & M. Mendenhall (Eds.), *Mergers and Acquisitions: Managing Culture and Human Resources*. Stanford: Stanford University Press: 379–400.

Colombo, G., Conca, V., Buongiorno, M., & Ghan, L. (2007). "Integrating Cross-Border Acquisitions: A Process-Oriented Approach." *Long-Range Planning,* 40: 202–222.

Covin, T. J., Kolenko, T. A., Sightler, K. W., & Tudor, R. K. (1997). "Leadership Style and Post-Merger Satisfaction." *Journal of Management Development,* 16: 22–33.

Currall, S. C., & Inkpen, A. (2002). "A Multilevel Approach to Trust in Joint Ventures." *Journal of International Business Studies*, 33: 479–495.

Dackert, I., Jackson, P., Brenner, S-O., & Johansson, C. R. (2003). "Eliciting and Analysing Employees' Expectations of a Merger." *Human Relations*, 56: 705–725.

Datta, D, K. (1991). "Organizational Fit and Acquisition Performance: Effects of Post-Acquisition Integration." *Strategic Management Journal*, 12: 281–297.

Datta, D. K., & Grant, J. H. (1990). "Relationships between Type of Acquisition, the Autonomy Given to the Acquired Firm, and Acquisition Success: An Empirical Analysis." *Journal of Management*, 16: 29–44.

David, K., & Singh, H. (1993). "Acquisition Regimes: Managing Cultural Risk and Relative Deprivation in Corporate Acquisitions." In D. E. Hussey (Ed.), *International Review of Strategic Management*. New York: Wiley: 4, 227–276.

David, K., & Singh, H. (1994). "Sources of Acquisition Cultural Risk." In G. von Krogh, A. Siknatra, H. Singh (Eds.), *The Management of Corporate Acquisitions*. London: Macmillan: 251–292.

Davy, J. A., Kinicki, A., Kilroy, J., & Scheck, C. (1998). "After the Merger: Dealing with People's Uncertainty." *Training and Development Journal*, November: 57–61.

Deiser, R. (1994). "Post-Acquisition Management: A Process of Strategic and Organisational Learning." In G. von Krogh, A. Siknatra & H. Singh (Eds.), *The Management of Corporate Acquisitions*. London: Macmillan: 359–390.

De Noble, A. F., Gustafson, L. T., & Hergert, M. (1988). "Planning for Post-Merger Integration – Eight Lessons for Merger Success." *Long-Range Planning*, 21/4: 82–85.

Dunning, J. H. (1958). *American Investment in British Manufacturing Industry*. London: Allen and Unwin.

Ellis, K. M., Reus, T. H., Lamont, B. T. (2009)."The Effects of Procedural and Informational Justice in the Integration of Related Firms." *Strategic Management Journal*, 30: 137–161.

Elsass, P. M., & Veiga, J. F. (1994) "Acculturation in Acquired Organizations: A Force-Field Perspective." *Human Relations*, 47: 431–453.

Epstein, M. J. (2004). "The Drivers of Success in Post-Merger Integration." *Organisational Dynamics*, 33/2: 174–189.

Evans, P., Pucik, V., & Barsoux, J.-L. (2002). *The Global Challenge: Frameworks for International Human Resource Management*. Boston, MA: McGraw-Hill.

Fairfield-Sonn, J. W., Ogilvie, J. R., & DelVecchio, G. A. (2002). "Mergers, Acquisitions and Long-Term Employee Attitudes." *Journal of Business & Economic Studies,* 8: 1–16.

Faulkner, D., Teerikangas, S., & Joseph, R. (2012). *The Handbook of Mergers and Acquisitions*. Oxford: Oxford University Press.

Feely, A. J., & Harzing, A.-W. (2003). "Language Management in Multinational Companies." *Cross-Cultural Management: An International Journal*, 10/2: 37–52.

Forstmann, S. (1998). "Managing Cultural Differences in Cross-Cultural Mergers and Acquisitions." In M. Gertsen, A.-M. Søderberg, & J. E. Torp (Eds.), *Cultural Dimensions of International Mergers and Acquisitions*. Berlin: De Gruyter: 57–84.

Froese, F. J., Pak, Y. S., & Chong, L. C. (2007). "Managing the Human Side of Cross-Border Acquisitions in South Korea." *Journal of World Business*, 43: 97–108.

Galpin, T. J., & Herndon. M. (2000). *The Complete Guide to Mergers and Acquisitions: Process Tools to Support M&A Integration at Every Level*. San Fransisco. CA: Jossey-Bass.

Giessner, S. R., Ullrich, J., & Van Dick, R. (2012). "A Social Identity Analysis of Mergers and Acquisitions." In D. Faulkner, S. Teerikangas, & R. Joseph (Eds.), *Handbook of Mergers & Acquisitions*. Oxford: Oxford University Press: 474–494.

Graebner, M. E. (2004). "Momentum and Serendipity: How Acquired Firm Leaders Create Value in the Integration of Technology Firms." *Strategic Management Journal,* 25: 751–777.

Graebner, M. E., & Eisenhardt, K. M. (2004). "The Seller's Side of the Story: Acquisition as Courtship and Governance as Syndicate in Entrepreneurial Firms." *Administrative Science Quarterly*, 49: 366–403.

Graves, D. (1981). "Individual Reactions to a Merger of Two Small Firms of Brokers in the Re-Insurance Industry: A Total Population Survey." *Journal of Management Studies*, 18: 89–114.

Gubbi, S. R., Aulakh, P. S., Ray, S., Sarkar M. B., & Chittoor, R. (2010). "Do International Acquisitions by Emerging-Economy Firms Create Shareholder Value? The Case of Indian Firms." *Journal of International Business Studies*, 41: 397–418.

Haleblian, J., Devers, C. E., McNamara, G., Carpenter, M. A., & Davison, R. B. (2009). "Taking Stock of What We Know About Mergers and Acquisitions: A Review and Research Agenda." *Journal of Management*, 35: 469–502.

Hall, E. T. (1967). *Beyond Culture*. New York: Doubleday.

Hambrick, D. C., & Cannella, A. A. (1993). "Relative Standing: A Framework for Understanding Departures of Acquired Executives." *Academy of Management Journal*, 36: 733–762.

Harding, D., & Rouse, T. (2007). "Human Due Diligence." *Harvard Business Review*, 85/4: 124–131.

Haspeslagh, P. C., and Jemison, D. B. (1991). *Managing Acquisitions: Creating Value Through Corporate Renewal*. New York: The Free Press.

Haspeslagh, P., & Farquhar, A. B. (1994). "The Acquisition Integration Process: A Contingent Framework." In G. von Krogh, A. Siknatra & H. Singh (Eds.), *The Management of Corporate Acquisitions*. London: Macmillan: 414–447.

Hayes, R. H. (1979). "The Human Side of Acquisitions." *Management Review*, 68: 41–46.

Hitt, M. A., Harrison, J. S., & Duane Ireland, R. (2001). *Mergers and Acquisitions: A Guide to Creating Value for Stakeholders*. New York: Oxford University Press.

Hofstede, G. (2001). *Culture's Consequences. Comparing Values, Behaviours, Institutions and Organisations Across Nations*. Thousand Oaks: Sage.

Hogg, M. A., & Terry, D. J. (2000). "Social Identity and Self-Categorization Processes in Organizational Contexts." *Academy of Management Review*, 25: 121–140.

House, R. J., Hanges, P. J., Javidan, M., Dorfman, P. W., & Gupta, V. (2004). *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies*. Thousand Oaks, CA: Sage.

Howell, R. A. (1970). "Plan to Integrate Your Acquisitions." *Harvard Business Review,* November–December: 66–76.

Hurley, R. F. (2006). "The Decision to Trust." *Harvard Business Review*, September: 55–62.

Huy, Q. N. (2002). "Emotional Balancing of Organizational Continuity and Radical Change: The Contribution of Middle Managers." *Administrative Science Quarterly*, 47: 31–69.

Inkpen, A. C., & Currall, S. C. (2004). "The Coevolution of Trust, Control, and Learning in Joint Ventures." *Organization Science*, 15/5: 586–599.

Ivancevich, J. M., Schweiger, D. M., & Power, F. R. (1987). "Strategies for Managing Human Resources during Mergers and Acquisitions." *Human Resource Planning*, 10: 19–35.

Jaeger, A. M. (1983). "The Transfer of Organisational Culture Overseas: An Approach to Control in the Multinational Corporation." *Journal of International Business Studies*, Fall: 91–104.

Jemison, D. B., & Sitkin, S. B. (1986). "Corporate Acquisitions: A Process Perspective." *Academy of Management Review*, 11/1: 145–163.

Johnson, G., Melin, J., & Whittington, R. (2003). "Guest Editors' Introduction: Micro Strategy and Strategizing: Towards an Activity-Based View." *Journal of Management Studies*, 40/1: 3–22.

Kale, P., & Singh, H. (2012). "Characteristics of Emerging Market Mergers and Acquisitions." In D. Faulkner, S. Teerikangas, & R. Joseph (Eds.), *Handbook of Mergers & Acquisitions*. Oxford: Oxford University Press: 545–565.

Kanter, R. M. (2009). "Mergers that Stick." *Harvard Business Review,* October: 121–125.

Kavanagh, M. H., & Ashkanasy, N. M. (2006). "The Impact of Leadership and Change Management Strategy on Organizational Culture and Individual Acceptance of Change during a Merger." *British Journal of Management*, 17: S81–S103.

King, D. R., Dalton, D. R., Daily, C. M., & Covin, J. G. (2004). "Meta-Analyses of Post-Acquisition Performance: Indications of Unidentified Moderators." *Strategic Management Journal*, 25/2: 187–200.

Kitching, J. (1967). "Why Do Mergers Miscarry?" *Harvard Business Review,* November–December: 84–100.

Kleppestø, S. (2005). "The Construction of Social Identities in Mergers and Acquisitions." In G. K. Stahl & M. Mendenhall (Eds.), *Mergers and Acquisitions: Managing Culture and Human Resources*. Stanford: Stanford Business Press: 130–151.

Kolev, K., Haleblian, J., & McNamara, G. (2012). "A Review of the Merger and Acquisition Wave Literature: History, Antecedents, Consequences and Future Directions." In D. Faulkner, S. Teerikangas, & R. Joseph (Eds.), *Handbook of Mergers and Acquisitions*. Oxford: Oxford University Press.

Krishnan, H. A., Miller, A., & Judge, W. Q. (1997). "Diversification and Top Management Team Complementarity: Is Performance Improved by Merging Similar or Dissimilar Teams?" *Strategic Management Journal*, 18/5: 361–374.

Krishnan, R., Martin, X., & Noorderhaven, N. G. (2006). "When Does Trust Matter to Alliance Performance?" *Academy of Management Journal*, 49/5: 894–917.

Krug, J. A., & Nigh, D. (2001). "Executive Perceptions in Foreign and Domestic Acquisitions: An Analysis of Foreign Ownership and Its Effect on Executive Fate." *Journal of World Business*, 36: 85–98.

Laamanen, T. & Keil, T. (2008). "Performance of Serial Acquirers: Toward an Acquisition Program Perspective." *Strategic Management Journal*, 29/6: 663–672.

Larsson, R. (1993). "Barriers to Acculturation in Mergers and Acquisitions: Strategic Human Resource Implications." *Journal of European Business Education*, 2/2: 1–18.

Larsson, R., & Risberg, A. (1998). "Cultural Awareness and National versus Corporate Barriers to Acculturation." In M. Gertsen, A.-M. Søderberg and J. E. Torp (Eds.), *Cultural Dimensions of International Mergers and Acquisitions*. Berlin: De Gruyter: 39–56.

Larsson, R., & Finkelstein, S. (1999). "Integrating Strategic, Organizational, and Human Resource Perspectives on Mergers and Acquisitions: A Case Survey of Synergy Realization." *Organization Science,* 10/1: 1–26.

Larsson, R., & Lubatkin, M. (2001). "Achieving Acculturation in Mergers and Acquisitions: An International Case Study." *Human Relations*, 54/12: 1573–1607.

Lewicki, R. J., McAllister, D. J., & Bies, R. J. (1998). "Trust and Distrust: New Relationships and Realities." *Academy of Management Review*, 23: 438–458.

Lorange, P. (1996). "A Strategic Human Resource Perspective to Multinational Cooperative Ventures." *International Studies of Management and Organization*, 26: 87–103.

Losada, M. & Heaphy, E. (2004). "The Role of Positivity and Connectivity in the Performance of Business Teams." *American Behavioral Scientist*, 47/6: 740–765.

Lubatkin, M., Calori, R., Véry, P., & Veiga, J. (1998). "Managing Mergers Across Borders: A Two-Nation Exploration of a Nationally Bound Administrative Heritage." *Organisation Science*, 9/6: 670–684.

Mace, M. L, & Montgomery, G. (1962). *Management Problems of Corporate Acquisitions*. Cambridge, MA: Harvard University Press.

Malekzadeh, A. R., & Nahavandi, A. (1998). "Leadership and Culture in Transnational Strategic Alliances." In M. C. Gertsen, A.-M. Søderberg, and J. E. Torp (Eds.), *Cultural Dimensions of International Mergers and Acquisitions*. Berlin: De Gruyter: 111–128.

Mantere, S. (2008). "Role Expectations and Middle Manager Strategic Agency." *Journal of Management Studies,* 45/2: 294–316

Marks, M. L. (1982). "Merging Human Resources: A Review of the Literature." *Mergers and Acquisitions,* Summer: 38–44.

Marks, M. L. (1991). "Combating Merger Shock before the Deal Is Closed." *Mergers and Acquisitions*, January/February: 43–48.

Marks, M. L., & Mirvis, P. (1985). "Merger Syndrome: Stress and Uncertainty." *Mergers and Acquisitions,* Summer: 50–55.

Marks, M. L., & Mirvis, P. H. (1998). *Joining Forces: Making One Plus One Equal Three in Mergers, Acquisitions, and Alliances*. San Francisco: Jossey-Bass.

Marks, M. L., & Mirvis, P. (2001). "Making Mergers and Acquisitions Work: Strategic and Psychological Preparation." *Academy of Management Executive,* 15: 80–94.

Marks, M. L., & Vansteenskiste, R. (2008). "Preparing for Organizational Death: Proactive HR Engagement in an Organizational Transition." *Human Resource Management*, 47: 809–827.

Marschan, R., Welch, D., & Welch, L. (1997). "Language: The Forgotten Factor in Multinational Management." *European Management Journal*, 15/5: 591.

Meglio, O., & Risberg, A. (2010). "Mergers and Acquisitions – Time for a Methodological Rejuvenation of the field?" *Scandinavian Journal of Management,* 26/1: 87–95.

Meyer, C. B., & Altenborg, E. (2007). "The Disintegrating Effects of Equality: A Study of a Failed International Merger." *British Journal of Management*, 18: 257–271.

Morosini, P. (1998). *Managing Cultural Differences: Effective Strategy and Execution Across Cultures in Global Corporate Alliances*. Oxford: Pergamon.

Morosini, P., & Singh, H. (1994). "Post-Cross-Border Acquisitions: Implementing National Culture-Compatible Strategies to Improve Performance." *European Management Journal*, 4: 390–400.

Morosini, P., Shane, S., & Singh, H. (1998). "National Cultural Distance and Cross-Border Acquisition Performance." *Journal of International Business Studies*, 19/1: 137–158.

Nahavandi, A. Malekzadeh, A. R. (1988). "Acculturation in Mergers and Acquisitions." *Academy of Management Review*, 13/1: 79–90.

Napier, N. K. (1989). "Mergers and Acquisitions, Human Resource Issues and Outcomes: A Review and Suggested Typology." *Journal of Management Studies*, 26/3: 271–289.

Napier, N. K., Schweiger, D. M., & Kosglow, J. J. (1993). "Managing Organizational Diversity: Observations from Cross-Border Acquisitions." *Human Resource Management,* 32/4: 505–523.

Olcott, G. (2008). "Politics of Institutionalization: The Impact of Foreign Ownership and Control on Japanese Organizations." *International Journal of Human Resource Management*, 19: 1569–1587.

Olie, R. (1990). "Culture and Integration Problems in International Mergers and Acquisitions." *European Management Journal*, 8/2: 206–215.

Olie, R. (1994). "Shades of Culture and Institutions in International Mergers." *Organization Studies*, 15/3: 381–405.

Ouchi, W. G. (1981). *Theory Z: How American Business Can Meet the Japanese Challenge*. Reading, MA: Addison-Wesley.

Pablo, A. L. (1994). "Determinants of Acquisition Integration Level: A Decision Making Perspective." *Academy of Management Journal*, 37: 803–836.

Parmigiani, A., & Rivera-Santos, M. (2011). "Clearing a Path Through the Forest: A Meta-Review of Interorganizational Relationships." *Journal of Management*, 37/4: 1108–1136.

Paruchuri, S., Nerkar, A., & Hambrick, D. C. (2006). "Acquisition Integration and Productivity Losses in the Technical Core: Disruption of Inventors in Acquired Companies." *Organization Science*, 17/5: 545–562.

Piekkari, R., Vaara, E., Tienari, J., & Säntti, R. (2005). "Integration or Disintegration? Human Resource Implications of a Common Corporate Language Decision in a Cross–Border Merger." *International Journal of Human Resource Management*, 16: 330–344.

Pioch, E. (2007). "'Business as Usual?' Retail Employee Perceptions of Organizational Life Following Cross–Border Acquisition." *International Journal of Human Resource Management*, 18/2: 209–231.

Pitkethly, R., Faulkner, D., & Child, J. (2003). "Integrating Acquisitions." In C. Cooper and A. Gregory (Eds.), *Advances in Mergers and Acquisitions*. Amsterdam: JAI Press: 1, 27–58.

Quah, P., & Young, S. (2005). "Post-Acquisition Management: A Phases Approach for Cross-Border M&A." *European Management Journal*, 23/1: 65–75.

Ranft, A. L., & Lord, M. D. (2002). "Acquiring New Technologies and Capabilities: A Grounded Model of Acquisition Implementation." *Organization Science*, 13: 420–441.

Reus, T. H., & Lamont, B. T. (2009). "The Double-Edged Sword of Cultural Distance in International Acquisitions." *Journal of International Business Studies*, 40: 1298–1316.

Ring, P. S., & Van de Ven, A. H. (1992). "Structuring Cooperative Relationships between Organizations." *Strategic Management Journal*, 13: 483–498.

Risberg, A. (2001). "Employee Experiences of Acquisition Processes." *Journal of World Business*, 36: 58–84.

Sales, A. L., & Mirvis, P. H. (1984). "When Cultures Collide: Issues in Acquisitions." In J. Kimberley and R. E. Quinn (Eds.), *New Futures: The Challenges of Managing Corporate Transitions*. Homewood: Dow Jones-Irvin: 107–133.

Sarala, R. (2010). "The Impact of Cultural Differences and Acculturation Factors on Post–Acquisition Conflict." *Scandinavian Journal of Management*, 26/1: 38–56.

Sarala, R., & Vaara, E. (2010). "Cultural Differences, Convergence, and Crossvergence as Explanations of Knowledge Transfer in International Acquisitions." *Journal of International Business Studies*, 41: 1365–1390.

Sarkar, M., Cavusgil, T., & Evirgen, C. (1997). "A Commitment-Trust Mediated Framework of International Collaborative Venture Performance." In P. W. Beamish & J. P. Killing (Eds.), *Cooperative Strategies: North American Perspectives*. San Francisco, CA: New Lexington: 255–285.

Schein, E. (1985). *Organisational Culture and Leadership: A Dynamic View*. London: Jossey-Bass.

Schoenberg, R. (2000). "The Influence of Cultural Compatibility within Cross-Border Acquisitions." In C. Cooper & A. Gregory (Eds.), *Advances in Mergers and Acquisitions*. Amsterdam: JAI Press: 1, 43–60.

Schoenberg, R. (2004). "Dimensions of Management Style Compatibility and Cross-Border Acquisition Outcome." *Advances in Mergers and Acquisitions*, 3: 149–175.

Schraeder, M., & Self, D. R. (2003). "Enhancing the Success of Mergers and Acquisitions: An Organizational Culture Perspective." *Management Decision*, 41(5): 511–522.

Schuler, R. S., Jackson, S. E., & Luo, Y. (2004). *Managing Human Resources in Cross-Border Alliances*. London: Routledge.

Schweiger, D. M., & Denisi, A. S. (1991). "Communication with Employees Following a Merger: A Longitudinal Field Experiment." *Academy of Management Journal*, 34: 110–135.

Schweiger, D. M., & Goulet, P. K. (2000). "Integrating Mergers and Acquisitions: An International Research Review." In C. Cooper and A. Gregory (Eds.), *Advances in Mergers and Acquisitions*. Amsterdam: JAI Press, 1, 61–91.

Schweiger, D. M., & Goulet, P. K. (2005). "Facilitating Acquisition Integration through Deep-Level Cultural Learning Interventions: A Longitudinal Field Experiment." *Organization Studies*, 26/10: 1477–1499.

Schweiger, D. M., Ivancevich, J. M., & Power, F. R. (1987). "Executive Actions for Managing Human Resources Before and After Acquisition." *Academy of Management Executive*, 1: 127–138.

Schweiger, D. M., Csiszar, E. N., Napier, N. K. (1993). "Implementing International Mergers and Acquisitions." *Human Resource Planning*, 16/1: 53–70.

Sherif, M. (1962). *Intergroup Relations and Leadership*. New York: Wiley.

Sinetar, M. (1981). "Mergers, Morale and Productivity." *Personnel Journal*, 60: 863–867.

Sitkin, S. B. & Roth, N. L. (1993). "Explaining the Limited Effectiveness of Legalistic 'Remedies' for Trust/Distrust." *Organization Science*, 4: 367–392.

Slangen, A. (2006). "National Cultural Distance and Initial Foreign Acquisition Performance: The Moderating Effect of Integration." *Journal of World Business*, 41: 161–170.

Stahl, G. K., & Voigt, A. (2008). "Do Cultural Differences Matter in Mergers and Acquisitions? A Tentative Model and Examination." *Organization Science*, 19/1: 160–176.

Stahl, G. K,. & Sitkin, S. (2010). "Trust Dynamics in Acquisitions: The Role of Relationship History, Interfirm Distance, and Acquirer's Integration Approach." *Advances in Mergers and Acquisitions*, 9: 51–82.

Stahl, G. K., Chua, C. H., & Pablo, A. (2006). "Antecedents of Target Firm Members' Trust in the Acquiring Firm's Management: A Decision-Making Simulation." *Advances in Mergers and Acquisitions*, 5: 69–89.

Stahl, G. K., Larsson, R., Kremershof, I., & Sitkin, S. (2011). "Trust Dynamics in Acquisitions: A Case Survey." *Human Resource Management*, 50: 575–603.

Stahl, G. K., Chua, C. H. & Pablo, A. (2012). "Does National Context Affect Target Firm Employees' Trust in Acquisitions? A Policy-Capturing Study." *Management International Review*, 52/3: 395–423.

Stahl, G. K., *et al.* (2013). "Sociocultural Integration in Mergers and Acquisitions: Unresolved Paradoxes and Directions for Future Research." *Thunderbird International Business Review*, 55: 333–356.

Styhre, A., Börjesson, S., & Wickenberg, J. (2006). "Managed by the Other: Cultural Anxieties in two Anglo-Americanized Swedish Firms." *International Journal of Human Resource Management*, 17/7: 1293–1306.

Sudarsanam, S. (2012). "Value Creation and Value Appropriation in M&A Deals." In D. Faulkner, S. Teerikangas, & R. Joseph (Eds.), *Handbook of Mergers & Acquisitions*. Oxford: Oxford University Press: 195–253.

Tajfel, H. (1978). "Interindividual Behaviour and Intergroup Behaviour." In H. Tajfel (Ed.), *Differentiation between Social Groups: Studies in the Social Psychology of Intergroup Relations. European Monographs in Social Psychology, 14.* London: Academic Press.

Teerikangas, S. (2006). "Silent Forces in Cross-Border Acquisitions – An Integrative Perspective on Post-Acquisition Integration." Espoo: Helsinki University of Technology, Department of Industrial Engineering and Management, Institute of Strategy. Doctoral Dissertation Series 1/2006. Available online at http://lib.tkk.fi/Diss/2006/isbn9512280930/.

Teerikangas, S. (2012). "Dynamics of Acquired Firm Pre-Acquisition Employee Reactions." *Journal of Management*, 38/2: 599–639.

Teerikangas, S., & Véry, P. (2006). "The Culture-Performance Relationship in M&A: from Yes/No to How." *British Journal of Management*, 17/S1: 31–48.

Teerikangas, S., & Irrmann, O. (2013). "Unbundling the Linguistic Dynamics in Cross-Border Acquisitions." Paper presented at the Annual Meeting of the Academy of Management, Orlando, August 2013.

Teerikangas, S., & Irrmann, O. (2014). "Post-Acquisition Cultural Change: Cohabiting the Tension between Practiced & Espoused Values." *Management International Review*, forthcoming.

Teerikangas, S., & Laamanen, T. (2013). "Structure First! Temporal Dynamics of Structural & Cultural Integration in Cross-Border Acquisitions." In C. Cooper, & S. Finkelstein (Eds.), *Advances in Mergers and Acquisitions, Vol. 12.* Amsterdam: JAI Press.

Teerikangas, S., Véry, P., & Pisano, V. (2011). "Integration Manager's Value-Capturing Roles and Acquisition Performance." *Human Resource Management,* 50/5: 651–683.

Teerikangas, S., Joseph, R., & Faulkner, D. (2012). "Mergers & Acquisitions: A Synthesis." In D. Faulkner, S. Teerikangas, & R. Joseph (Eds.), *Handbook of Mergers & Acquisitions*. Oxford: Oxford University Press: 661–685.

Thomas, D. C., & Inkson, K. (2005). "Cultivating Your Cultural Intelligence." *Security Management*, 48/8: 30–32.

Thomson, N., & McNamara, P. (2001). "Achieving Post-Acquisition Success: The Role of Corporate Entrepreneurship." *Long-Range Planning,* 34: 669–697.

Tienari, J., & Vaara, E. (2012). "Power and Politics in Mergers and Acquisitions." In D. Faulkner, S. Teerikangas, & R. Joseph, R. (Eds.), *Handbook of Mergers & Acquisitions*. Oxford: Oxford University Press: 495–516.

Ulrich. D. (1997). *Human Resource Champions: The New Agenda for Adding Value and Delivering Results.* Boston, MA: Harvard Business School Press.

Vaara, E. (2003). "Post-Acquisition Integration as Sensemaking: Glimpses of Ambiguity, Confusion, Hypocrisy, and Politicization." *Journal of Management Studies*, 40: 859–894.

Vaara, E., Tienari, J., Piekkari, R., & Säntti, R. (2005). "Language and the Circuits of Power in a Merging Multinational Corporation." *Journal of Management Studies*, 42/3: 595–623.

Van Dick, R., Ullrich, J., & Tissington, P. A. (2006). "Working Under a Black Cloud: How to Sustain Organizational Identification after a Merger." *British Journal of Management*, 17: 69–79.

Véry, P., & Schweiger, D. (2001). "The Acquisition Process as a Learning Process: Evidence from a Study of Critical Problems and Solutions in Domestic and Cross-Border Deals." *Journal of World Business*, 36/1: 11–31.

Véry, P., Lubatkin, M., & Calori, R. (1996). "A Cross-National Assessment of Acculturative Stress in Recent European Mergers." *International Studies of Management and Organization*, 26/1: 59–86.

Véry, P., Lubatkin, M., Calori, R., & Veiga, J. (1997). "Relative Standing and the Performance of Recently Acquired European Firms." *Strategic Management Journal*, 18/8: 593–614.

Weber, R. A., Camerer, C. F. (2003). "Cultural Conflict and Merger Failure: An Experimental Approach." *Management Science*, 49/4: 400–415.

Weber, Y. (1996). "Corporate Cultural Fit and Performance in Mergers and Acquisitions." *Human Relations*, 49/9: 1181–1202.

Weber, Y., Shenkar, O., & Raveh, A. (1996). "National and Corporate Cultural Fit in Mergers/ Acquisitions: An Exploratory Study." *Management Science*, 42/8: 1215–1227.

Weber, Y., & Drori, I. (2008). "The Linkages between Cultural Differences, Psychological States, and Performance in International Mergers and Acquisitions." *Advances in Mergers and Acquisitions*, 7: 119–142.

Whittington, R. (2006). "Completing the Practice Turn in Strategy Research." *Organization Studies*, 27/5: 613–634.

Zaheer, A., McEvily, B., & Perrone, V. (1998). "Does Trust Matter? Exploring the Effects of Inter-organizational and Interpersonal Trust on Performance." *Organization Science*, 9: 141–159.

IHRM's role in knowledge management in multinational corporations

Dana B. Minbaeva

Introduction

Organizational knowledge has become the most strategically significant resource for organizations (Grant 1996a, 1996b). However, this invaluable resource may remain undiscovered, underleveraged, and trapped in the minds of individuals. Organizational competitiveness is enhanced not by knowledge per se but by the organizational ability to exploit that knowledge.

This issue is critical for multinational corporations (MNCs). Previous research has found that the competitive advantage that MNCs enjoy relative to national firms is contingent upon the ability of MNCs to exploit knowledge internally across organizational units. A common theme in this line of research is that MNCs can develop knowledge in one location and then exploit it in other locations, which requires an internal transfer of knowledge. Yet, Szulanski (1996: 28) stresses that "the movement of knowledge within the organization is a distinct experience, not a gradual process of dissemination, and depends on the characteristics of everyone involved." Therefore, the degree of internal knowledge transfer depends on various factors. Those factors that have commonly attracted researchers' attention include: the characteristics of the trans-ferred knowledge (see, e.g., Zander and Kogut 1995; Szulanski 1996; Simonin 1999a, 1999b), absorptive capacity (see, e.g., Szulanski 1996; Lyles and Salk 1996; Lane and Lubatkin 1998; Gupta and Govindarajan 2000; Lane, Salk, and Lyles 2001; Minbaeva *et al.* 2003), and relationships and the organizational context in which the transfer takes place (see, e.g., Szulanski 1996; Simonin 1999a, 1999b; Bresman, Birkinshaw, and Nobel 1999; Gupta and Govindarajan 2000). Taken together, the findings of those studies make several generalizations about the knowledge transfer process and its determinants (Minbaeva 2007).

The international human resource management (IHRM) literature suggests that MNCs can introduce various organizational policies and practices that will enable them to overcome the barriers associated with knowledge transfer, thereby facilitating intra-MNC knowledge transfer. In the next section, therefore, we review research advances at the intersection of IHRM and knowledge management in MNCs. Toward the end of the chapter, we provide our view of how the research agenda is likely to unfold in this area.

IHRM and knowledge: what we know

For the past decade, HRM researchers have drawn insights from the resource-based view of the firm, the dynamic capabilities approach, organizational learning theory, and the knowledge-based view to stress that important links exist between HRM and various knowledge-related outcomes. Collectively, this line of research suggests that a significant part of observed variations in the outcomes of knowledge management processes can be ascribed to variations in the use of HRM practices aimed at dealing with the identified determinants of the knowledge transfer processes. Furthermore, researchers have suggested that HRM does not directly affect the outcomes of knowledge transfer. Instead, HRM practices are employed to address the determinants of knowledge transfer (see, e.g., Minbaeva *et al.* 2003).

Some knowledge transfer determinants have attracted more attention than others (Van Wijk, Jansen, and Lyles 2008). Absorptive capacity, for example, is one of the most prominent themes in the literature on organizational knowledge transfer (Van Wijk, Jansen, and Lyles 2008; Volberda, Foss, and Lyles 2010). In their seminal work, Cohen and Levinthal (1990: 128) define absorptive capacity as the "ability to recognize the value of new external information, assimilate it, and apply it to commercial ends." They assume that a firm's absorptive capacity tends to develop cumulatively, is path dependent, and builds on existing knowledge: "absorptive capacity is more likely to be developed and maintained as a byproduct of routine activity when the knowledge domain that the firm wishes to exploit is closely related to its current knowledge base" (Cohen and Levinthal 1990: 150). A firm's absorptive capacity is an organization-level construct that resides with its employees. In this regard, Minbaeva *et al.* (2003) analyze how HRM practices in subsidiaries affect subsidiary employees' absorptive capacity and, ultimately, facilitate the transfer of knowledge from other parts of the MNC. They find that the absorptive capacity of knowledge receivers can be improved through the use of HRM practices oriented toward employees' *ability* to absorb knowledge (training- and competence-based performance appraisals) and their *motivation* to absorb knowledge (performance-based compensation and practices supporting internal communication).

However, efficient knowledge sharing requires a collaborative effort; it is dependent not only on recipients' absorptive capacity but also on their attitudes and behaviors, and on the ability of knowledge senders to communicate knowledge in a way that a receiver can understand (Argote, McEvily, and Reagans 2003). In actuality, knowledge senders may not have the abilities necessary to transfer their knowledge due to, for example, a lack of competencies or a language deficiency (Cabrera 2003). Nevertheless, theoretical and conceptual researchers concur that a strong willingness on behalf of knowledge senders to share their knowledge increases the likelihood of a successful knowledge transfer (e.g. "source lacks motivation" in Szulanski 1996; "partner protectiveness" in Simonin 1999; and "motivational disposition of the source unit" in Gupta and Govindarajan 2000).

IHRM researchers typically focus on knowledge senders in their studies of expatriates as vehicles for disseminating knowledge across MNCs. Expatriates are routinely considered as a means of transferring knowledge to subsidiaries (Harzing 2001; Hocking, Brown, and Harzing 2007; Minbaeva and Michailova 2004). As a result, organizational expatriation practices are a main subject of academic debate (Tsang 1999; Downes and Thomas 1999; Delios and Bjorkman 2000; Bonache and Brewster 2001). One of the main conclusions of many studies is that if MNCs wish to use expatriates as knowledge transfer agents, they should invest in such areas as selection, pre-assignment, on-the-job training, and language abilities. Another stream of research indicates that MNCs interested in developing expatriates' abilities and motivations to share knowledge should consider various types of expatriate assignments. For example, Minbaeva and

Michailova (2004) analyze how different types of expatriate assignments—long-term expatriate assignments, short-term expatriate assignments, international commuters, and frequent flyers— may contribute to what they term "disseminative capacity." Disseminative capacity refers to knowledge senders' willingness to share knowledge, and their abilities to articulate, codify, and communicate that knowledge (Park, Vertinsky, and Minbaeva 2013). Minbaeva and Michailova (2004) find that although all four types of expatriation are connected to knowledge transfer, expatriates' willingness to disseminate knowledge is enhanced by the employment of long-term expatriation assignments, while their ability to share knowledge can be increased through temporary assignments, such as short-term assignments, frequent flyer arrangements, or international commuting.

Studies also find that the nature of international operations and country experience determine the number of expatriates permanently located in a host country and define their role as knowledge transfer agents. Research reveals a list of possible strategic targets for expatriates in the area of knowledge transfer: the development of top talent and future leaders for the company; an improvement in the trust/commitment of the subsidiary; the training of host–national employees in order to improve individual skills; an improvement in team skills; the implementation of knowledge practices; the development, sharing, and transfer of best practices; and the development of international leadership (Bonache and Fernandez 1997; Harris, Brewster, and Sparrow 2003).

More recently, some researchers have focused on knowledge accumulated through expatriate, inpatriate, or repatriate assignments, and how the transfer of that knowledge contributes to the firm's objectives (see, e.g., Lazarova and Tarique 2005; Hocking, Brown, and Harzing 2007; Reiche 2011). For example, Hocking, Brown, and Harzing (2007) study how expatriates contribute to MNCs' strategic objectives of global efficiency, local responsiveness, and worldwide learning. They find that applications of expatriate knowledge result from frequent knowledge access, and from communication with corporate headquarters and other units of the firm, while expatriates derive experiential learning from frequent access to local knowledge, which is subsequently adapted to the global corporate context. Reiche (2011) finds that inpatriates' boundary spanning is positively related to their individual efforts to transfer knowledge and their individual perceptions of headquarters' absorptive capacity. His overall argument is that both the abilities and motives of inpatriates involved in knowledge transfer create the conditions that determine whether transfer is likely to occur. A focus on the individual competencies needed for knowledge transfer is also adopted by Chang, Gong, and Peng (2012), who identify three dimensions of expatriate competencies for knowledge transfer—ability, motivation, and opportunity seeking. They examine the indirect effects of these dimensions in terms of the impact of received knowledge on subsidiary performance, which is moderated by subsidiary absorptive capacity.

As we show above, two determinants of MNC knowledge transfer—the characteristics of knowledge receivers (absorptive capacity) and the characteristics of knowledge senders (disseminative capacity)—and how HRM practices deal with these two determinants have attracted most of the attention of IHRM scholars. However, there is another, less frequently considered by IHRM researchers determinant—the characteristics of the organizational or social context in which knowledge transfer takes place. Knowledge transfer is possible only when close relationships exist between senders and receivers (Ghoshal and Bartlett 1988; Gupta and Govindarajan 2000), and rigid organizational boundaries create high barriers to knowledge flows at all levels of the MNC. By employing organizational practices that remove traditional boundaries, melt bureaucratic structures, and support learning, organizations may establish an environment that promotes knowledge transfer.

MNCs are multilevel entities in which knowledge transfer takes place on at least two levels: inter-organizational (e.g. between the focal subsidiary and its sister subsidiaries, or between the focal subsidiary and headquarters) and intra-organizational (e.g. between the subunits of a subsidiary). Empirical researchers name frequency of communication in inter-organizational context as an important determinant of knowledge transfer (Szulanski 1996; Birkinshaw, Hood, and Jonsson 1998; Bresman, Birkinshaw, and Nobel 1999; Gupta and Govindarajan 2000). Szulanski (1996: 32) argues that "a transfer of knowledge, especially when the knowledge transferred has tacit components, may require numerous individual exchanges." Gupta and Govindarajan (2000) consider not only the existence of communication channels but also the richness of communication, which they capture as informality, openness, and density of communication. In particular, they find that corporate socialization mechanisms linking a focal subsidiary to the rest of MNC are positively associated with knowledge transfer into that subsidiary.

There is an increasing need for unobstructed knowledge transfer in the intra-organizational context. The appearance of new forms of working practices, such as flexible working arrangements, reflects that need. Indeed, Hansen (1999) concludes that a lack of direct relations between people from different departments within an organization inhibits knowledge transfer. Similarly, the crossing of traditional organizational boundaries—through common projects, decentralized and autonomous groups, and flexible working arrangements—is important for the effective use of obtained knowledge. Along these lines, flexibility has been found to be associated with learning opportunities, an organizational climate for innovation and development, and higher capacities to absorb knowledge. Lyles and Salk (1996: 881–882) postulate that flexibility promotes the knowledge transfer process "by encouraging greater receptivity of organizational members to new stimuli from the outside, by promoting collaboration and exchanges of information within the organization and by granting members greater latitude in altering activity patterns and ways of doing things to adopt to perceived changing needs and conditions." Overall, empirical evidence indicates that the corporate socialization mechanisms employed across MNCs units and flexible working practices employed within the subsidiary can support learning, and can thereby increase knowledge transfer to subsidiaries (Minbaeva 2008).

More recent studies examine the role of HRM practices in developing social capital that is conducive for intra-MNC knowledge transfer (Yamao, De Cieri and Hutchings 2009; Mäkelä and Brewster 2009; Gooderham, Minbaeva, and Pedersen 2011). For example, Yamao, De Cieri, and Hutchings (2009) examine the role of subsidiaries' HRM practices (four HR configurations: acquisition, development, collaboration, and egalitarian) in the development of their human and social capital (internal subsidiary, external, and intra-MNC) and, ultimately, in reverse knowledge transfer from subsidiaries to headquarters. Their findings indicate that HRM practices should be viewed as antecedents of social capital conducive to knowledge transfer. This idea was further developed by Gooderham, Minbaeva, and Pedersen (2011), who extend social capital approaches to knowledge transfer by identifying organizational mechanisms (including HRM practices) that managers can deploy to promote the development of social capital for knowledge transfer. They find that social capital has a positive impact on knowledge transfer. This implies that the "goodwill" that makes organizational resources available for individual use (i.e., the core intuition of social capital) is of substantial significance for the transfer of knowledge. In terms of specific organizational practices, Gooderham, Minbaeva, and Pedersen (2011) find that hierarchical mechanisms (the application of authority, rules, and regulations) undermine the formation of social capital, while the use of organizational practices, such as acknowledgement and personal and professional development, is an important driver of social capital. However, their finding regarding the use of market-based governance mechanisms (increments, bonuses,

and promotion) is paradoxical and puzzling. On the one hand, these mechanisms have a negative, albeit weak, impact on the promotion of social capital. On the other hand, the total effect of market-based mechanisms on the promotion of social capital is negligible because of its strongly positive correlation with social governance mechanisms. In other words, these findings suggest that the application of market-based mechanisms does no overall "damage" to the promotion of social capital. Indeed, it is almost as though these mechanisms are irrelevant. For managers, this means that although investing in the development and application of market-based mechanisms may appear to underscore the social governance mechanisms that are critical for the promotion of social capital, any benefit is offset by the negative effect of those mechanisms on the development of that capital.

Limitations of current knowledge

The previous section provided an overview of our understanding of the role of IHRM in knowledge management in MNCs. While certain advances in this understanding are obvious, this review also serves to highlight the limitations. This section looks more closely at the latter with the aim of focusing the attention of IHRM researchers on the areas that could move extant knowledge to a higher level.

When theorizing about the effect of HRM practices

A growing number of studies considers multiple, rather than isolated, HR practices. Such an approach makes sense, as the mutually reinforcing effect of HR practices is well documented in the strategic human resource management (SHRM) literature (e.g. Huselid 1995), and is extensively discussed in theoretical and review articles as "horizontal fit" (e.g. Wright and McMahan 1992) or "internal alignment" (e.g. Becker and Gerhart 1996). Just as in the general SHRM literature (see Wright and Boswell 2002, for an overview), researchers working on the IHRM–knowledge link have taken different approaches to defining horizontal fit. We argue that there is a need for careful theorizing (rather than a reliance on statistical grouping) about the type of complementarity (positive or negative) present among the HR practices affecting intra–MNC knowledge transfer. Traditionally, "complementarity" has been defined as occurring when doing more of one thing increases the returns of doing more of the other (Milgrom and Roberts 1990, 1995). It assumes that complex interactions among several practices effect performance and positively reinforce the effects of other practices, that is, by enhancing knowledge transfer (Laursen and Foss 2003).

However, the reinforcing effect may, in fact, be negative. Whittington *et al.* (1999) argue that organizational practices that are associated with positive performance when employed individually may have negative effects when combined with their complements. Negative complementarity occurs when the elements of a system destroy value rather than create it (Becker and Huselid 2006). For example, Minbaeva (2008) identifies two groups of HRM practices: those that influence extrinsic motivation (e.g. performance-based rewards and recognition, financial support for degree-earning programs, performance management) and those that influence intrinsic motivation (e.g. job design, flexible working arrangements, transfers, career development). Building on motivation crowding theory, which claims that intrinsic and extrinsic motivation are interactive rather than additive (Osterloh and Frey 2000; Osterloh, Frost, and Frey 2002; Frey and Jegen 2001), Minbaeva (2008) argues that HRM practices that influence the two types of motivation applied in a complementary way negatively affect knowledge transfer due to the crowding-out effect of extrinsic and intrinsic motivation.

So, *when theorizing about the system effect of HRM practices, there is a need for careful theorizing about the type of complementarity present and its consequences on knowledge transfer.*

When focusing on the implementation of HRM practices in MNCs

When studying the role of HRM practices in managing knowledge, it is important to distinguish between headquarters-originated HR practices intended for implementation across the MNC and individual perceptions of HR practices implemented within the subsidiaries. The difficulties of implementing HRM practices across MNCs are well documented (see, for example, Chapters 9 and 10 of this volume).

In addition to the well-researched institutional differences that influence the implementation of HRM practices, IHRM researchers should also consider differences in individual perceptions, attitudes, and behaviors. This is particularly important—HRM activities can only have an impact on organizational-level outcomes if employee perceptions and behavior are affected (see Paauwe and Farndale 2006). There are also variations in individuals' reactions to implemented HR practices, which may explain differences in perceptions of those practices. In other words, variation in perceptions of HR practices can be explained by variations in the schemas individuals employ when perceiving and interpreting HR-related information (Wright and Nishii 2007). In a recent contribution, Kehoe and Wright (2013) discuss the importance of focusing on perceived HR practices: "employee's HR practice perceptions are temporally closer to, and consequently likely to be more predictive of their attitudinal and behavioral outcomes than HR practice ratings as provided by managers" (p. 4).

Importantly, intended HR practices should be observed at the MNC level by studying the HR intent at the MNC's headquarters. Furthermore, implemented HR practices across the MNC should be measured at the subsidiary level by observing HR practices in use, while perceived practices should be measured at the individual level by studying individuals' perceptions of implemented HR practices within the subsidiaries.

Hence, *when studying the role of HRM practices in managing knowledge, it is important to be clear about explanatory context and measure HRM practices at the correct level.*

When defining the level of analysis

The "level of analysis" challenge mentioned above highlights the real need for empirical research and theory building on IHRM and knowledge management that adopts a multilevel logic (Minbaeva, Foss, and Snell 2009). This challenge is especially relevant for studies on intra-MNC knowledge transfer.

As a way forward, researchers working on IHRM and knowledge management should explore the individual-level antecedents of knowledge processes, linking them back to the collective level (group, subsidiary, MNC). A question that may be raised is why individuals are a more appropriate focus compared to for example groups or MNC units/subsidiaries. While we acknowledge the crucial role of groups and teams in knowledge processes, we argue for a focus on individuals based on the argument that a deeper understanding of intra-organizational knowledge processes "cannot be reached *in lieu* of a starting point in individuals" (Foss 2007, p. 43). From the very beginning, the knowledge-based view of the firm has stressed the important role that individuals play as primary actors in knowledge creation and as principal repositories of knowledge (Grant 1996b: 109). Furthermore, recent theorization in the HRM literature emphasizes that it is precisely the impact that knowledge exerts on individuals that mediates the relationship between that knowledge and any performance-related outcome, such as

knowledge-based performance (Bowen and Ostroff 2004; Wright and Nishii 2007; Minbaeva, Mäkelä, and Rabbiosi 2012). Guest (1997: 269), for example, calls for a greater emphasis on the "'human' factor in human resource management." In other words, HRM activities can only have an impact on organizational-level outcomes provided that employee perceptions and behavior are affected (see also Paauwe and Farndale 2006). Gerhart (2005), in turn, maintains that strategic HRM should move closer to the individual level, and emphasizes its impact on employee relations and attitudes, while Wright *et al.* (2001) suggest that HRM research should consider how individuals and their interactions determine knowledge stocks and knowledge flows within firms. Finally, the fundamental mandates of HRM are to assist in strategy implementation, and to enable organizations to gain and sustain competitive advantages (Huselid, Jackson, and Schuler 1997; Becker and Huselid 2006). The achievement of these objectives requires managerial intervention, which must inevitably reflect some consideration of the micro level, as it involves the formation of expectations regarding employee responses to changes in HRM practices.

So, *future studies on IHRM and knowledge management should explore the individual-level antecedents of knowledge processes and link them back to the collective level (group, subsidiary, MNC) through multilevel research.*

When assuming direction

There are at least four directions of knowledge transfer inside an organization: (1) vertical direct, (2) vertical reverse, (3) lateral direct, and (4) lateral reverse. Vertical transfer ("superordinate" in Argote 1999; "hierarchical" in Mudambi 2002) takes place between the parties involved in superior-subordinate relationships. Within the MNC, vertical transfer takes place between headquarters and its subsidiaries in two directions: from headquarters to subsidiaries (direct; studied, for example, by Foss and Pedersen 2002) and from subsidiaries to headquarters (reverse; studied, for example, by Hakanson and Nobel 2001). Lateral transfer occurs within the same hierarchical level and can also be of a direct (from the focal subsidiary to sister subsidiaries) or reverse nature (from sister subsidiaries to the focal subsidiary).

Thus far, IHRM researchers have mainly focused on knowledge transfer from headquarters to subsidiaries (vertical direct) and much more seldom consider as dependent variables knowledge outflows from the subsidiaries, both horizontal to sister subsidiaries and vertical to HQs. Among the exceptions is Reiche (2012), who examines the role of repatriation practices in reverse vertical knowledge transfer. He argues that the local contextual knowledge acquired during the overseas assignments are valuable, yet underutilized sources for overall MNC learning as well as for the individual repatriate. Yet, as Michailova and Mustaffa (2012) warn, "while these different directions may generate significant advantages for [the individuals,] the focal subsidiary as well as for the MNC, they also differ significantly in their nature and purpose (p. 389). Hence, consideration of the multidirectionality of knowledge flows is crucial, as it may help identify "the conditions under which moving people will result in knowledge transfer" (Argote and Ingram 2000: 164). In this regard, such studies should enhance our understanding of the MNC context in terms of the different types of knowledge transferred and the variety of HRM practices that may be employed to facilitate the transfer of different types of knowledge. For example, should we globally integrate HRM practices for knowledge transfer because we need to transfer knowledge across all MNC units? Should we instead adapt HRM practices for knowledge transfer to local conditions in order to tap into the local sources of knowledge that are the most valuable? Alternatively, should we find a third solution?

Thus, *future studies should consider the multidirectionality of knowledge flows and its consequences for HRM practices for knowledge transfer.*

When the determinants of knowledge transfer are viewed as static

As discussed at the beginning of this chapter, the determinants of knowledge transfer related to participants' behavior have been relatively well researched and summarized in the form of a sender–receiver model (see Argote, McEvily, and Reagans 2003; Minbaeva 2007). IHRM researchers who build upon this model unwillingly inherit a linear form of thinking in which sender and receiver characteristics are perceived as relatively static attributes that explain variations in the efficiency and effectiveness of transfer at a given point in time (Gupta and Govindarajan 2000; Minbaeva *et al.* 2003; Minbaeva and Michailova 2004; Foss and Pedersen 2002). However, circular causality models and a true "process model" (Langley 2007; Van de Ven 2007) of knowledge transfer in MNCs are of limited use in knowledge transfer research.

Furthermore, researchers assume, either explicitly or implicitly, that knowledge characteristics are a given and that they should influence the choice of HRM practices. There is some evidence that MNCs employ various organizational mechanisms, which they choose on the basis of the characteristics of knowledge. For example, Bonache and Brewster (2001) address the question of whether knowledge characteristics explain expatriation policies. They suggest that, "if the knowledge to be transferred among units of an MNC is tacit collective knowledge, then that transfer will involve the team" and "if the knowledge to be transferred among units of the MNC is specific, the recruitment source of expatriates will be the company itself" (Bonache and Brewster 2001: 160–161). However, "the possibility of a reverse causality, in which organizational arrangements are chosen so that they influence the relevant characteristics, has not previously been investigated" (Foss and Pedersen 2003: 13). Can knowledge characteristics be influenced by HRM practices? If expatriation and international rotation are chosen as a main conduit for knowledge transfer, is the knowledge being transferred mainly tacit?

Thus, *when studying the effect of HRM practices on the determinants of knowledge transfer, future research should consider circular causality models.*

Conclusion

In this chapter, we have reviewed advances in the research on IHRM and intra-MNC knowledge transfer. We have also discussed the limitations of extant research and offered guidelines for future research.

We would like to conclude with two general observations. First, in our review we have focused specifically on large-N studies undertaken on the subject. This is because solid theoretical contributions remain few in number, despite the growing interest in the links between HRM and knowledge in the context of MNCs. In all of the studies reviewed here, the theorizing about the main constructs and causal relationships in IHRM builds extensively on ideas borrowed from general SHRM-knowledge research. This represents a typical example of "horizontal theory borrowing"—"taking a theory [HRM-knowledge research] about one context [organization] and applying it to another context [MNC], while maintaining a consistent level of analysis" (Whetten, Felin, and King 2009: 552).

Evidence of horizontal theory borrowing in IHRM-knowledge research is plentiful. In many instances, researchers build on the insights from SHRM-knowledge research developed for a domestic organization and apply it to the MNC context, while maintaining the focus on the individual level (e.g. Minbaeva and Michailova 2004), on an HR practice (e.g. Simonin and

Özsomer 2009), or on an HR system (e.g. Yamao, De Cieri, and Hutchings 2009). This is unproblematic, as effective horizontal theory borrowing "not only identifies the functional similarities of a theory in both contexts" but also identifies "the theory's limits to generalizability" (Whetten, Felin, and King 2009: 553). However, as Whetten, Felin, and King (2009: 553) warn, "importing theories to a new context without taking into account the contextual differences may lead to a misapplication of the theory" or "incorrect diagnoses of the theory's functional utility." Unfortunately, after reviewing and examining the most recent contributions to the IHRM-knowledge debate, we conclude that studies "explicitly accounting for theory-relevant, context distinguishing effects" (Whetten, Felin, and King 2009: 557) are rare. Therefore, theorizing about those *contextual differences* may help researchers to advance our understanding of the role of IHRM in knowledge management in MNCs.

Second, it is not inherently a problem that only a few theoretical contributions exist in a field. In fields in which fundamental insights, key concepts, and causal relations can reasonably be assumed to be well established, the ratio between theoretical and empirical/applied work may decline over time (Kuhn 1970). Similarly, an argument may be made that this ratio should be low in emerging fields, where there is a need for a significant amount of explorative and inductive empirical research (Eisenhardt 1989). However, without going into the detailed history of the field, the SHRM field seems to be neither very well established nor new and emerging (Wright, Gardner, Moynihan, and Allen 2005). Some insights are relatively well established, at least theoretically (e.g. the effect of training on employees' job-related knowledge and the effect of work organization on employees' satisfaction), while others seem much more preliminary, incomplete, or even speculative (Wright and Haggerty 2005; Becker and Huselid 2006). Notably, the latter category includes the micro-foundations for arguments asserting links between HRM and knowledge performance (see Minbaeva 2013). As discussed above, the dimensions of the causal mechanisms that mediate the link between HRM and knowledge outcomes, and how those mechanisms are ultimately rooted in individual action and characteristics have tended to drop out of sight as a direct result of the aggregate focus of extant research.

These two observations seem to be interrelated. Large-N empirical studies examining HRM practices as explanatory variables of knowledge processes may be more explorative in nature as a result of the relative sparseness of theoretical work. This, in turn, may be an indication that important constructs and the causal relations between them remain unclear. Thus, more thorough theoretical work is needed to increase our understanding of *why*, *how*, *where* and to *what extent* IHRM and knowledge are linked. Such work must avoid explanatory black boxes and convenient shortcuts when theorizing about situational settings and contextual conditions in which knowledge transfer takes place. Instead, future research must aim at carefully outlining the context, the level, the content, and the nature of the causal mechanisms (the "cogs and wheels" (Elster 1989: 3) (that produce the observed associations between IHRM and intra-MNC knowledge transfer.

References

Argote, L. (1999) *Organizational Learning: Creating, Retaining, and Transferring Knowledge*, Boston: Kluwer Academic.

Argote, L. and Ingram, P. (2000) "Knowledge transfer: A basis for competitive advantage in firms," *Organizational Behavior & Human Decision Processes*, 82(1): 150–169.

Argote, L., McEvily, B., and Reagans, B. (2003) "Managing knowledge in organizations: An integrative framework and review of emerging themes," *Management Science*, 49(4): 571–582.

Becker, B. and Gerhart, B. (1996) "The impact of human resource management on organizational performance: Progress and prospects," *Academy of Management Journal*, 39(4): 779–801.

Becker, B. and Huselid, M. (2006) "Strategic human resource management: Where do we go from here?" *Journal of Management*, 32(6): 898–925.

Birkinshaw, J., Hood, N., and Jonsson, S. (1998) "Building firm-specific advantages in multinational corporations: The role of subsidiary initiative," *Strategic Management Journal*, 19: 221–241.

Bonache, J. and Fernandez, Z. (1997) "Expatriate compensation and its link to the subsidiary strategic role: A theoretical analysis," *International Journal of Human Resource Management*, 8(4): 457–475.

Bonache, J. and Brewster, C. (2001) "Knowledge transfer and the management of expatriation," *Thunderbird International Business Review,* 43(1): 145–168.

Bowen, D. E. and Ostroff, C. (2004) "Understanding HRM-firm performance linkages: The role of the 'strength' of the HRM system," *Academy of Management Review,* 29: 203–221.

Bresman, H., Birkinshaw, J., and Nobel, R. (1999) "Knowledge transfer in international acquisitions," *Journal of International Business Studies*, 30(3): 439–462.

Cabrera, E. (2003) "Socio-psychological aspects of knowledge sharing in organizations," Proceedings of the 7th Conference on International Human Resource Management, University of Limerick, June.

Chang, Y., Gong, Y., and Peng, M. (2012) "Expatriate knowledge transfer, subsidiary absorptive capacity, and subsidiary performance," *Academy of Management Journal*, 55(4): 927–948.

Cohen, W. M. and Levinthal, D. A. (1990) "Absorptive capacity: A new perspective on learning and innovation," *Administrative Science Quarterly*, 35: 128–152.

Delios, A. and Bjorkman, I. (2000) "Expatriate staffing in foreign subsidiaries of Japanese multinational corporations in the PRC and the United States," *International Journal of Human Resource Management,* 11(2): 278–293.

Downes, M. and Thomas, A. (1999) "Managing overseas assignments to build organizational knowledge," *Human Resource Planning*, 22(4): 33–49.

Eisenhardt, K. (1989) "Building theories from case study research," *Academy of Management Review*, 14(4): 532–550.

Elster, J. (1989) *Nuts and Bolts for the Social Sciences*. Cambridge: Cambridge University Press.

Foss, N. (2007) "The emerging knowledge governance approach: Challenges and characteristics," *Organization,* 14(1): 27–50.

Foss, N. and Pedersen, T. (2002) "Transferring knowledge in MNCs: The role of sources of subsidiary knowledge and organizational context," *Journal of International Management*, 8: 49–67.

Foss, N. and Pedersen, T. (2003) "The MNC as a knowledge structure the roles of knowledge sources and organizational instruments in MNC knowledge management," DRUID Working Papers 03–09, DRUID, Copenhagen Business School, Department of Industrial Economics and Strategy/Aalborg University, Department of Business Studies.

Frey, B. and Jegen, R. (2001) "Motivation crowding theory," *Journal of Economic Surveys*, 15(1): 589–611.

Gerhart, B. (2005) "Human resources and business performance: Findings, unanswered questions, and an alternative approach," *Management Review*, 16(2): 175–185.

Ghoshal, S. and Bartlett, C. A. (1988) "Creation, adoption, and diffusion of innovations by subsidiaries of multinational corporations," *Journal of International Business Studies*, 19(3): 365–388.

Gooderham, P., Minbaeva, D., and Pedersen, T. (2011) "Governance mechanisms for the promotion of social capital for knowledge transfer in multinational corporations," *Journal of Management Studies,* 48(1): 123–150.

Grant, R. (1996a) "Prospering in dynamically competitive environments: Organizational capability as knowledge integration," *Organization Science*, 7(4): 375–388.

Grant, R. (1996b) "Toward a knowledge-based theory of the firm," *Strategic Management Journal,* 17: 109–122.

Guest, D. (1997) "Human resource management and performance: A review and research agenda," *International Journal of Human Resource Management*, 8(3): 263–276.

Gupta, A. and Govindarajan, V. (2000) "Knowledge flows within MNCs," *Strategic Management Journal*, 21: 473–496.

Hakanson, L. and Nobel, R. (2001) "Organizational characteristics and reverse technology transfer," *Management International Review*, 41(4): 395–420.

Hansen, M. (1999) "The search-transfer problem: The role of weak ties in sharing knowledge across organization subunits," *Administrative Science Quarterly*, 44: 82–111.

Harris, H., Brewster, C., and Sparrow, P. (2003) *International Human Resource Management*, London: CIPD.

Harzing, A. (2001) "On bears, bumble-bees, and spiders: The role of expatriates in controlling foreign subsidiaries," *Journal of World Business*, 36(4): 366–379.

Hocking, J., Brown, M. and Harzing, A. (2007). "Balancing global and local strategic contexts: Expatriate knowledge transfer, applications and learning within a transnational organization." *Human Resource Management*, 46(4): 513–533.

Huselid, M. (1995) "The impact of human resource management practices on turnover, productivity, and corporate financial performance," *Academy of Management Journal*, 38(3): 635–672.

Huselid, M., Jackson, S., and Schuler, R. (1997) "Technical and strategic human resource management effectiveness as determinants of firm performance," *Academy of Management Journal,* 40(1): 171–188.

Kehoe, R., and Wright, P. (2013). "The impact of high-performance human resource practices on employees' attitudes and behaviors," *Journal of Management*, 39: 366–391

Kuhn, T. (1970) *The Structure of Scientific Revolutions*, Chicago: University of Chicago Press.

Lane, P. and Lubatkin, M. (1998) "Relative absorptive capacity and interorganizational learning," *Strategic Management Journal*, 19(5): 461–477.

Lane, P., Salk, J., and Lyles, M. (2001) "Absorptive capacity, learning, and performance in international joint ventures," *Strategic Management Journal*, 22(12): 1139–1161.

Langley, A. (2007) "Process thinking in strategic organization," *Strategic Organization*, 5(3): 271–282.

Laursen, K. and Foss, N. J. (2003) "New HRM practices, complementarities, and the impact on innovation performance," *Cambridge Journal of Economics*, 27: 243–263.

Lazarova, M. and Tarique, I. (2005) "Knowledge transfer upon repatriation," *Journal of World Business*, 40(4): 361–373.

Lyles, M. A. and Salk, J. E. (1996) "Knowledge acquisition from foreign parents in international joint ventures: An empirical examination in the Hungarian context," *Journal of International Business Studies*, 27(5): 877–903.

Mäkelä, K. and Brewster, C. (2009) "Interunit interaction contexts, interpersonal social capital, and the differing levels of knowledge sharing," *Human Resource Management*, 48(4): 591–613.

Michailova, S. and Mustaffa, Z. (2012) "Subsidiary knowledge flows in multinational corporations: Research accomplishments, gaps, and opportunities," *Journal of World Business*, 47: 383–396

Milgrom, P. and Roberts, J. (1990) "The economics of modern manufacturing technology, strategy and organization," *American Economic Review*, 80: 511–528.

Milgrom, P. and Roberts, J. (1995) "Complementarities and fit: Strategy, structure and organizational change in manufacturing," *Journal of Accounting and Economics*, 19: 179–208.

Minbaeva, D. (2007) "Knowledge transfer in multinational corporations," *Management International Review*, 47(4): 567–593.

Minbaeva, D. (2008) "HRM practices affecting extrinsic and intrinsic motivation of knowledge receivers and their effect on intra-MNC knowledge transfer," *International Business Review*, 17(6): 703–713.

Minbaeva, D. (2013) "Strategic HRM in building micro-foundations of organizational knowledge-based performance," *Human Resource Management Review*, 23(4): 378–390.

Minbaeva, D. and Michailova, S. (2004) "Knowledge transfer and expatriation in multinational corporations: The role of disseminative capacity," *Employee Relations*, 26(6): 663–679.

Minbaeva, D., Pedersen, T., Bjorkman, I., Fey, C., and Park, H. (2003) "MNC knowledge transfer, subsidiary absorptive capacity and knowledge transfer," *Journal of International Business Studies*, 34(6): 586–599.

Minbaeva, D., Foss, N., and Snell, S. (2009) "Bringing the knowledge perspective into HRM. Introduction to the special issue," *Human Resource Management*, 48(4): 477–483.

Minbaeva, D., Mäkelä, K., and Rabbiosi, L. (2012) "Linking HRM and knowledge transfer via individual-level mechanisms," *Human Resource Management*, 51(3): 387–405.

Mudambi, R. (2002) "Knowledge management in multinational firms," *Journal of International Management*, 8: 1–9.

Osterloh, M. and Frey, B. (2000) "Motivation, knowledge transfer, and organizational forms," *Organization Science,* 11(5), 538–550.

Osterloh, M., Frost, J., and Frey, B. (2002) "The dynamics of motivation in new organizational forms," *International Journal of the Economics of Business*, 9(1): 61–78.

Paauwe, J. and Farndale, E. (2006) "International human resource management and firm performance," in G. Stahl and I. Bjorkman (eds.) *Handbook of Research in International Human Resource Management*, Northampton, MA: Edward Elgar.

Park, C., Vertinsky, I., and Minbaeva, D. (2013) "The impact of foreign partners' disseminative capacities on knowledge transfers to international joint ventures," Presented at Academy of Management Conference, August.

Reiche, S. (2011) "Knowledge transfer in multinationals: The role of inpatriates' boundary spanning," *Human Resource Management*, 50(3): 365–389.

Reiche, B. S. (2012) "Knowledge benefits of social capital upon repatriation: A longitudinal study of international assignees," *Journal of Management Studies*, 49(6): 1052–1077.

Simonin, B. (1999a) "Transfer of marketing know-how in international strategic alliances: An empirical investigation of the role and antecedents of knowledge ambiguity," *Journal of International Business Studies*, 30(3): 463–490.

Simonin, B. (1999b) "Ambiguity and the process of knowledge transfer in strategic alliances," *Strategic Management Journal*, 20(7): 595–623.

Simonin, B. and Özsomer, A. (2009) "Knowledge processes and learning outcomes in MNCs: An empirical investigation of the role of HRM practices in foreign subsidiaries," *Human Resource Management*, 48(4): 505–530.

Szulanski, G. (1996) "Exploring internal stickiness: Impediments to the transfer of best practice within the firm," *Strategic Management Journal*, 17(10): 27–43.

Tsang, E. (1999) "The knowledge transfer and learning aspects of international HRM: An empirical study of Singapore MNCs," *International Business Review*, 8: 591–609.

Van de Ven, A. H. (2007) *Engaged Scholarship: A Guide for Organizational and Social Research*, Oxford: Oxford University Press.

Van Wijk, R., Jansen, J. J. P., and Lyles, M. (2008) "Inter- and Intra-Organizational knowledge transfer: A meta-analytic review and assessment of its antecedents and consequences," *Journal of Management Studies*, 45(4): 830–583.

Volberda, H. W., Foss, N. J., and Lyles, M. A. (2010) "Absorbing the concept of absorptive capacity: How to realize its potential in the organization field," *Organization Science*, 21: 931–951.

Whetten, D., Felin, T., and King, B. (2009) "Theory-borrowing in organizational studies: Issues and future directions," *Journal of Management*, 35: 537–563.

Whittington, R., Pettigrew, A., Peck, S., Fenton, E., and Conyon, M. (1999) "Change and complementarities in the new competitive landscape: A European panel study, 1992–1996," *Organization Science*, 10(5), 583–600.

Wright, P. and McMahan, G. (1992) "Theoretical perspectives for strategic human resource management," *Journal of Management*, 18(2): 295–320.

Wright, P. and Boswell, W. (2002) "Desegregating HRM: A review and synthesis of micro and macro human resource management research," *Journal of Management*, 28(3): 247–276.

Wright, P. and Haggerty, J. (2005) "Missing variables in theories of strategic human resource management: Time, case and individuals," *Management Review*, 16(2): 164–173.

Wright, P. and Nishii, L. (2007) "Strategic HRM and organizational behavior: Integrating multiple levels of analysis," Working Paper 07–05, *CAHRS Working Paper Series*, Cornell University.

Wright, P., Dunford, B., and Snell, S. (2001) "Human resources and the resource based view of the firm," *Journal of Management*, 27: 701–721.

Wright, P., Gardner, T., Moynihan, L., and Allen, M. (2005) "The relationship between HR practices and firm performance: Examining causal order," *Personnel Psychology*, 58: 409–446.

Yamao, S., De Cieri, H., and Hutchings, K. (2009) "Transferring subsidiary knowledge to global headquarters: Subsidiary senior executives' perception of the role of HR configurations in the development of knowledge stocks," *Human Resource Management*, 48(4): 531–554.

Zander, U. and Kogut, B. (1995) "Knowledge and the speed of the transfer and imitation of organizational capabilities," *Organization Science*, 6(1): 76–92.

27

Global cultures in MNEs

Sully Taylor

Introduction

Multinational enterprises (MNEs) have become increasingly important in today's highly globalized world economy, with supply chains often spread across several continents and market growth occurring mostly in emerging economies. Each year, MNEs' global value chains account for 80 percent of trade worldwide (UNCTAD, 2013), with foreign-owned corporations employing one worker in every five in European manufacturing and one in seven in US manufacturing (Venables, 2005), making their effective management a topic of great interest and concern to scholars and practitioners alike. While MNEs include corporations engaged in for-profit business activity as well as international non-governmental organizations (INGOs) such as the Red Cross or Doctors Without Borders, this chapter will focus on for-profit MNEs as the managerial goals and constraints differ between for-profit and non-profit MNEs.

Effective management of MNEs increasingly rests on the recognition of two key insights. First, starting with the work of Kogut and Zander (1993), international management scholars have theorized that an MNE's competitive advantage comes from the creation and exploitation of firm-specific knowledge, which is often tacit in nature. For MNEs, internal social communities that support the transfer of knowledge across borders thus become more important to competitiveness than the organization's formal structure. This has led to a stronger focus on how an MNE's employees create a shared sense of identity, norms, and purpose. Second, there is growing recognition that MNEs face increasing pressure to act in socially responsible ways throughout their global networks (Taylor, 2006). They are vulnerable to criticism and reputational risk from misconduct in their global supply chains and global marketing campaigns. This results in a need to ensure that employees throughout the company do not display errant and potentially damaging behavior, such as contracting with an overseas supplier who disregards worker safety, for example. A common set of ethical values can help ensure against socially irresponsible behavior. In short, an MNE's shared social community and culture have become critical to its success in leveraging knowledge and ensuring socially responsible behavior among its employees worldwide. Thus an understanding of how to create effective global organizational cultures is a central task for global leaders today.

This chapter will examine global organizational culture in MNEs, which henceforth will be referred to simply as "global culture." It will first look at the concept of global culture, and key

ways in which it has been defined, particularly by international management scholars. The chapter will then examine in more depth the benefits that accrue to MNEs from creating a global culture, discuss successful global culture creation and maintenance, and explore the challenges and barriers MNEs encounter in this process.

What is global culture?

The notion of organizational culture has its roots in the works of numerous scholars such as Pettigrew (1979), Deal and Kennedy (1982), Weick (1985), and Schein (1985). Whether speaking of organizational culture in purely domestic firms or in MNEs, Hofstede and colleagues asserts that the organizational culture construct shares a common set of characteristics: "it is (1) holistic, (2) historically determined, (3) related to anthropological concepts, (4) socially constructed, (5) soft, and (6) difficult to change" (Hofstede, Neuijen, Ohayv, & Sanders, 1990: 286). There are diverse definitions of organizational culture and some debate concerning its distinction from organizational climate (Denison, 1996; Hofstede, 1998). Erez and Drori (2009) describe the three most common ways of categorizing organizational culture as those that focus on features of the work process, those focused on employee normative behavior, and those that define it in terms of its environment (p. 151). Denison (1996: 624) offers a description that captures many of the key components of the construct:

> [Organizational] culture refers to the deep structure of organizations, which is rooted in the values, beliefs, and assumptions held by organizational members. Meaning is established through socialization to a variety of identity groups that converge in the workplace. Interaction reproduces a symbolic world that gives culture both a great stability and a certain precarious and fragile nature rooted in the dependence of the system on individual cognition and action.
>
> (Denison, 1996)

There are a number of ways to categorize organizational cultures in MNEs. One approach (Erez & Shokef, 2008; Erez & Gati, 2004) starts from the view that all multinational organizations with sufficient international engagement "are embedded in the global context, and therefore, they need to adapt to similar contextual characteristics and share the same meanings with respect to at least some of the characteristics of the global work culture" (Erez & Shokef, 2008: 287). This approach is built on the assumption that values are functional, helping organizations adapt to the external environment (Rokeach, 1973; Berry *et al.*, 1992). These authors argue that because MNEs face a global work context with similar characteristics, they will probably share a common set of work values. They divide these values into task-related, interpersonal, and individual-related values, with task-related values likely to be the most homogeneously shared across all MNEs and cultures. Task-related values include a competitive performance orientation with a strong emphasis on performance, customer orientation, and innovation and change. Interpersonal values include trust and interdependence, while individual-related values that are likely to be emphasized in these global organizations are personal development, openness to cultural diversity, and organizational social responsibility. The authors argue that while the global environment encourages an emphasis on all these values, some variation across the categories will occur due to the greater influence of local cultures on their formation. Thus a higher level of homogeneity across the organization can be expected on task-related values, and the lowest on individual-related values, with interpersonal values in between. Their empirical research (Shokef, Erez, & DeHaan, 2007) found some but not complete support for this argument.

A somewhat different emphasis with regard to the influence of the global competitive environment is given by researchers such as Denison (Denison & Neale, 1996; Denison & Mishra, 1995). Denison and his colleagues, for example, developed a framework of four organizational culture dimensions – consistency, mission, adaptability, and involvement – that they empirically linked to different aspects of organizational effectiveness. Implicit in this approach is the influence of firm industry and strategy, which help determine which aspects of organizational effectiveness is most important to the company's success. For example, the organizational cultural dimensions of involvement and adaptability have the strongest association with innovation (Denison & Mishra, 1995). Thus for firms operating in industries where innovation is key to competitive success, it can be argued that developing these two organizational culture traits will be very important. When examining the applicability of the model in an international context, specifically Russia, Fey and Denison (2003) found strong support for the model overall and for linkages between the four cultural dimensions and different aspects of firm success. However, due to differences in environmental stability between the US and Russian national environments, the study found that the pattern and strength of the relationships differed somewhat between the two countries. Overall effectiveness was most strongly associated with adaptability and involvement in Russia, while mission had the strongest association with overall effectiveness in the US. In short, Denison and colleagues appear to give a greater role to national context than Erez and Shokef (2008) in determining how important a particular organizational cultural dimension will be to an MNE's success in that environment, as well as emphasizing the roles of industry and firm strategy. These authors focus less on how an overarching global environment creates the need for certain organizational cultural values, as Erez and Shokef (2008) argue. They focus instead on how certain organizational values and dimensions are linked to specific strategic goals moderated by the national environment in which the firm operates.

Hofstede *et al.* (1990) in his work on national and organizational cultures (1980; Hofstede *et al.*, 1990, 1998) sees organizational culture as a characteristic of the organization, not of individuals. At the same time, he argues that organizational culture "is manifested in and measured from the verbal and/or non-verbal behavior of individuals – aggregated to the level of their organizational unit" (Hofstede, 1998: 479). His work leads him to the conclusion that organizational culture is, at its core, a set of practices rather than a set of values shared across the units of the organization; it is the shared perceptions of daily practices that can be described as corporate culture. Cultural values, he asserts, are most important at the level of a nation or society. In his 1990 study of 20 units from 10 different organizations in Denmark and the Netherlands, Hofstede found that the nationality of respondents most strongly affected their responses to questions concerning values, while questions dealing with perceived practices were most strongly affected by organizational membership. The practices that were studied included such areas as loose versus tight control, and process versus results orientation. Values do matter, but only those of the founders or top leaders of the organization because it is from these that organizational practices are derived. "Leaders' values become followers' practices" (Hofstede, 1998: 483).

Finally, Ralston, Holt, Terpstra, and Kai-Cheng (2008: 8) agree that the top or founding members of an organization may be especially influential in determining an organization's culture, but do not seem to agree with the perspective that the core of an organization's culture is a set of perceived practices: Since corporate culture grows out of the values held by organizational members,

> especially the influential members of the organization, a universal corporate culture is one where all members of the organization – regardless of where in the world these individuals grew up or now work – have similar views and beliefs that guide their behaviors when

transacting business with members from other societies, as well as with members from their own society.

(Ralson *et al.*, 2008)

In their award winning study, Ralston *et al.* (2008) examined the influences on the underlying values of managers, looking specifically at how national culture and economic ideology (in this case, socialism versus capitalism) foster or impede changes in those values (see also Boeker, 1989; Chatman & Jehn, 1994). The underlying research investigates whether the diverse individual work values of employees in different geographic locations can converge sufficiently for an MNE to create a truly global culture and thus a "unified approach to business that transcends individual work values differences" (Ralston *et al.*, 2008: 9). They investigated whether a country in transition from one economic ideology to another will experience a convergence, a divergence, or a "crossvergence" of work values (Ralston, Gustafson, Cheung, & Terpstra, 1993), that is, a value set that is "in between" the former national culture and economic ideology and the emerging one, or even a value set that is synergistic and unique. Their basic argument is that as economic ideologies converge toward capitalism around the world, as evidenced by the recent transformations of Russia and China, it is possible that work values will also converge due to the similar work beliefs and behaviors required within capitalist economic systems, including, in particular, a focus on self-interest. It is equally likely that national culture will continue to exert a divergent force on work values. The feasibility of creating a global corporate culture will greatly depend on which of these two forces – national culture or economic ideology – holds greater sway. The results of their study generally support the crossvergence view, yet confirm the strong role of national culture, and show that certain kinds of work values evolve more slowly than others.

The theoretical and empirical work on global corporate cultures of these scholars suggests some key issues in the field as well as some tentative conclusions. The main threads in the studies discussed above can be summarized as follows: (a) is global corporate culture a set of values or a set of practices; (b) is global culture developed in response to a set of requirements from the external, global environment shaped more closely by the industry and by a firm's chosen strategy, or a reflection of the founders' values; (c) related to the second issue, is there one "best" global culture, or are there various possibilities; (d) and finally, are there forces arraigned such as national culture that may make the creation of a seamless, single global corporate culture impossible? While for some issues, such as the question of "crossvergence," there is increasing evidence in support of the phenomenon (Ralston *et al.*, 2008), more research is necessary regarding the construct of global culture and its creation. Among other things, the answers affect how to measure global culture, the processes used to instill a global culture, and what should be considered positive outcomes for MNEs that are able to create a consistent corporate culture across their operations.

The benefits of a global culture

The reasons an MNE would struggle to create a global culture in the face of the forces arraigned against such an effort, such as the ones discussed in the previous section, must be compelling in order to overcome the costs involved. What, then, does the MNE gain from having a global culture? Most authors agree that a common set of work values, beliefs, and assumptions shared among all employees will enable them to communicate, coordinate and make collective decisions more efficiently and effectively. Given the need for a speedy response to changes in the global environment and the inability of bureaucratic controls to enable this speed (Bartlett

& Ghoshal, 1989), this greater efficiency should enable greater firm success. It has been argued that a strong sense of shared values can enable greater decentralization of decision making to subsidiaries, allowing them to have the autonomy and freedom to respond to competitive opportunities and threats (Williams & Van Triest, 2009; Nohria & Ghoshal, 1994). Thus a common global culture aids in "control, coordination, compliance and consistency" (Welch & Welch, 2006: 19). Moreover, a global culture leads to greater leverage of knowledge held by the firm's employees worldwide. From a knowledge point of view, there are two benefits. First, a common set of corporate values should lead to a greater sense of global identity (Shokef & Erez, 2006), and a sense of belongingness to the MNE. This nurtures the willingness of employees to share information and knowledge across the geographic and other divides that commonly lead to "in-group/out-group" tensions (Halevy & Sagiv, 2008). A second benefit is that the absorptive capacity of the MNE is enhanced (Cohen & Levinthal, 1990; Koveshnikov, Barner-Rasmussen, Ehrnrooth & Mäkelä, 2012; Bhagat, Kedia, Harveston & Triandis, 2002) as employees hold common cognitive frameworks of interpretation and evaluation of knowledge due to shared beliefs and assumptions. While creating a global culture within the MNE is thus seen as "glue" holding the dispersed and culturally divergent units together across the globe, some recent literature indicates there are constraints on this idea. For example, as Williams and Van Triest (2009) found in their study of 119 middle-ranking managers in subsidiaries of MNEs with origins in 15 different countries, the very granting of autonomy and freedom to overseas units may lead to a divergence from the global culture the MNE is trying to create. The authors offer as a possible explanation for their surprising results: "When more decision rights are allocated to a subsidiary, the unit has more freedom to develop itself . . . This may ultimately encourage divergence in values through the MNC" (Williams & Van Trieste, 2009: 164). The authors also argue that it is possible that the increasing sophistication of information and communication technology deployed in MNEs enables headquarters to put in place more effective control systems based on a unit's results from greater distance; this undercuts to some degree the need for a shared global culture. So while the control benefits of a shared global culture has long been put forth as one way of dealing with the increasing pressure for MNEs' units to be able to act quickly yet coherently across the globe (Bartlett & Ghoshal, 1989), it may be that both the autonomy that units gain as well as the growing use of more advanced technology work against both the need for and stability of a shared global culture.

The benefits of a shared global culture may also be less attractive to MNEs following a local responsiveness strategy in their global operations rather than an integration strategy (Erez & Shokef, 2008). For firms following a local responsiveness strategy, the benefits of more efficacious coordination and communication with other units in the MNE's network will be less important than for firms that are highly interdependent, integrated and with high resource flows (Kostova & Roth, 2003). Thus MNEs pursuing a multi-domestic strategy, sometimes referred to as multinational organizations (Bartlett & Ghoshal, 1989; Ghoshal & Nohria, 1993), may not want to expend the resources required to build a global culture as the presumed benefits are not crucial to the MNE's global success.

Creating a global organizational culture: content, process, mechanisms and dangers

When an MNE decides that the benefits of creating a global culture are sufficient to warrant the investment of managerial time and organizational resources, it is faced with a series of decisions concerning how to proceed. Some of these decisions are related to the discussions above, particularly to the fundamental definition of organizational culture in a global firm. For example,

if an MNE chooses a model of global culture that accepts Hofstede's view (Hofstede *et al.*, 1990; Hofstede, 1998) that the core of a global culture is organizational *practices* rather than *values*, the focus of managerial attention will be on those practices deemed most important to share among all units – that is, the content of the global culture will be highly impacted by what top decision makers believe constitutes a global culture. This in turn will impact other decisions and issues that must be addressed when creating a global culture, including the characteristics of an effective process, the choice of mechanisms to create a global culture and the perceived challenges to its creation. Each one of these areas will be addressed in turn.

Determining the content of a global culture

While the literature and research does not offer any definitive answer as to what global culture is, the majority of the writing alludes to the "values, beliefs and assumptions" that are shared in common by organizational members, which influence understanding of organizational norms and lead to certain work behaviors (Denison & Mishra, 1995; Erez & Shokef, 2008; Levy *et al.*, 2010; Ralston *et al.*, 2008). This chapter uses the definition from Denison and Mishra (1995) offered at the beginning of this chapter, which encapsulates most of these key characteristics of global culture. At the core of this definition is the concept of "values," which shape members' social attitudes, decisions and actions (Edwards & Cable, 2009; Lenartowicz & Johnson, 2002). Thus a key decision for MNEs is which values to emphasize in the creation of a global culture.

In many MNEs, the global culture values will be based on the core values that have developed in the firms' home country units. These are often influenced by founders and top executives, the domestic competitive environment, as well as the national culture (Ralston *et al.*, 2008; Williams and Van Triest, 2009; Denison & Mishra, 1995). For example, MNEs from countries that rank high on individualism (Hofstede, 1980) will tend to give more control over decisions to their immediate employees (Chow, Shields, & Wu, 1999), exhibiting a value placed on autonomy and self-directed work behaviors. The identification of the core MNE values is thus a first step in creating a global culture, followed by an analysis of which are most critical to the MNE's global competitiveness. For example, if the MNE emphasizes the influence of industry and strategy in determining its core values, it may draw on Denison and Mishra's (1995) four dimensional model of organizational culture to identify and measure them. On the other hand, the MNE can accept Erez and Shokef's (2008) model of global culture which argues that there are certain core work values that all firms operating in the global arena must embrace, at least to some extent, such as a value on innovation.

Related to the question of content is that of strength of global culture (Levy *et al.*, 2010), and the issue of whether all sub-units within an MNE need to share a common set of values. As Levy *et al.* (2010) argue, a strong global culture is not necessarily "good," a point also made by others (Hofstede, 1998; Welch & Welch, 2006). Strength of corporate culture has been defined as "the level of homogeneity in members' perceptions and beliefs" (Erez & Gati, 2004: 588) or "the degree to which core values and practices are shared throughout the corporation" (Levy *et al.*, 2010: 20). While generally MNEs aim to create a strong global culture, there are some dangers that can result, as will be discussed later in this chapter. In addition, Levy *et al.* (2010) argue that it is too simplistic to think of global culture as either "strong" or "weak," but rather that the MNE should be seen as a complex network of units in which strong corporate culture can be found in some units (called "outposts"), while not present in others with weak global cultures. These outposts, which Levy *et al.* (2010) call "cultural hubs," are islands of corporate culture where a unit, group of people, network, function or subsidiary within an MNE "has the capability to shape and articulate the company's core cultural values and assist in the process

of localizing them" (22). These cultural hubs do not necessarily exist in the headquarters or home country of the firm, and indeed, with mergers, acquisitions and downsizings, can as often be found abroad. These authors clearly differentiate between "spearhead" global cultures, which are created at headquarters and often imposed on international units with weak acceptance of the values by the employees there, and a "global culture," where a company has a set of core values and practices, but local differences are not ignored and core values can evolve into effective local practices. In sum, in addition to considering what the *content* of the global corporate culture should be, MNEs need to specify the *strength* of global corporate culture they want, and how to define it.

Process of creating a global culture

Literature and research indicates a number of key aspects that characterize an effective process when creating a global culture. The literature on international mergers, acquisitions, and international joint ventures provides many insights. One critical component is the need to address human integration along with task integration when attempting to bring a unit into the corporate culture "fold," rather than starting with only the task integration. In a study of foreign acquisitions by Swedish MNEs, Birkinshaw, Bresman and Hakanson (2000) found that greater interdependencies and synergies were achieved once attention and effort was devoted to human integration, that is, a concern with "generating satisfaction, and ultimately a shared identity, among the employees from both companies" (398). This study suggests that for all MNEs, particularly those attempting to evolve their global culture in tandem with a change in international strategic direction toward greater integration, it is best to acknowledge and address the underlying corporate culture integration that must accompany changes in overseas units' roles and tasks.

An effective process when creating global cultures also recognizes the important role that language plays in the spread of core values throughout the network. Core values are usually expressed in words, and often these words are relatively abstract. As d'Iribarne (2012) observes,

> [O]ne tends to use rather blurred language to assert values . . . within one culture, a word refers to specific realities, to concrete behaviors and to tangible forms of life in society. One can fully agree on values as long as they are expressed with abstract vocabulary, while having in mind practices of a very different nature.
>
> (133)

Brannen (2004) describes the process of "recontextualization" that occurs when MNEs establish new units abroad and attempt to transfer important organizational assets such as core values. As local employees put these values through their own sense-making, meanings evolve so that they make sense within the new context. Sometimes this can lead to semantic misfits, and to the creation of radically different interpretations of important organizational concepts and processes. In his study of Danish MNE's operations in Jordan, China, and India, d'Iribarne (2012) found that concepts such as "empowerment" were recontextualized in the Indian subsidiary within the local concept of "nurturant leadership," which emphasizes much greater guidance by managers of their subordinates' work, making some local managers feel uncomfortably "caught" between the mandate from HQs to coach employees and their inclination that the best employee development comes from giving direct orders. Local managers have needed to recontextualize empowerment to fit within the concept of nurturant leadership, and to see it "as the superior's responsibility to empower employees gradually by building their capacities through his/her

personal guidance" (d'Iribarne, 2012: 148). Research thus suggests that the process of creating a global culture must address how to effectively recontextualize the MNE's core values such that their intent is retained while they evolve in a way that fits the local context, and not assuming the words themselves are sufficient. The cultural hubs referred to by Levy *et al.* (2010), which have often found ways to successfully recontextualize core values, may be valuable resources in the process of recontextualization.

Finally, it is important to mention briefly three other issues MNEs need to consider in the process of creating a global culture. First, the literature indicates that the MNE's process will be affected by its own internationalization experience and accumulated "savvy" (Delios & Beamish, 2001; Birkinshaw, Bresman & Hakanson, 2000). Newly internationalizing MNEs will likely have fewer organizational members with deep knowledge of effectively creating global cultures – although experience in one cultural context does not always translate into accumulated savvy or success in another cultural context (Brannen, 2004). Second, the degree of local diversity in terms of cultural values must be taken into account. MNEs' top managers need to recognize the influence of cultural diversity in a particular locale on creating a global culture. As Moore and Rees (2008) describe in their study of the UK plant of a German MNE, "[German] managers' vision of the workers thus tends towards defining them as 'English' and generally harmonious, and consequently ethnic diversity at the plant is liable to be rendered invisible" (182). Finally, both global culture and national cultures are dynamic (Welch & Welch, 2006; Erez & Gati, 2004; Koveshnikov *et al.*, 2012), which suggests that while the process of creating a global culture may become easier as national cultures evolve toward greater convergence (Ralston *et al.*, 2008), the creation of global culture must be on-going as firm strategy, global economic environment and local cultural environments undergo changes. This includes local semantic contexts to ensure that the semantic fit achieved through initial recontextualization of corporate values continues to be positive. As Brannen (2004) notes, "as the firm assets are implemented and then interacted within the new user environment, they continue to undergo recontextualizations" (612), a statement that applies to assets such as corporate culture values, norms and beliefs as much as to products, processes, and practices.

Mechanisms for creating global culture

Most research on effectively creating a global culture in an MNE indicates that it is a multi-pronged approach, entailing a range of possible tools and processes such as human resource management (HRM) policies and practices, leadership, communication and organizational structures and processes. Which mechanisms an MNE chooses to use will depend both on its own history and administrative heritage (Bartlett & Ghoshal, 1989; Taylor, Beechler & Napier, 1996; Welch & Welch, 2006) as well as on its country of origin. For example, Welch and Welch (2006) point out that in Japanese MNEs (Taylor, 1999) there is a great use of company identification processes which encourage employees to closely identify with some concept or idea of the firm and thus better accept core values and practices such as quality circles. In creating a global culture in a unit abroad, d'Iribarne (2012) suggests identifying local companies that encompass some of the core values of the MNE to study how these values are best interpreted and communicated locally.

HRM policies and practices can be very helpful in both transmittal and socialization of global culture (Rowden, 2002; Gupta & Govindajaran, 2002). In MNEs, the selection of managers to establish new units abroad often encompasses a consideration of their ability to convey the organization's values and ways of doing things (Edstrom & Galbraith, 1977; Birkinshaw *et al.*, 2000). These international transferees can often help establish network ties and trust between

overseas unit employees and home office or other MNE employees (Kostova & Roth, 2003), which can lead to greater communication flow and reinforcement of commonly held corporate values. Job rotations of key personnel from overseas units to either the home office ("inpatriates") or to other units abroad can lead to deeper learning of critical corporate values and processes by seeing them practiced in other locales, such as innovation management or personnel development (Welch & Welch, 2006). Training programs are often used to inculcate and reinforce global corporate values (Vance & Paik, 2011; Rowden, 2002; Welch & Welch, 2006; Birkinshaw *et al.*, 2000), as are reward systems (Vance & Paik, 2011; Welch & Welch, 2006).

Leadership can also play an important role in the formation of a global culture. Birkinshaw *et al.* (2000) found that leadership visibility can be important in integrating an acquired overseas unit into the corporate culture. By establishing integration teams and through the movement of these integration teams and individuals to overseas units, MNEs can help employees learn important corporate values. These authors also found that continuity of leadership is important – that is, high turnover of members of the leadership team, whether of the acquired or acquiring firm, can be detrimental to the process. They also found that the cultural integration process in international acquisitions takes a long time, often years. Taylor, Levy, Boyacigiller, and Beechler (2008) also found that top management geocentrism and international orientation partially mediated the impact of organizational culture on employees overseas. The critical role of top management leadership modeling on the ability of a MNE to create a global culture is also reinforced by Vance and Paik (2011).

In addition to HR policies and leadership, various organizational processes can contribute to the formation of a global culture. On the one hand, cross-organizational meetings as well as utilization of global teams can enable managers and employees from different units worldwide to interact with each other. Managers and employees from cultural hubs (Levy *et al.*, 2010) will, through their behaviors, exhibit the core cultural values of the MNE, thus demonstrating their importance and how they are usually manifested. While there will of necessity be some "negotiation" over the culture that emerges (Brannen & Salk, 2000), particularly in global teams, these processes can in general be powerful modes of transmitting and creating a unified global culture.

Various communication mechanisms can also be used to build a shared global culture (Koveshnikov *et al.*, 2012). In a study of two Finnish firms establishing their corporate cultures in their Russian subsidiaries, the authors found that global culture transfer was facilitated by a campaign in which "lots of meetings with employees were arranged during which presentations were made and videos were shown to communicate the meaning of new values comprising the new culture" (Koveshnikov *et al.*, 2012: 375). In addition, personal interviews with every top manager were used to discuss the new culture and ensure understanding, along with booklets and other events. Surveys as well as the publication of core principles (d'Iribarne, 2012), internal newsletters (Welch & Welch, 2006), and annual reports and websites have also been identified as useful communication mechanisms used by MNEs to help create a global culture.

Challenges in creating global cultures

Various authors have signaled a number of challenges and dangers in creating a global culture. First and foremost is the possible cross-cultural work alienation of employees (Brannen & Peterson, 2009) which can lead to malaise and dissatisfaction. The sense of the organizational culture being used as a "management tool" imposed from the top of the MNE can "generate cynicism and opposition by members at lower organizational levels" (Welch and Welch, 2006: 26). This alienation can easily arise in acquisitions of other firms, whether foreign or domestic, but can

also result when an international unit or group does not feel integrated into the dominant culture and becomes resentful of its imposition (Levy *et al.*, 2010; Brannen & Peterson, 2009; Middleton, 1963). In their study of the five-year post-acquisition of a US firm by a Japanese MNE, Brannen and Peterson (2009) found that while cross-cultural work alienation did not permeate the plant, there were pockets of alienation in different departments and sub-groups with the potential for decreasing morale. Importantly, they found support for the effectiveness of interventions such as sending employees for training in the home office as a means for decreasing cross-cultural work alienation. Their study indicates that cross-cultural work alienation can be a challenge when creating a shared culture in MNEs, but that it can be successfully avoided among most employees with carefully planned interventions.

A second challenge in creating global culture is recognizing the effect of significant and frequent changes in the MNE on the ability to either create or maintain a global culture (Welch & Welch, 2006; Levy *et al.*, 2010). As Welch and Welch (2006) point out, "it is difficult to define 'who we are' in situations where there are constant ownership changes or rapid turnover of top management, and associated changes in strategic direction that are accompanied by attempts to realign 'culture'" (p. 25). Employees facing new owners or radical changes in the strategic role of their units (often accompanied by changes in headcount, job titles, job descriptions and established organizational processes and procedures) may feel that the psychological contract has been broken and suffer a decline in trust toward the MNE, undermining a willingness to be acculturated into the global culture of the MNE. To avoid both this challenge and the danger of creating a strong but inflexible global culture, Welch and Welch (2006) argue that a "commitment for hire" approach is preferable to trying to create a shared sense of values and norms to engender high performance and commitment in MNEs.

Conclusion

The idea of using corporate culture as an unifying "glue" in MNEs has been popular in both academic and practitioner circles for several decades. Particularly with the advent of the idea of the "transnational firm" (Bartlett & Ghoshal, 1989) and the attendant dispersion of strategic assets worldwide in order to better exploit country specific advantages, the desire to replace stiff and unresponsive organizational structures with looser and more flexible mechanisms such as corporate culture has been growing. While this desire remains, the work that has been undertaken to understand how to create such global cultures has produced valuable frameworks and insights, as described above, but also reveals significant questions that remain to be addressed.

Not least among the remaining questions is the core dilemma of deciding what we mean by global culture. No one model has emerged as dominant in the field. A significant reason for the differences between the models lies in the underlying assumptions of the authors concerning what a corporate culture is supposed to do, or more specifically, to what is it supposed to help the firm respond. There are at least three viewpoints on this issue. As expressed by Erez and colleagues (Erez & Gati, 2004; Erez & Shokef, 2008), one viewpoint proposes that a global culture should help the firm to effectively respond to the global competitive environment, which is envisioned as containing trends and pressures that cut across all industries and sectors. A second approach, most clearly seen in Denison and colleagues (Denison, 1996; Denison & Mishra, 1995; Denison & Neale, 1996), assumes the primacy of the demands of the MNE's sector's competitive pressures on determining what sort of global culture will be most effective for the particular company. Finally, a somewhat agnostic or at least unspecified approach can be seen in Hofstede's work (1998), which might be labeled the internal consistency model which leads to sharing of

organizational practices across global operations, without directly evaluating whether these are in response to a particular sector or to the global competitive environment in general. As a consequence of these differences in how global culture is defined, it is difficult to determine the most robust ways of measuring global culture, or indeed the best ways of creating one. Future research in global cultures should undertake to determine whether there is a set of task-oriented work values that are critical to all MNEs, as argued by Erez and colleagues, or whether an effective global culture in fact represents a unique combination of values, norms and practices for a specific MNE. The work that has been undertaken on convergence, divergence and crossvergence by Ralston and his colleagues (Ralston, Gustafson, Cheung & Terpstra, 1993; Ralston, Holt, Terpstra & Kai-Cheng, 2008) provides an initial avenue to answering this question.

The second large question that this chapter addresses is whether the basic assumption that creating a global culture is an effective means to deal with structural rigidities should be re-examined. Various voices issues have been raised concerning the danger that tight, strong global cultures pose to organizational changes that are needed to respond to a dynamic, global competitive environment. Research needs to determine the extent of this danger, and whether there are certain dimensions of a global culture that pose less of a danger to change than others. For example, does a global culture that emphasizes innovation as a core value enable the MNE to remain flexible to required organizational changes, as Welch and Welch (2006) discuss? What other values, norms or practices might fall in the same category, and which are more likely to contribute to resistance to change? What is the role of the MNE's sector, industry or strategy in the degree to which a core global culture value becomes a danger to the firm's ability to change?

Finally, as indicated previously in this chapter, there is a central question as to the feasibility of creating a global culture. Whether it is frequent changes in ownership or direction, or the destructive outcomes of employee alienation, or the sheer difficulty of effectively "translating" core global culture values for the multitude of locales in which the MNE operates while managing interpretations as both local and corporate culture evolves, the ideal of a global culture may need to be revisited. It is possible that moving forward both academics and practitioners will propose more modest visions of what a global culture should encompass and achieve as a way of making its creation a greater possibility.

References

Bartlett, C. and Ghoshal, S. (1989) *Managing Across Borders: The Transnational Solution,* Boston, MA: Harvard Business School Press.

Berry, J., Poortinga, Y., Segall, M., and Dasen, P. (1992) *Cross-cultural Psychology: Research and Applications,* New York: Cambridge University Press.

Bhagat, R., Kedia, B., Harveston, P., and Triandis, H. (2002) "Cultural variations in the cross-border transfer of organizational knowledge: An integrative framework," *Academy of Management Review*, 27(2): 204–221.

Birkinshaw, J., Bresman, H., and Hakanson, L. (2000) "Managing the post-acquisition integration process: How the human integration and task integration processes interact to foster value creation," *Journal of Management Studies*, 37: 395–425.

Boeker, W. (1989) "Strategic change: The effects of founding and history," *Academy of Management Journal*, 32: 489–515.

Brannen, M. (2004) "When Mickey loses face: Recontextualization, semantic fit, and the semiotics of foreignness," *Academy of Management Review*, 25: 593–616.

Brannen, M. and Salk, J. (2000) "Partnering across borders: Negotiating organizational culture in a German–Japanese joint venture," *Human Relations*, 53: 451–487.

Brannen, M. and Peterson, M. (2009) "Merging without alienating: Interventions promoting cross-cultural organizational integration and their limitations," *Journal of International Business Studies*, 40: 468–489.

Chatman, J. A., and Jehn, K. (1994) "Assessing the relationship between industry characteristics and organizational culture: How different can you be?" *Academy of Management Journal*, 37: 522–553.

Chow, C. W., Shields, M. D., and Wu, A. (1999) "The importance of national culture in the design of and preference for management controls for multi-national operations," *Accounting, Organizations and Society*, 24: 441–461.

Cohen, W. and Levinthal, D. (1990) "Absorptive capacity: A new perspective on learning and innovation," *Administrative Science Quarterly*, 35: 128–152.

Deal, T. E. and Kennedy, A. A. (1982) *Corporate Cultures: The Rites and Rituals of Corporate Life*, Harmondsworth: Penguin Books.

Delios, A. and Beamish, P. W. (2001) "Survival profitability: The roles of experience and intangible assets in foreign subsidiary performance," *Academy of Management Journal*, 44: 1028–1038.

Denison, D. (1996) "What *is* the difference between organizational culture and organizational climate? A native's point of view on a decade of paradigm wars," *Academy of Management Review*, 21: 619–654.

Denison, D. and Mishra, A. (1995) "Toward a theory of organizational culture and effectiveness," *Organization Science*, 6: 204–223.

Denison, D. and Neale, W. S. (1996) *Denison Organizational Culture Survey*, Ann Arbor, MI: Aviat.

D'Iribarne, P. (2012) "Cultural translation of corporate values." In M. Gersten, A. Soderberg, and M. Zolner (Eds.), *Global Collaboration: Intercultural Experiences and Learning*, New York: Palgrave: 125–149.

Edstrom, A. and Galbraith, J. R. (1977) "Transfer of managers as a coordination and control strategy in multinational organizations," *Administrative Science Quarterly*, 11: 248–263.

Edwards, J. R. and Cable, D. M. (2009) "The value of value congruence," *Journal of Applied Psychology*, 94: 654–677.

Erez, M. and Gati, E (2004) "A dynamic, multi-level model of culture: from the micro level of the individual to the macro level of a global culture," *Applied Psychology: An International Review,* 53: 583–598.

Erez, M. and Shokef, E. (2008) "The culture of global organizations." In P. Smith, M. Peterson, and D. Thomas (Eds.), *The Handbook of Cross-Cultural Management Research*. Los Angeles, CA: Sage: 285–300.

Erez, M. and Drori, G. 2009. "World culture and its impact on global organizational values and on the self: A macro-micro perspective." In R. S. Bhagat and M. R. Steers (Eds.), *Cambridge Handbook of Culture, Organizations and Work*, Cambridge: Cambridge University Press, 148–173.

Fey, C. and Denison, D. (2003) "Organizational culture and effectiveness: Can American theory be applied in Russia?" *Organization Science*, 14: 686–706.

Ghoshal, S. and Nohria, N. (1993) "Horses for courses: organizational forms for multinational corporations," *Sloan Management Review*, 34: 23–35.

Gupta, A. and Govindarajan, V. (2002) "Cultivating a global mindset," *Academy of Management Executive*, 16(1): 116–126.

Halevy, N. and Sagiv, L. (2008) "Teams within and across cultures." In P. Smith and D. Thomas (Eds.), *Handbook of Cross-Cultural Management Research*, Los Angeles, Sage: 253–268.

Hofstede, G. (1980) *Culture's Consequences: International Differences in Work-Related Values*, Newbury Park, CA: Sage.

Hofstede, G. (1998) "Attitudes, values and organizational culture: Disentangling the concepts," *Organization Studies*, 19: 477–493.

Hofstede, G., Neuijen, B., Ohayv, D., and Sanders, G. (1990) "Measuring organizational cultures: A qualitative and quantitative study across twenty cases," *Administrative Science Quarterly*, 35(2): 286–316.

Kogut, B., and Zander, U. (1993) "Knowledge of the firm and the evolutionary theory of the multinational corporation," *Journal of International Business Studies*, 24(4): 625–645.

Kostova, T. and Roth, K. (2003) "Social capital in multinational corporations and a micro-macro model of its formation," *Academy of Management Review*, 28: 297–317.

Koveshnikov, A., Barner-Rasmussen, W., Ehrnrooth, M., and Mäkelä, K. (2012) "A framework of successful organizational practices in Western companies operating in Russia," *Journal of World Business,* 47: 371–384.

Lenartowicz, T. and Johnson, J. P. (2002) "Comparing managerial values in twelve Latin American countries: An exploratory study," *Management International Review*, 442: 279–308.

Levy, O., Taylor, S., and Boyacigiller, N. (2010) "On the rocky road to strong global culture," *Sloan Management Review*, 51: 20–22.

Middleton, R. (1963) "Alienation, race and education," *American Sociological Review*, 38(6): 973–977.

Moore, F. and Rees, C. (2008) "Culture against cohesion: Global corporate strategy and employee diversity in the UK plant of a German MNC," *Employee Relations*, 30: 176–189.

Nohria, N. and Ghoshal, S. (1994) "Differentiated fit and shared values: Alternatives for managing headquarters-subsidiary relations," *Strategic Management Journal*, 15: 491–503.

Pettigrew, A. (1979) "On studying organizational cultures," *Administrative Sciences Quarterly*, 24: 570–581.

Ralston, D. A., Gustafson, D. J., Cheung, F., and Terpstra, E. H. (1993) "Differences in managerial values: A study of US, Hong Kong and PRC managers," *Journal of International Business Studies*, 24: 249–275.

Ralston, D. A., Holt, D., Terpstra, R., and Kai-Cheng, Y. (2008) "The impact of national culture and economic ideology on managerial work values: a study of the United States, Russia, Japan, and China," *Journal of International Business Studies*, 39: 8–26.

Rokeach, M. (1973) *The Nature of Human Values*, New York: Free Press.

Rowden, R. (2002) "The strategic role of human resource management in developing a global corporate culture," *International Journal of Management*, 19(2): 155–160.

Schein, E. H. (1985) *Organizational Culture and Leadership*, San Francisco: Jossey-Bass.

Shokef, E. and Erez, M. (2006) "Global work culture and global identity, as a platform for a shared understanding in multicultural teams." In E. A. M. Mannix, M. Neale, and Y. Chen (Eds.) *Research in Managing Groups and Teams: National Culture and Groups,* Oxford, UK: Elsevier.

Shokef, E., Erez, M., and DeHaan, U. (2007) "A global work culture: A new typology of organizational culture of multinational organizations," Working Paper, Faculty of Industrial Engineering and Management, Technion, Haifa, Israel.

Taylor, B. (1999) "Patterns of control within Japanese manufacturing plants in China: Doubts about Japanization in Asia," *Journal of Management Studies*, 36: 853–873.

Taylor, S. (2006) "Emerging motivations for global HRM integration." In A. Ferner, J. Quintanilla, and C. Sanchez-Runde (Eds.), *Multinationals, Institutions, and the Construction of Transnational Practices: Convergence and Diversity in the Global Economy*, Basingstoke, England: Palgrave Press, 109–130.

Taylor, S., Beechler, S., and Napier, N. (1996) "Toward an integrated theory of international human resource management," *Academy of Management Review*, 21(4): 959–985.

Taylor, S., Levy, O., Boyacigiller, N., and Beechler, S. (2008) "Employee commitment in MNCs: Impacts of organizational culture, HRM and top management orientations," *International Journal of Human Resource Management*, 19(4): 501–527.

UNCTAD (2013) "Implications of global value chains for trade, investment, development and jobs" UNCTAD. Available online at http://unctad.org/en/PublicationsLibrary/unctad_oecd_wto_2013d1_ en.pdf (Accessed 14 October 2013).

Vance, C. and Paik, Y. (2011) *Managing a Global Workforce: Challenges and Opportunities in International Human Resource Management* (2nd ed.). Armonk, NY: M. E. Sharpe.

Venables, A. J. (2005) "Multinationals: heroes or villains of the global economy?" *CentrePiece Magazine*, 10: 2–7.

Weick, K. E. (1985) "The significance of corporate culture." In P. J. Frost *et al.* (Eds.), *Organizational Culture*, Beverly Hills, CA: Sage, 381–389.

Welch, D. E. and Welch, L. S. (2006) "Commitment for hire? The viability of corporate culture as a MNC control mechanism," *International Business Review*, 15: 14–28.

Williams, C. and Van Triest, S. (2009) "The impact of corporate and national cultures on decentralization in multinational corporations," *International Business Review*, 18: 156–167.

From standardisation to localisation

Developing a language-sensitive approach to IHRM

*Susanne Tietze, Rebecca Piekkari and
Mary Yoko Brannen*

Introduction

The role of language and language management in MNCs and other international organisa‑
tions is attracting increasing academic interest (e.g. Piekkari and Zander, 2005; Piekkari and
Tietze, 2011). Luo and Shenkar (2006) frame the MNC as a multilingual community in which
parent functional language and subunit functional languages are concurrently used and linked
through a headquarter driven language system. More generally, in organisation studies a
perspective labelled 'communicative constitution of organisation' (Cooren, Kuhn, Cornelissen
and Clark, 2011) has been identified suggesting organisations are 'talked' into existence. This
perspective shifts the attention from viewing organisational communication as a vehicle of
knowledge transfer to viewing it as a constitutive force of organisations and organising. It also
gives language a central position in the discussion. This chapter is located in this tradition, but
expands the field's perspective by arguing that MNCs and other international organisations are
discursively constructed through the use of several languages. We seek to understand this process
by utilising established dimensions of international human resource management (IHRM), namely
standardisation and localisation, and reconsider these in terms of what they mean for language
policies and practices.

The perspective of the MNC as a multilingual entity encourages us to re-examine what we
know of IHRM through this light (Piekkari and Tietze, 2012). Beyond considering language
as merely a key competence for expatriate postings, such reframing encourages us to think in
terms of such things as the relevance of language for designing career paths, identifying and
managing new talent, and introducing e-HRM systems. The common corporate language (CCL;
frequently, but not always, English) has been shown to create a glass ceiling that can hinder
career progression if otherwise high-performing individuals are not fluent in it (Piekkari, Vaara,

Tienari and Säntii, 2005). Also many e-HRM systems are run solely in English which extends the traditional role of the HR department to include translation tasks (Heikkilä and Smale, 2011). Typically, standardised HR tools and instruments are primarily available in English (e.g., performance evaluation forms) which may render it challenging to identify and access talent residing behind the language barrier. Ultimately, who is included in the talent pool may be determined, at least in part, by language considerations (Mäkelä, Björkman and Ehrnrooth, 2010). Compared to other competences, it takes a long time to achieve fluency in a foreign language in order to use it comfortably in professional situations; thus gaining fluency and competence in a stipulated CCL can speedily advance as well as seriously impede career advancement (Piekkari, 2008).

Language is also an inherent part of determining individual and collective 'deep identity', that is, the allocation of names and categories to people and groups. Joseph (2004) relates this language-based identity formation to its 'semantic function', that is, through language acts (such as providing labels and names) deep meaning is expressed. Also, in multilingual contexts, language choice is inseparable from political arrangements, relations of power and ideologies (Pavlenko and Blackledge, 2004). In this regard, 'language projects' can never be purely rational – rather, multilingual realities imply that language choices are made in their proper historical and cultural-political contexts. Bargiela-Chiappini's (2001) study is a case in point. It shows how managers in the Italian part of the joint venture (so called *quadrics*) found their former roles now translated and described as 'middle managers'. However, with this new word came expectations of doing business the British way, which undermined their 'Italian' professional identities. While the Italian middle managers were quite competent 'to mouth the discourse of Anglo-Saxon management' they failed to implement it as it was 'too distant from the expectations built into the language of British managements practice' (Bargiela-Chiappini, 2001, p. 155).

In this chapter we advocate a language-sensitive approach to IHRM and call for informed decisions about HRM policies and practices that themselves are highly language-dependent. One may even contend that language constitutes and permeates these policies and practices which have far-reaching implications for knowledge transfer and creation, individual and collective identity issues, career and professional development of core staff in the MNC. We start by defining the key terms – standardisation, localisation, translation, hybridisation and recontextualisation. We proceed with a discussion of standardisation and introduce English as the global lingua franca. Thereafter, we shift to the corporate context and evaluate the advantages and disadvantages of adopting a corporate language, whether supported by a written language policy or not. From standardisation we turn our attention to localisation and the multilingual reality of the MNC. In order to better understand the micro-processes associated with the actual use of standardised practices within the MNC we introduce the concepts of translation, hybridisation and recontextualisation which have received limited attention in the IHRM literature. We firmly believe that there is an emergent agenda for IHRM to understand and appreciate the multilingual reality in which its activities take place.

Definition of key concepts

In the field of international business and international management 'standardisation' and 'localisation' refer to the global integration-responsiveness framework developed by Prahalad and Doz (1987) and further extended by Bartlett and Ghoshal (1989). Figure 28.1 depicts the dominant standardisation-localisation dichotomy used in IHRM research. In the context of the present chapter, standardisation refers to the introduction of a standard language policy in the form of a common corporate language. Translation is the process that connects standardisation

Translation

- Managers and employees as translators
  - language nodes
  - bridging individuals
  - biculturals
- Professional translators

Standardization
- English as a global lingua franca
- common corporate language (CCL)
- language policy

Localization
- language diversity
- language pockets
- hybrid practices
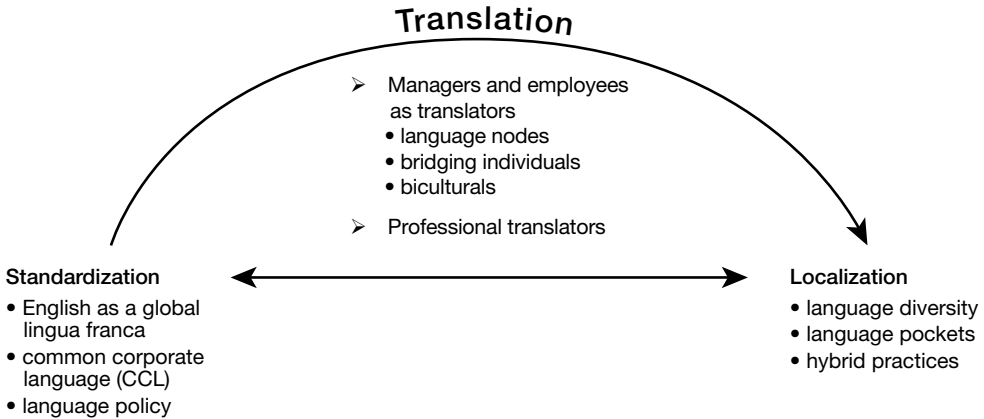
Figure 28.1 The key concepts and their relationships

with localisation and leads to hybrid practices as an outcome. Given our language lens, these concepts allow a more fine-grained understanding of practice transfer and adaptation at the micro-level of the MNC.

Standardisation in terms of worldwide consistency of operational procedures such as HRM practices is a key facet of global integration (Evans, Pucik and Björkman, 2011). Standardisation of HRM practices aims to reach consistency, transparency and an alignment of a geographically fragmented workforce around common principles and objectives (Dowling, Festing and Engle, 2008).

Localisation, in turn, can be understood as adaptation of HRM practices to local contexts as well as staffing of top positions in foreign subsidiaries with local managers. Evans, Pucik and Björkman (2011, p. 88) also add 'the influence of local managers on key decisions'. In much of the research the outcome of practice transfer is assumed to be localisation which suggests divergence of local practices from standardised, headquarters' policies. However, other outcomes may also be possible such as convergence of practices with headquarters' standards or hybrid-isation. In this chapter, we are particularly concerned with localisation of corporate language policy, the translation process behind it and its outcome in the form of hybrid practices.

In the field of IHRM little has been written about the role of translation in practice transfer between different contexts of the MNC. Translation refers to a blending of the foreign and the local, the new and the old (Saka, 2004). Czarniawska and Sevón (2005, p. 8) define translation as 'the emergence and construction of various types of connections around the globe . . . albeit usually associated with language, it also means transformation and transference'. Czarniawska and Sevón (1996, 2005) adopt perspectives and vocabularies taken from translation theory and studies (e.g., Latour, 2002). The term 'translation' is used by institutionalists to capture 'sense-making' and 'negotiation' processes in the adaptation of corporate practices. Recontextualisation, in turn, is closely related to the 'translation' as it refers to 'the process by which the consumer or transferee makes sense of the product, practice, or service transferred from abroad into his or her own culture' (Brannen, 2004, p. 605). Its distinction lies in regards to the source of evolution of meaning – recontextualisation is initiated and enacted by individuals in the receiving context whereas translation generally is undertaken by individuals in the emitting context. Finally, in hybridisation one is able to identify clearly which aspects of the transferred practice belong to headquarters and which ones to the local subsidiary.

Standardisation: English as a global lingua franca

The reasons why the English language has become the global lingua franca, that is, a shared language whose users are not native speakers, are manifold (see Brannen, Piekkari & Tietze, 2014; Crystal, 2003 and Ostler, 2005 for a discussion). They include the dominant cultural-political influence of the United States in the 20th century and of Britain in the 19th century, the emergence of particular international bodies and institutions as well as scientific and knowledge communities and their need to communicate and exchange knowledge across national, cultural and linguistic boundaries. Particularly, academic and business communities require the adoption of a communicative tool, that is, a shared lingua franca to exchange knowledge and to conduct trade and commerce. English occupies the role of the most widely used lingua franca, although its immense spread should not detract from the enormous cultural diversity of speakers who use it and the varied domains in which it is found (Dewey, 2007).

The general consensus is that English as a lingua franca is not waning, if not increasing – 1.75 billion people speak English at a useful level (Neeley, 2012) and most knowledge communities rely on English as their shared medium of communication. In the business context, English has propelled forward the spread of international business to the extent that Louhiala-Salminen *et al.* (2005, pp. 403–4) use the term Business English Lingua Franca (BELF). It is considered a 'neutral and shared' communication code because 'none of the speakers can claim it as her/his mother tongue . . . it is shared in the sense that it is used for conducting business within the global business discourse community'. The very conceptualisation of a business lingua franca (English) points to the importance of a language, which provides mutual intelligibility as an antecedent for the exchange of knowledge and know-how. Thus, having a mutual 'exchange mechanism' at one's disposal is axiomatic for the conduct of business and trade.

The taken for granted use of English has provoked severe criticism of its hegemonic influence (Phillipson, 1992, 2003), which shapes the knowledge accounts that are created and shared as well as considered valid and useful. While Phillipson's views about the English language are based on a wider critique of post-colonial structures and ideologies in the form of 'linguistic imperialism' it can be inferred that a dominant language does not only suppress other languages, it also suppresses other habits of thinking and behaving. If we agree with Phillipson's critique there must be consequences for all language-based human interactions, whether they are conducted in the global lingua franca or facilitated through translators. Some empirical studies have begun to investigate the consequences of the use of the English language in the corporate context to which we will now turn.

Language standardisation in MNCs: the common corporate language

A common corporate language refers to the choice of mainly one language as the principal idiom for organisational communications. As a management tool it has been defined as a measure of 'language standardisation' (Marschan-Piekkari, Welch and Welch, 1999a, p. 379). In most instances, it is the English language that is adopted as a common corporate language. As Louhiala-Salminen *et al.* (2005, p. 403) put it: 'English shapes the language strategies and choices in the corporate world and many MNCs have adopted English as their common corporate language, which is used as a shared lingua franca, to facilitate "in-house" communications between headquarters and foreign subsidiaries as they enter new markets'. Senior managers and personnel are likely to have a good command of English as many have been socialised into the Anglo-Saxon management discourse taught at business schools and MBA courses (Tietze, 2004). In this regard, the existence and use of a lingua franca provides, in theory, a means to create mutual intelligibility amongst diverse linguistic and cultural groups.

The introduction of a CCL may be supported by a language policy which refers to general guidelines for harmonising, governing and controlling internal and external language use in order to support the goals of the company (Kangasharju, Piekkari and Säntti, 2010; Peltokorpi and Vaara, 2012; Simonsen, 2009). Language policy concerns both the relationships between languages as well as the specific use of one language (Kangasharju *et al.*, 2010). This relationship is not necessarily unproblematic as Vaara *et al.*'s (2005) work shows. The authors relate language policies to circuits of power in the intra-organisational relationships of the MNC. They distinguish between the individual level (language skills as part of everyday competence), identity constructions (construction of superiority and inferiority, including post-colonial identities) and hierarchical structures of domination (recreation of cultural and political hegemonies, neo-colonial structuring of multinational corporations). Thus, the relationships between languages which are stipulated in a language policy bring to the fore a discussion about intra-organisational power.

A further aspect of language standardisation in the corporate context is 'company speak' which consists of specific jargon – words, phrases and acronyms – that have developed over time and make sense to insiders of the organisation (Brannen and Doz, 2012). Expressions used in the corporate language also tend to be moulded by the industry in which the firm operates (e.g., the IT sector, financial services). A distinct corporate language may differentiate the organisation from others and serve as a source of global integration for the multinational enterprise. It is also a cultural artefact that both enables and restricts what the firm focuses on and how it articulates its strategy (Brannen and Doz, 2012).

The need to have a common corporate language is accelerated by competitive pressures, the globalisation of tasks and resources and the integration of business activity (e.g., mergers and acquisitions) across national boundaries. Thus, internally, a mandated language can render formal reporting more efficient, minimise the potential for miscommunication, improve access to company documentation as well as further a shared corporate culture (Marschan-Piekkari *et al.*, 1999a). It can also speed up internal processes and cut costs. Adopting a common language is expected to resolve many of the problems associated with language diversity. As an administrative managerial tool (Sørensen, 2005) it provides common ground for internal communication between organisational units that are geographically and linguistically diverse, thus 'increasing communicative efficiency, avoiding time-consuming translations and creating a sense of belonging and cohesion with the firm' (Fredriksson, Barner-Rasmussen and Piekkari, 2006, p. 409; see also Marschan-Piekkari *et al.*, 1999a).

There is some research evidence suggesting that the decision and implementation of English as a mandated language can even increase performance if managed well. A series of publications based on empirical studies (mainly set in the Danish academic context) by Lauring and Selmer (2011, 2012) and Lauring and Tange (2010) provide evidence for a range of affirmative outcomes. Depending on how language management is operationalised (Lauring and Tange, 2010), CCL can be positively associated with knowledge sharing and performance (Lauring and Selmer, 2011); openness of values and the diversity climate (Lauring and Selmer, 2012) and expatriate adjustment in host countries where the relative difficulty of the local language is a variable to be considered (Selmer and Lauring, 2012).

On the other hand, the use of English as a common language is not unproblematic as an increasing number of studies show. Neeley's (2013) study of a French high-tech company that had instituted English as a lingua franca demonstrates that non-native English-speaking employees experienced status loss regardless of their English fluency levels, though these experiences were mediated by behavioural responses. The introduction of a mandated language, in particular if introduced by management (Neeley, 2012) triggers emotional responses which are linked to

individual and organisational identity (Vaara *et al.*, 2005) and can meet with considerable local resistance and divergent language practice. Piekkari, Oxelheim and Randøy (2013) in turn identify a 'silencing effect' of board members in Nordic case companies, who feel disempowered to articulate sophisticated information and nuanced arguments in English and who commented on the odd sterility of the English discourse as curiously 'polite'. The interviewees lamented that real debates had disappeared from meetings and discussions upon introducing English as the new working language of the board (for similar findings on other organisational levels, see Lauring and Tange, 2010).

The responses to an imposed corporate language are expressive of perceived shifts in the balance of power relationships, status, and identities in MNCs (Neeley, 2013). Case study research mainly located in Northern European countries (Louhiala-Salminen, Charles and Kankaanranta, 2005; Piekkari, Vaara, Tienari and Säntti, 2005; Vaara, Tienari, Piekkari and Säntti, 2005) shows that cross-national merges evoke power struggles between different stakeholders and that these power struggles are reflected in the adoption of language policies. For example, the introduction of Swedish as the common corporate language in a Swedish-Finnish merger, was seen to privilege and empower those who could speak Swedish as a native language or very fluently. The switch to English as the corporate language in the same setting was received as a more 'neutral choice' as 'everyone was now speaking a foreign language, and therefore staff were theoretically on a level playing field' (Louhiala-Salminen *et al.*, 2005, p. 403). However, the adoption of English did not eliminate all communication challenges caused by the merger situation. For example, differences in the use of communication media and interfaces (e.g., emails, meetings) as well as different communicative styles (e.g., indication and use of politeness patterns) between Finnish and Swedish staff continued to cause disruptions in the merging process (Louhiala-Salminen *et al.*, 2005; also Kassis Henderson, 2005 on disruptions to effective team operations and language diversity).

Thus, the empirical evidence provided by an increasing body of studies points to the complexities of introducing a CCL and puts into perspective some claims that such a mandated language could ever be a universal code to integrate all interactions and exchanges. Rather, this emergent body of literature concerns itself with the diverse contexts and circumstances of language choice at local levels, where standardisation blends with identity-based, contextualised practice.

Localisation of corporate language policy

The implementation of common corporate language occurs necessarily at local level and therefore meets with established and customary language practices. In a comparative study of Anglophone, Asian, Continental European and Nordic MNCS, Harzing and Pudelko (2013) contrast language competencies, policies and practices. While they show that English is the most frequently adopted or used corporate language there are also different patterns depending on the country cluster. Fredriksson's *et al.* (2006) case study of Siemens, a high-technology company, corroborates some of these findings because English as the common corporate language was not adopted widely and German continued to co-exist and be used in an equal way. Thus, a more complex picture of the relationship between language standardisation and localisation is emerging.

Why, then, does local language use not align with the standard policy? First, local language diversity remains and the introduction of a common corporate language does not remove the diversity of languages in and around the MNC. Certain departments and units are likely to continue to operate in a different working language than the corporate language. Barner-Rasmussen and Aarnio (2011) label them 'language pockets'. Local behaviours that deviate from

standardised policies may be due to language requirements posed by external customers, the non-binding nature of the corporate language policy itself, or differences in English competence across different functional and hierarchical groups. Bargiela-Chiappini's (2001) already cited study of an Italian–British joint venture is a case in point. The English language policies had been introduced by senior management, yet in the medium layers of the company, its introduction was experienced as both irrelevant as well as an affront to their Italian identities. Typically, the further away the individual is located from the corporate apex, the more difficult it becomes to appreciate the rationale behind the decision to introduce a common corporate language. In this regard, the mandated language may not be perceived as 'common' by everyone.

In a similar way, Mäkelä, Kalla and Piekkari (2007) identify language-based clusters (Anglo-Saxon, Germanic, Latin and Scandinavian) in a case study on three leadings MNCs which all had English as their common corporate language. Mäkelä *et al.* explain their findings with the influence of homophily, a natural inclination to interact with similar others, despite efforts to integrate diverse groups and units through a language policy. These studies shed additional light on why the corporate language policy was not adopted in a universal or even in a comprehensive way as cultural and collective influences prevailed over standardised language policy.

Turning to the individual level of analysis, different situational expediencies may also require the use of 'other' languages. In the study by Louhiala-Salminen *et al.* (2005), staff continued to make local decisions about the adoption of which language to use, depending on the target group. In a similar vein, Steyaert, Ostendorp and Gaibrois (2011) stress the importance of everyday language practices when they demonstrate how people account for the ways in which specific languages are used in normal and everyday conversations and meetings. Locating their empirical work in the quadrilingual Switzerland, they show that staff in two MNC settings draw on different languages, including English, depending on a multitude of factors. According to Steyaert *et al.* (2011, p. 277) language users 'are not directed by a blunt kind of linguistic dominance but can be seen as sometimes developing live "linguaspaces" in a multi-optional context, combining English with other language options'. They posit that 'the adoption of a common corporate language is not the endpoint of a language policy but forms one of the possible anchor points around which to deal with multilingual complexity' (p. 221).

The range of local language uses and choices may also be explained by a closer look at the language policies themselves. Simonsen (2009), who studied Danish-based MNCs, points out that these language policies were not strictly binding or compulsory. Rather than stipulating monolingual communications, the policies allowed for bilingual and multilingual practices (see, also Peltokorpi and Vaara, 2012). In practice, the language policy has been shown to have a very limited role in governing language use (Marschan-Piekkari *et al.*, 1999b; for an exception, see SanAntonio's 1987 study of a strict monolingual English-only policy implemented in a US-owned subsidiary in Japan). Moreover, rather few MNCs have an explicit written policy (Kangasharju *et al.*, 2010). Instead, several of them use implicit guidelines and rules (Peltokorpi and Vaara, 2012).

Peltokorpi and Vaara (2012) develop a contingency model of language policies and practices based on their research into wholly owned foreign subsidiaries in Japan. This research is currently the most developed attempt to understand the interplay between corporate language policy and local language use in a systematic way. Their findings show an appreciation of the governance of language(s) both from headquarters and local perspectives. Their contingency model is based on the degree and kind of recontextualisation that occurs – referring to 'the process by which the consumer or transferee makes sense of the product, practice, or service transferred from abroad into his or her own culture' (Brannen, 2004, p. 605). Peltokorpi and Vaara (2012) identify different contingent factors which shape the relationships of language-agents and governance

protocols: They argue that language policies are enacted by individuals in subsidiaries who have to make sense of policies in their daily practice. In the process of this recontextualisation, language policies are changed, ignored or only partly adopted. The authors also suggest IHRM implications for career management, the development of communication networks and for understanding and addressing issues of identity at unit and individual levels.

Thus, the implementation of standardised language policies is not simply a matter of a top-down headquarters' strategy nor is it determined by the local context alone. Local language use is a result of the interplay between HQ language policies and local subsidiary practices (Peltokorpi and Vaara, 2012). This interplay draws attention to translation, recontextualisation and hybridisation – work often conducted by 'language nodes' (Marschan-Piekkari *et al.*, 1999a) and bilingual bridging individuals (Barner-Rasmussen and Aarnio, 2011). We now turn to translation work behind localisation.

Translation of corporate language policy

In this part, we argue that understanding local micro-processes of translation which produce hybrid solutions and outcomes will advance research in this field. Translation can be viewed as an instrumental, even mechanical process in which meanings are transferred from one language system to another, or as a political process where subsidiaries try to avoid headquarters' control by using language difference to avoid control (Welch, Welch and Piekkari, 2005). Empirical evidence suggests that the local subsidiary language and translation are sometimes used as a shield in order to perform 'uncontrolled localisation' of standardised policies (Logemann and Piekkari, 2015). Such uncontrolled localisation is expressive of a degree of resistance to CCL and indicative of the cultural–political contexts of language use.

The role of translators

Translation remains a necessity, even if a common corporate language policy exists and is reinforced. Sørensen (2005) provides hard empirical evidence that having a corporate language doubled the cost of translation in the companies he studied in Denmark. Also, the dissemination of information had become more laborious than before the adoption of English as a mandated language. Translation as an act of mediating and framing foreign activity is an on-going constitutive process in MNCs. Czarniawska and Sevón (1996, 2005) define the translator as a mediator who frames (Boxenbaum, 2006; Saka, 2004) 'foreign' words, concepts and practices in order to make them meaningful and relevant for 'local' context and circumstances. Likewise, Risberg and Søderberg (2008) argue that 'universal management concepts' (here: gender in diversity management) need to be translated in order to be acceptable to local agents. This line of argument has been further developed by Tietze (2010, p. 193) in the context of MNCs. She views international managers as agents connecting 'points of references in order to facilitate dialogue and to enable meaning to flow'. The question that arises is: who does the translation work? In the following we focus on translation work undertaken by both practising managers and professional translators who act as creative local agents engendering innovation in MNCs.

Managers as translators

Boxenbaum's (2005) case study of applying an American diversity practice to the Danish context offers an example of how practising managers engage in translation work. She demonstrates that these managers bring diverse interpretative frames to the translation process in order to

cope with the conflicting values which are imbued in the American and Danish discourses and understandings of diversity. The successful adoption of diversity practices is framed by practising managers' individual preferences, their ability and willingness to strategically reframe the diversity discourse so that it 'fits' the local context. Only then can the 'translation process as local grounding' (p. 944) be executed successfully (see, also Saka, 2004 for an empirical study of the translation of Japanese operations into the UK). Brannen (2004, p. 585) captures translation processes by drawing on concepts derived from semiotics that is, how language produces meaning in situated contexts. She develops the notion of 'semantic fit' as an important complement to the 'strategic fit' in assessing whether assets can be easily transferred into new cultural contexts by the firm. Her study shows that the transfer of linguistic signs alone does not ensure that the meanings attached to them are transferred, too. More often than not there are shifts in meaning because the transferred offerings are interpreted and even appropriated by various stakeholders with distinct agendas in the new cultural contexts (Brannen, 2004).

A recent study of translation behaviour by Piekkari, Welch, Welch, Peltonen and Vesa, (2013) is an example of focusing inquiry on translation behaviours themselves, both organisational and individual, in a service multinational, Nordea. Interestingly, there is a mix of translation solutions ranging from the use of technical translation tools for self-translation, services provided by the central translation department as well as the activation of social networks (including informal or family ones) to engender translation and meaningful contextualisation of information. The choice of which translation medium to draw on was driven by many situational and contextual factors to ensure timely service delivery to Nordea's customers. The authors introduce the concept of the organisation's language absorptive capacity which refers to the ability of the MNC to absorb and use information and knowledge that cross language boundaries – either entering or moving around the organisation. From an HRM perspective, cultivating this capacity requires deployment of multilingual staff in appropriate positions.

The role of language nodes

In an earlier study Marschan-Piekkari *et al.* (1999a, p. 386) coined the term 'language node' which refers to individuals who link the subsidiary into the MNC structure and whose language skills provide an important (yet informal) source of expert power for them. This study is one of the first to highlight the importance of language nodes as agents who have important bridging functions, that is, they act as translators and linguistic cultural mediators. They are at the heart of communicative networks, enabling individuals, groups and the corporation to assemble and direct its energies and knowledge in the pursuit of strategic goals. Language nodes engage in translation work which involves decisions about what perspective to provide on information and whether to amend meaning according to context and perceived need (Barner-Rasmussen and Aarnio, 2011).

Harzing, Köster and Magner (2011) provide more recent evidence on how 'bridge individuals' are a key mechanism in linking informal day-to-day solutions (e.g., adjust mode of communication) with structural solutions at organisational level (e.g., corporate language, language training). Their study deals with the language barrier and its solutions in headquarters-subsidiary relationships. The two national languages they investigate are German and Japanese and the bridge builders they identify (inpatriates, expatriates and language nodes) play a strategic role as they all have access to several languages. Interestingly, it is the use of informal solution to language diversity and communication barriers that emerges as more important and more wide-spread than formal means to manage language diversity.

The role of biculturals

A related stream of research is the work conducted on the role of biculturals in international business as a new organisational workforce demographic (Brannen and Thomas, 2010; Brannen, Garcia and Thomas, 2009). They are 'people who have [been] deeply socialised and operate fluidly within and between two distinct cultural meaning systems, [they] inherently carry with them critical intercultural adaptability skills as well as cognitive metaskills needed by managers in MNCs' (Brannen *et al.*, 2009, pp. 207–8). Although their argument focuses on advanced and multiple cultural skills and does not include language skills per se, the 'bridging function' of the bicultural actors overlaps with the characteristics of language nodes. The skills of the biculturals are highly relevant in a world characterised by the need for collaboration, communication and trust building. They may excel as boundary spanners in multicultural teams, or act as catalysts for creativity and innovation because of their cognitive complexity (Brannen and Thomas, 2010). Brannen and Thomas (2010, p. 6) even argue that the role of biculturals 'in mediating between and within cultures becomes vital for organisational performance'. However, biculturals frequently feel insecure and marginalised in their organisational role and settings because they lack the security that comes with being engrained in one culture only (Brannen and Thomas, 2010; Brannen *et al.*, 2009; Fitzsimmons, Lee and Brannen, 2013).

Professional translators

Translation work may also be conducted by external professional translators whom Holden (2008) and Blenkinsopp and Shademan Pajouh (2010) have investigated. Holden (2002) provides a case study of a translation of his book about cross–cultural management from a knowledge management perspective into the Russian language. The translation of the book posed great difficulties of finding equivalent concepts for the term and ideas of 'knowledge management' in Russian and knowledge management was translated as a form of cognitive management. Terms and terminology used in the English source texts to describe and explain the processes of knowledge management (such as stickiness) required long and sometimes cumbersome explanatory footnotes. Words such as 'stakeholders', 'excellence', 'benchmarking', that is, quite common terms in an English business dictionary, caused the translators many problems as there was no equivalence of expression, not just for one word, but for whole semantic fields, including the 'practices of knowledge management in context' (p. 121). Holden (2002) points out that these are not problems of 'bad translation' or mistranslations (p. 121), but that Russian translators used their skills to create new terms and as such they should be regarded as a key resource and 'creative activists in the emergence of a new business culture in Russia' acting as catalysts to create common ground between Western experience, knowledge and values with Russian ones.

Likewise, Blenkinsopp and Shademan Pajouh (2010) investigate the role of professional translators/interpreters in international business by researching translation practices of the Farsi term *tarouf*, an untranslatable word describing the preferred way of working and engendering particular relationships in Iranian social and business life. They found translators to be more than providing a technical translation service, rather they were highly aware of the political context of the translation acts (Western business cultures are more dominant than Iranian ones) and they compensated and explained to the 'foreigners' to make up for their lack of cultural nous. As these foreigners were business clients the ability of the translator to render local practices meaningful to the business clients is important in understanding the agency and impact that translators can have on business decisions.

In a rare example of framing the 'language barrier' as an aid to communication, Ribeiro (2007) tracks the role of Japanese–Belgian interpreters in technology transfer in the Brazilian steel sector. He sees them as buffers, who 'prevent unwitting linguistic and cultural blunders from damaging the conversation' between Brazilian and Japanese engineers (p. 562). Such behaviour preserves their respective cultural integrity and identity while a technology from one is incorporated and adapted within the other. The interpreters smooth the technology transfer actions by 'buffering', both overtly by interfering when misunderstandings have already blighted the process of negotiation or covertly, when they make the decision to omit certain information or sometimes radically change participants' utterances. During the negotiations the interpreters may add information and rephrase utterances. The examples offered by Ribeiro provide fascinating insight into the agency that is wielded by the interpreter in making the content of the Japanese engineer more 'palatable' to the Brazilian engineer and vice versa. He also includes some instances where the interpreter 'gave advice' on the appropriateness of a technical question.

Taking these studies as a small, yet significant body of work, the role of translation (including interpreting) clearly has technical aspects but also cultural ones which do more than just aid or mediate transfer processes across borders – they are constitutive to it. The role of professional translators together with the work and actions of practicing managers and professionals, as captured in Boxenbaum's (2005) study have begun to provide insights into the details and contexts of practice transfer. They provide glimpses into the innovative potential when translators as agents make assessments about the original meaning of a word, sentence or practice, what is useful in the foreign context in general and also what the situational and relational aspects require. The outcome is often a hybrid practice, as in Boxenbaum's (2005) study, even though the English idiom or phrase may be preserved. The role of language nodes, that is, translators in the widest sense, in intersecting between 'products, systems, plans, visions, strategies, budgets and contracts – or at least certain aspects of them' and deciding 'which aspects are picked out for translation, by whom, how faithfully the translations are conducted, at what cost, and to which standards of quality' is yet to be explored (Barner-Rasmussen and Aarnio, 2011, p. 293).

Conclusion

The existence of language diversity is still commonly framed as a 'barrier' to communication, which requires management to eradicate communication problems. Therefore, language standardisation through the adoption of a common corporate language – frequently, though not exclusively English – has been seen as a 'solution' to the complexities of integrating diverse workforces and practices and the multiple realities of different locations and geographies. Language from this perspective is seen as an instrument, which – if handled with care – can be used to address the 'problems' of language diversity. The articulation and implementation of corporate language policies together with the provision of a package of services such as language training has been seen as the language-related tasks of IHRM.

In this chapter we have argued that this understanding is too narrow in order to fully grasp the complexities of the relationship between standardisation and localisation of corporate language policies and language practices. If reconceptualising the 'language barrier' from being 'a problem' to seeing it as a solution-rich process, the attention of IHRM will have to be directed to the interstices where language policy meets language practice. This interplay, we argue, can be understood more meaningfully by applying a language and translation lens and by including 'non-traditional' themes such as language-based identities, translation as knowledge transfer and innovation in academic inquiry.

While empirical studies have concerned themselves with the role of a CCL and language practices in MNCs, there is little empirical investigation about how particular HRM initiatives such as talent management, e-HRM systems, performance management or mentoring, are affected if they are conducted either using English as a lingua franca or another CCL or in local languages. Neither is there an established empirical base for understanding the contribution of bilingual and bicultural employees, who may well play a crucial role in creating intelligibility between the extreme ends of the continuum standardisation–localisation. These individuals may fruitfully be seen as 'translators', both in the linguistic and cultural sense; yet, the scope, nature and depth of their 'translating work' remains yet to be explored. The language-sensitive HRM agenda also needs some research-based, rigorous theorising, where perhaps semiology (the study of meaning in context), institutionalism and translation studies will provide fruitful trajectories for conceptual deepening.

What has been established, based on the empirical evidence provided by the body of work that has been generated since the late 1980s, is that MNCs are sustained by agents who bring different skills to their workplace. These skill sets include linguistic and cultural awareness and adaptability, with the view to not only 'avoid clashes' and minimise conflict, but to create bridges and mediate. In doing so, language nodes and bridge individuals are knowledge brokers who act as assimilators of what could otherwise remain disconnected parts in the MNC. More importantly perhaps, translation and translators in the widest sense, either by happenstance of being born into bi- or multicultural environments or through the acquisition of language competence through training and profession, are the 'nodes' and 'hubs' that generate new knowledge and innovate. We consider harnessing their talents to be part of the modern IHRM agenda.

References

Bargiela-Chiappini, F. (2001) 'Management, culture and discourse in international business', in M. Stroinska (ed.) *Relative Points of View: Linguistic Representations of Culture* (pp. 144–60). Oxford: Berghahn Books.

Barner-Rasmussen, W. and Aarnio, C. (2011) 'Shifting the faultlines of language: A quantitative functional-level exploration of language use in MNC subsidiaries', *Journal of World Business*, 46(3): 288–95.

Bartlett, C. and Ghoshal, S. (1989) *Managing Across Borders: The Transnational Solution*. Boston, MA: Harvard Business School Press.

Blenkinsopp, J. and Shademan Pajouh, M. S. (2010) 'Lost in translation? Culture, language and the role of the translator in international business', *Critical Perspectives on International Business*, 6: 38–52.

Boxenbaum, E. (2005) 'Microdynamic mechanisms of translation: a double case study', Best Paper proceedings, Academy of Management, Honolulu.

Boxenbaum, E. (2006) 'Lost in translation? The making of Danish diversity management', *American Behavioral Scientist*, 49(7): 939–48.

Brannen, M. Y. (2004) 'When Mickey loses face: Recontextualization, semantic fit and the semiotics of foreignness', *Academy of Management Review*, 29(4): 593–616.

Brannen, M. Y. and Thomas, D. C. (2010) 'Bicultural individuals in organizations. Implication and opportunities', *International Journal of Cross Cultural Management*, 10(1): 5–16.

Brannen, M. Y. and Doz, Y. (2012) 'Corporate languages and strategic agility: Trapped in your jargon or lost in translation', *California Management Review*, 54(3): 77–97.

Brannen, M. Y., Garcia, D. and Thomas, D. C. (2009) 'Bicultural as natural bridges for intercultural communication and collaboration', proceedings of the International Workshop on Intercultural Collaboration, Stanford University, Palo Alto, February.

Brannen, M.Y., Piekkari, R. and Tietze, S. (2014) 'The multifaceted role of languages in international business: unpacking the forms, functions and features of a critical challenge to MNC theory and performance'. *Journal of International Business Studies*, 45(5): 495–507.

Cooren, F., Kuhn, T., Cornelissen, J. P. and Clark, T. (2011) 'Communication, organizing and organization: An overview and introduction to the special issue', *Organisation Studies*, 32(9): 1149–70.

Crystal, D. (2003) *English as a Global Language* (2nd edn). Cambridge: Cambridge University Press.

Czarniawska, B. and Sevón, G. (eds) (1996) *Translating Organizational Change*. Berlin: de Gruyter.

Czarniawska, B. and Sevón, G. (eds) (2005) *Global Ideas: How Ideas, Objects and Practices Travel in the Global Economy: Advances in Organization Studies Series*. Malmö, Sweden: Liber and Copenhagen Business School Press.

Dewey, M. (2007) 'English as a lingua franca and globalization: An interconnected perspective', *International Journal of Applied Linguistics*, 17(3): 332–54.

Dowling, P., Festing, M. and Engle, A. D. (2008) *International Human Resource Management* (5th edn). London: Thomson.

Evans, V., Pucik, V. and Björkman, I. (2011) *The Global Challenge: International Human Resource Management* (2nd edn). New York: McGraw-Hill.

Fitzsimmons, S. R., Lee, Y. T. and Brannen, M. Y. (2013) 'Marginals as global leaders: Why they might just excel!' *European Business Review*, 7 (5): 587–603.

Fredriksson, R., Barner-Rasmussen, W. and Piekkari, R. (2006) 'The multinational corporation as a multilingual organisation: The notion of a common corporate language', *Corporate Communications: An International Journal*, 11(4): 406–23.

Harzing, A.-W. and Pudelko, M. (2013) 'Language competencies, policies and practices in multinational corporations: a comprehensive review and companies of Anglophone, Asian, Continental Europe and Nordic MNCs', *Journal of World Business* 48(1): 87–97.

Harzing, A.-W., Köster, K. and Magner, U. (2011) 'Babel in business: The language barrier and its solutions in the HQ-subsidiary relationship', *Journal of World Business*, 46(3): 279–87.

Heikkilä, J.-P. and Smale, A. (2011) 'The effects of "language standardization" on the acceptance and use of e-HRM systems in foreign subsidiaries', *Journal of World Business,* 4(3): 305–13.

Holden, N. (2002) *Cross-cultural Management: A Knowledge Management Perspective*. Harlow: Pearson Education.

Holden, N. J. (2008) 'Reflections of a cross-cultural scholar: Context and language in management thought', *International Journal of Cross Cultural Management,* 8(2): 239–50.

Joseph, J. E. (2004) *Language and Identity: National, Ethnic, Religious*. Basingstoke, UK: Palgrave Macmillan.

Kangasharju, H., Piekkari, R. and Säntti, R. (2010) 'Yritysten kielipolitiikka – missä se piilee?' (The language policy in international firms – where is it hiding?), in H. Lappalainen, M.-L. Sorjonen and M. Vilkuna (eds) *Kielellä on merkitystä (Language matters)* (pp. 136–57). Helsinki, Finland: Suomalaisen Kirjallisuuden Seura.

Kassis Henderson, J. (2005) 'Language diversity in international management teams', *International Studies of Management & Organization*, 35(1): 66–82.

Latour, B. (2002) 'Gabriel Tarde and the end of the social', in P. Joyce (ed.) *The Social in Question* (pp. 117–32). London: Routledge.

Lauring, J. and Tange, H. (2010) 'International language management: contained or dilute communication', *European Journal of International Management*, 4(4): 317–32.

Lauring, J. and Selmer, J. (2011) 'Multicultural organizations: Common language, knowledge sharing and performance', *Personnel Review*, 40(3): 324–43.

Lauring, J. and Selmer, J. (2012) 'International language management and diversity climate in multicultural organizations', *International Business Review*, 21(2): 156–66.

Logemann, M., & Piekkari, R. (2015) '"Localise, local lies, local-ese": The power of language and translation in MNC', in *Critical Perspective and International Business*, forthcoming.

Louhiala-Salminen, L., Charles, M. and Kankaanranta, A. (2005) 'English as lingua franca in Nordic corporate mergers: Two case companies', *English for Specific Purposes*, 24(4): 401–21.

Luo, Y. and Shenkar, O. (2006), 'The multinational corporation as a multilingual community: Language and organization in a global context', *Journal of International Business Studies,* 37(3): 321–39.

Mäkelä, K., Kalla, H. and Piekkari, R. (2007) 'Interpersonal similarity as a driver for knowledge sharing within multinational corporations', *International Business Review*, 16(1): 1–22.

Mäkelä, K., Björkman, I. and Ehrnrooth, M. (2010) 'How do MNCs establish their talent pools? Influences on individuals' likelihood of being labeled as talent', *Journal of World Business*, 45(2): 134–42.

Marschan-Piekkari, R., Welch, D. E. and Welch, L. S. (1999a) 'Adopting a common corporate language: IHRM implications', *International Journal of Human Resource Management*, 10(3): 377–90.

Marschan-Piekkari, R., Welch, D. E. and Welch, L. S. (1999b) 'In the shadow: The impact of language on structure, power and communication in the multinational', *International Business Review*, 8(4): 421–40.

Neeley, T. (2012) 'Global business speaks English', *Harvard Business Review,* 90(5): 116–24.

Neeley, T. (2013) 'Language matters: Status loss & achieved status distinctions in global organizations', 24(2): 476–497.

Ostler, N. (2005) *Empires of the Word: A Language History of the World*. London: HarperCollins Publishers.

Pavlenko, A. and Blackledge, A. (eds) (2004) *Negotiation of Identity in Multilingual Contexts*. Clevedon, UK: Multilingual Matters.

Peltokorpi, V. and Vaara, E. (2012) 'Language policies and practices in wholly owned foreign subsidiaries: A recontextualization perspective', *Journal of International Business Studies*, 43: 808–33.

Phillipson, R. (1992) *Linguistic Imperialism*. Oxford: Oxford University Press.

Phillipson, R. (2003) *English-Only Europe? Challenging Language Policy*. London & New York: Routledge.

Piekkari, R. (2008) 'Languages and careers in multinational corporations', in S. Tietze *International Management and Language* (pp. 128–37). London: Routledge.

Piekkari, R. and Zander, L. (2005) 'Language and communication in international management', *International Studies of Management & Organization*, 35: 3–9.

Piekkari, R. and Tietze, S. (2011) 'A world of languages: Implication for international management research and practice', *Journal of World Business*, 46(3): 267–9.

Piekkari, R. and Tietze, S. (2012) 'Language and international human resource management', in G. Stahl, I. Björkman and S. Morris (eds) *Handbook of Research in International Human Resource Management, Second Edition*, Cheltenham, MA: Edward Elgar.

Piekkari, R., Vaara, E., Tienari, J. and Säntti, R. (2005) 'Integration or disintegration? Human resource implications of the common corporate language decision in a cross-border merger', *International Journal of Human Resource Management,* 16(3): 333–47.

Piekkari, R., Oxelheim, L. and Randøy, T. (2012) 'The role of language in corporate governance: the case of board internationalization'. IFN working paper, no 974, Research Institute of Industrial Economics. Stockholm, Sweden.

Piekkari, R., Welch D. E., Welch L. S., Peltonen, J. and Vesa, T. (2013). 'Translation behavior: An exploratory study within a service multinational', *International Business Review*, 22: 771–83.

Prahalad, C. K. and Doz, Y. (1987) *The Multinational Mission, Balancing Global Integration with Local Responsiveness*. New York: Free Press; London: Collier Macmillan.

Ribeiro, R. (2007) 'The language barrier as an aid to communication', *Social Studies of Science*, 37: 561–84.

Risberg, A. and Søderberg, A.-M. (2008) 'Translating a management concept: Diversity management in Denmark', *Gender in Management Review. An International Journal*, 23(6): 426–41.

Saka, A. (2004) 'The cross-national diffusion of work systems: The translation of Japanese operations in the UK', *Organization Studies*, 25(2): 217–36.

SanAntonio, P. M. (1987) 'Social mobility and language use in an American company in Japan', *Journal of Language and Social Psychology*, 6(3–4): 191–200.

Selmer, J. and Lauring, J. (2012) 'Reasons to expatriate and work outcomes of self-initiated expatriates', *Personnel Review*, 46(5): 665–684.

Simonsen, H. (2009) 'Communication policy, corporate language policy and corporate information portal: A Holy Trinity in corporate communications?' *Journal of Communication Management*, 13(3): 200–17.

Sørensen, E. S. (2005) 'Our corporate language is English: An exploratory survey of 70 DK-sited corporations' use of English', MA thesis, Aarhus School of Business, Denmark.

Steyaert, C., Ostendorp, A. and Gaibrois, C. (2011) 'Multilingual organizations as "linguascapes": Negotiating the position of English through discursive practices', *Journal of World Business,* 46(3): 270–8.

Tietze, S. (2004) 'Spreading the management gospel – in English, language and intercultural communication', *Language and Intercultural Communication*, 4(3): 175–89.

Tietze, S. (2010) 'International managers as translation', *European Journal of International Management*, 4(1/1): 184–99.

Vaara, E., Tienari, T. J., Piekkari, R. and Säntti, R. (2005) 'Language and the circuits of power in a merging multinational corporation', *Journal of Management Studies*, 42: 595–623.

Welch, D. E., Welch, L. S. and Piekkari, R. (2005) 'Speaking in tongues: Language and international management', *International Studies of Management & Organization*, 35(1): 10–27.

29

The role of international human resource management in offshoring and managing contingent workers

Fang Lee Cooke

Introduction

Offshoring is a significant phenomenon in the global economy since the 1990s. The deployment of contingent labour in the destination country is often an integral part of the offshoring strategy. Whilst a number of studies existed that investigated the likely economic and psychological impacts of offshoring on workers in the home country (e.g. Gomez *et al.* 2013; McCann 2013), studies of managing contingent workers in the international human resource management (HRM) context remain limited. Yet, managing contingent workers in the offshore context presents additional challenges to multinational corporations (MNCs) due to the diverse institutional and socio–cultural characteristics exhibited in the local labour market and broader politico–economic environment.

Firms move offshore for a range of reasons in order to enhance their competitiveness. This chapter first discusses the role of HRM in offshoring. It then charts the growth of contingent employment and reasons for such a growth. This is followed by an examination of the key challenges for MNCs to managing contingent workers in the host country. These include: recruitment selection; training and development; labour rights, employment terms and conditions and labour disputes; contingent employment and ethics of HRM; and commitment and performance. The chapter highlights the fact that, although cost saving has been one of the key drivers for the growing use of contingent workers, the reality may be more troublesome than it is often assumed. The (hidden) costs associated with this form of employment may include training cost, reduced commitment and loyalty from the workers to the organisation, and disturbance of organisational culture and morale from the permanent employees.

The role of HRM in offshoring

In the last two decades, there has been a growing trend of offshoring, typically from a developed economy to a less developed country where wages are significantly lower than the former (e.g.

Taylor and Bain 2008; Palvia *et al.* 2010; Chadee *et al.* 2011; Mattarelli and Tagliaventi 2012). According to Gomez *et al.* (2013: 148), about 'one-fifth of Canadian employees are in jobs that are vulnerable to service offshoring'. Offshoring is the relocation of one or more aspects of the business from the home country to a foreign country (both captive and outsourced). It was reported that captive offshoring was the dominant type of offshoring, suggesting that firms choose to relocate their business activities to foreign countries under direct control (Gorp *et al.* 2006). In particular, China has been a major destination country for offshoring in the manufacturing sector, whereas India the services sector, for their relatively high-skilled but low-cost labour. According to the analysis of McKinsey Global Institute, it was estimated that 'for every dollar of spending that American companies transfer to India, $1.46 in new wealth is created. India received 33 cents' (Farrell 2005: 676).

In addition to cost, quality, productivity, flexibility, speed, improved customer service through continuous service provision and greater reliability, innovation, and access to skills, expertise, knowledge and markets are other reasons for offshoring decisions in the context of heightened global business competition (Cooke and Budhwar 2009; Chadee *et al.* 2011; Mattarelli and Tagliaventi 2012; Musteen and Ahsan 2013). Consequently, the Western manufacturing sector has been redrawing the international division of labour by shifting production activities to the developing world and moving its onshore functions higher up in the value chain (e.g. Gereffi *et al.* 2005). Similarly, the delivery of services is increasingly 'through complex webs of subcontracting, utilizing offshore workforces for contact centres and back office processing' (McCann 2013: 1–2).

It is important to note that offshoring is no longer restricted to low-level manufacturing and services jobs, but increasingly involving higher level and core business activities, such as R&D, engineering services and design. As Mihalache *et al.*'s (2012) survey study of Dutch firms revealed, offshoring primary functions has the prospect of improving a firm's resource management and enhancing its ability to combine existing and newly acquired knowledge to develop new products and services. It is also important to note that offshoring is not a decision confined to large corporations. Instead, many young and entrepreneurial firms grow by taking advantage of the benefits of offshoring (e.g. Musteen and Ahsan 2013).

The varied motives for offshoring and diverse business contexts give rise to human, social and organisational challenges to the role of HRM in transnational relocation. According to Doh (2005: 701), although subcontracting provides the much needed flexibility in the HRM practices of MNCs operating globally, it 'requires skilled international managers to coordinate and oversee the complex relationships that arise from it'. Given the significant institutional and cultural differences between the developed and less developed countries, support (e.g. through training and development activities) needs to be provided to boundary spanning managers in order to reduce the level of behavioural uncertainty perceived by their host country counterparts. This is because 'high levels of behavioural uncertainty are likely to reduce relational commitment' in cross-border inter-organisational relationships (Beugré and Acar 2008: 445).

The failure to harness offshore talent is another HR issue in managing the offshore business. Research evidence shows that despite the fact that sourcing talent globally to sustain innovation is one of the main driving forces for offshoring, offshore professionals are often allocated work that is below their qualifications and capabilities, and less challenging and rewarding than that performed by their western counterparts (e.g. Lacity *et al.* 2008; Leonardi and Bailey 2008; Manning *et al.* 2008; Mattarelli and Tagliaventi 2012). Consequently, dissatisfied offshore professional workers with highly specialised skills either change jobs or actively change their work in order to make their work more meaningful and maintain their professional identity (e.g. Lacity *et al.* 2008).

At the strategic level, offshoring has implications for organisations. In particular, it presents challenges to collective understandings related to the development and deployment of firm-level capabilities (Doh 2005). As the above empirical evidence suggests, in the process of such resource development and deployment, firms may 'undermine or reduce the value of firm-level advantages, especially those that are immobile or tied to core activities' (Doh 2005: 699).

The growth of contingent employment

A key development in employers' HR strategy in many countries that accompanies the pace of globalisation has been the growing use of contingent workers, a trend that many believe is set to continue and deepen despite the global financial crisis (e.g. Marler *et al.* 2002; McKay and Markova 2010; Bolton *et al.* 2012). Contingent employment consists of a broad category that may include: temporary workers, seasonal workers, part-time workers, interns, freelancers, sub-contracted workers, agency workers, and other contract workers. Legally, the majority of contingent workers do not have a direct employment relationship with the organisation to whom they provide services. The rise of contingent employment reflects a shift from an internal labour market towards an external labour market as employers' HR strategy becomes more sophisticated in order to remain competitive (Beynon *et al.* 2002; Purcell *et al.* 2004; Cooke 2012).

Broadly speaking, organisations use contingent workers for a number of reasons. A primary driving force is the flexibility and agility that such a form of labour hire may offer in that firms are able to take on and discharge workers more easily according to their staffing needs (e.g. Heywood *et al.* 2011). As contingent workers typically receive inferior terms and conditions, with negligible job security, little training and job prospects (e.g. Mitlacher 2008), this employment strategy helps firms contain cost by keeping their staffing level to the minimum. Other reasons for hiring contingent workers include: temporary needs for specialist skills; difficulties in recruiting skilled employees on a long-term basis; avoidance of unionisation; and the desire to bypass the constraint of labour legislation (e.g. employment tax, social security contributions and other obligations of labour rights) (McKay and Markova 2010). The reduction of recruitment and training cost is also seen as benefits of using contingent workers, especially agency workers. Research evidence reveals that migrant workers form an important pool of agency workers, particularly at the lower end of the labour market spectrum (e.g. McKay and Markova 2010). Labour market discrimination and employers' unwillingness to process complicated legal documents for work permit are important contributing factors to agency employment as the route to work for immigrants.

The growing use of contingent employment as a global trend is closely linked to the legislation and law enforcement environment for both workers in standard employment and workers in precarious forms of employment in a specific country. Existing evidence shows that increased labour protections for the former will provide incentives for firms to make use of the latter (cf. Cooke 2012 in the Chinese context). By contrast, tightened legislation on contingent employment may lead to decreased use of contingent workers (cf. Biggs *et al.* 2006 in the British context). Given that the growth of temporary agency employment is a defining feature in the rise of contingent work globally (e.g. Mitlacher 2006), this suggests that there remains a considerable gap in the employment terms and conditions between the two categories of workers which provides enduring incentives for firms to pursue this form of labour strategy. For example, Forde *et al.*'s (2008) study of agency workers in the UK found that agency workers earned around 9 or 10 per cent less than otherwise equal workers. In public-funded hospitals in China, temporary nurses earned 40–60 per cent less than their counterparts in permanent positions for performing similar tasks (Cooke and Zhan 2013). As Bolton *et al.* (2012: 124) pointed out,

'[s]uch opportunistic, needs driven hiring and firing highlights the intrinsic vulnerability of contingent work in job security terms, alongside its appeal to organizations in terms of numerical flexibility'.

A central argument in the academic debate on contingent employment in the Anglo-Saxon context has been the core-peripheral model in which the 'core' represents the key employees who possess unique skills and firm-specific knowledge crucial to the competitiveness of the firm; whereas the 'peripheral' workers are those normally in contingent employment engaging in non-core activities with a lower level of human capital requirement (e.g. Atkinson 1984; Lepak and Snell 1999). It follows that a high-commitment model of HRM should be used in managing the core employees, whereas a transactional approach can be deployed in managing the employment relationship with the latter (Lepak and Snell 1999; Purcell *et al.* 2004). A broader social consequence of the adoption of contingent employment, it is argued, is the creation of a new social underclass through the withdrawal of job security and social welfare to contingent workers (Beck 2000; Marler *et al.* 2002). An underlining assumption of this perspective is that the dual labour market has created 'good' permanent standard jobs and 'bad' contingent jobs (Smith 2001).

A contrasting view, however, holds that the growth of contingent employment is consistent with the notion of boundaryless career stemming from employers' emphasis on employability and flexibility on the one hand, and the individuals' growing demand for career flexibility to accommodate their personal aspiration and/or family needs on the other (e.g. Arthur and Rousseau 1995; Marler *et al.* 2002; Purcell *et al.* 2004). This perspective challenges the good versus bad job view and argues that 'uncertainty and unpredictability, and to varying degrees personal risk, have diffused into a broad range of post-industrial workplaces' (Smith 2001: 7).

The boundaryless career argument, while valid to some extent in the post-industrial context, may have limited explanatory power in less developed countries where contingent and informal employment is common and often the only viable alternative to unemployment without any means of income support (e.g. Webster *et al.* 2008; Akorsu and Cooke 2011; Cooke 2012). For example, by the early 2010s, there were some 37 million temporary agency workers in China, making up 13.70 per cent of the 300 million urban workforce (Lin 2013). Here, the tacit co-operation between the local government, employment agencies and client firms in order to overcome the constraints imposed by the controversial Labour Contract Law (enacted in 2008, amended in 2013) has created considerable space for the growth of agency employment. In India, over 80 per cent of the workforce toil in the informal sector where the majority of the labour regulations do not apply. The extensive, complex and rigid Indian labour laws have discouraged employers to create opportunities for formal employment (Saini 2011).

Other studies have also challenged the simplistic view of the core-peripheral model and related HR architecture. For example, Purcell *et al.*'s (2004) study of ICT specialist agencies in the UK found that agency workers held substantial bargaining power due to the skill shortage, albeit that this power was being eroded as the ICT professionals became over-supplied. They also argue that the transactional approach to employment relations characteristic of the contingent employment has limited utility. This is because social interdependence (e.g. in teamworking) and firm-specific knowledge of clients, products and business processes are required even for low-skill jobs such as those found in the call centres. Therefore, Purcell *et al.* (2004) argued, the economic rationale for using agency workers as part of the HR strategy is questionable and that the financial benefits derived from agency employment is relative.

Similarly, Gamble and Huang's (2009) study of a British-owned multinational retail firms in China found the co-deployment of regular store employees for lower level (peripheral) tasks and vendor representatives for sales (core) tasks. In other words, store employees had no product

knowledge and were engaged mainly in routine and labour intensive work, whereas vendor representatives held product-specific knowledge and were able to promote the products to the customer. According to Gamble and Huang (2009: 11), '[v]endor representatives often teach store employees product knowledge and demonstrate sales skills, in either the storewide morning briefings or departmental briefings, as required by the store'. This finding indicates a more sophisticated and complex employment arrangements than the core-peripheral model suggests. Gamble and Huang (2009: 2) further argue that 'institutional arrangements in China, including entrenched business practice, lack of consumer safeguards and retailers' weakness vis-à-vis suppliers, have a major impact on the strategies available to firms and the consequent structure of firm-level employment relations'.

Indeed, the use of contingent employment is conditioned by a range of institutional, socio-economic and cultural factors and commercial environment, rather than being merely a rational strategic choice of firms to save cost and shift risk (Purcell *et al.* 2004). This complexity has a number of implications for HRM of multinational firms in managing their contingent workers in host countries. It is to these issues that we turn in the next section.

The role of HRM in managing contingent workers in host countries

Despite numerous perceived benefits of deploying contingent workers, client organisations (i.e. organisations that use contingent workers who are not classified as their employees) often encounter additional challenges to managing these workers. These issues may be even more complicated for MNCs that have offshored their businesses or have subsidiaries in various parts of the world, as we shall see below.

Managing contingent workers as an integral part of the global HR strategy

A key HR challenge is that many organisations do not see managing contingent workers as an integral part of their HR strategy. According to a global survey conducted by Manpower on more than 41,000 employers in 35 countries and territories, over 60 per cent of employers surveyed did not view contingent workers as being key to their overall HR strategy. In particular, 58 per cent of the employers surveyed from the Asia Pacific region indicated they did not believe contingent workers to be a critical element of their strategy (Oracle 2010).

Given the fact that the Asia Pacific region is a major destination for offshoring and subsidiary operations of MNCs and that contingent workers may be a main form of employment in developing countries in this region, an important task for the HR function of MNCs is to develop a strategic HR plan. This plan should consist of processes and procedures to cover different aspects of managing contingent workers and form an integral part of the corporate HR strategy. In addition, a strategic review should be conducted at the corporate level to identify the reasons for deploying contingent workers in different parts of the world and what benefits and risks there may be in specific locations.

While contingent employment as a form of precarious work is a worldwide phenomenon, problems associated with this form of employment may differ across countries due to the unique characteristics of their institutions, cultures and stages of economic development (Kalleberg 2009). It is therefore important for MNCs to have a corporate strategic overview, supported by tailored local strategy that is reflective of the local situation, including for example, the types and quantity of workers needed, training needs, remuneration packages, workers' expectations, and local

regulation compliance. This requires the HR professionals at the MNC headquarters to develop an in-depth understanding of the local institutional and cultural environment, and to work closely with the local HR team and other stakeholders to align strategy and build local HR capacity. In particular, since contingent work often involves a long-term working relationship, in spite of the precarious nature of the employment, a relational approach, rather than a transactional perspective, should be adopted to foster a productive relationship with both the workers and their employment agencies, where they exist. Such a relationship will help mitigate the risks associated with the deployment of contingent workers. These include: legal ambiguity and liability due to poor contracting arrangements; poor performance due to competence and behavioural problems; loss of firm-specific knowledge and tacit skills due to turnover of workers; and conflicts between the in-house employees and the contingent workers (see below for further discussion).

Recruitment and selection

One of the perceived benefits of using contingent workers is that the client organisation does not have to bear the cost of, or be involved in, recruitment and selection in the case of agency workers. However, this may be a misperception at the expense of the client organisation. This is because employment agency may not be fully aware of the requirements of the client organisations. They may also face a broad range of demands from various client organisations without the capacity to meet the clients' diverse expectations (e.g. Purcell *et al.* 2004; Mitlacher 2006). Research evidence shows that while there has been a tendency for client firms to shift their HR responsibilities to the employment agencies, line managers may have to work closely with the employment agencies in an on-going partnership (e.g. Ward *et al.* 2001). Even so, the ability of the client organisations to impose recruitment criteria in order to regulate the quality of supply of agency workers may be limited for various reasons, particularly when the labour market is tight (e.g. Ward *et al.* 2001).

MNCs may encounter additional challenges in that local employment agencies may apply their rationale and cultural mindset in selecting agency workers which may not be in line with the strategy and organisational culture of the MNC. The strategic choice of local employment agencies and the adoption of a partnership approach to managing the relationship with the agencies are therefore critical to securing an optimal supply of contingent workers within broader constraints. Where staffing decisions on contingent workers are made at the local operations level, multiple employment agencies may be used and varied approach adopted to managing the relationship and contingent workers. In this situation, the HR function of the MNCs needs to play a more proactive coordinating role in order to avoid confusions and waste of organisational resources.

Where client organisations play an active role in the recruitment selection, contingent workers may experience a more stringent selection process than regular employees of the organisation. For example, Gamble and Huang's (2009: 11) study of a British-owned retail store in China found:

> Despite their often inferior pay and conditions compared to store employees, vendor representatives have to go through two layers of recruitment procedures, compared with only one for store employees. This could be taken to indicate vendor representatives' importance to the store. Employees recruited directly by the store need only pass the store's recruitment process. Vendor representatives have first to be selected by a vendor and then to satisfy the store's interview.

The differential treatment in the recruitment selection process may be just one of the aspects of the dual approach adopted by firms to managing their bifurcated workforce with unfavourable consequences to the contingent workers, as we shall see below.

Training

Another perceived benefit of deploying contingent workers for client organisations is the assumption that these workers are ready-trained or will be trained by employment agencies in the case of agency workers. The client organisations therefore either reap the benefit of training investment made by other parties by having instant access to the human capital (e.g. skills, qualifications and work experience), or having someone else to pay for the training. In reality, however, this benefit may not be materialised for at least two reasons. One is that employment agencies may not be willing, or have the resources, to provide training beyond some basic induction sessions. Indeed, research evidence shows that training provision from employment agencies is low in various national contexts (e.g. Forrier and Sels 2003; Rubery *et al.* 2004; Mitlacher 2006; Forde *et al.* 2008). Another reason is that client organisations may be the more appropriate training provider to impart firm-specific skills and knowledge needed for the contingent workers to perform the tasks effectively. In addition, client organisations may wish to cultivate their specific organisational culture on the workers in order to project particular corporate brands and images in the market (e.g. Rubery *et al.* 2003, 2004). Therefore, a hands-on approach to training may be necessary from the client organisations.

For contingent workers who are directly employed by the organisation, training provision is often reduced compared with the permanent/regular employees (e.g. Connell and Burgess 2001; Finegold *et al.* 2005; Mitlacher 2006). This is despite the fact that training is essential to developing skills, firm-specific knowledge and organisational commitment. Given that providing employees with training and development opportunities carries an important signal that the firm cares and values them as human resources, the differential treatment to the disadvantage of contingent workers sends a negative message to them that they are less valued by the organisation. This may trigger a series of negative behavioural responses.

Labour rights, employment terms and conditions and labour disputes

As noted earlier, reduced labour rights coverage and poorer employment terms and conditions are key factors that motivate organisations to use contingent workers. This is particularly the case in less developed countries where the level of legal compliance for contingent workers may be even lower than that for regular employees and that in developed counties, due to the slack enforcement of laws. For example, Akorsu and Cooke's (2011) study of Chinese-owned and Indian-owned firms operating in Ghana found that these manufacturing firms employed a large proportion of casual workers, the majority of whom were female, on an on-going basis even though it was unlawful to hire casual workers on a long-term basis. These workers received lower wage than regular employees for doing the same type of work. They were not organised by the trade unions, although collective agreements between the union and the firm for regular employees were seldom adhered to. Similarly, Gamble and Huang's (2009) study of a British-owned retail store in China found that despite being the core personnel in raising sale revenues for the store, vendor representatives normally did not have an employment contract (with either the vendor or the store); had to go through more stringent training to ensure they had adequate product knowledge for their job; had little job security, income security and benefits; and were

subjected to harsher management control, including discipline from the store managers than the regular employees of the store. It is also worth noting that the majority of the store employees were male and held a Beijing *hukou* (residential registration) whereas the vendor representatives working alongside the store employees were mostly female without Beijing *hukou*.

For agency workers, the enjoyment of their labour rights may be equally problematic due to the legal ambiguity derived from the triangular employment relationships associated with agency employment (e.g. Earnshaw *et al.* 2002; Cooke 2012). According to Underhill (2010: 344), the inability of the employment agency as the legal employer to 'control the work environment in which their employees are placed' is a main reason for the inability of contingent workers to benefit from the core labour rights specified by the International Labour Organization (ILO). Amongst the core ILO conventions, the freedom of association, the right to collective bargaining, and the elimination of forced labour and employment discrimination are particularly relevant in the context of contingent employment. As contingent workers are less likely than regular employees to be unionised, and since unionisation is often the pre-requisite to collective bargaining, contingent workers are often left unrepresented and un-bargained for. In particular, the dispersed nature of agency workers 'impedes the capacity of agency workers to negotiate and take action collectively' (Underhill 2010: 346). Even when collective agreements exist, they may not be fulfilled either due to the inability of agency employers to honour those agreements or because of client organisations' avoidance of agency workers who are covered by collective agreements (Underhill 2010). As Underhill (2010: 347) argues, for each of the core labour rights stipulated by the ILO, 'agency workers appear poorly protected. Their loss of rights flows from poor compliance by agency employers, from factors inherent to the nature of temporary agency employment [. . .] and from the actions of hosts'.

Not surprisingly, then, the reduced status of contingent workers as organisational members and ultimately as human beings (Polanyi 1957; Bolton *et al.* 2012) has been a main source of labour discontent in different parts of the world. This is particularly the case when firms adopt a dual employment system with permanent employees and contingent workers working alongside each other engaging in similar production/service activities. For permanent employees, the co-existence of contingent workers threatens their job security and erodes their terms and conditions. Research evidence shows that the presence of contingent workers has a strong negative impact on regular employees' perceptions of job security, which in turn has a negative effect on their job satisfaction, identification with the organisation, and organisational citizenship behaviour (e.g. Banerjee *et al.* 2012). For contingent workers, differential treatments on ground of employment status represent a gross social injustice. This dis-harmonisation has fuelled a string of confrontational labour disputes in multinational plants.

For example, in India, restrictive labour laws are attributed to the extensive use of contract labour. Although the Contract Labour Act mandates that contract workers doing the same work as permanent workmen should receive equal pay, this stipulation is hardly observed. In reality, a contract worker typically earns less than half of that of a permanent employee. In the automotive industry, super contractors (employment agencies) have emerged who have the capacity to supply 10–50,000 workers to the industry and are able to move them between companies regularly to prevent them from gaining additional employment rights through continuous employment in the same company (Murthy 2012). Wage disparity and the lack of communication and consultation with the contract workers (and their unions) simply because they are seen as the employees of an agency firm rather than the auto MNC have been main reasons that have led to the violent labour protests in Japanese and Korean subsidiaries in India (Murthy 2012). During a violent labour clash at the Maruti Suzuki car plant near New Delhi in July 2012, the HR

manager was killed and over 70 workers were injured. New (Japanese-imported) management practices, including labour/numerical flexibility, lean production and multi-skilling were the cause of workers' grievances that eventually led to the dispute. This 'mob justice' was one of the few that had occurred in the manufacturing sector in India in the early 2010s with deadly consequences (Gottipati 2012).

In Honda (Nanhai) in Guangdong Province, China, workers went on strike in 2010 for a substantial pay increase and better conditions for student interns who made up one-third of the shop-floor workers. The strike was self-organised by the workers without the support of the district trade unions. Workers hired Professor Chang Kai, the leading labour law professor of China, as their adviser to guide their negotiation with the management. The strike was a definitive victory for the workers in that they had a 24 per cent pay rise. Two other Honda factories in the same region were inspired by this victory and follow suit to win pay rises and improved conditions (China Labor News Translations 2010). Since then, more collective actions have taken place which ended with further pay increases.

In Indonesia, a joint-venture chemical MNC subsidiary hired contract workers as a means to reduce the proportion of permanent employees who were unionised and covered by a protective employment package under the state-owned enterprise agreement. Not only was the remuneration package of the contract workers inferior to that of the permanent employees, but also their living conditions were poorer. This unfavourable treatment sowed the seeds of discontent and as a result, these skilled contract workers expressed their dissatisfaction in various ways, short of strike actions. To worsen the situation, the HR team of the MNC headquarters that oversaw the Indonesian operations found that site managers were the stumbling blocks since they failed to act as the conduit of communication between the grassroots workers and the higher level of management. As a result, workers thought that their requests and suggestions had fallen upon deaf ears at the senior management level and that their foreign boss ignored their existence (data from interviews by the author, 2013).

The co-employment of permanent and contingent workers therefore presents strong challenges to HRM for MNCs. The financial benefits of hiring contingent workers may be offset by the negative outcomes of a range of behavioural issues from different groups of workers associated with contingent employment. The above empirical examples also point to the fact that direct communications and consultations are necessary with contingent workers and their representing bodies, where these exist, to iron out grievances at their early stage to avoid disruptive disputes and disastrous consequences. Developing employment relations skills of local managers as part of their management development appears to be another important task for the HRM of MNCs.

Contingent employment and ethics of HRM

The ethical dimension of contingent labour, when used to lower cost through exploitative HRM practices, has been widely debated (e.g. Legge 1995; Winstanley and Woodall 2000). One theoretical perspective, the moral economy, offers an insightful lens through which to make sense of the ethical costs and benefits of contingent employment (Polanyi 1957; Bolton et al. 2012). The concept of moral economy 'views economies as socially, politically and economically embedded systems, fuelled by norms and values' (Bolton et al. 2012: 121). According to Bolton et al. (2012: 121), 'at the heart of moral economy is a normative understanding of mutual reciprocality' and interdependence. The choice of individuals, or lack of it, in undertaking contingent employment not only has implications for their psychological well-being and employment outcomes, but also workplace relationships and wider social relations. It follows

that the managerial choice, and academic analysis, of HRM strategy should not be based on financial indicators alone, but should include humanity by reflecting 'the fact that contingent workers, as all workers, are capable of moral commitment' (Bolton *et al.* 2012: 122). The deployment of contingent workers as a means to profit maximisation violates traditional social norms and obligations, which leads to mutual detachment between the organisation and the workers, and between groups of workers. And the empirical examples described above and those reported elsewhere highlight precisely the 'material tensions and contradictions of HRM practices' (Bolton *et al.* 2012: 122) which need to be addressed.

Employment ethics and contingent employment are central issues in the international HRM of MNCs, as noted above (also see Janssens and Steyaert 2012 for a more conceptual discussion). Recognising these tensions, some MNCs are beginning to introduce more humanistic HRM practices in order to enhance workers' well-being. For example, some multinational manufacturing plants in China are now moving away from a strict dormitory labour regime in which many workers were crowded into a dormitory with poor conditions (e.g. Smith 2003) to a more family like working and living environment. Instead of adopting a divide and rule control mechanism (e.g. by preventing migrant workers from the same region to work in the same workshop or shift to avoid the forming of solidarity), companies are now making efforts to arrange workers from the same village/region to work and live together to create a kin environment to mitigate the feeling of isolation and homesickness of young workers. More and more companies are also creating small housing facilities and allowing married couples to live together, some with their parents to look after their children (data from interviews by the author, 2013). The positive impacts of these measures towards a more humanistic approach to HRM, however, will only materialise if other aspects of the HRM follow. Otherwise, these arrangements will create more opportunities for workers to organise collective actions with a stronger chance to succeed. This is because workers from the same region form a source of social power that goes beyond workplace solidarity, and the latter draws resources from the social background and other demographic and social characteristics of the workers.

Commitment and performance

A general consensus in the HRM literature is that employee commitment to the organisation is crucial to enhancing organisational performance. This raises important questions in contingent employment: are contingent workers less committed to the organisation to which they provide their services than their formal employee counterparts? Is dual/multiple commitment possible? And (how) can MNCs manage contingent workers to elicit their commitment?

Existing studies on the commitment of contingent workers point to different conclusions. For example, Guest *et al.* (2010) found that many temporary workers experienced greater job satisfaction, well-being and positive work behaviours than their permanent counterparts. Torka and Schyns' (2010) study of agency workers in the Dutch context showed that permanent employees and agency workers had similar degrees of commitment to their job and to their co-workers. However, agency workers displayed a lower level of affective commitment to their co-workers than permanent workers. Forde and Slater's (2006) analysis of three representative national survey studies in the UK on workers' experience of agency employment found that the workers surveyed were dissatisfied with many aspects of agency work, resulting in a low level of commitment and a high level of anxiety about their work situation.

In a multiple-client business environment such as a multi-client call centre, workers may be simultaneously required to satisfy the multiple demands of clients and the agency firm. However,

commitment to client firms is likely in part due to the perceived more prestigious status of client firms compared with the employment agency as the official (e.g. Rubery *et al.* 2004).

Gamble and Huang's (2009) study of a British-owned retail store in China showed that the use of a bifurcated employment system not only undermined the motivation of store employees (who are mainly male) to learn product knowledge due to the availability of the vendor representatives, but also the inferior employment conditions and differential treatment of the vendor representatives (the majority being female) have in part led to their resistance to the control of store managers.

A common finding of existing studies is that good HR practices from the client organisations will help elicit commitment from agency workers. For example, Torka and Schyns's (2010: 1307) study found that 'national legislation, as well as managers' attempts to offer HR practices equal to those of permanent staff, play a prominent role in stimulating agency workers' commitment'. Similarly, Liden *et al.*'s (2003) study in the US context showed that fairness and encouragement by the client organisation has a positive effect in improving the commitment of temporary agency workers. In addition, employment agency as the legal employer has a significant role to play in enhancing the experience of work of the agency workers. For example, Liu *et al.*'s (2010: 619) study of temporary work agencies in Taiwan showed that treating agency workers as customers by providing good quality services helped employment agencies to retain their highly valued workers.

A key implication from the above findings is that eliciting commitment from contingent workers is possible, but it requires good people management skills from the managers and fair treatment to the contingent workers. It also requires the client organisations to choose employment agencies carefully and ensure that the latter have good HRM practices in place.

Conclusions

This chapter examined the driving forces for offshoring and the role of international HRM, with a particular focus on contingent workers. Although firms may deploy contingent labour for various reasons, cost saving appears to be a major motive in the context of offshoring from developed to less developed economies where the use of contingent employment is extensive. As such, contingent employment in these countries represents a strategic choice by multinational firms for several reasons specific to the institutional context of these countries, with lowering cost as a key driver.

Research evidence has largely pointed to the fact that the job quality of contingent workers is inferior to that of their counterparts with a permanent contract, measured by the nature of work, pay and conditions, training and development opportunities, intrinsic value of the work, and job/career prospect (e.g. Mitlacher 2008; Bolton *et al.* 2012). Such individualised job insecurity and inequality as that encountered by contingent workers in less developed countries breed distrust and disconnection (Bolton *et al.* 2012). Arguably, the adoption of contingent employment enables employers to transfer risks and insecurity from the organisation to individuals (Bolton *et al.* 2012). And the weak bargaining power of the workers in the labour market, often with the absence of trade unions as a traditional source of institutional protections, is one of the main causes that accounts for the collective experience of disenchantment of the disadvantaged workers.

However, organisations using contingent workers may not be able to get away totally from the risks associated with contingent employment. Instead, HR interventions may be needed in managing the contingent workers, from recruitment selection, training, performance management and so forth, in order to mitigate risks and elicit commitment from the workers. This

requires MNCs to adopt a more strategic, comprehensive and co-ordinated approach to managing contingent workers in the offshore context that takes into account different labour market structures and diverse legal and socio-cultural environments.

The impact of contingent employment goes well beyond the firm level. As Kalleberg (2009: 16) argues, contingent work and its associated insecurity 'are rooted in social and political forces' in which the economy is embedded. In the international HRM context, the strategy of MNCs may have a strong impact on the economic, psychological and social well-being of a large segment of the workforce and their family. This will in turn affect the dynamics of the social relations, including the relationships between the workers and the MNCs, and the perception of the MNCs as an international political and economic institution in the host country.

Finally, research on contingent employment in the offshoring context has often been conducted from the labour movement perspective such as that of the global value chain (e.g. Gereffi *et al.* 2005). Limited studies exist on contingent employment from the international HRM perspective. There is therefore much need and scope for researchers to be engaged in in-depth studies in this area. For example, what may be the key factors that facilitate or hinder the penetration of contingent employment in less developed countries? How do they differ across countries and political regimes? How may the policies adopted by one country affect the opportunities for, and choices of, another in the global competition? How may the labour strategy adopted by the lead MNCs in a specific industry in a less developed country affect the decisions of other competitor firms, and what implications may this have for other institutional actors? Why do labour disputes in some countries (e.g. India) take on a more radical manner, often with disastrous consequences, than others (e.g. China)? What may be the different political, economic and social opportunities available for these workers, and how may cultural traditions inform workers' struggle? How can MNCs develop a strategic plan for managing contingent workers in their global operations? What key mechanisms should be included in managing the agency employment relationships with both the workers and the employment agencies? How can MNCs develop the HRM and industrial relations (IR) capacity of their local subsidiaries? And in the process of doing so, how will they contribute to the capacity building of the HRM and IR institutions of the host country? The study of these issues has the prospect of advancing our intellectual understanding, as well as informing policy making at the local, national and international level. It will also contribute to building institutional capacity, developing social dialogues, and informing MNCs' strategies to ensure that their economic activities in the host countries bring mutual and sustained benefits.

References

Akorsu, A. and Cooke, F. L. (2011) 'Labour standard application among Chinese and Indian firms in Ghana: Typical or atypical?' *International Journal of Human Resource Management*, 22, 13: 2730–2748.

Arthur, M. B. and Rousseau, D. M. (1995) 'Introduction: The boundaryless career as a new employment principle'. In M. B. Arthur and D. M. Rousseau (eds.), *The Boundaryless Career as a New Employment Principle,* New York: Oxford University Press, pp. 3–20.

Atkinson, J. (1984) 'Manpower strategies for flexible organizations', *Personnel Management*, August, 28–31.

Banerjee, M., Tolbert, P. S. and DiCiccio, T. (2012) 'Friend or foe? The effects of contingent employees on standard employees' work attitudes', *International Journal of Human Resource Management,* 23, 11: 2180–2204.

Beck, U. (2000) *The Brave New World of Work*, Malden: Blackwell Publishers Inc..

Beugré, C. and Acar, W. (2008) 'Offshoring and cross-border interorganizational relationships: A justice model', *Decision Sciences*, 39, 3: 445–468.

Beynon, H., Grimshaw, D., Rubery, J. and Ward, K. (2002) *Managing Employment Change: The New Realities of Work*, Oxford: Oxford University Press.

Biggs, D., Burchell, B. and Millmore, M. (2006) 'The changing world of the temporary worker: The potential HR impact of legislation', *Personnel Review*, 35, 2: 191–206.

Bolton, S., Houlihan, M. and Laaser, K. (2012) 'Contingent work and its contradictions: Towards a moral economy framework', *Journal of Business Ethics*, 11, 1: 121–132.

Chadee, D., Raman, R. and Michailova, S. (2011) 'Sources of competitiveness of offshore IT service providers in India: Towards a conceptual framework', *Competition and Change*, 15, 3: 196–220.

China Labor News Translations (19 July 2010) 'The Nanhai Honda strike and the union'. Available online at www.clntranslations.org/article/56/ (accessed 10 May 2013).

Connell, J. and Burgess, J. (2001) 'Skill, training and workforce restructuring in Australia: An overview', *International Journal of Employment Studies*, 9, 1: 1_24.

Cooke, F. L. (2012) *Human Resource Management in China: New Trends and Practices*, London: Routledge.

Cooke, F. L. and Budhwar, P. (2009) 'HR offshoring and outsourcing: Research issues for IHRM'. In P. Sparrow (ed.), *Handbook of International Human Resource Management*, Chichester: John Wiley, pp. 341–361.

Cooke, F. L. and Zhan, C. Y. (2013) 'Between market and bureaucracy: Public healthcare reforms in China and nurses' terms and conditions', *International Journal of Human Resource Management*, 24, 16: 3178–3195.

Doh, J. (2005) 'Offshore outsourcing: Implications for international business and strategic management theory and practice', *Journal of Management Studies* 42, 3: 695–704.

Earnshaw, J., Rubery, J. and Cooke, F. L. (2002) *Who Is the Employer?* Institute of Employment Rights, Liverpool.

Farrell, D. (2005) 'Offshoring: Value creation through economic change', *Journal of Management Studies*, 42, 3: 675–683.

Finegold, D., Levenson, A. and van Buren, M. (2005) 'Access to training and its impact on temporary workers', *Human Resource Management Journal*, 15, 1: 66_85.

Forde, C. and Slater, G. (2006) 'The nature and experience of, agency working in Britain: What are the challenges for human resource management?' *Personnel Review*, 35, 2: 141–157.

Forde, C., MacKenzie, R. and Robinson, A. (2008) 'Firm foundations? Contingent labour and employers' provision of training in the UK construction sector', *Industrial Relations Journal,* 39, 5: 370–391.

Forrier, A. and Sels, L. (2003) 'Temporary employment and employability', *Work, Employment and Society*, 17, 4: 641–666.

Gamble, J. and Huang, Q. H. (2009) 'One store, two employment systems: Core, periphery and flexibility in China's retail sector', *British Journal of Industrial Relations,* 47, 1: 1–26.

Gereffi, G., Humphrey, J. and Sturgeon, T. (2005) 'The governance of global value chains', *Review of International Political Economy*, 12, 1: 78–104.

Gomez, R., Gunderson, M. and Morissette, R. (2013) 'Labour adjustment implications of service offshoring: Evidence from Canada', *British Journal of Industrial Relations,* 51, 1: 148–173.

Gorp, D., Jagersma, P. and Ike'e, M. (2006) 'Offshoring in the service sector: A European perspective', The Nyenrode Research Group (NRG) Working Paper Series, NRG Working Paper No. 06–06, The Netherlands.

Gottipati, S. (2012) 'Mob justice at the Maruti factory', India Ink. Available online at http://india.blogs.nytimes.com/2012/07/20/mob-justice-at-the-maruti-factory/ (accessed 5 December 2012).

Guest, D., Isaksson, K. and De Witte, H. (2010) 'Employment contracts, psychological contracts and employee well-being', Oxford: Oxford University Press.

Heywood, J. S., Siebert, W. S. and Wei, S. G. (2011) 'Estimating the use of agency workers: Can family friendly practices reduce their use?' *Industrial Relations*, 50, 3: 535–564.

Janssens, M. and Steyaert, C. (2012) 'Towards an ethical research agenda for international HRM: The possibilities of a plural cosmopolitan framework', *Journal of Business Ethics*, 111, 1: 61–72.

Kalleberg, A. (2009) 'Precarious work, insecure workers: Employment relations in transition', *American Sociological Review*, 74, 1: 1–22.

Lacity, M. C., Iyer, V. V. and Rudramuniyaiah, P. S. (2008) 'Turnover intentions of Indian IS professionals', *Information Systems Frontiers*, 10, 2: 225–241.

Legge, K. (1995) *HRM: Rhetorics and Realities*, London: Macmillan.

Leonardi, P. M. and Bailey, D. E. (2008) 'Transformational technologies and the creation of new work practices: Making implicit knowledge explicit in task-based offshoring', *MIS Quarterly*, 32, 2: 411–436.

Lepak, D. and Snell, S. (1999) 'The strategic management of human capital: Determinants and implications of different relationships', *Academy of Management Review*, 24, 1: 1–18.

Liden, R. C., Wayne, S. J., Kraimer, M. L. and Sparrowe, R. T. (2003) 'The dual commitments of contingent workers: An examination of contingents' commitment to the agency and the organization', *Journal of Organizational Behavior*, 24, 5: 609–625.

Lin, J. (2013) 'A discussion on amendments to the Labour Contract Law of the People's Republic of China', *Worker's Daily*, Issue 1. Beijing.

Liu, C. T., Wu, C. and Hu, C. W. (2010) 'Managing temporary workers by defining temporary work agency services quality', *Human Resource Management*, 49, 4: 619–646.

Manning, S., Massini, S. and Lewin, A. Y. (2008) 'The globalization of innovation: A dynamic perspective on offshoring', *Academy of Management Perspectives*, 22, 3: 35–54.

Marler, J. H., Barringer, M. W. and Milkovich, G. T. (2002) 'Boundaryless and traditional contingent employees: Worlds apart', *Journal of Organizational Behavior*, 23, 4: 425–453.

Mattarelli, E. and Tagliaventi, M. R. (2012) 'How offshore professionals' job dissatisfaction can promote further offshoring: Organizational outcomes of job crafting', *Journal of Management Studies*, doi: 10.1111/j.1467–6486.2012.01088.x.

McCann, L. (2013) 'Disconnected amid the networks and chains: Employee detachment from company and union after offshoring', *British Journal of Industrial Relations*, doi: 10.1111/bjir.12014.

McKay, S. and Markova, E. (2010) 'The operation and management of agency workers in conditions of vulnerability', *Industrial Relations Journal*, 41, 5: 446–460.

Mihalache, O., R., Jansen, J., van den Bosch, F. and Volberda, H. (2012) 'Offshoring and firm innovation: The moderating role of top management team attributes', *Strategic Management Journal*, 33, 13: 1480–1498.

Mitlacher, L. (2006) 'The organization of human resource management in temporary work agencies – Towards a comprehensive research agenda on temporary agency work in Germany, the Netherlands and the US', *Human Resource Management Review*, 16, 1: 67–81.

Mitlacher, L. (2008) 'Job quality and temporary agency work: Challenges for human resource management in triangular employment relations in Germany', *International Journal of Human Resource Management*, 19, 3: 446–460.

Murthy, R. K. (2012) 'Restrictive terms of Industrial Disputes Act leads to contract labour', Forbes India Magazine, 14 September. Available online at http://forbesindia.com/article/web-special/restrictive-terms-of-industrial-disputes-act-leads-to-contract-labour/33682/1#ixzz2EWgIsQAz (accessed 5 December 2012).

Musteen, M. and Ahsan, M. (2013) 'Beyond cost: The role of intellectual capital in offshoring and innovation in young firms', *Entrepreneurship Theory and Practice*, March: 421–433.

Oracle (2010) 'Successfully executing and managing a contingent workforce strategy – PeopleSoft human capital management'. Available online at www.oracle.com/us/products/applications/ebusiness/ebs-contingent-workforce-406024.pdf (accessed 4 May 2013).

Palvia, P., King, R., Xia, W. D. and Palvia, S. C. (2010) 'Capability, quality, and performance of offshore IS vendors: A theoretical framework and empirical investigation', *Decision Sciences*, 41, 2: 231–270.

Polanyi, K. (1957 [1944]). *The Great Transformation*, New York: Rhinehart.

Purcell, J., Purcell, K. and Tailby, S. (2004) 'Temporary Work Agencies: Here Today, Gone Tomorrow?' *British Journal of Industrial Relations*, 42, 4: 705–725.

Rubery, J., Cooke, F. L., Marchington, M. and Earnshaw, J. (2003) 'Inter-organizational relations and employment in a multi-employer environment', *British Journal of Industrial Relations*, 41, 2: 265–289.

Rubery, J., Carroll, M., Cooke, F. L., Grugulis, I. and Earnshaw, J. (2004) 'Human resource management and the permeable organization: The case of the multi-client call centre', *Journal of Management Studies*, 41, 7: 1199–1222.

Saini, D. (2011) 'Employment law framework: Structure and potential hurdles', in P. Budhwar and A. Verma (eds.), *Doing Business in India*, London: Routledge, pp.23–45.

Smith, C. (2003) 'Living at work: Management control and the dormitory labour system in China', *Asia Pacific Journal of Management* 20, 3: 333–358.

Smith, V. (2001) *Crossing the Great Divide: Worker Risk and Opportunity in the New Economy*, Ithaca: Cornell University Press.

Taylor, P. and Bain, P. (2008) 'United by a common language? Trade union responses in the UK and India to call centre offshoring', *Antipode*, 40, 1: 131–154.

Torka, N. and Schyns, B. (2010) 'On the job and co-worker commitment of Dutch agency workers and permanent employees', *International Journal of Human Resource Management*, 21, 8: 1307–1322.

Underhill, E. (2010) 'Should host employers have greater responsibility for temporary agency workers' employment rights?' *Asia Pacific Journal of Human Resources*, 48, 3: 338–355.

Ward, K., Grimshaw, D., Rubery, J. and Beynon, H. (2001) 'Dilemmas in the management of temporary work agency staff', *Human Resource Management Journal*, 11, 4: 3–21.

Webster, E., Lambert, R., and Bezuidenhout, A. (2008) *Grounding Globalization: Labour in the Age of Insecurity,* Oxford: Blackwell.

Winstanley, D. and Woodall, J. (eds.) (2000) *Ethical Issues in Contemporary Human Resource Management*, London: Macmillan Business.

30

IHRM's role in managing global careers

Michael Dickmann

Introduction

For many thousands of years people have had cross-border careers if we see 'borders' as 'the edge or boundary of anything' (*Concise Oxford Dictionary*, 1995). They have strayed outside their normal hunting grounds or started trading with other tribes, for example, Assyrian commercial organizations had a highly international spread four thousand years ago. Guided by a head office they would have subsidiaries, foreign and international workers and a strategy to seek 'global' markets and resources in the then 'known' world (Moore and Lewis, 1999). Based on a career definition such as Arthur *et al.*'s (1989a) as 'an evolving sequence of a person's work experience over time', Dickmann and Baruch (2011:7) have added an international perspective through specifying that the sequence needs to take place in more than one country. Given the fast pace of globalization of trade, production, supply chains, innovation and investment flows as well as the dramatic changes brought about by the internet enabling very broad, international social networks and information access, the world may indeed feel evermore like a 'global village' (MacLuhan, 1960).

This chapter depicts the strategic and operational considerations of multinational organizations (MNCs) when managing global careers. It will explore four major types of organizational configurations and their impact on international human resource management (IHRM) and global careers. Then, it investigates specific IHRM strategies, policies and practices in relation to employer branding and the global resourcing of international talent. The second half of the chapter concentrates on how organizations can foster successful global careers. It will employ a temporal view that distinguishes organizational (and, at times, individual) strategies, policies and activities before, during and after working abroad. Pertinent long-term global career issues are identified and current as well as future trends are discussed.

Modern global careers

It appears that there are millions of people pursuing global careers. Looking at assigned expatriates (AEs) the Brookfield Survey (2012) indicates the continued growth of foreign, company-sponsored sojourns. Recent books on self-initiated expatriates (SIEs) demonstrate that

working abroad under one's own steam is also increasing (Vaiman and Haslberger, 2013; Andresen *et al.*, 2013). While the above are two main forms of global careers, there are many others with Baruch *et al.* (2013) providing a typology of 20 diverse forms of working abroad. Amongst those are international commuters, people engaged in global project work or frequent business travellers.

The abundance of diverse global work patterns makes the area of international human resource management (IHRM) a fruitful field of investigations. Much research has concentrated on the careers of individuals and their drivers, attitudes and behaviours. This is not surprising as the literature has argued that through changes in the psychological contract in the 1990s and the first decade of the 21st century individuals have become the master of their own careers (Conway and Briner, 2005; Arnett, 2002; Arthur *et al.*, 2005). This has led to the emergence of a range of modern career frameworks.

The *Protean Career* (Hall, 1976, 1996) can be seen as a lifelong series of identity changes and continuous learning. Baruch (2004b) indicates that the protean career concept is based on self-management aiming for psychological self-fulfillment attained both on a personal and professional level. The individual and not the employer is the master of his or her career and will vary activities and ideas according to evolving life stages and needs.

The *Boundaryless Career* (Arthur, 1994) proposes that individuals are on a permanent search for their own professional development and to exploit the best available market opportunities. Boundaryless career paths incorporate many different organizational contexts. Akin to the protean ideas, individuals are motivated by what is meaningful to themselves. Therefore, people attempt to construct coherent and consistent pictures of themselves. The boundaryless career mindset furthers highly mobile attitudes and behaviors. Boundaryless careerists are expected to move across industries, organizations, countries, professions, functions, and hierarchical levels (Sullivan *et al.*, 2007). It is obvious that the term 'boundaryless' is a misnomer as the total absence of physical or psychological boundaries is impossible (Dickmann and Baruch, 2011). Instead, boundaries may have become more permeable or lower over time.

There are a range of other modern career approaches – such as the Kaleidoscope Career (Sullivan *et al.*, 2007) or the Post-Corporate Career (Sullivan and Baruch, 2009) – that could be introduced here. However, due to space restrictions we will concentrate in this chapter on those modern career approaches that seem to be used frequently in the international management and global careers literature. One popular framework is that of the *Intelligent Career* (Arthur *et al.*, 1995). This approach is based on the resource-based view and distinguishes three forms of career capital that individuals hold. Knowing how consists of broad capabilities – i.e. knowledge, skills and abilities – that individuals can use to be more successful in their work and to advance their careers (Inkson and Arthur, 2001). Knowing whom is an individual's social capital that allows insights into career opportunities (Granovetter, 1974), recommendations and endorsements for career progress and, at times, access to people who could help to master tasks (Dickmann and Harris, 2005). Knowing why is related to the identity of individuals and provides persons with a sense of purpose and energy to bring to their world of work, to pursue work-related goals and careers (Parker *et al.*, 2009). The three ways of knowing are interrelated (Inkson and Arthur, 2001) and investing in one career capital can strengthen the other two. The intelligent career concept can be used both for domestic and international careers.

The above shows that there is increased individual agency as a driving force underlying modern career concepts. Nevertheless, many authors (Baruch, 2004a; Lips-Wiersma and Hall, 2007) outline national and global careers are both individual and organizational, as 'jointly owned' with a 'mutual dependency' relationship. It is crucial to realize that careers are often tied to an employer who defines needed capabilities, roles and responsibilities of staff and sets up career

structures. Within the field of careers and especially that of global careers (Larsen, 2004; Dickmann and Doherty, 2010) both the organizational and the individual perspectives need to be evaluated.

IHRM configurations and their impact on career management

To understand the different career structures and management approaches it is necessary to investigate diverse organizational structures and strategies to strive for competitive advantage in a global context. In a classic contribution, Perlmutter (1969) and Hennan and Perlmutter (1979) explored the international mindset of top management. They distinguished between ethnocentric, polycentric, regiocentric and geocentric approaches to international management. The key differences related to the mindset of how similar markets were – ethnocentric means that senior leaders believed that what worked in their home country could be exported without adaptation. Polycentric leaders had the conviction that consumer preferences varied substantially so that the products as well as the management approaches had to be attuned to the local national context. Regiocentric approaches would be geared to the markets and customers of a particular region which would enable economies of scale within the region while having diverse products, production methods and management policies across different regions. Geocentric leadership would strive to find an ideal solution to the global diversity encountered in terms of national contexts, cultural variations and other people differences, assuming that highly diverse teams may find better approaches to integration where possible and local responsiveness where necessary.

The necessary degree of responsiveness to local variations and the drive to increase efficiency where possible through standardization was further explored by Prahalad and Doz (1987). Based on these insights and the ideas of Michael Porter, Bartlett and Ghoshal (1989) suggested in a milestone book four configurations of international strategies, structures, policies and processes. The global company has in essence an ethnocentric outlook in that it believes that markets can be integrated across borders and consumers or users have similar preferences. By high degrees of standardization they reap economies of scale for products and services that were innovated in their home countries. The multidomestic organization is similar to the polycentric company in its view of its diverse markets and believes that it needs to be as responsive as possible to varying consumer preferences. Its competitive advantage lies in the quality of its products and services which are geared closely to local tastes and habits. The international firm competes through innovation and, therefore, needs to establish strong communication flows and innovation mechanisms across borders. Lastly, the transnational is an ideal firm that standardizes where possible, is responsive to local, varying preferences where necessary and is highly innovative. It reaps competitive advantages through economies of scale, high quality products and services and innovative new approaches simultaneously.

It is clear that different industries have diverse organizational structures with some being more global (computer hardware, aircraft engineering), others more multidomestic (legal and some professional services, some food companies). In addition, some firms are more innovation-oriented and 'international' (software engineering, R&D in some pharmaceuticals) while others strive for a transnational orientation (some high-end strategy consultancies, some major engineering firms; some FMCGs). However, it seems that it is difficult to encounter extreme configurations of either type in terms of overall management or IHRM (Dickmann and Müller-Camen, 2006).

It might be speculated that certain functions in companies have a tendency to be more integrated and standardized while others might be more geared to innovation. Therefore, multinational firms are not homogenous in their configurations. For instance, production is

likely to be more integrated than human resource management with R&D departments more geared to intensive knowledge exchange across borders. Therefore, Dickmann and Müller-Camen as well as Dickmann *et al*. (2008) have investigated a range of company configurations looking at their IHRM configurations. They found many different configurations in terms of IHRM with moderate transnational, global, cognofederate – their word for international – and multi-domestic approaches in a range of HR fields such as recruitment, training and development, career management or performance management. This means it is highly pertinent what configurations organizations have to assess IHRM's role in managing global careers.

Configurations and IHRM's role in career management

We have argued above that organizational career management is important and the planning of domestic or international careers is not dead (Baruch, 2006; Lips-Wiersma and Hall, 2007). However, the likelihood to have one overarching career system is related to the worldwide configuration of the corporation and its career strategies.

Multidomestic organizations and global careers. In a multidomestic organization, the local development of skills, knowledge, abilities and social contacts of employees will be stressed. Thus, worldwide career management will be less important. After all, the firm is not intending to integrate organizational culture or explore innovation across borders. There will be few expatriates who are expected to adapt to local management approaches. Because the organization is highly responsive to its local environment, it is likely that particular national career patterns may be emulated.

Thus, in Anglo-Saxon countries the chances are high that individuals pursue generalist, meritocratic careers which embody cross-functional moves (Dickmann and Baruch, 2011). In contrast, in countries such as Germany and Austria deep functional knowledge is highly appreciated and professionals often pursue a silo career path that broadens out to substantially more general responsibilities only later in their careers (Point and Dickmann, 2012; Evans *et al*., 2002). Moreover, career development is mainly technical as well as functional (Evans *et al*., 2011). In other countries career patterns may be more elite political – who you know and who supports you is more important in France or Italy. This 'Latin Model' can be characterized by seeking to attract elite high-flyers who would pursue a 'political tournament' by engaging in competition and collaboration with their peers (Evans *et al*., 2002). Alternatively, some career structures are more seniority based where an elite cohort, often selected already at the time they leave university, progresses through organizations (Japan). It needs to be stressed, that these career management approaches are all subject to evolution and hybridization over time and with increased globalization.

Global organizations and global careers. In contrast, central career planning and management is more likely in global corporations. An extreme example is the foreign service of national governments which selects, trains and sends its own citizens to serve abroad. The key drivers are related to control and coordination (Edström and Galbraith, 1977) but can also include skill filling, individual development or knowledge transfer. The country-of-origin professionals and security staff are expected to perpetuate the home culture and shape it around standardized values and norms. Global corporations such as Procter and Gamble (Bartlett and Ghoshal, 1989), IBM, Shell or Toyota have in common that the career prospects and international mobility opportunities of country-of-origin staffs tend to be superior to those of local employees (Dickmann *et al*., 2008). Moreover, they tend to have more home country expatriates. However, it needs to be emphasized that over recent decades these companies have worked hard to create career opportunities for local and third-country employees. This is facilitated through their

propensity to have integrated performance management and appraisal systems as well as a worldwide comparability of approaches.

International organizations and global careers. The international enterprise aims to compete via innovation which necessitates intensive knowledge flows across borders. While the standardization of management policies and practices can be low – it is highly likely that the international organization designs, produces, markets and sells products and services in specific countries rather than globally – the cross-border communication must be frequent and intensive. Unlike the global firm, the knowledge flows will be bi- and multi-directional rather than predominantly from the head office out (Dickmann, 1999). International corporations will have intensive cross-border knowledge exchange which is facilitated by having many expatriates, global project teams and other forms of multinational work such as frequent business trips (Dickmann and Müller-Camen, 2006). It is likely that this high innovation approach is most pronounced in the areas of research and development where career management can be complex and difficult to plan and execute (Dickmann and Baruch, 2011). In turn, the transnational has a broader approach to career management and multinational work.

Transnational organizations and global careers. Transnational organizations aim to identify all individuals with the best talent and performance irrespective of their national origins or functions for global careers. Skills, knowledge, abilities and performance are key to staff progression. Because innovation and diversity is valued, there are intensive expatriation flows (Dickmann *et al.*, 2008). Moreover, various forms of international work – including many international project teams, frequent flyers, short-term rotations and cross-border assignments as well as virtual global work – are employed in the search for superior solutions to challenges and innovative new products and services. Home, host and third-country individuals are seen to have similar career chances. While much of the career mastery is the responsibility of individuals, creating the opportunities for staff, outlining varied career paths and managing the career patterns of employees is likely to be highly complex. Overall, transnational career management is geared to intensive knowledge and people flows and the search for solutions that are based on principles and cultural values which are in tune with a large range of countries (cf. Dickmann and Müller-Camen, 2006; Bartlett and Ghoshal, 1989).

IHRM and career management

Employer branding and global resourcing of international talent

Backhaus and Tikoo (2004) describe employer branding as internally and externally promoting a distinct, clear and positive image of an organization to generate appreciation in the general public and attract potential employees. Its goal is to create an impression of the organization as an employer of choice (Martin, 2010).

Global career opportunities and the organization's international career management approaches could be seen as a positive message to potential external candidates who might be interested in pursuing foreign work opportunities. Indeed, with the growth of self-initiated expatriation flows (Andresen *et al.*, 2013) it might be a powerful attraction mechanism for foreigners already living in the home country. In fact, using global career opportunities in the organizational branding approach could be a win-win for both individuals and their employers. Individuals may satisfy some of their various motivations for work. For many employees an internationalization anchor is important (Suutari and Taka, 2004). Already two decades ago, Taillieu (1992) found a large degree of enthusiasm for a global career in young European graduates. In addition, research on young people's willingness to work abroad shows diverse drivers with

development, careers and financial benefits featuring prominently (Doherty, Dickmann and Mills, 2011). Given that all the above areas are often impacted positively from a foreign assignment (Doherty and Dickmann, 2013a; see also below), organizations could use their international mobility policies and practices as an attraction strategy.

Point and Dickmann (2012) set out to investigate the employer branding and organizational discourse in relation to global careers. They accessed the websites of all multinational companies in the German DAX and French CAC and researched what these contained in terms of expressions such as global careers, international mobility or foreign delegation. While slightly more than half of the German and French companies (55%) referred to international work issues on their home pages it was surprising that several large MNCs did not use this potential attraction mechanism. Given that most external candidates can be expected to access the websites of these key firms (Winter *et al.*, 2003), it might be speculated that companies are missing an attraction chance. In addition, the study showed that most multinationals used international assignments and expatriation and avoided the terms international or global careers. This is an indication that MNCs seem to plan for the short-term, neglecting long-term international mobility strategy and global career planning. Interestingly, the short-term orientation of MNCs' global career approaches is often singled out as causing major problems in terms of international resourcing, career capital development and use as well as retention (Harris *et al.*, 2003; Lazarova and Cerdin, 2007; Lazarova and Caligiuri, 2001; see also earlier chapters in this volume). These issues and how organizations could manage these more successfully are explored below.

The resourcing of global talent can be seen from a variety of angles. One perspective could be to simply look at organizational recruitment and selection activities with an inclusive perspective on talent which would view everybody joining the entity (and those already working for it) as potential global careerist. This is similar to a normal resourcing perspective with potential differences in regards to foreign persons who happen to look for work in their host country. Doherty and Dickmann (2013b); Tharenou (2003) and others have shown that self-initiated expatriates have distinct drivers compared to assigned expatriates. For instance, the three most important expatriation drivers for AEs were impact on career, potential for skills development and professional challenge. In turn, those individuals who worked abroad 'under their own steam' were most motivated by a desire for adventure, the confidence in their ability to work/live abroad and a drive to see the world (Doherty *et al.*, 2011). It seems reasonable, therefore, to suspect that attraction strategies for boundary-crossing, foreign-born individuals should be different to home-country citizens. Given that SIEs already have valuable international experience which may be used by organizations to fill positions which directly interact with their country-of-origin markets or people and/or to send these persons to work in their own countries it would be beneficial for organizations to design specific attraction and (global) career management approaches. More information regarding specific organizational management approaches for SIEs is given in Doherty and Dickmann (2013a).

Selecting for global careers

Chapter 10 in this volume on 'Recruitment and Selection in the Global Organization' has given an in-depth overview on which to base this section on. Scullion and Collings (2006: 160) have identified a range of non-traditional forms of working abroad, including short-term, rotational, international commuter, frequent flyer, contractual and virtual assignments. Baruch *et al.* (2013) have identified seven criteria to distinguish global careers and expanded this list to 20 different ways to work and live abroad.

As argued above and elsewhere (Scullion and Collings, 2006; Dickmann and Baruch, 2011), selecting company-sponsored AEs is far from perfect and can be highly complex. Expatriate staffing is highly linked to the organizational configuration (see above) with a large range of advantages and disadvantages associated with staffing that is geared to home-country AEs, host-country AEs or third-country staff (Collings and Scullion, 2006: 25–26). Organizations can use open or closed, formal or informal selection approaches with the 'coffee-machine selection' seen to be frequently used in the past (Harris and Brewster, 1999). While a wide range of selection criteria for expatriate work exists – including language, personality, communication, family, dual career and interest considerations – many companies use a nine-box grid of performance and potential to choose their AEs (Scullion and Collings, 2006; Dowling *et al.*, 2008).

Once individuals have been selected to work abroad, much of the literature has concentrated on their journey from preparing to move; working in the host location to returning to their home countries (Harris *et al.*, 2003). Issues such as international rewards (Chapter 21; Dowling *et al.*, 2008; Dickmann and Baruch, 2011), individual cultural adjustment and performance (Chapter 23; Haslberger, 2008; Black *et al.*, 1992) or repatriation (Chapter 26; Lazarova and Cerdin, 2007) have been dominant in the literature and have been covered in this volume. While there is no doubt about the strong interrelationship of global staff and their employers and how this is reflected in their international career strategies, attitudes and behaviors (Dickmann and Harris, 2005; Dickmann and Doherty, 2010), much of the remainder of this chapter will concentrate on the organizational angle of global career management during the longitudinal stages of expatriation.

IHRM role pre-assignment to foster successful global careers

Strategic issues. The first part of this chapter has explored strategic and structural issues regarding IHRM and their bearing on global careers. We have argued that multinational organizations need to understand the global competitive environment, the industry / sector context and have found an organization-specific way to seek worldwide competitive advantage. Alternatively, in the case of INGOs or governmental organization they would look at configurations that allow them to serve their strategic objectives and multiple stakeholders best (Dickmann *et al.*, 2010). Amongst the key steps would be to identify, choose and implement a suitable IHRM configuration and explore how to balance diverse external and internal pressures – Evans *et al.* (2011) call these dualities. It is most likely that despite overarching philosophies these dualities will result in internal variations of IHRM approaches which will need to be carefully managed (Dickmann, 1999). Based on a clear IHRM understanding employer branding and staff resourcing approaches should be developed that are attractive to talented (potential) global careerists be they domestic or already expatriated. To be able to send a clear message, organizations need to understand their diverse purposes for global assignments (Point and Dickmann, 2012). Edström and Galbraith (1977) distinguish key categories of assignment purposes such as control and coordination, leadership and management development and skills-filling with knowledge transfer and networking added by authors such as Bonache and Dickmann (2008). Coherent, well-thought through global career management which understands the drivers of its international talent (Dickmann *et al.*, 2008; Doherty *et al.*, 2011) and designs tailored reward, development and career packages are needed in IHRM – too often organizations are too short sighted and either do not manage repatriation or continued career patterns well (Harris *et al.*, 2003; Dowling *et al.*, 2008).

We are now 'focusing in' to the more detailed management of global careerists. Underlying our discussion is the intelligent careers framework. For the individual, the maximization of

knowing how and whom will be important while a shift to more clarity in terms of knowing why is crucial for the energy brought to the world of work (Inkson and Arthur, 2001; Parker *et al.*, 2009). In turn, the organization relies on the capabilities and work-related social capital of global careerists and benefits from their motivation (Dickmann and Doherty, 2010). This will have an impact on the performance of individuals, their career progression and retention (Doherty and Dickmann, 2013a). Tables 30.1–30.3 summarize the insights and provide recommendations for organizations.

Job Design. If an organization has chosen to fill a certain role with a global careerist – be they AEs, SIEs, cross-border commuters, frequent business travellers, and so on – one of the challenges is how it can create a setting that increases the likelihood of rapid and good performance of the new incumbent. The adjustment by the global careerists to a new culture and new team is already stretching for individuals. Therefore, organization should consider not to increase potential tensions (e.g. between home and host objectives). In addition, not extending the job scope and giving clear guidance on expectations and responsibilities (without stifling the incumbent) would be advisable in order to increase the likelihood of positive outcomes. Table 30.1 gives details about job design considerations that raise the likelihood of individual adjustment to the location environment and positive performance (Scullion and Collings, 2006). However, where organizations aim to develop their most senior global leaders of the future, they may opt for more challenging job contexts abroad.

Selection and negotiation. There have been many calls for employing sophisticated selection approaches which use criteria beyond performance, potential and willingness to go and work abroad (Harris and Brewster, 1999) and instead focus on personality or core competencies needed (Caligiuri, 2012; Scullion and Collings, 2006). The personality factors and competencies include good communication skills, a high interpersonal orientation, the ability to critically reflect on own cultural values and norms, a high willingness to learn from other cultures etc. and are outlined elsewhere in this volume as well as in several other texts (Dowling *et al.*, 2008; Dickmann and Baruch, 2011; Briscoe *et al.*, 2009). For global leadership competencies, the list is even more extensive (Osland *et al.*, 2006; McDonnell and Collings, 2011). In addition, the job demands may vary depending on the cross-cultural contact needed (Baruch *et al.*, 2013) in that sales positions are likely to need more local interaction than computer programming. The selection should also give realistic previews and involve the partner/family of the candidate (see Table 30.1). Once an organization has entered negotiations with a potential expatriate, it would need to understand the key drivers of the individual. However, organizations often underestimate individuals' interest in development and career while overestimating their financial drive (Dickmann *et al.*, 2008). In addition, firms often strive for internal comparability of their expatriate packages without taking sufficient account of the individual pay-back (through learning and promotion prospects) and various time perspectives of their benefits associated with diverse expatriation objectives (Dickmann and Baruch, 2011). A case could be made to develop different international mobility packages geared to distinctions such as global leadership development, control and coordination assignments or 'firefighting' sojourns.

Administrative and logistical support. There is much literature on effective administrative support before and during working abroad. The focus tends to be on AEs but some other global careerists – cross-border commuters, frequent business travellers – may also benefit from help in such areas as legal and tax obligations. The overall structure of international working can be designed with corporate tax, social security and administrative effectiveness considerations in mind (Dickmann and Debner, 2011) and some MNCs have set up global employment organizations. Increasingly, firms use service providers to provide logistical and other support to moving expatriates and their families (the actual move, accommodation, insurances, banking, schooling

Table 30.1 Pre-assignment organizational activities to foster successful international work and global careers

Organizational action	Some characteristic that would help
Job design • Give discretion in the job • Clarify job expectations and responsibilities • Gain agreement as to job objectives between individual, home and host country • Provide overlap with incumbent to facilitate "hitting the ground running" • Align any other conflicting expectations regarding performance standards, job, working environment etc.	*Job design choices* • In most cases, choose a job that the candidate will find only a slight stretch. Adjustment to a new team and new culture is already a challenge. • For earmarked top leaders the stretch might be larger. This might include changing divisions, functions or more radical job content alterations.
Strategic global careers • Design and implement adequate IHRM configuration • Define and execute corporate branding strategy that covers global careers • Clarify diverse purposes of global careers within organization and specify those in relation to career opportunities/international moves • Create coherent global career approaches – they may be simply thinking in terms of careers rather than international mobility	*Strategy and policy considerations* • Understand global competitive environment, industry and organization-specific way to competitive advantage • Choose most suitable overall IHRM configuration – transnational, global, multidomestic or cognofederate – and design for internal variations • Select the primary purpose of global career steps – development, control and coordination, skills-filling, etc. – and design packages that take account of diverse interests and pay-offs
Selection and negotiation • Sophisticated selection factoring in personality factors, soft competencies, performance and potential. • Involve partner in selection and consider extended family responsibilities • Use psychometric and other instruments and give feedback to candidate and partner regarding cross-cultural strengths and weaknesses • Match candidate's profile to inter-cultural job demands • Provide realistic job, local team and country previews (and also "look-see visits") • In negotiation: understand individual motivations • In negotiation: understand the implications of diverse primary goals on individual and organizational benefits	*Some key individual characteristics* • Self-confidence and optimism • Willingness to learn about different cultures and business environments • Inter-personal orientation • Good communication skills • Cultural sensitivity and willingness to critically review own values and norms • Openness • Global mindset • Behavioral flexibility • Inquisitiveness • Ability to successfully manage uncertainty • Resilience
Administrative and logistical support • Provide effective administrative support in relation to the international mobility framework, compensation and benefit questions. • Provide good logistical support and high quality in terms of moving abroad, accommodation (abroad and at home), health insurance, banking, schooling, return visits, etc. • Monitor own and service provider pre-assignment activities and gain expatriate feedback for improvements	*Administrative issues* • Set an end-of-assignment date in order to avoid assignments that "drag on"
Training and development • Provide rigorous training for increased job demands; ideally linked to organizational configuration • Provide inter-cultural training (pre-departure and post-arrival) and language classes • Include partner in the training • Enable interaction with repatriates from assignment region/area	*T&D Considerations* • Distinguish between local position requirements, global or international control, coordination and innovation responsibilities • Aim for the capabilities that make individuals successful when working abroad (see Selection) • Provide support through corporate sponsor, mentors and coaches • Encourage global careerist to join expatriate networks such as InterNations, Expatica, etc.

Source: Table based on Dickmann and Baruch, 2011, pp.194–195, own further developments.

for children etc.). International mobility departments need to assess the quality of the services provided by external firms.

Pre-departure training and development. Global careerists would benefit from pre-departure training and early support through business sponsors, mentor, coaches or other sources such as networks of expatriates (e.g. Expatica, InterNations, Expatriates from own organization) to be able to have more realistic expectations and to prepare themselves and their families better. Unfortunately, in many organizations the time between the selection of the candidate and start of the job abroad is short (Doherty and Dickmann, 2012 found it is approximately two months) and the corporate investment is relatively low. Given that to acquire sufficient language skills for a target country as well as the acquisition of complex skills can take substantial time, post-arrival training and development is important. We will explore organizational actions, considerations and individual behaviours during working abroad in more detail in the section below.

IHRM role to foster successful global careers during working abroad

In general, organizations are interested in the performance and well-being of their employees working abroad. In addition to the ethical and legal case, organizations are likely to benefit from higher productivity and performance of their global careerists (Black *et al.*, 1999; Bhaskar-Shrinivas *et al.*, 2005). Overcoming the 'culture shock' (Oberg, 1960) is crucial and Haslberger (2008) has argued that over time individuals' cognitive confidence, behavioural effectiveness and emotions become more positive (see Figure 30.1). Overall, there is a large range of job-related, individual, organizational, family, individual-specific and outside work factors that impact on how quickly and how extensively individuals adjust to their foreign environment (Haslberger, 2008; Bhaskar-Shrinivas *et al.*, 2005; Hechanova *et al.*, 2003). An earlier chapter in this volume has outlined the processes and outcomes in depth. Below, we describe a range of organizational activities to help individuals to successfully master cultural adjustment and their global career challenges.

Administrative and logistical support. The organizational help should not simply end once an expatriate has arrived in the destination country. In highly dangerous countries – e.g. many of the hardship duty stations outlined by the UN – pre-departure and post-arrival instruction on how to behave to avoid undue exposure is important. Moreover, in countries such as Nigeria, Afghanistan, Iraq etc. additional security (e.g. bodyguards) is common and companies may use geotracking and other devices to increase security as well as speed and quality of reaction to security incidents. More administratively, support for expatriates to fulfil their legal obligations in terms of taxation, social security payments but also to deal with general issues in relation to banking, health, schooling, and so on is incorporated in the expatriation package and given by employers themselves, external providers or unofficially by helpful colleagues or other locals. Table 30.2 lists a range of the above issues. Next to the security and administrative support, organizations should consider two key activities. First, supporting foreign workers through mentors, coaches or business sponsors allows individuals superior information, goal and behavioural clarity (Dickmann and Baruch, 2011). Second, the sending unit should consider whether the primary assignment objectives have been (potentially earlier than planned) fulfilled. For cost purposes MNCs should then consider to discuss early repatriation (Doherty and Dickmann, 2012).

Social environment – at work and beyond. Shaping the social environment in the work unit is important and can contribute to the performance and well-being of the foreign careerist. Huang, Chi, and Lawler (2005) focus on the role of host country colleagues. The local co-workers can
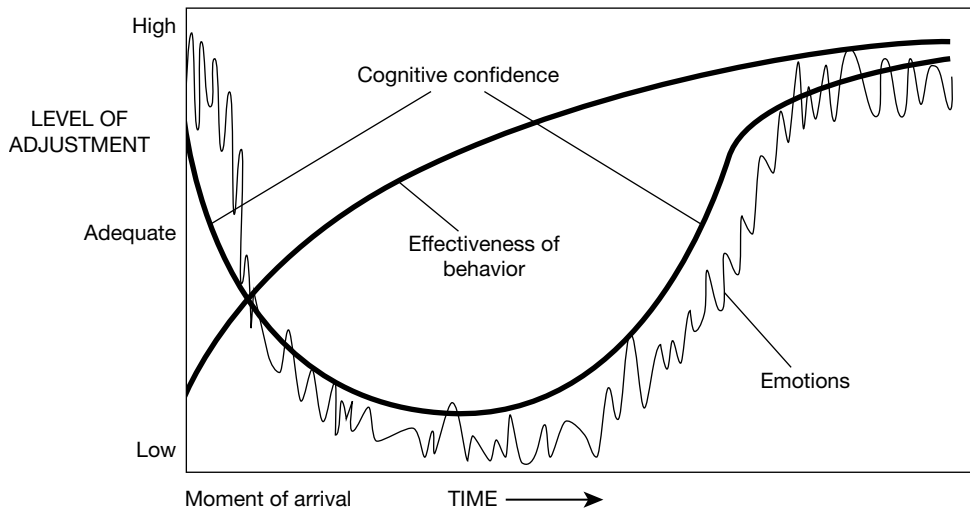
Figure 30.1 Three dimensions of adjustment

help global careerists to 'read' the host country culture and the norms and values of the foreign unit (Vance *et al.*, 2009). Locals can facilitate the global careerist's local socialization and can make substantial effort to transfer knowledge needed by the expatriates to perform in their new roles (Toh and DeNisi, 2007). However, these roles are not normally part of the performance appraisal system of the host organization and are largely voluntary so that they might not be performed by locals (Templer, 2010).

What should organizations do in these situations? Toh and DeNisi (2007) argue that MNCs could incorporate incentives to local staff to act in supportive ways towards foreign workers. More generally, an organizational culture that values help and moderate reward differentials when comparing pay and incentives across borders can encourage more supportive interaction between locals and global careerists (Leung *et al.*, 2009).

Employee assistance programmes can help alleviate culture shock and local managers should be trained to spot signs of expatriates or their families struggling in their new environment (Dowling *et al.*, 2008). In addition, foreign colleagues should be encouraged to participate in extra-work activities and to develop their own social support networks where practical and secure. Dickmann and Baruch (2011) suggest a number of organizational activities to help self-initiated and company-sponsored expatriates and their families to engage with local people and to carve out meaningful roles for themselves. Table 30.2 gives details of some of the social facilitation ideas and organizational actions that MNCs should consider.

Training and development. There is a large literature on global leadership development, international talent management or development (Mendenhall *et al.*, 2008; Scullion and Collings, 2006). Mendenhall, Dunbar and Oddou (1987) look at cross-cultural training and distinguish between information-giving interventions, an affective and an immersion approach. This volume has covered a broad array of ideas. Rather than summarizing these, we present some suggestions as to how training and development can help individuals cope better with the challenges of cultural adjustment. Above, we have argued for the important role of locals in explaining the cultural context, imparting crucial knowledge and aiding global careerists. Training and development of local colleagues may enable them to see the importance of this

Michael Dickmann

Table 30.2 Organizational activities to foster successful international work and global careers while working abroad

	Organizational action	Some characteristic that would help
Administrative & logistical support	• Provide good support for yearly taxation and other local/cross-border administrative issues • Guarantee security as much as possible and provide protection in high risk areas • Monitor own and service provider activities and gain expatriate feedback during the assignment	*Administrative issues* • Consider periodically whether the assignment objectives have been fulfilled and, therefore, keep the option of early return open. • Provide support through corporate sponsor, mentors, and coaches who proactively approach the assignees in regular intervals during the work abroad.
Social environment	• Encourage local national employees to provide support to new assignees and families • Collect and provide information regarding social, religious, sport, cultural organizations and enable expatriates and their families to join these • Develop social support networks • Provide an employee assistance program (EAP) for people experiencing culture shock and train local manages to recognize symptoms.	*Social facilitation* • Consider setting up local "buddies" for self-initiated, assigned expats and other international workers and their partners • Support partners in carving out meaningful roles for themselves • Design organizational approaches that encourage host country nationals to view expatriates as "ingroup" rather than "outgroup" • Brief and prepare locals with liaison roles
Training and development	• Give post-arrival cultural training and briefings • Provide team-building initiatives together with new team • Provide (where useful) extensive briefings to local employees regarding role and function of assignee • Enable interaction with other expatriates in assignment region/area (also from other companies)	*T&D considerations* • Distinguish between general communication skills and development of personality of individual • Distinguish between work and social environment and include family where appropriate
Performance management	• Use globally integrated performance management system to encourage comparability • Find a balance between local and global objectives • Assignment-specific objectives should be meaningful and attractive to local operating units and appraisers • The primary purpose of the assignment (developmental, control, coordination, skills-filling) should be reflected in the performance management and appraisal • Link performance management to development, career, and succession planning	*Performance management* • Implement a PM philosophy that is acceptable in all regions and countries that the organization operates in • Design a PM system that is flexible in so far as local and global criteria can be used • Encourage local – global cooperation rather than competition for resources or preservation of balance sheet orientation • Be conscious of timing, tasks and roles
Reward management	• Perceived reward equity: Create salary transparency and avoid large pay differentials between locals and expatriates as well as within the expatriate population • Minimize insecurity and tax exposure to both individuals and organizations • Understand the diverse social security and taxation systems and find a solution that balances organizational and individual needs • Keep administrative complexity low	*Reward design considerations* • Balancing need for attracting highly capable individuals with cost saving pressures • Reward global capability acquisition (especially on developmental assignments) • Investigate individual drivers in order to link compensation and incentives to these • Understand the implicit rules of career management – informal systems will reward social capital acquisition more highly
Career issues	• Link selection to individual's long-term career plan and organizational career management (avoid "out of sight, out of mind" syndrome) • Foster the acquisition of knowing how, knowing why and knowing whom capital • Design support mechanisms such as business sponsors, formal and informal networks, shadow career planning	*Career planning* • The mutual dependency of individuals and organization is especially strong during an IA. There is a case for more long-term career planning which looks likely to aid retention. • Consider NOT to promote on the way out – instead, actively consider to promote upon repatriation. • Consider expatriation to centers of excellence and ways how to apply insights and use social capital in the job upon return.

Source: Table based on Dickmann and Baruch, 2011, pp. 194–195, own further developments.

role and to conduct it more skillfully. In addition, providing team-building initiatives that include both expatriates and locals can help to overcome some of the potential tensions and frustrations that (otherwise) can deepen the culture shock. Obviously, a post-arrival training and information session for global careerists can have many benefits (Dowling *et al.*, 2008). It is often useful to include the expatriate's partner and family. In addition, interaction with other expatriates (especially early in an assignment) can give valuable insights to global careerists (Dickmann and Baruch, 2011).

Performance management. International performance management (PM) can be highly complex with many variables affecting expatriate performance and the system that MNCs establish. Dowling *et al.* (2008) outline the variables that affect performance of global careerists as the compensation package, tasks, head office support, host environment and the cultural adjustment of individuals and their families. The authors make a point that the role conception of expatriates and locals varies. Amongst the challenges of global PM they list non-standard assignments and the actual understanding of what performance of an expatriate actually means when a job has national and international job dimensions. The writers resort to a general recommendation from the PM literature in that highly participative processes between leader and team are seen as positive.

The configuration discussion above has shown that the desire to integrate PM systems in global or transnational organizations is higher than in multidomestic or cognofederate entities (Dickmann and Müller-Camen, 2006). This has an impact on how local or global objectives associated with certain roles are and MNCs should strive for an adequate balance. What seems clear is that assignment-specific objectives need to be meaningful to both the hosts and the sending unit in order to avoid local-global tensions (Evans *et al.*, 2011). The more integrated PM systems are, the more they encourage cross-border comparability with positive effects for global careerists and a lower likelihood of international career glass ceilings (Dickmann and Baruch, 2011). In a coherent global career system, the primary purpose of the international work (Edström and Galbraith, 1977) should be supported through the PM process and assessed in appraisals. Ideally, PM, development, global careers and succession planning is coordinated (Dickmann and Doherty, 2010). Specific PM design considerations for global and transnational organizations are outlined in the right-hand column in Table 30.2.

Reward management. The reward packages and management of international workers can be highly complex and generous to expatriates (Briscoe *et al.*, 2009). A range of texts discuss the design considerations of global compensation management such as home country based (cost of living allowance) or host country based (destination pay) systems (see also Dowling *et al.*, 2008). Dickmann and Baruch (2011) outline that much of what is being discussed is in relation to:

- making global career moves attractive so that individuals are willing to work abroad;
- minimizing organizational risks of non-compliance;
- minimizing personal risks to individuals through compliance to local and international tax and social benefit regulations;
- keeping administrative complexity low;
- saving costs to organizations.

Non-standard forms of international work present unique challenges to reward design and the tracking of costs.

With respect to global intelligent careers, it can be argued that all three forms of career capital should be addressed through the reward system. To address knowing why factors it is necessary

to understand the drivers of global careerists. Unfortunately, it seems that there are significant gaps between what organizations believe the drivers of their expatriates to be and what the individuals themselves state as motivating factors to work abroad (Dickmann *et al.*, 2008). In addition, perceived equity considerations (both amongst expatriates and between home and host country individuals) need to be worked into the reward system. Expatriates often have a key interest in adding to their knowing how capital (Dickmann and Harris, 2005). Especially when global careerists are on leadership development assignments, global capability development should be rewarded. Furthermore, individuals are likely to aim to expand their knowing whom capital. Where firms have highly informal career systems this is crucial for non-financial rewards such as securing a job on return and for longer-term hierarchical progress (Dickmann and Doherty, 2010). The reward management considerations are depicted in Table 30.2.

Career issues. Many factors covered above have an impact on global career management. The intelligent career discussion above makes it clear that companies should foster the acquisition of all three ways of knowing. For instance, learning on the job is viewed by many organizations as key so that proof of higher capabilities becomes important for domestic and international careers. This may constitute a case to encourage expatriates to move to organizational centres of excellence as they may acquire most knowledge, skills and abilities there. The performance appraisal of many expatriates is taken as one of the key information sources to decide about timing, modalities and jobs upon return for expatriates. In terms of knowing whom organizations are encouraged to provide personal support such as informal expatriate networks, coaching, sponsoring and mentoring mechanisms. This is likely to be good for the long-term career opportunities and retention patterns of global careerists (Dowling *et al.*, 2008; Doherty and Dickmann, 2013b). In addition, in a situation of mutual dependency it is seen as good for adjusting successfully to the host culture and to perform better (see Larsen, 2004; Haslberger, 2008; earlier chapter in this volume). Finally, identifying the knowing why drivers of global careerists and addressing these can be beneficial to both individuals and organizations. Understanding and addressing the career drivers of (potential) expatriates and planning long term is likely to be motivating for individuals. While adding to the complexity of management approaches, there are many benefits associated. First, a long-term career plan will reduce the uncertainty felt by individuals and forces organizations to manage their global career systems as to avoid the 'out of sight, out of mind' syndrome. Second, planning long term may also mean that organizations do not promote global careerists on the way 'out' to their foreign destinations. A more senior job does normally mean more 'stretch' for individuals which would make their adjustment more difficult. Instead, organizations may develop a preference to promote on the way 'back' (Dickmann and Baruch, 2011). This would alleviate some of the repatriation problems of loss of responsibility and pay (see below). Third, serious long-term career planning with associated top management career paths would augment the symbolic career capital of global assignments (Doherty and Dickmann, 2009). Below, we will discuss the long-term management of global careers starting from the time around repatriation / next move.

IHRM role to foster successful global careers shortly before and after repatriation

Any perspective that looks at global careers needs to go beyond the expatriate cycle (Harris *et al.*, 2003) to include a longer-term perspective when expatriates or other foreign workers move to their next job or place. Doherty and Dickmann (2012) have investigated the return on investment of expatriates measuring long-term performance, career and retention vis-à-vis a non-expatriated peer group. In addition, they link their data to 'softer' areas such as primary

goals of the foreign sojourn and organizational configurations (see also Dickmann and Baruch, 2011). Below, we will explore strategic and operational considerations in relation to returning from working abroad and investigate longer-term career issues.

Organizational strategy and structure. We have discussed four key configurations of MNCs above. In order to retain repatriates and other global careerists it is important that the globalization strategy of the organization is attractive to individual staff in relation to their own career progression. MNCs would aid these impressions if they had coherent and consistently applied global career policies and practices (Dowling *et al.*, 2008). In addition, an organization that creates the impression of high kudos of international work within their mobile workforce has a higher chance of retaining their global careerists (Doherty and Dickmann, 2009).

International mobility policies and practices. Having an overarching strategic vision and planning of international mobility which is systematically and consistently operationalized will be important for the success of international assignments (Harris *et al.*, 2003). The organizational design considerations and actions to foster the successful retention and use of their acquired career capital are outlined in Table 30.3.

Personal drivers. Global careerists are often willing to bear a lot of personal risks (Richardson and Mallon, 2005) – and yet they overwhelmingly would like certainty with respect to their next moves (Briscoe *et al.*, 2009). Many authors recommend that organizations seek a pre-return dialogue with their expatriates and other foreign workers (Dowling *et al.*, 2008). This can be used to brief and update the global careerist, build realistic pre-return expectations and to conduct an open and honest assessment of the individual's situation given the overall and destination context of the organization.

Exit management. Dickmann and Baruch (2011) have found cases where the organization had gone through a reorganization and / or difficult competitive stretch and did not have any employment opportunities for repatriates. The ensuring exit management should utilize the normal recommendations from the HR literature (e.g. fairness and consistency of the process and redundancy criteria). In addition, the organization needs to be aware of the symbolic message that it sends to all existing and potential internationally mobile individuals.

Family issues. In a more positive scenario, organizations can use the pre-return (and post return) dialogues to explore long-term career opportunities together with the individual. Furthermore, organizations may also explore the expectations of the family of the global careerists and can work to manage these so that they are realistic. Providing administrative, financial and logistical support for the relocation and resettlement of the family and support for partners to find a meaningful role (e.g. potential job and career entry) can help to 'smooth' re-entry and master the reverse culture shock more successfully (see earlier in this volume; Dickmann and Baruch, 2011). However, these suggestions are highly dependent on the national, organizational and individual context. There is often an expectation that individuals will proactively manage their public and private lives when engaged in a global career/international moves. Moreover, the organizational – family boundaries should be assessed and managed with a view to individual expectations, capabilities and social obligations.

Career capital and its use after return from working abroad

Because modern career frameworks see the individual as the master of his or her own career (Baruch, 2004b; Arthur *et al.*, 1989a), the perceived usability and utility of global capabilities, international networks and the individual's identity and motivational patterns become crucial for retention, performance management, talent development and reward considerations of organizations. In short, global careerists will benefit from being able to use their knowing how,

Table 30.3 Organizational activities to foster successful global careers shortly before and after return from an IA

	Organizational action	Some characteristic that would help
Orig. strategy & structure	• Attractive degree of existing internationalization • Little or no significant gap between statements of top management and implementation • Adequate organizational configuration • High kudos of international work	*Organizational choices* • Globalization strategy is seen as clear and attractive to pursue global careers • Coherent and consistent execution of global career policies and practices
Int. mobility pos & practices	• Pre-return preparation for the job • Ongoing support for time after return • Long-range planning for repatriation • Networking opportunities	*IM choices* • Staffing policies are perceived to be fair or advantageous • Selection looks at a range of factors, including personality factors linked into adjustment and self-adjustment upon return • Continuous communication with home during work abroad
Personal drivers	• Pre-return and after return dialogues to manage expectations/build realistic pre-return expectations • Briefing and update regarding organizational structure, goals, politics and changes in the new locations	*Managing expectations choices* • Open and honest assessment of the global careerist's situation in relation to the organization • Explore long-term career opportunities
Exit management	• If competitive pressures or unforeseen circumstances (reorganizations, disinvestments) pressurize the organization to make repatriates redundant, create a fair process and a fair deal • Reduce risks with respect to negative comments within (internet-based) social networks • Retain contact if people may return to the organization or may become ambassadors for it	*Exit management* • Be conscious of the symbolic message the organization sends with respect to global careers – if many people leave the organization upon return it sends a sign to potential expatriates that there are high risks involved in international mobility
Family issues	• Help for partner to find meaningful activity such as job and career re-entry • Help for family to (re-)settle	*Family choices* • Organizational – family boundaries need to be evaluated with a view to social obligation and individual expectations
Job design	• Job challenge • Ability to use new global capabilities	*Job design choices* • No reduced responsibility and autonomy
Training and development	• Systematic development of professional skills • Systematic development of personal skills • Systematic development of leadership skills • Repatriation seminars on the emotional response • Financial and tax counseling, advice and help for time after return/next move	*Training and development choices* • Use of professional skills in next position • Use of personal skills in next position • Use of leadership skills in next position
Rewards	• Rewards for developing an international perspective • Rewards for developing a worldwide network • Rewards for developing global skills, abilities and knowledge • For repatriates: tie-over pay	*Reward choices* • Extrinsic and intrinsic reward system that values international experience, learning and networks in the long-term
Global careers	• Re-entry planning • Career advancement and further opportunities • Mentor system/International work sponsor system	*Career choices* • Long-term career planning • International experience is also symbolically valued as career capital

Source: Table based on Dickmann and Baruch, 2011, pp.194–195, own further developments.

why and whom in the next location while organizations should develop mechanisms and activities to further the application of career capital (Dickmann and Doherty, 2010).

Job design. Repatriates often look for jobs that give them challenge and meaningful work (Harris *et al.*, 2003). In terms of knowing why, the new position should not have reduced autonomy or responsibility lest it might demotivate individuals.

Training and development. Above we have alluded to pre-return conversations. More formal interventions could include repatriation seminars that explore emotional patterns and reverse culture shock issues. In addition, some of the administrative support that expatriates got on the way out may be extended to their return – for instance in the form of financial and tax counselling (Dowling *et al.*, 2008; Dickmann and Baruch, 2011). Moreover, developmental activities such as coaching could encourage the use of the acquired professional, personal and leadership capabilities of individuals in their next positions.

Rewards. In the short-term, tie-over pay can alleviate some of the financial pressures – or the perception of change from highly paid expatriate to 'normally' paid domestic professional – that repatriates may encounter (Dowling *et al.*, 2008). More importantly in the long run, however, would be that the incentive and reward systems in an organization could explicitly provide returns to individuals for developing international perspectives, networks and skills, abilities and knowledge. While many reward and performance management approaches provide implicit incentives through honouring improved performance, organizations could consider creating pay–back through visual 'fast-track' career paths or 'global knowledge expert' roles (e.g. see McKinsey, a consultancy firm). This may be linked to global careers but could also be associated with other endeavours such as special projects, professional achievements or ongoing study.

Global careers. A globally integrated, sophisticated career planning system can have beneficial effects (Dickmann and Baruch, 2011). However, this may not exist in many MNCs – therefore, re-entry planning would acquire special urgency and importance. In general, returning global careerists value having further progression opportunities and a job that seems to them meaningful in their career journey. International work sponsors can have an important role in that they can help the repatriate/exert pressure on the organization to encounter/provide an adequate job. Mentors and coaches are highly valued by repatriates (Dickmann and Baruch, 2011). Where global experience is highly symbolically valued by the organization, individuals are less likely to leave their employers (Doherty and Dickmann, 2009; Doherty and Dickmann, 2013b).

The data from Jokinen *et al.* (2008) indicates that self-initiated and assigned expatriates perceive that they are benefitting in all three areas of career capital when working abroad. A repeat study on the same population showed that eight years later global careerists do not only feel that all three ways of knowing have improved through their international work but that their intelligent career capital acquired abroad has actually been higher than originally thought (Dickmann, Suutari *et al.*, 2012). While there is some doubt whether repatriates always can use their acquired career capital immediately after return (Dickmann and Baruch, 2011) there seems to be a more positive development over time. It might be that organizations and individuals find better ways to use their global insights, networks and motivational patterns not in the immediate job after return but in subsequent positions.

Possible futures in global career management

This chapter has explored four key IHRM configurations of organizations and their impact on global career management, paths and opportunities. It has also investigated key organizational areas such as corporate branding and international resourcing that have a strong bearing on the

flow of global talent. In the second part we have discussed a broad array of organizational strategies, policies and practices to manage international mobility and global careers.

We have predominantly used the organizational perspective, enriched, at times, with an individual viewpoint. Moreover, in the latter part many research insights from the international mobility literature was used which concentrated on company-assigned or self-initiated expatriates. However, in terms of the wide array and predominance of global career patterns the landscape is changing.

Using an individual perspective, international careers are not only becoming more common but also more varied. Baruch *et al.* (2013) identify 20 different types of global careerists amongst which the ones we have discussed are merely the most common forms. Our knowledge of globetrotters or careerists in the service of the government or working for non-governmental, humanitarian organizations is limited. Moreover, the self-initiated patterns to work abroad are increasing (Andresen *et al.*, 2013) so that organizational career management and IHRM have to understand individuals' drivers, dreams, attitudes and behaviours far better than currently (Dickmann *et al.*, 2008). At the same time, advances in communication technology such as the rise of social media and the internet allow a different, more rapid and extensive, pattern of career capital acquisition in the areas of knowing how and whom. The increasing openness of countries and the tighter integration of most states into the global community may reduce (perceived) differences between the different cultures and national business systems. Issues such as cultural shock and adequacy of behaviour abroad will be affected and may be less daunting to many global careerists.

From the organizational perspective such developments – together with perceived demographic challenges, generational differences and a continued globalization – indicate the need for increased flexibility and innovation. Some organizations may develop more sophisticated ways to understand, communicate with and manage global talent in its many forms and with its many preferences. Others may go beyond this and while they 'read and lead' global careerists well they may think in terms of careers paths rather than global careers. These career paths are likely to be highly international but the mindset may be that it is expected of anybody who wants to hold a senior position to be globally mobile. It may also mean that a move from London to Paris would not be seen as different to one from Strasbourg to Paris. These corporations expect high individual proactivity and may not give extra administrative and financial support. This is a development that may increase in velocity given the financial crisis of the early 21st century, the lowering of boundaries to such international moves and the individual's ability to benefit in terms of career capital.

Lastly, nations and cities have entered the 'war for global talent' (Dickmann, 2013). For highly educated persons or individuals with special, sought-after skills states are lowering the entry barriers. In addition, cities have started to develop policies to attract and retain talented individuals (Dickmann and Cerdin, 2011). Singapore gives out scholarships for pupils and students, has created opportunities and public relations campaigns for citizens to return 'home' and has developed migration-friendly policies that maximize the attractiveness for foreign professionals, business people and corporations to locate within the state. The opportunities for global careerists seem ever-increasing.

References

Andresen, M., Al Ariss. A., and Walther, M. (2013). *Self-initiated Expatriation: Individual, Organizational and National Perspectives*, London: Routledge.

Arnett, J. (2002). 'The psychology of globalization', *American Psychologist*, 57(10): 774–783.

Arthur, M. B. (1994). 'The boundaryless career: A new perspective for organizational inquiry', *Journal of Organizational Behavior*, 15(4): 295.

Arthur, M. B., Claman, P. H., DeFillippi, R. J. and Adams, J. (1995). 'Intelligent enterprise, intelligent careers', *The Academy of Management Executive*, 9(4): 7.

Arthur, M., Hall, D. and Lawrence, B. (eds) (1989a). *Handbook of Career Theory*, Cambridge: Cambridge University Press.

Arthur, M., Khapova, S. and Wilderom, C. (2005). 'Career success in a boundaryless world', *Journal of Organizational Behavior*, 26(2): 177–202.

Backhaus, K. and Tikoo, S. (2004). 'Conceptualizing and researching employer branding', *Career Development International,* 9(4/5): 501–517.

Bartlett, C. and Ghoshal, S. (1989). *Managing Across Borders*, London: Hutchinson Business.

Baruch, Y. (2004a). 'Transforming careers: From linear to multidirectional career paths: Organizational and individual perspectives', *Career Development International*, 9(1): 58.

Baruch, Y. (2004b). *Managing Careers: Theory and Practice*, London: FT Prentice-Hall.

Baruch, Y. (2006). 'Career development in organizations and beyond: Balancing traditional and contemporary viewpoints', *Human Resource Management Review*, 16: 125–138.

Baruch, Y., Dickmann, M., Altman, Y. and Bournois, F. (2013). 'Exploring international work: Types and dimensions of global careers', *The International Journal of Human Resource Management*, 24(12): 2369–2393.

Bhaskar-Shrinivas, P., Harrison, D., Shaffer, M. and Luk, D. (2005). 'Input-based and time-based models of international adjustment: Meta-analytic evidence and theoretical extensions', *Academy of Management Journal*, 48(2): 257–281.

Black, J. S., Gregersen, H. B. and Mendenhall, M. E. (1992). 'Towards a theoretical framework of repatriation adjustment', *Journal of International Business Studies,* 23(4): 737–760.

Black, J. S., Gregersen, H. B., Mendenhall, M. E. and Stroh, L. K. (1999). *Globalizing People through International Assignments*, Reading, MA: Addison-Wesley.

Bonache, J. and Dickmann, M. (2008) 'Transfer of Strategic HR know-how in MNCs: Mechanisms, barriers and initiatives', in M. Dickmann, C. Brewster and P. Sparrow (eds) *International Human Resource Management: A European Perspective*, London: Routledge.

Briscoe, D., Schuler, R. and Claus, L. (2009). *International Human Resource Management: Policies and Practices for Multinational Enterprises* (3rd edn), London: Routledge.

Brookfield Global Relocation Survey (2012). *Global Relocation Trends: 2012 Survey Report*, Woodridge, Illinois, USA.

Caligiuri, P. (2012). *Cultural Agility: Building a Pipeline of Successful Global Professionals*, San Francisco: Jossey-Bass.

Collings, D. and Scullion, H. (2006). 'Approaches to international staffing', in H. Scullion and D. Collings (eds), *Global Staffing*, London: Routledge, pp. 17–38.

The Concise Oxford Dictionary. (1995) 'Border' (9th edn, p. 149). Oxford: Oxford University Press.

Conway, N. and Briner, R. (2005). *Understanding Psychological Contracts at Work*, Oxford: Oxford University Press.

Dickmann, M. (1999). 'Balancing global, parent and local influences: International human resource management of German multinational companies', unpublished thesis, Birkbeck College, University of London.

Dickmann, M. (2013). 'Why do they come to London? Exploring the motivations of expatriates to work in the British capital', *Journal of Management Development*, 31(8): 783–800.

Dickmann, M. and Harris, H. (2005). 'Developing career capital for global careers: The role of international assignments', *Journal of World Business*, 40(4): 399–408.

Dickmann, M. and Müller-Camen, M. (2006) 'A Typology of international human resource management strategies and processes', *International Journal of Human Resource Management*, 17(4): 580–601.

Dickmann, M. and Doherty, N. (2010). 'Exploring organisational and individual career goals, interactions and outcomes of international assignments', *Thunderbird International Review*, 52(4): 313–324.

Dickmann, M. and Baruch, Y. (2011). *Global Careers*, London: Routledge.

Dickmann, M. and Cerdin, J.-L. (2011). 'Bounded and unbounded careers: assessing attraction factors of locals and foreigners to live in Singapore', Paper presented at 27th *EGOS* Colloquium, Gothenburg, July 6–9.

Dickmann, M. and Debner, C. (2011). 'International mobility at work: companies' structural, remuneration and risk considerations', in M. Dickmann and Y. Baruch, *Global Careers* (pp. 268–293), London, Routledge.

Dickmann, M., Doherty, N., Mills, T. and Brewster, C. (2008). 'Why do they go? Individual and corporate perspectives on the factors influencing the decision to accept an international assignment', *The International Journal of Human Resource Management*, 19(4): 731–751.

Dickmann, M., Parry, E., Emmens, B. and Williamson, C. (2010). *Engaging Tomorrow's Global Humanitarian Leaders Today*, Report for ELHRA (Enhancing Learning and Research for Humanitarian Assistance), London: People in Aid and Cranfield University.

Dickmann, M., Suutari, V., Brewster, C., Tanskanen, J., Tornikoski, C. and Mäkelä, L. (2012). 'Career capital development of assigned and self-initiated expatriates – long-term perceptions', *EAISM Workshop* on New Analyses of Expatriation, Paris, 13–14 December 2012.

Doherty, N. and Dickmann, M. (2009). 'Exploring the symbolic capital of international assignments', *The International Journal of Human Resource Management*, 20(2): 301–320.

Doherty, N. and Dickmann, M. (2012). 'Measuring the return on investment in international assignments: an action research approach', *The International Journal of Human Resource Management,* 23(16): 3434–3454.

Doherty, N. and Dickmann, M. (2013a). 'Self-initiated and assigned expatriates: Talent management and career considerations', in V. Vaiman and A. Haslberger (eds), *Managing Talent of Self-initiated Expatriates: A Neglected Source of the Global Talent Flow*. London: Palgrave Macmillan.

Doherty, N. and Dickmann, M. (2013b). 'Self-initiated expatriation: Drivers, employment experience and career outcomes', in M. Andresen, A. Al Ariss. and M. Walther, *Self-initiated Expatriation: Individual, Organizational and National Perspectives* (pp. 122–142), London: Routledge.

Doherty, N., Dickmann, M. and Mills, T. (2011). 'Exploring the motives of company-backed and self-initiated expatriates', *The International Journal of Human Resource Management*, 22(3): 595–611.

Dowling, P., Festing, M. and Engle, A. (2008). *International Human Resource Management* (5th edn), London: Thomson.

Edström, A. and Galbraith, J. R. (1977). 'Transfer of managers as a coordination and control strategy in multinational organizations', *Administrative Science Quarterly,* 22(2): 248–63.

Evans, P., Pucik, V. and Barsoux, J.-L. (2002). *The Global Challenge: Frameworks for International Human Resource Management*, New York: McGraw-Hill.

Evans, P., Pucik, V. and Björkman, I. (2011). *The Global Challenge: International Human Resource Management* (2nd edn), New York: McGraw-Hill.

Granovetter, M. (1974). *Getting a Job: A Study of Contracts and Careers*, Cambridge: MA: Harvard University Press.

Hall, D. T. (1976). *Careers in Organisations*, Pacific Palisades, CA: Goodyear Publications.

Hall, D. T. (1996). 'Protean careers of the 21st century', *The Academy of Management Executive*, 10(4): 8.

Harris, H. and Brewster, C. (1999). 'The coffee-machine system: How international selection really works', *International Journal of Human Resource Management*, 10(3): 488–500.

Harris, H., Brewster, C. and Sparrow, P. (2003). *International Human Resource Management*, London: Routledge.

Haslberger, A. (2008). 'Expatriate adjustment: A more nuanced view', in M. Dickmann, C. Brewster and P. Sparrow (eds) *International Human Resource Management – A European Perspective*, London: Routledge.

Hechanova, R., Beehr, T. A. and Christiansen, N. D. (2003). 'Antecedents and consequences of employees' adjustment to overseas assignment: A meta-analytic review', *Applied Psychology*, 52(2): 213–236.

Hennan, D. A. and Perlmutter, H. V. (1979). *Multinational Organizational Development*, Reading, MA: Addison-Wesley.

Huang, T. J., Chi, S. H. and Lawler, J. S. (2005). 'The relationship between expatriates' personality traits and their adjustment to international assignments', *The International Journal of Human Resource Management*, 16(9): 1656–1670.

Inkson, K. and Arthur, M. (2001). 'How to be a successful career capitalist', *Organizational Dynamics*, 30: 48–60.

Jokinen, T., Brewster, C. and Suutari, V. (2008). 'Career capital during international work experiences: contrasting self-initiated expatriate experiences and assignees expatriation', *The International Journal of Human Resource Management*, 19(6): 979–998.

Larsen, H. H. (2004). 'Global career as dual dependency between the organisation and the individual', *The Journal of Management Development*, 23(9): 860–869.

Lazarova, M. and Caligiuri, P. (2001). 'Retaining repatriates: The role of organization support practices', *Journal of World Business*, 36(4), 389–401.

Lazarova, M. and Cerdin, J.-L. (2007). 'Revisiting repatriates concerns: Organizational support vs career and contextual influences', *Journal of International Business Studies*, 38: 404–429.

Leung, K., Zhu, Y. and Ge, C. (2009). 'Compensation disparity between locals and expatriates: Moderating the effects of perceived injustice in foreign multinationals in China', *Journal of World Business*, 44(1): 85.

Lips-Wiersma, M. and Hall, D. T. (2007). 'Organizational career development is not dead: A case study on managing the new career during organizational change', *Journal of Organizational Behavior*, 28: 771–792.

MacLuhan, M. (1960). *Explorations in Communication*, Boston, MA: Beacon-Press.

Martin, G. (2010). 'An integrative review of employer branding and OB theory', *Personnel Review*, 39(1): 5–23.

McDonnell, A. and Collings, D. (2011). 'The identification and evaluation of talent in MNEs', in H. Scullion and D. Collings (eds), *Global Talent Management* (pp. 56–73), London: Routledge.

Mendenhall, M., Dunbar, E. and Oddou, G. (1987). 'Expatriate selection, training and career-pathing: A review and critique', *Human Resource Management*, 26: 338.

Mendenhall, M., Osland, J., Bird, A., Oddou, G. and Maznevski, M. (eds) (2008). *Global Leaderhip: Research, Practice and Development*, London: Routledge.

Moore, K. and Lewis, D. (1999). *Birth of the Multinational*, Copenhagen: Copenhagen Business Press.

Oberg, K. (1960) 'Cultural shock: Adjustment to new cultural environments', *Practical Anthropology*', July–August: 177–182.

Osland, J., Bird, A., Mendenhall, M. and Osland, A. (2006). 'Developing global leadership capabilities and global mindset: A review', in G. Stahl and I. Bjorkman (eds), *Handbook of Research in International Human Resource Management*, Cheltenham: Edward Elgar.

Parker, P., Khapova, S. and Arthur, M. (2009). 'The intelligent career framework as a basis for inter-disciplinary inquiry', *Journal of Vocational Behavior*, 75(3): 291–302.

Perlmutter, H. (1969) 'The tortuous evolution of the multinational corporation', *Columbia Journal of World Business*, 4(1): 9–18.

Point, S. and Dickmann, M. (2012). 'Branding international careers: An analysis of multinational corporations' official wording', *European Management Journal*, 30(1): 18–31.

Prahalad, C. K. and Doz, Y. (1987). *The Multinational Mission: Balancing Local Demands and Global Vision*, New York: The Free Press.

Richardson, J. and Mallon, M. (2005). 'Careers interrupted? The case of the self-directed expatriate', *Journal of World Business*, 40(4): 409–420.

Scullion, H. and Collings, D. (eds) (2006). *Global Staffing*, London: Routledge.

Sullivan, S. and Baruch, Y. (2009). 'Advances in career theory and research: A critical review and agenda for future exploration', *Journal of Management*, 35(6): 1542–1571.

Sullivan, S. E., Forret, M. L., Mainiero, L. A. and Terjesen, S. (2007). 'What motivates entrepreneurs? An exploratory study of the kaleidoscope career model and entrepreneurship', *Journal of Applied Management and Entrepreneurship*, 12(4): 4.

Suutari, V. and Taka, M. (2004). 'Career anchors of managers with global careers', *Journal of Management Development*, 23(9): 833–847.

Taillieu, T. (1992). 'International career directions of young European graduates', *European Management Journal*, 10(2): 255–263.

Templer, K. J. (2010). 'Personal attributes of expatriate managers, subordinate ethnocentrism, and expatriate success: a host-country perspective', *The International Journal of Human Resource Management*, 21(10): 1754.

Tharenou, P. (2003). 'The initial development of receptivity to working abroad: self-initiated international work opportunities in young graduate employees', *Journal of Occupational and Organizational Psychology*, 76: 489–515.

Toh, S. M. and DeNisi, A. S. (2007). 'Host country nationals as socializing agents: a social identity approach', *Journal of Organizational Behavior*, 28(3): 281–301.

Vaiman, V. and Haslberger, A. (eds) (2013). *Managing Talent of Self-initiated Expatriates: A Neglected Source of the Global Talent Flow*, London: Palgrave Macmillan.

Vance, C. M., Vaiman, V. and Andersen, T. (2009). 'The vital liaison role of host country nationals in MNC knowledge management', *Human Resource Management*, 48(4): 649–659.

Winter, S., Saunders, C. and Hart, P. (2003). 'Electronic window-dressing: Impression management on websites', *European Journal of Information Systems,* 12(4): 309–325.

31

IHRM's role in managing global teams

Jennifer L. Gibbs and Maggie Boyraz

Introduction

The use of global teams by multinational corporations as a strategic human resource solution is growing (Caligiuri, Lepak, & Bonache, 2010). Global teams are formed across geographical, temporal, and cultural boundaries to tap into human resource pools distributed around the globe, with the goal of enhancing organizational innovation and performance by targeting expertise regardless of location, integrating diverse knowledge from various parts of the organization, achieving greater efficiency through around-the-clock work across time zones, and lowering costs of access to local markets and customers without the need to travel (Carmel, 1999; Gluesing & Gibson, 2004). In addition, the exchange of diverse viewpoints and perspectives among global team members offers benefits not just to individuals but to team and organizational performance in terms of higher quality outcomes and solutions (Cummings, 2004; Stahl, Mäkelä, Zander, & Maznevski, 2010).

While global teams offer great promise in coordinating work on an international scale, they are also fraught with challenges in collaboration (Cordery, Soo, Kirkman, Rosen, & Mathieu, 2009), communication, and knowledge sharing across cultures and time zones (Gibson & Gibbs, 2006; Sole & Edmondson, 2002). Over the past decade, research has identified a number of challenges in managing global teams, as well as several interpersonal mechanisms that may help to overcome such challenges and enable global teams to operate effectively. This chapter starts with a definition of global teams and then reviews major research findings, including challenges due to virtuality and cultural diversity and ways of managing them, key debates and trends in the research, and recommendations for international human resource management (IHRM) practitioners for effective global team management.

Defining global teams

A review of the past decade of literature reveals that the study of global teams often overlaps with the study of multinational teams, multicultural teams, virtual teams, and distributed teams. In defining global teams, it is important to distinguish them from these other related phenomena.

While the work on multinational and multicultural teams tends to highlight interaction among members from different nations or cultures (Arman & Adair, 2012; Connaughton & Shuffler, 2007; Earley & Gibson, 2002; Stahl, Maznevski, Voigt, & Jonsen, 2009), the work on virtual and distributed teams emphasizes interaction among members across time and space (Cummings & Haas, 2011; Kirkman & Mathieu, 2005; Martins, Gilson, & Maynard, 2004). There is a further body of research on computer-mediated groups and teams that examines the role of collaborative technology ingroup interaction (Hollingshead & Contractor, 2006; Hollingshead & McGrath, 1995). While these diverse literatures remain largely separate due to both the focus of study and the dominant methodological approaches used – the streams on multicultural and computer-mediated groups tend to be largely experimental while the multinational and virtual/distributed teams literatures often draw on field studies – they are all relevant in understanding key issues faced in global teams.

Global teams are both multinational/multicultural and virtual/distributed, as they span multiple countries, cultures, geographical locations and time zones. Global team members may have some face-to-face (FtF) interaction, but they are largely dependent on electronic forms of communication and thus heavily mediated by technology. They are virtual in that they are geographically distributed and reliant on computer-mediated communication (CMC), but they are distinguished from other types of virtual teams that are located within a single nation or composed of a single nationality. Global teams are often defined as performing a global task as well; for instance, Maznevski and Chudoba (2000) define global virtual teams as groups that are (a) identified by their organization(s) and the team members themselves as a team, (b) responsible for making and/or implementing decisions important to the organization's global strategy, (c) using communication technologies significantly more than FtF communication, and (d) distributed across different countries (p. 474). We now review challenges facing global teams and ways to manage these challenges identified by the research.

Managing virtuality and cultural diversity in global teams

Global teams face greater complexity than traditional teams in terms of their tasks, embeddedness in multiple geographical contexts, diverse backgrounds of members, operation across time zones and use of communication technology (Gluesing & Gibson, 2004) and this has implications for team processes and outcomes. We start this section with a review of key challenges faced by global teams, and then discuss ways of managing virtuality and cultural diversity as identified by the literature.

Global team challenges

The literature has identified a number of communication challenges associated with team virtuality. The reduced physical and nonverbal cues available in geographically distributed, techno-logically mediated teamwork have been found to create challenges such as faulty attributions of others and difficulty sharing knowledge across various contexts (Armstrong & Cole, 2002; Olson & Olson, 2000). The distribution of members across time, space, and multiple teams creates challenges in managing time and attention amidst multiple commitments, and this may create stress for team members. Finally, cultural diversity is likely to create faultlines and conflict among team members from different countries and cultures due to differences in values, attitudes, behavior, and broader institutional environments.

First, geographical separation and its reduced physical cues may contribute to team members' lack of "mutual knowledge" about each other's situations and lead to *faulty attributions* about

remote team members (Cramton, 2001). Distributed team members have been found to be more likely to make negative attributions about distant colleagues because of limited cues and lack of situational awareness of their work contexts (Bazarova & Walther, 2009; Cramton, 2001; Cramton, Orvis, & Wilson, 2007). Global team members are more likely to make dispositional rather than situational attributions about dispersed team members, since they have less knowledge of remote co-workers' local contexts and work constraints and are more likely to attribute the deficiencies of distant colleagues to internal, personal traits while attributing their own shortcomings to external, situational factors. This tendency not to give the benefit of the doubt to distant team members may reduce trust and increase conflict.

Second, global team members often face great challenges *sharing knowledge* across geographical boundaries. Working at a distance, team members often have fewer opportunities for serendipitous and informal encounters that play an important role in sharing knowledge, especially tacit knowledge. Moreover, team members are often members of multiple teams, which may result in unequal levels of commitment to contribute and share knowledge and expertise. Situated knowledge that is embedded in local contexts (such as knowledge of local holidays and working conditions) is more difficult to share in distributed teams as it is often taken for granted (Sole & Edmondson, 2002). Especially when dispersed team members need knowledge situated at a remote site, it may be difficult to grasp the local situation and access the point of view of the local team member.

A third key challenge faced by global teams is *managing time and attention*. While tools such as email, instant messaging (IM), and social media may facilitate communication across time zones and allow for dispersed team members to respond at their convenience, excessive use of email and other collaborative technologies may also create information overload that results in enormous stress (Barley, Meyerson, & Grodal, 2011; Nurmi, 2011), interruptions and distractions from work tasks (Gibbs, Rozaidi, & Eisenberg, 2013), and consequences to well-being (Glazer, Kozusznik, & Shargo, 2012). In addition to time zone differences among team members, multi-team membership also elicits challenges in time allocation across multiple teams that may make it difficult for members to maintain focus and attention to particular tasks. Cummings and Haas (2011) studied the antecedents and consequences of member time allocation through a survey of 285 teams in a large global corporation, focusing on the proportion of time allocated to the focal team and the number of other teams to which team members allocated time concurrently. They found that team performance was higher for teams whose members allocated more time to their focal team. Surprisingly, it was also higher for teams whose members allocated time to a greater number of other teams concurrently. Further, more dispersed teams attained greater benefits from allocating more time to the focal team, while less dispersed teams achieved greater benefits from allocating time to a greater number of teams.

Finally, global teams face challenges due to *cultural differences* of team members. Scholars such as Hall (1976), Hofstede (2001), and Kluckhohn and Strodtbeck (1961) have identified cultural taxonomies explaining cultural differences such as individualism-collectivism, low-high context, and time orientation that have been influential in research on multinational teams (MNTs). For instance, Arman and Adair (2012) focus on the impacts of time orientation in MNTs and advance several propositions explaining the influence of present vs. future time orientation and monochronic vs. polychronic time orientation on MNT effectiveness. This may be problematic in global teams in which members have different cultural orientations to time. Further, cultural differences are likely to create faultlines or rifts within global teams (Cramton & Hinds, 2005; Earley & Mosakowski, 2000; Gibson & Vermeulen, 2003; Lau & Murnighan, 1998). The existence of cultural or geographical subgroups in global teams is likely to activate social categorization processes in the form of in-group/out-group distinctions (Cramton, 2001;

Cramton & Hinds; O'Leary & Mortensen, 2010) that can lead to team conflict and biased information sharing, as they trigger in-group favoritism and out-group discrimination (Yilmaz & Peña, 2014). Hinds, Neeley and Cramton (in press) found that power contests around language increase the likelihood of faultlines becoming salient and causing negative emotional reactions in global teams. Communication effectiveness in global teams is likely to be hindered by both surface-level (overt demographic features such as age, gender, ethnicity, or nationality) diversity as well as deep-level (personality, cultural values and attitudes) diversity (Stahl *et al.*, 2009). Stahl *et al.* find that both types of diversity may provide benefits to creativity through heterogeneity in knowledge, ideas, and approaches to decision-making, but such diversity may also result in conflict that is detrimental to global team processes and outcomes (Mannix, Griffith, & Neale, 2002; Mattarelli & Tagliaventi, 2010).

Managing virtuality and cultural diversity in global teams

Mechanisms for managing virtuality

Scholars have identified several mechanisms for managing the challenges of virtuality in global teams, recognizing that structural features of global teams are not necessarily barriers if certain interpersonal processes are in place. Some of these mechanisms are transactive memory systems (TMS), perceived proximity, psychologically safe communication climate (PSCC), identification and trust.

TMS. Scholars are beginning to examine global teams as networked forms of organizing. TMS are one mechanism found to facilitate knowledge sharing in global virtual teams (Oshri, Van Fenema, & Kotlarsky, 2008; Yoo & Kanawattanachai, 2001). A TMS refers to the structure and sharing of knowledge resources within a team (Wegner, 1987). When teams have an effective TMS, all members possess unique and useful knowledge as well as accurate and commonly shared maps of how knowledge is distributed within the team, and they participate in sharing their knowledge and acquiring knowledge of others; this is more efficient in providing access to a large pool of collective knowledge resources while reducing redundancy and the need for each member to know everything (Fulk, Monge, & Hollingshead, 2005). Maynard, Mathieu, Rapp, and Gilson (2012) assert that TMS help to understand, align, and utilize expertise of globally distributed team members. While a TMS often develops implicitly and is thus more difficult to develop in globally distributed teams in which remote members are less aware of each other's expertise, Intranets and other electronic knowledge repositories can enable such knowledge sharing (Fulk *et al.*; Su, 2012).

Perceived proximity. Another mechanism that has been found to help mitigate the discontinuities of virtuality is perceived proximity. Wilson, O'Leary, Metiu and Jett (2008) define perceived proximity as a dyadic construct that reflects an individual's perception of psychological closeness to other virtual co-workers. This concept broadens the theoretical understanding of proximity from objective measures of distance to subjective perceptions. Their model proposes that perceptions of proximity are influenced by the degree of communication and social identification, in particular. Understanding what leads to perceived proximity can help manage virtuality as perceived proximity offers the benefits of co-location without actually having employees work in one place. O'Leary, Wilson and Metiu (2012) build on Wilson *et al.* and present new validated measures of perceived proximity. They compare how both perceived proximity and objective distance affect relationship outcomes between geographically dispersed work colleagues. O'Leary *et al.*'s most important finding is that it is the symbolic meaning of proximity, rather than physical proximity itself, that affects relationship outcomes. They also

find that the way sense of proximity is symbolically constructed mediates the effects of communication and identity on relationship outcomes.

Psychologically safe communication climate (PSCC). Other interpersonal processes have been found to help manage relationships at a distance. Gibson and Gibbs (2006) found that a PSCC mitigates the negative effects of virtuality on team innovation. Such a communication climate is characterized by members' willingness to speak up, provide unsolicited information, bridge differences by being open to different views and perspectives, and take interpersonal risks (Edmondson, 1999). Gibson and Gibbs found that virtual teams with a PSCC engaged in more open and spontaneous communication and knowledge sharing, which led them to be more innovative. PSCC has also been found to help task conflict become positive for team members through the sharing of divergent perspectives and surfacing of new ideas and solutions (Bradley, Klotz, Postlethwaite, Hamdani, & Brown, 2012).

Identification. Another "coupling" mechanism for integrating global teams (Gibbs, 2006) is team identification. Identification has been defined as a sense of oneness or belonging to a social group (Ashforth & Mael, 1989), and organizational identification occurs when an individual incorporates the organization (or team) into one's self-concept and internalizes organizational values and goals (Ashforth, Harrison, & Corley, 2008). Identification has been regarded as especially critical in virtual work settings as it facilitates coordination and control of remote employees, which is otherwise difficult due to the lack of direct monitoring and FtF interaction (Fiol & O'Connor, 2005; Sivunen, 2006; Wiesenfeld, Raghuram, & Garud, 1999). A shared team identity has been associated with reduced conflict in virtual teams (Mortensen & Hinds, 2001), and identification has also been found to mitigate the negative effects of virtuality (specifically lack of copresence) on psychological states of virtual workers, helping them derive more meaning from their work (Gibson, Gibbs, Stanko, Tesluk, & Cohen, 2011).

Trust. Similar to identification, trust is also seen to function as an informal control mechanism that is more effective than formal monitoring or authority status in post-bureaucratic organizations employing decentralized virtual teams (Handy, 1995; Murphy, 2004). Trust has been found to be a key factor characterizing successful global teams (Goodbody, 2005; Jarvenpaa & Leidner, 1999; Jarvenpaa, Shaw, & Staples, 2004), as it improves the efficiency and quality of virtual team projects (Edwards & Sridhar, 2005), increases collaboration (Hossain & Wigand, 2004), creates a safe environment (Gluesing & Gibson, 2004), and improves productivity (Govindarajan & Gupta, 2001).

IHRM practitioners can engage in practices to actively foster organizational culture and climate in order to facilitate TMS, perceived proximity, PSCC, identification, trust, and other collaborative behavior within global teams. Site visits and other FtF meetings can facilitate relationship formation (Hinds & Cramton, in press) and help to create perceptions of proximity (Wilson *et al.*, 2008), identification, and trust (Handy, 1995). IHRM professionals can also ensure that knowledge management technologies such as wikis, discussion boards, and enterprise social media (ESM) are available and supported for team members to use to exchange ideas and solve problems remotely, and to document and share knowledge. Such tools can provide virtual spaces or "virtual water coolers" (Erickson, 2013), which have been found to be important for global team effectiveness (Filev, 2013). IHRM practitioners can facilitate the creation of such spaces by promoting implementation of ESM platforms where employees can share both task and social information safely (Gibbs, Eisenberg, Rozaidi, & Griaznova, in press). ESM and other collaborative technologies have been found to help overcome knowledge sharing challenges related to lack of context awareness through features such as status updates that enable quick, lightweight sharing of contextual information – e.g., local weather conditions or holidays – that is often taken for granted in distributed teams (Ellison, Gibbs, & Weber, in press). ESM may

also play a role in encouraging spontaneous, informal communication beyond formal meetings, which has been emphasized as important for team innovation and cohesion (Gibson & Gibbs, 2006; Jarvenpaa & Leidner, 1999). ESM may help build interpersonal processes of TMS, identification, trust, PSCC and perceived proximity through providing social capital, context awareness, and identity information (Ellison *et al.*, in press).

Mechanisms for managing cultural diversity

While some employees are able to collaborate with colleagues from different backgrounds and cultures successfully, others fail. The rate of expatriate failure is under ongoing debate (Lee, 2007) but Black and Gregersen (1999) have estimated that about half of all expatriates are ineffective. Many expatriates, for instance, request early transfers back to their home country because they were not satisfied with their relationships in the host country. Dissatisfaction may also arise when team members are assigned to work virtually with others in different locations and from different national or functional cultures. Because of the attribution processes described above and due to increasing cosmopolitanism of the business world, it may be easy for managers and team members to assume that remote collaborators will act and communicate similarly to local employees, when in fact they do not. Researchers and practitioners alike have attempted to explain cultural differences and provide recommendations to global team leaders and members, especially those who are geographically distributed and collaborate in diverse teams on multiple projects utilizing CMC.

Cultural intelligence (CQ), global mindset, and cultural agility

Several mechanisms have been proposed for managing cultural diversity. Some researchers claim that developing cultural intelligence (CQ) will make leaders more successful in cross-cultural collaboration (Ang, Van Dyne, & Koh, 2006; Earley & Ang, 2003; Earley, Murnieks, & Mosakowski, 2007); others contend that they need to build a global mindset (Bowen & Inkpen, 2009; Boyacigiller, Beechler, Taylor, & Levy, 2004; Govindarajan & Gupta, 2001; Levy, Beechler, & Taylor, & Boyacigiller, 2007) or cultural agility (Caligiuri, 2012). These related concepts rest on the common assumption that having experience and interaction with individuals from different cultural backgrounds is essential in learning to build this meta-skillset enabling individuals to effectively collaborate across cultures (Caligiuri; Caligiuri & Tarique, 2009; Tung, 1987). Scholars (e.g., Levy *et al.*, 2007) have recognized that these terms are inter-related and have encouraged exploring relationships between global mindset and related terms such as CQ.

Caligiuri (2012) describes cultural agility as related to the notion of physical agility; it is a meta-competency that enables professionals to be more flexible and perform successfully in cross-cultural situations involving unfamiliar cultural norms. CQ is a related concept that is regarded as a cognitive ability, similar to the notions of IQ or emotional intelligence (EQ) (Goleman, 1998). Thomas *et al.* (2008) define cultural intelligence as a system of knowledge and skills, linked by cultural meta-cognition, which allows people to adapt to, select, and shape the cultural aspects of their environment. In a sense, CQ is the ability to learn from experiences and adapt to new people and situations, unknown behaviors, norms and communication styles. Global mindset, on the other hand, is a broader concept. It is a meta-capability that permits an individual to function in new and unknown situations and to integrate this new understanding with other existing skills and knowledge (Boyacigiller *et al.*, 2004). According to Boyacigiller *et al.*, global mindset has two main features: cosmopolitan orientation and cognitive complexity. Those with greater cosmopolitan orientation exhibit external world orientation and curiosity to know more

about others who are different. Cognitive complexity is the capacity to handle uncertainty, contradictions, ambiguities and trade-offs (Boyacigiller *et al.*, 2004). Kefalas (1998) suggests that individuals with a global mindset are better able to understand diverse cultural viewpoints and consequently develop strategies to fit in to local environments.

These concepts – cultural intelligence, global mindset and cultural agility – have each been extensively studied in terms of leadership, but they have yet to be applied to team-level processes. For instance, Caligiuri (2012) regards cultural agility as a necessary skill of global business professionals. These professionals are usually CEOs and top managers responsible for more strategic organizational functions, who generally get more customized training, coaching, and development, rather than lower level virtual team members. Similarly, global mindset has been regarded as necessary for global managers, but not necessarily other types of global employees (Boyacigiller *et al.*, 2004). Expanding these concepts to all global team members is a potential avenue for future research on global teams (Zander, Mockaitis, & Butler, 2012), as increasing the abilities of all team members to adapt to culturally different others may lead to positive team and organizational outcomes such as innovation and performance.

Key issues and debates

We will now review key issues and debates that characterize the literature and its development that have implications for IHRM.

Team virtuality

One source of contention within the virtual teams literature has been how virtuality is defined and measured. The research has moved away from notions of virtuality as singular, dichotomous, objective, and a focus on single team membership with top-down leadership to regard it as multidimensional, continuous, subjective, and characterized by multi-team membership and shared leadership. We describe these conceptual shifts and trends below.

Virtuality as multidimensional. Early research often used the term imprecisely to describe work arrangements that were geographically distributed, computer-mediated, structurally dynamic, or took place among diverse members. While these dimensions were often studied individually or left implicit in early research, there has been growing recognition that virtuality is a multidimensional construct. Although scholars do not always agree on what the key dimensions are, there have been growing attempts to capture multiple dimensions systematically in virtual teams research (Chudoba, Wynn, Lu, & Watson-Manheim, 2005; Gibson & Gibbs, 2006; Griffith, Sawyer, & Neale, 2003; Kirkman & Mathieu, 2005). For instance, Gibson and Gibbs examine four features of virtuality: geographical distribution, electronic dependence, national diversity, and dynamic structure. Chudoba *et al.* examine similar features but characterize them as discontinuities created by the three dimensions of team distribution, workplace mobility, and variety of work practices (including cultures).

Virtuality as a continuum. Another shift in conceptualization has occurred from viewing virtuality as a dichotomy or "on-off switch" between non-virtual and virtual to regarding it as a continuum ranging from low to high virtuality (Gibbs, Nekrassova, Grushina, & Abdul Wahab, 2008). While many early experimental studies of CMC groups and teams compared purely FtF and CMC conditions and their performance and process impacts (see Hollingshead & McGrath, 1995 for a review), scholars have expanded beyond such conditions to recognize that as new communication technologies have become highly incorporated into the workplace, very few

completely FtF or CMC teams exist in modern organizations. Researchers have begun to realize that most teams are not purely collocated or purely virtual (Griffith *et al.*, 2003; O'Leary & Mortensen, 2010). Rather, teams vary in the extent to which they are geographically distributed and reliant on CMC. While some virtual team members rely on email to communicate with other members on a different floor of the same building, global teams are highly virtual as they span national boundaries and are typically highly reliant on CMC to communicate, as well as being highly culturally diverse and structurally dynamic.

Virtuality as subjective. Finally, virtual teams scholars are starting to move away from objective measures of virtuality such as distance, time, proximity, or amount of FtF contact (e.g., Gibson & Gibbs, 2006; Griffith *et al.*, 2003; Kirkman, Rosen, Gibson, Tesluk, & McPherson, 2002; Kraut, Fussell, Brennan, & Siegal, 2002) to more subjective or perceptual measures of virtuality. Extensive research on social relationships has found that we feel close to those who are in close physical proximity to us (Festinger, 1951; Kiesler & Cummings, 2002). For instance, Kraut *et al.* used a decompositional framework that examines how visibility, copresence, mobility, contemporality and other affordances of media affect the important collaborative tasks of initiating conversation, establishing common ground, and maintaining awareness of potentially relevant changes in the collaborative environment. More recently, another school of thought has emerged, according to which people can develop feelings of proximity across spatial distance (Chayko, 2002, 2007). In line with this, more recent research has found that employees do not need to be physically close to successfully collaborate. As Wilson *et al.* (2008) argue, perceptions of proximity may be more impactful than objective measures of proximity, as often virtual workers may be far from one another yet feel psychologically close, while the opposite may be true for co-located workers in adjacent cubicles. Other recent studies have investigated the role played by technology in the interaction between objective and subjective distance (O'Leary & Cummings, 2007), used self-construal theory to examine how objective dimensions of distance lead to psychological distance that in turn affects virtual team interaction (Wilson, Crisp, & Mortensen, 2012), and examined perceptions or experiences of virtuality and the ways in which they influence psychological states of virtual workers (Gibson *et al.*, 2011).

Technology as challenge or asset. The role of technology use in global teams has been another contested topic. Much of the virtual teams literature has relied on the cues-filtered-out perspective (Culnan & Markus, 1987; Walther & Parks, 2002), which assumes that electronic communication is deficient compared to FtF because it conveys fewer nonverbal and socio-emotional cues. A long stream of experimental research on computer-mediated groups has explicitly compared purely CMC to purely FtF groups (Hollingshead & McGrath, 1995), finding that FtF groups typically outperform CMC groups. Although reanalyses of these early studies revealed that CMC groups performed as well as FtF groups when given additional time for relationship formation – leading to Walther's SIP theory and hyperpersonal perspectives (Walther, 1996) – the virtual teams research continues to rely on CMC theories such as Media Richness Theory that emphasize the limitations of CMC (e.g., Bell & Kozlowski, 2002; Hinds & Mortensen, 2005; Kirkman *et al.*, 2002; Klitmoller & Lauring, 2013; Purvanova & Bono, 2009).

Emerging research, however, finds that technology can fill the "holes" in virtual team interaction (Kurtzberg, 2014), as electronic resources such as Intranets and collaborative technologies can facilitate knowledge sharing in virtual teams (e.g., Fulk *et al.*, 2005; Su, 2012), and documents the positive role of ESM in enhancing collaboration in distributed work contexts (Burke, Marlow, & Lento, 2009; DiMicco, Millen, Geyer, Dugan, Brownholtz, & Muller, 2008; Gibbs *et al.*, in press). A scholarly shift has become evident from studying technology as deficient

due to its reduced cues to examining its affordances, or possibilities for action (Gibson, 1979), in particular distributed work contexts (Leonardi, 2011; Gibbs *et al.*, 2013). Future research should examine the affordances of various technologies for global teams more explicitly.

From single to multi-team membership. While much of the early virtual teams research focused on internal team processes and outcomes (Chudoba & Watson-Manheim, 2007), the recognition that many virtual team members work on multiple teams has spurred a focus on multi-team membership (Maynard *et al.*, 2012; O'Leary, Mortensen, & Woolley, 2011). For many employees, allocating their time to multiple projects appears to be the norm. Estimates suggest that between 65 percent (Zika-Viktorsson, Sundström, & Engwall, 2006) and 95 percent (Martin & Bal, 2006) of knowledge workers are on multiple teams simultaneously. Various researchers (e.g., Mathieu *et al.*, 2008; O'Leary *et al.*) acknowledge the existence of multiple team memberships (MTMs), but only a few empirical studies (Engwall & Jerbrant, 2003; Mortensen, Woolley, & O'Leary, 2007; Zika-Viktorsson *et al.*) have addressed the unique challenges faced by such team members. O'Leary *et al.*'s model describes the effects of the number and variety of MTMs, demonstrating the need to carefully balance the number and variety of team memberships in order to maximize organizational productivity and learning while keeping competing pressures on attention and information to a minimum.

Network scholars have also found that teams that engage in more internal and external knowledge sharing among members of structurally diverse work groups perform better, highlighting the need to examine the broader external networks beyond the team itself (Cummings, 2004), although having too many relationship ties outside the team may be counterproductive due to the greater time and effort required (Margolin, Ognyanova, Huang, Huang, & Contractor, 2012). Suh, Shin, Ahuja, and Kim (2011) also found that structural holes were beneficial for virtual teams because they increased the diversity of contacts and allowed team members to take advantage of their network positions. We see the study of multi-team membership and the external networks in which virtual teams are embedded as an exciting avenue for future research on global teams.

IHRM practitioners can help overcome challenges related to multi-team membership by providing formal recognition and award systems for teamwork. Such systems help to combat other demands on team members' time and attention and incentivize them to prioritize virtual teamwork. Further, IHRM specialists should consider how tasks and interdependence of teams are designed. For example, Maynard *et al.* (2012) demonstrate that the amount of time members should allocate to a focal team depends on the level of team interdependence, such that they devote more time to teams with greater interdependence. In less interdependent teams, members may be more productive working autonomously, and encouraging more frequent interactions may in fact be counterproductive for task accomplishment by leading to process loss and frustration. Since teams differ in their design and interdependence, they should be allowed relative freedom to allocate their time and attention as best warranted for the collective good. In addition, team members should be able to utilize collaborative planning tools and multiple means of coordination to enhance their ability to plan effectively, prioritize their goals, and develop alternative courses of action. With such processes in place, global teams should be better able to understand, align, and leverage their specialized expertise and improve effectiveness.

From top-down to shared leadership. Early research on virtual team leadership often focused on identifying competencies and functions of effective leaders (Bell & Kozlowski, 2002; Joshi, Lazarova, & Liao, 2009) and offered advice such as adopting appropriate leadership styles and strategies, establishing credibility, monitoring performance, and clearly defining vision and tasks (Connaughton & Daly, 2004; Kayworth & Leidner, 2001). As global teams operate as flattened, matrix or network forms of organizing, they are often decentralized, cross-functional, and

distributed and thus may not have a clear leader. For instance, Cordery *et al.* (2009) examined the use of parallel global virtual teams (pGVTs) at the chemical manufacturing company Alcoa Inc. to generate novel solutions to global and local problems and breakthrough innovations. The research is shifting to look at shared rather than top-down leadership, noting that the relative absence of formal hierarchical authority is a feature of global teams that distinguishes them from traditional organizational forms. According to Hoch & Dulebohn (2013), shared leadership is a team-level phenomenon in which multiple team members are engaged in leadership behaviors. While a cross-functional team may have a formally appointed leader, this individual is more commonly treated as a peer (Pearce, Manz, & Sims, 2009). The formal leader may often be at a knowledge disadvantage because the purpose of the cross-functional team is to bring diverse functional expertise and experience together, and the formal leader may therefore be dependent on the knowledge of other team members. Leadership in these cross-functional teams is not only impacted by positions of authority, but rather by individuals' knowledge and abilities to influence peers. In their study of 96 teams, Muethel, Gehrlein and Hoegl (2012) found a positive relationship between shared leadership and virtual team performance. Shared leadership has also been related to collaborative decision-making, knowledge sharing, and shared responsibility for outcomes, and team members have been found to be more likely to lead each other toward the achievement of goals (Day, Gronn, & Salas, 2004; Pearce & Conger, 2003). We see further investigation of the role of shared leadership as another important avenue for future global teams research and practice (Zander *et al.*, 2012).

IHRM professionals may play a role in encouraging shared leadership in global teams by providing training on this kind of leadership in the form of instructing team members about leadership behaviors and how to share them among the team and promoting these behaviors in team meetings through facilitation and observation of such meetings. They should also implement reward systems for global team members who emerge as leaders, providing incentives for individuals who serve as both formal and informal team coordinators and liaisons within the team and between teams. Rewarding such team members in addition to formal leaders may promote shared leadership and its resulting benefits of increased coordination, knowledge sharing, and relationship formation, and help to minimize the role of faultlines.

Cultural diversity

Global teams are often multicultural or multinational, composed of members representing multiple nationalities (Earley & Gibson, 2002). There are several debates and shifts in the ways in which cultural diversity has been defined and regarded in the literature. Culture plays an important role in global team collaboration because such teams are assembled to benefit from local and specialized knowledge dispersed around the globe (Connaughton & Daly, 2004) and many global team challenges result from cultural differences. The impacts of cultural diversity thus have important implications for IHRM. Two key debates involve culture as singular versus multidimensional, and cultural diversity as detriment or asset.

Culture as multidimensional

Traditional cultural variability approaches to classifying cultures according to taxonomies such as Hofstede's (2001), Hall's (1976), or Kluckhohn and Strodtbeck's (1961) have been quite influential to theory and practice, but their application to contemporary global teams is problematized due to the fact that members may come from a variety of cultures and may also have experience living in multiple cultures, such that they do not fit clearly into their country's

prototypical cultural profile. Further, the fact that global team members do not have to leave their own country to have daily encounters with team members from other countries complicates the traditional assumption that international sojourners and expatriates should adapt to the culture of their host country.

The cultural taxonomy approach (as exemplified by Hofstede's research), while still popular, has also come under critique for reifying and focusing exclusively on national culture differences (and ignoring the great deal of within-culture variation that exists), for selecting categories with a Western-centric bias, and for treating country as a proxy for culture (Ailon, 2008; Kirkman, Lowe, & Gibson, 2006). In global teams that are cross-functional and inter-organizational, other dimensions of difference may in fact be more salient such as functional (engineering versus sales/marketing) or organizational (different regional structures) culture (Connaughton & Shuffler, 2007; Gibbs, 2009a; Gibbs, 2009b). Much of the global teams research has focused on demographic, racial, national, or ethnic diversity, however (e.g., Lau & Murnighan, 1998). The fact that global teams are often highly diverse in multiple ways challenges the validity of using traditional measures of cultural diversity such as Blau's (1977) index, which captures one cultural dimension at a time and does not account for the simultaneous effects of multiple dimensions of culture such as national, functional, and organizational, and their interactions. Studies are starting to capture the complexity of culture in a more qualitative fashion (Gibbs, 2009a) and through more dynamic models of cultural adaptation that account for dialectical tensions that play out within and across nested social structures (Cramton & Hinds, in press; Gibbs, 2009b). Other new ways of capturing the fluidity and complexity of multiple dimensions of global team culture are needed as researchers push further in this arena.

Cultural diversity as challenge or asset

A final debate in the literature concerns the impacts of cultural diversity on team performance. This long-standing debate pre-dates the existence of global teams but has implications for their cultural composition and staffing. Research findings on the relationship between cultural diversity and performance have been equivocal and contradictory, with some studies finding positive effects and others negative effects. In their meta-analysis, Stahl *et al.* (2009) examined this research systematically and found no direct association between cultural diversity and team performance. They outline a number of moderators that may explain the mixed findings: creativity, conflict, communication effectiveness, satisfaction, and social integration. They also note that location (within or outside North America) and type of methodology (laboratory studies with student samples versus non-student field studies) also influenced the relationships found.

A review of the virtual and distributed teams literature concludes that the cultural dimension of virtual teams has been underexplored in empirical research (Stanko & Gibson, 2009) suggesting that more research is needed on cultural diversity in virtual teams, specifically. Stahl *et al.* (2009) did find that dispersed multicultural teams had less conflict and more social integration than co-located teams, speculating that members of such teams may either avoid engaging with cultural differences or they may be more aware of them and more adept at dealing with them (Stahl *et al.*). Some global teams researchers regard diversity as beneficial if it is managed properly (Earley & Mosakowski, 2000; Maznevski, 1994), while others recommend minimizing it by aiming for homogeneity in membership. For instance, Yuan and Gay (2006) argued that homophily is beneficial to distributed teams because more similar people have greater probability of network tie formation. Kossinets and Watts (2009) also emphasized the benefits of homophily, in that the ongoing cost of maintaining ties is lower between similar others, these ties last longer, and trust may be easier to establish. Others have similarly emphasized the positive role of cultural

similarity in cultivating labor and trade networks (Lincoln, Gerlach, & Takahashi, 1992; Mouw, 2003). The way in which diversity is regarded has implications for IHRM managers in terms of membership selection and team composition.

Implications for IHRM

Based on the above review, IHRM managers interested in improving global team effectiveness will need to attend to and overcome challenges related to virtuality such as faulty attributions, knowledge sharing across geographical contexts, managing time and attention, as well as challenges due to cultural differences of team members. Such managers may play a key role in helping train global team leaders and members in developing an effective TMS, and in developing communication practices that cultivate a sense of perceived proximity, PSCC, identification, and trust. Such processes have been found to help overcome challenges of virtuality and improve team member satisfaction and productivity. Further, global team managers should also consider the role that external networks and multi-team memberships have on team processes, beyond the internal "container" of the team.

Attracting global team leaders and team members with the important skills needed to manage cultural diversity – cultural agility, global mindset, and CQ – is an issue with significant implications for IHRM, not only for training and development but also for selection of team members. Although some studies (e.g., Yuan & Gay, 2006) suggest that making distributed teams more homogeneous will benefit their performance, reducing diversity may have drawbacks for team innovation, which is stimulated by the divergent thinking, diverse talent and local perspectives brought together in global teams. It may be more productive for global team leaders to find ways to reap the benefits of cultural diversity without allowing it to create rifts or faultlines within the team. One way of doing this is by breaking up cultural cliques to prevent strong subgroups from forming (Earley & Mosakowski, 2000; Gibson & Vermeulen, 2003). This can be done by organizing work arrangements and office configurations to increase cross-cultural interaction both within and across locations (Gibbs, 2006), rather than allowing for strong cultural subgroups to form that are aligned with geographical location, creating divisive rifts and negative attributions (Cramton & Hinds, 2005; Hinds et al., in press; Yilmaz & Peña, 2014). Further, global team managers must also be attuned to other sources of cultural difference beyond national culture that may also significantly impact team functioning, such as functional, organizational, or sociodemographic culture (Gibbs, 2009a; Hinds et al., in press).

Many recommendations identified by Black and Gregersen (1999) for expatriates are applicable to global team member selection. For instance, it may be desirable to select team members who enjoy working in teams and interacting with diverse others. In terms of recruiting for global assignments, Black and Gregersen suggest seeking employees who are both enthusiastic and extroverted in conversation and not afraid of new experiences. Identifying such employees may require ongoing employee assessment and IHRM staff and managerial collaboration. IHRM professionals may play an important role in team member retention and assessment of employee satisfaction. Training and retention of good global team members as well as designing motivational career paths for them is important for organizational knowledge sharing and creativity as well as performance.

IHRM may play a key role in ensuring global team members receive sufficient training or benefits (Briscoe, Schuler, & Tarique, 2011). To the extent possible, managers should standardize different HRM practices (such as selection, knowledge transfer training, employee development, rewards or mentoring) around the world (Caligiuri, 2014). It is also important to recognize that this may not always be possible, however. Global teams research has highlighted inequities among

team members from different countries that may not always be resolvable. Due to the fact that team members are embedded in different organizational structures and contexts, it may not be possible to standardize policies regarding salary, bonuses, or other benefits. Gibbs (2009b) identified several irresolvable tensions that produced feelings of inequity among temporary foreign assignees in a global software team involved in offshoring. First, they negotiated a tension between their "insider vs. outsider" status as customers treated them differently from their local, permanent counterparts by regarding them as outside contractors, excluding them from team meetings, training and other company benefits. A second tension occurred between "equitable vs. inequitable" treatment related to perceptions of the fairness of pay, awards, and benefits: when working on-shore on temporary assignments, foreign assignees often received much lower salaries and bonuses than their local counterparts (that were commensurate with their home country's pay structure) as well as differential treatment in terms of living conditions and other benefits than assignees from higher-cost labor centers. Due to the different economic conditions in each country, it was impossible for global team managers to develop one standardized policy, which resulted in perceptions of inequity and unfairness among assignees. IHRM managers should assist in the development of policies perceived as fair by all, while at the same time being aware of differing conditions that may preclude development of a single standardized policy.

Managing performance evaluations of global team members is also a huge challenge (Heller *et al.*, 2010). Managers should focus on evaluating group process, not just outcomes, even if it is more difficult to measure. "Creating objective performance appraisals against an organization's various scorecard dimensions enables managers to have a far more transparent understanding of the effectiveness of their virtual team and create more standardized methods of evaluating future virtual team performance" (p. 71). For example, it is recommended that supervisor evaluations be supplemented by modified 360 evaluations by gathering input from several stakeholders electronically (Kirkman *et al.*, 2002).

Beyond these, we find several other practical recommendations in the literature useful for managers responsible for global teams (Burke, Shuffler, Salas, & Gelfand, 2010; Walther & Bunz, 2005; Zander *et al.*, 2012) or global employees in general (Caligiuri, 2012; Caligiuri *et al.*, 2010). Global teams require special attention from higher-level managers to champion and oversee them. Proper selection, training and development, performance management of team members as well as compensation and benefits administration are necessary for global team member satisfaction and productivity. Providing rules and structure early in team development is another effective way to foster positive team outcomes. Walther and Bunz outline effective rules such as communicating frequently, setting deadlines and sticking to them, and explicitly acknowledging that one has read others' messages as ways of building trust in virtual teams. Early global teams research (e.g., Armstrong & Cole, 2002; Maznevski & Chudoba, 2000) often recommended that team members maximize FtF communication and work on building a rich common context for team members. Although it may not always be possible or practical to bring team members together given the high costs of travel, periodic site visits have been found to be quite valuable in fostering closer relationships among remote co-workers that are characterized by increased responsiveness, more frequent communication, and increased personal disclosure (Hinds & Cramton, in press). Boundary objects can also be used to constitute a symbolic common context and allow for effective collaboration among diverse groups of distributed engineers on product innovation and design (Barrett & Oborn, 2010). Finally, social media tools providing features such as status updates and activity streams are also becoming more prominent in distributed organizations as a means of establishing common ground and facilitating knowledge sharing in global work arrangements (Treem & Leonardi, 2012). Future research

should continue to explore the various mechanisms for increasing shared understanding among global team members and helping them collaborate more effectively.

Based on the preceding review of the global teams literature, we see the following areas as ripe for future research on global teams. First, technology use and cultural diversity have been researched largely separately, but their intersection provides a rich agenda for future research exploring how cultural differences are enacted through communication technologies. As mentioned earlier, research on teams may focus on different dimensions separately (i.e. geographic distribution or cultural diversity) but it rarely captures complex dimensions of global teams simultaneously (Connaughton & Shuffler, 2007). Leveraging global team diversity continues to be a big issue for global teams (Stahl *et al.*, 2009; Zander *et al.*, 2012). The role of language, power and status differences among global team members has also been under explored (Hinds *et al.*, in press). Some research questions to be further explored include: what qualities of interactions with people from different cultures make team members more satisfied with global team collaboration? How do highly effective or innovative teams deal with various cultural differences to achieve goals in collaboration? Under what conditions are cultural differences detrimental, and under which conditions are they conducive to creativity and innovation? How does culture impact ICT use? What are the moderators of team diversity and outcomes? What mix of ICTs are used by highly creative and effective global teams? How does ICT use (whether ESM, Sharepoint, wikis, etc.) contribute to knowledge sharing and subgroup formation in global teams? Which factors trigger subgroup formation in global teams (e.g., differences in language, culture, function, or geography)? How can participation among global team members be enhanced? How do people who are different and who think differently fit into teams and make the most creative, productive contribution? How can global team managers achieve fairness in perceptions of global team compensation and benefits?

In conclusion, global teams present an innovative and effective human resource management solution for multinational corporations, although their distinguishing features of virtuality and cultural diversity pose challenges to collaboration among distributed and diverse members. As notions of virtuality and cultural diversity continue to evolve, we encourage IHRM researchers and managers to develop more complex and fluid conceptualizations of global teams and the ways in which they relate to their external environments, as well as a better understanding of the interpersonal processes and cultural abilities that foster successful global teams with an eye to developing better policies for selection, retention, training, and development. It is our hope that this chapter provides some guidance in this regard for both researchers and practitioners.

References

Ailon, G. (2008) Mirror, mirror on the wall: Culture's consequences in a value test of its own design, *Academy of Management Review*, 33(4): 885–904.

Ang, S., Van Dyne, L., and Koh, C. (2006) Personality correlates of the four-factor model of cultural intelligence, *Group & Organization Management*, 31(1): 100–123.

Arman, G., and Adair, C. (2012) Cross-cultural differences in perception of time: Implications for multinational teams, *European Journal of Work and Organizational Psychology,* 21(5): 657–680.

Armstrong, D. J. and Cole, P. (2002) Managing distances and differences in geographically distributed work groups, in P. Hinds and S. Kiesler (eds.), *Distributed Work,* 167–186, Cambridge, MA: MIT Press.

Ashforth, B. and Mael, F. (1989) Social identity theory and the organization, *Academy of Management Review,* 14: 20–39.

Ashforth, B., Harrison, S. and Corley, K. (2008) Identification in organizations: An examination of four fundamental questions, *Journal of Management,* 34(3): 325–374.

Barley, S. R., Meyerson, D. E., and Grodal, S. (2011) E-mail as a source and symbol of stress, *Organization Science*, 22(4): 887–906.

Barrett, M. and Oborn, E. (2010) Boundary object use in cross-cultural software development teams, *Human Relations*, 63(8): 1199–1221.

Bazarova, N. N. and Walther, J. B. (2009) Attributions in virtual groups: distances and behavioral variations in computer-mediated discussions, *Small Group Research*, 40(2): 138–162.

Bell, B. S. and Kozlowski, S. W. J. (2002) A typology of virtual teams: implications for effective leadership, *Group & Organization Management,* 27: 14–49.

Black, J. S. and Gregersen, H. B. (1999) The right way to manage expats, *Harvard Business Review,* 77(2): 52–57.

Blau, P. M. (1977) *Inequality and Heterogeneity: A Primitive Theory of Social Structure*, New York, NY: The Free Press.

Bowen, D. E. and Inkpen, A. C. (2009) Exploring the role of "global mindset" in leading change in international contexts, *The Journal of Applied Behavioral Science*, 45(2): 239–260.

Boyacigiller, N., Beechler, S., Taylor, S., and Levy, O. (2004) The crucial yet elusive global mindset, in H. W. Lane, M. L. Maznevski, M. E. Mendenhall, and J. McNett (eds.), *Handbook of Global Management,* 81–93, Malden, MA: Blackwell.

Bradley, B., Klotz, A. C., Postlethwaite, B. E., Hamdani, M. R., and Brown, K. G. (2012) Reaping the benefits of task conflict in teams: the critical role of team psychological safety climate, *Journal of Applied Psychology*, 97(1): 151–158.

Briscoe, D., Schuler, R., and Tarique, I. (2011) *International Human Resource Management,* 4th ed., New York, NY: Routledge.

Burke, M., Marlow, C., and Lento, T. (2009) Feed me: Motivating newcomer contribution in social network sites, In Proceedings of CHI 2009. Boston, MA.

Burke, C. S., Shuffler, M. L., Salas, E., and Gelfand, M. (2010) Multicultural teams: Critical team processes and guidelines, in K. Lundby (ed.), *Going Global: Practical Applications and Recommendations for HR and OD Professionals in the Global Workplace*, 46–82, San Francisco, CA: John Wiley & Sons.

Caligiuri, P. (2012) *Cultural Agility: Building a Pipeline of Successful Global Professionals*, San Francisco, CA: Jossey-Bass.

Caligiuri, P. (2014) Many moving parts: Factors influencing the effectiveness of HRM practices designed to improve knowledge transfer within MNCs, *Journal of International Business Studies, 45*(1): 63–72.

Caligiuri, P. and Tarique, I. (2009) Predicting effectiveness in global leadership activities, *Journal of World Business,* 44(3): 336–346.

Caligiuri, P., Lepak, and Bonache, D. (2010) *Managing the Global Workforce,* Hoboken, NJ: John Wiley & Sons.

Carmel, E. (1999) *Global Software Development Teams: Collaborating Across Borders and Time Zones*, Upper Saddle River, NJ: Prentice Hall.

Chayko, M. (2002) *Connecting: How We Form Social Bonds and Communities in the Internet Age*, Albany, NY: State University of New York Press.

Chayko, M. (2007) The portable community: Envisioning and examining mobile social connectedness, *International Journal of Web Based Communities*, 3(4): 373–385.

Chudoba, K. and Watson-Manheim, M. B. (2007) Exploring the virtual work environment: A process perspective, in A. J. Salazar and S. Sawyer (eds.), *Handbook of Information Technology in Organizations and Electronic Markets,* 57–76, Singapore: World Scientific.

Chudoba, K. M., Wynn, E., Lu, M., and Watson-Manheim, M. B. (2005) How virtual are we? Measuring virtuality and understanding its impact in a global organization, *Information Systems Journal,* 15: 279–306.

Connaughton, S. L. and Daly, J. A. (2004) Leading from afar: Strategies for effectively leading virtual teams, in S. H. Godar and S. P. Ferris (eds.), *Virtual and Collaborative Teams: Process, Technologies, and Practice*, 49–75, Hershey, PA: Idea Group Publishing.

Connaughton, S. L. and Shuffler, M. (2007) Multinational and multicultural distributed teams: A review and future agenda, *Small Group Research,* 38(3): 387–412.

Cordery, J., Soo, C., Kirkman, B., Rosen, B., and Mathieu, J. (2009) Leading parallel global virtual teams, *Organizational Dynamics,* 38(3): 204–216.

Cramton, C. D. (2001) The mutual knowledge problem and its consequences for dispersed collaboration, *Organization Science,* 12: 346–371.

Cramton, C. D. and Hinds, P. J. (2005) Subgroup dynamics in internationally distributed teams: Ethnocentrism or cross-national learning?, *Research in Organizational Behavior,* 26: 233–265.

Cramton, C. D. and Hinds, P. J. (2014) An embedded model of cultural adaptation in global teams, *Organization Science*, 25: 1056–1081.

Cramton, C. D., Orvis, K. L., and Wilson, J. M. (2007) Situation invisibility and attribution in distributed collaborations, *Journal of Management*, 33(4): 525–546.

Culnan, M. J., and Markus, M. L. (1987) Information technologies, in F. M. Jablin, L. L. Putnam, K. H. Roberts, and L. W. Porter (eds.), *Handbook of Organizational Communication: An Interdisciplinary Perspective*, pp. 420–443, Thousand Oaks, CA: Sage.

Cummings, J. (2004) Work groups, structural diversity, and knowledge sharing in a global organization, *Management Science,* 50: 352–364.

Cummings, J. and Haas, M. (2011) So many teams, so little time: Time allocation matters in geographically dispersed teams, *Journal of Organizational Behavior*, 341: 316–341.

Day, D. V., Gronn, P., and Salas, E. (2004) Leadership capacity in teams, *The Leadership Quarterly*, 15(6): 857–880.

DiMicco, J., Millen, D. R., Geyer, W., Dugan, C., Brownholtz, B., and Muller, M. (2008) Motivations for social networking at work, In Proceedings of the ACM 2008 Conference on Computer Supported Cooperative Work.

Earley, P. C. and Mosakowski, E. (2000) Creating hybrid team cultures: An empirical test of transnational team functioning, *The Academy of Management Journal,* 43: 26–29.

Earley, P. C., and Gibson, C. B. (2002) *Multinational Teams: A New Perspective,* Mahwah, NJ: Lawrence Erlbaum.

Earley, P. C. and Ang, S. (2003) *Cultural Intelligence: Individual Interactions Across Cultures,* Palo Alto, CA: Stanford University Press.

Earley, C., Murnieks, C., and Mosakowski, E. (2007) Cultural intelligence and the global mindset, in M. Javidan, R. M. Steers, M. A. Hitt (eds.), *The Global Mindset (Advances in International Management),* 19, 75–103, New York, NY: Elsevier.

Edmondson, A. (1999) Psychological safety and learning behavior in work teams, *Administrative Science Quarterly*, 44(2): 350–383.

Edwards, H. K. and Sridhar, V. (2005) Analysis of software requirements for engineering exercises in a global virtual team setup, *Journal of Global Information Management,* 13(2): 21–41.

Ellison, N. B., Gibbs, J. L., and Weber, M. S. (in press) The use of enterprise social network sites for knowledge sharing in distributed organizations: The role of organizational affordances, *American Behavioral Scientist.*

Engwall, M. and Jerbrant, A. (2003) The resource allocation syndrome: The prime challenge of multi-project management, *International Journal of Project Management,* 21: 403–409.

Erickson, M. (2013) Big think editors series, Retrieved on 13 September 2013 from http://bigthink.com/think-tank/how-the-virtual-water-cooler-will-change-your-workplace.

Festinger, L. (1951) Architecture and group membership, *Journal of Social Issues,* 7: 152–163.

Filev, A. (2013) Virtual water-cooler breaks: The value of informal communication in remote teams, Retrieved on 13 September 2013 from www.wrike.com/projectmanagement/07/31/2013/Virtual-Watercooler-Breaks-The-Value-Informal-Communication-Remote-Teams.

Fiol, C. M. and O'Connor, E. J. (2005) Identification in face-to-face, hybrid, and pure virtual teams: Untangling the contradictions, *Organization Science,* 16: 19–32.

Fulk, J., Monge, P. R., and Hollingshead, A. B. (2005) Knowledge resource sharing in dispersed multi-national teams: Three theoretical lenses, in D. L. Shapiro, M. A. Von Glinow, and J. L. C. Cheng (eds.), *Managing Multinational Teams: Global Perspectives. Advances in International Management*, 18, 155–188, Amsterdam, Netherlands: Elsevier JAI.

Gibbs, J. L. (2006) Decoupling and coupling in global teams: Implications for human resource management, in G. K. Stahl and I. Bjorkman (eds.), *Handbook of Research in International Human Resource Management,* 347–363, Northampton, MA: Edward Elgar Publishing.

Gibbs, J. L. (2009a) Culture as kaleidoscope: Navigating cultural tensions in global collaboration, in *Proceedings of the ACM International Workshop on Intercultural Collaboration* (IWIC 2009).

Gibbs, J. L. (2009b) Dialectics in a global software team: Negotiating tensions across time, space, and culture, *Human Relations,* 62(6): 905–935.

Gibbs, J. L., Nekrassova, D., Grushina, Y., and Abdul Wahab, S. (2008) Reconceptualizing virtual teaming from a constitutive perspective: Review, redirection, and research agenda, in C. S. Beck (ed.), *Communication Yearbook,* 32:187–229, New York: Routledge.

Gibbs, J. L., Rozaidi, N. A., and Eisenberg, J. (2013) Overcoming the "ideology of openness": Probing the affordances of social media for organizational knowledge sharing, *Journal of Computer-Mediated Communication,* 19(1): 102–120.

Gibbs, J. L., Eisenberg, J., Rozaidi, N. A., and Griaznova, A. (in press) The "megapozitiv" role of enterprise social media in enabling cross-boundary communication in a distributed Russian organization, *American Behavioral Scientist*.

Gibson, C. B. and Vermeulen, F. (2003) A healthy divide: Subgroups as a stimulus for team learning behavior, *Administrative Science Quarterly,* 48: 202–239.

Gibson, C. B. and Gibbs, J. L. (2006) Unpacking the concept of virtuality: The effects of geographic dispersion, electronic dependence, dynamic structure, and national diversity on team innovation, *Administrative Science Quarterly*, 51: 451–495.

Gibson, C. B., Gibbs, J. L., Stanko, T., Tesluk, P, and Cohen, S. G. (2011) Including the "I" in virtuality and modern job design: Extending the job characteristics model to include the moderating effect of individual experiences of electronic dependence and co-presence, *Organization Science,* 22: 1481–1499.

Gibson, J. J. (1979) *The Ecological Approach to Visual Perception,* Reading, MA: Houghton Mifflin.

Glazer, S., Kozusznik, M. W. and Shargo, I. A. (2012) Global virtual teams: A cure for – or a cause of – stress, in P. L. Perrewé, J. R. B. Halbesleben, C. C. Rosen (eds.) *The Role of the Economic Crisis on Occupational Stress and Well Being (Research in Occupational Stress and Well-being),* 10, 213–266, Bingley, UK: Emerald Group Publishing Limited.

Gluesing, J. C. and Gibson, C. B. (2004) Designing and forming global teams, in H. W. Lane, M. L. Maznevski, M. E. Mendenhall and J. McNett (eds), *Handbook of Global Management*, 199–226, Malden, MA: Blackwell.

Goleman, D. (1998) *Working with Emotional Intelligence,* New York, NY: Bantam Books.

Goodbody, J. (2005) Critical success factors for global virtual teams, *Strategic Communication Management,* 9(2): 18–21.

Govindarajan, V. and Gupta, A. K. (2001) *The Quest of Global Dominance,* San Francisco, CA: Jossey-Bass.

Griffith, T. L., Sawyer, J. E., and Neale, M. A. (2003) Virtualness and knowledge in teams: Managing the love triangle of organizations, individuals, and information technology, *MIS Quarterly,* 27(2): 265–288.

Hall, E. T. (1976) *Beyond Culture,* New York, NY: Anchor Books: Doubleday.

Handy, C. (1995) Trust and the virtual organization, *Harvard Business Review,* 73(3): 40–50.

Heller, R., Johnson, K., Fitzpatrick, R., Laurito, A., Martin, M., and Sundin, K. (2010) Global teams: Trends, challenges and solutions, Collection of white papers by Cornell University, Center for Advanced Human Resource Studies. Retrieved on 2 January 2014 from https://est05.esalestrack.com/eSalesTrack/Content/Content.ashx?file=4578f59e-21b3–4a2c-bbfe-63e53af3f5dc.pdf.

Hinds, P. J., and Mortensen, M. (2005) Understanding conflict in geographically distributed teams: The moderating effects of shared identity, shared context, and spontaneous communication, *Organization Science*, 16: 290–307.

Hinds, P. J. and Cramton, C. D. (in press) Situated coworker familiarity: How site visits transform relationships among distributed workers, *Organization Science*.

Hinds, P. J., Neeley, T., and Cramton, C. D. (2014) Language as a lightning rod: Power contests, emotion regulation, and subgroup dynamics in global teams, *Journal of International Business Studies*, 25: 794–814.

Hoch, J. E. and Dulebohn, J. H. (2013) Shared leadership in enterprise resource planning and human resource management system implementation, *Human Resource Management Review*, 23(1): 114–125.

Hofstede, G. (2001) *Culture's Consequences: International Differences in Work-Related Values*, 2nd ed., Thousand Oaks, CA: Sage.

Hollingshead, A. B. and McGrath, J. E. (1995) Computer-assisted groups: A critical review of the empirical research, in R. A. Guzzo and E. Salas (eds.), *Team Effectiveness and Decision Making in Organizations,* 46–78, San Francisco: Jossey-Bass.

Hollingshead, A. B. and Contractor, N. S. (2006) New media design and small group organizing, in L. A. Lieuvrouw, S. Livingstone (eds.), *The Handbook of New Media: Updated Student Edition,* 114–140, Thousand Oaks, CA: Sage.

Hossain, L. W., and Wigand, R. T. (2004) ICT enabled virtual collaboration through trust, *Journal of Computer Mediated Communication*,10(1). Retrieved on 2 January 2013 from http://jcmc.indiana.edu/vol10/issue1/hossain_wigand.html.

Jarvenpaa, S. L. and Leidner, D. E. (1999) Communication and trust in global virtual teams, *Organization Science,* 10: 791–815.

Jarvenpaa, S. L., Shaw, T. R., and Staples, D. S. (2004) Toward contextualized theories of trust: The role of trust in global virtual teams, *Information Systems Research,* 15(3): 250–267.

Joshi, A., Lazarova, M. B., and Liao, H. (2009) Getting everyone on board: The role of inspirational leadership in geographically dispersed teams, *Organization Science,* 20(1): 240–252.

Kayworth, T. R. and Leidner, D. E. (2001) Leadership effectiveness in global virtual teams, *Journal of Management Information Systems,* 18(3): 7–40.

Kefalas, A. G. (1998) Think globally, act locally, *Thunderbird International Business Review*, 40(6): 547–562.

Kiesler, S. and Cummings, J. N. (2002) What do we know about proximity and distance in work groups? A legacy of research, in P. Hinds and S. Kiesler (eds.), *Distributed Work,* 57–82, Cambridge, MA: MIT Press.

Kirkman, B. L. and Mathieu, J. E. (2005) The dimensions and antecedents of team virtuality, *Journal of Management,* 31(5): 700–718.

Kirkman, B. L., Rosen, B., Gibson, C. B., Tesluk, P. E., and McPherson, S. O. (2002) Five challenges to virtual team success: Lessons from Sabre, Inc., *Academy of Management Executive,* 16(3): 67–79.

Kirkman, B. L., Lowe, K. B., and Gibson, C. B. (2006) A quarter century of *Culture's Consequences*: A review of empirical research incorporating Hofstede's cultural values framework, *Journal of International Business Studies,* 37: 285–320.

Klitmoller, A. and Lauring, J. (2013) When global virtual teams share knowledge: Media richness, cultural differences and language commonality, *Journal of World Business, 48* (3): 398–406.

Kluckhohn, F. R. and Strodtbeck, F. L. (1961) *Variations in Value Orientations*, Evanston, IL: Row, Peterson.

Kossinets, G. and Watts, D. (2009) Origins of homophily in an evolving social network, *American Journal of Sociology,*115(2): 405–450.

Kraut, R. E., Fussell, S. R., Brennan, S. E., and Siegal, J. (2002) Understanding effects of proximity on collaboration: Implications for technologies to support remote collaborative work, in P. Hinds and S. Kiesler (eds.), *Distributed Work*, 137–162, Cambridge, MA: MIT Press.

Kurtzberg, T. R. (2014). *Virtual Teams: Mastering Communication and Collaboration in the Digital Age*, Santa Barbara, CA: Praeger.

Lau, D. C. and Murnighan, J. K. (1998) Demographic diversity and faultlines: The compositional dynamics of organizational groups, *The Academy of Management Review,* 23(2): 325–340.

Lee, H. W. (2007) Factors that influence expatriate failure: An interview study, *International Journal of Management*, 24(3): 403–413.

Leonardi, P. M. (2011) When flexible routines meet flexible technologies: Affordance, constraint, and the imbrication of human and material agencies, *MIS Quarterly*, 35(1): 147–167.

Levy, O., Beechler, S., Taylor, S., and Boyacigiller, N. (2007) What we talk about when we talk about "global mindset": Managerial cognition in multinational corporations, *Journal of International Business Studies*, 38(2): 231–258.

Lincoln, J. R., Gerlach M. L., and Takahashi, P. (1992) Keiretsu networks in the Japanese economy: A dyad analysis of intercorporate ties, *American Sociological Review,* 57: 561–585.

Mannix, E., Griffith, T., and Neale, M. (2002) The phenomenology of conflict in virtual work teams, in P. J. Hinds and S. Kiesler (eds.), *Distributed Work,* 213–233, Cambridge, MA: MIT Press.

Margolin, D., Ognyanova, K., Huang, M., Huang, Y., and Contractor, N. (2012) Team formation and performance on Nanohub: A network selection challenge in scientific communities, in B. Vedres and M. Scotti (eds.), *Networks in Social Policy Problems*, 80–100, Cambridge, MA: Cambridge University Press.

Martin, A. and Bal, V. (2006) *The State of Teams*, Greensboro, NC: Center for Creative Leadership.

Martins, L. L., Gilson, L. L., and Maynard, M. T. (2004) Virtual teams: What do we know and where do we go from here?, *Journal of Management,* 30: 805–835.

Mathieu, J., Maynard, M. T., Rapp, T., and Gilson, L. (2008) Team effectiveness 1997–2007: A review of recent advancements and a glimpse into the future, *Journal of Management*, 34: 410–476.

Mattarelli, E. and Tagliaventi, M. R. (2010) Work-related identities, virtual work acceptance and the development of glocalized work practices in globally distributed teams, *Industry & Innovation,* 17(4): 415–443.

Maynard, M. T., Mathieu, J. E., Rapp, T. L., and Gilson, L. L. (2012) Something(s) old and something(s) new: Modeling drivers of global virtual team effectiveness, *Journal of Organizational Behavior,* 33: 342–365.

Maznevski, M. L. (1994) Understanding our differences: Performance in decision-making groups with diverse members, *Human Relations*, 47(5): 531–552.

Maznevski, M. L., and Chudoba, K. M. (2000) Bridging space over time: Global virtual team dynamics and effectiveness, *Organization Science,* 11: 473–492.

Mortensen, M. and Hinds, P. J. (2001) Conflict and shared identity in geographically distributed teams, *The International Journal of Conflict Management,* 12: 212–238.

Mortensen, M., Woolley, A. W., and O'Leary, M. B. (2007) Conditions enabling effective multiple team membership, In K. Crowston, S. Sieber, and E. Wynn (eds.), *Virtuality and virtualization*, 236, 215–228, Portland, OR: Springer.

Mouw, T. (2003) Social capital and finding a job: Do contacts matter?, *American Sociological Review,* 68: 868–898.

Muethel, M., Gehrlein, S., and Hoegl, M. (2012) Socio-demographic factors and shared leadership behaviors in dispersed teams: Implications for human resource management, *Human Resource Management*, 51(4): 525–548.

Murphy, P. (2004) Trust, rationality and the virtual team, in D. Pauleen (ed.), *Virtual Teams: Projects, Protocols and Processes,* 317–343, Hershey, PA: Idea Group Publishing.

Nurmi, N. (2011) Coping with coping strategies: how distributed teams and their members deal with stress of distance, time zones and culture, *Stress & Health: Journal of the International Society for the Investigation of Stress*, 27(2): 123–143.

O'Leary, M. B. and Cummings, J. N. (2007) The spatial, temporal, and configurational characteristics of geographic dispersion in teams, *MIS Quarterly,* 32: 433–452.

O'Leary, M. B. and Mortensen, M. (2010) Go (con)figure: Subgroups, imbalance, and isolates in geographically dispersed teams, *Organization Science,* 21(1): 115–131.

O'Leary, M. B., Mortensen, M., and Woolley, A. W. (2011) Multiple team membership: A theoretical model of its effects on productivity and learning for individuals and teams, *Academy of Management Review*, 36(3): 461–478.

O'Leary, B. M., Wilson, J. M., and Metiu, A. (2012) The role of communication and identification in the emergence of perceived proximity in virtual work, paper presented at the Academy of Management convention, Boston, MA, August 2012.

Olson, G. and Olson, J. (2000) Distance matters, *Human-Computer Interaction*, 15: 139–178.

Oshri, I., Van Fenema, P., and Kotlarsky, J. (2008) Knowledge transfer in globally distributed teams: the role of transactive memory, *Information Systems Journal,* 18(6): 593–616.

Pearce, C. L. and Conger, J. A. (2003) All those years ago: The historical underpinnings of shared leadership, in C. L. Pearce and J. A. Conger (eds.), *Shared Leadership: Reframing the Hows and Whys of Leadership*, 1–18, Thousand Oaks, CA: Sage.

Pearce, C. L., Manz, C. C. and Sims, H. P. (2009) Where do we go from here? Is shared leadership the key to team success? *Organizational Dynamics*, 38(3): 234–238.

Purvanova, R. K., and Bono, J. E. (2009). Transformational leadership in context: Face-to-face and virtual teams, *Leadership Quarterly*, 20(3): 343–357.

Sivunen, A. (2006) Strengthening identification with the team in virtual teams: The leaders' perspective, *Group Decision and Negotiation*, 15: 345–366.

Sole, D. and Edmondson, A. (2002) Situated knowledge and learning in dispersed teams, *British Journal of Management,* 13(S2): S17–S34.

Stahl, G. K., Maznevski, M. L., Voigt, A., and Jonsen, K. (2009) Unraveling the effects of cultural diversity in teams: A meta-analysis of research on multicultural work groups, *Journal of International Business Studies*, 41(4): 690–709.

Stahl, G. K., Mäkelä, K., Zander, L., and Maznevski, M. L. (2010) A look at the bright side of multicultural team diversity, *Scandinavian Journal of Management,* 26(4): 439–447.

Stanko, T., and Gibson, C. B. (2009) The role of cultural elements in virtual teams, in R. S. Bhagat and R. M. Steers (eds.), *Cambridge Handbook of Culture, Organizations, and Work*, 272–304, Cambridge, MA: Cambridge University Press.

Su, C. (2012) Who knows who knows what in the group? The effects of communication network centralities, use of digital knowledge repositories, and work remoteness on organizational members' accuracy in expertise recognition, *Communication Research*, 39: 614–640.

Suh, A., Shin, K., Ahuja, M., and Kim, M. S. (2011) The influence of virtuality on social networks within and across work groups: A multilevel approach, *Journal of Management Information Systems*, 28(1): 351–386.

Thomas, D. C., Elron, E., Stahl, G., Ekelund, B. Z., Ravlin, E. C., Cerdin, J.-L., Poelmans, S., Brislin, R., Pekerti, A., Aycan, Z., Maznevski, M., Au, K., Lazarova, M. (2008) Cultural intelligence: Domain and assessment, *International Journal of Cross Cultural Management*, 8(2): 123–143.

Treem, J. W., and Leonardi, P. M. (2012) Social media use in organizations: Exploring the affordances of visibility, editability, persistence, and association, *Communication Yearbook,* 36: 143–189.

Tung, R. L. (1987) Expatriate assignments: Enhancing success and minimizing failure, *Academy of Management Executive,* 1(2): 117–125.

Walther, J. B. (1996) Computer-mediated communication: Impersonal, interpersonal, and hyperpersonal interaction, *Communication Research*, 23: 3–43.

Walther, J. B., and Parks, M. R. (2002) Cues filtered out, cues filtered in: Computer-mediated communication and relationships, in M. L. Knapp and J. A. Daly (eds.), *Handbook of Interpersonal Communication*, 3rd ed., 529–563, Thousand Oaks, CA: Sage.

Walther, J. B. and Bunz, U. (2005) The rules of virtual groups: Trust, liking, and performance in computer-mediated communication, *Journal of Communication,* 55: 828–846.

Wegner, D. M. (1987) Transactive memory: A contemporary analysis of the group mind, in B. Mullen and G. R. Goethals (eds.), *Theories of Group Behavior*, 185–208, New York: Springer-Verlag.

Wiesenfeld, B. M., Raghuram, S., and Garud, R. (1999) Communication patterns as determinants of organizational identification in a virtual organization, *Organization Science,* 10: 777–790.

Wilson, J. M., O'Leary, M., Metiu, A., and Jett, Q. (2008) Perceptions of proximity in virtual work: Explaining the paradox of far-but-close, *Organization Studies,* 29: 979–1002.

Wilson, J., Crisp, C., and Mortensen, M. (2012) Extending construal-level theory to distributed groups: Understanding the effects of virtuality, *Organization Science*, 24: 629–644.

Yilmaz, G. and Peña, J. (2014) The influence of social categories and interpersonal behaviors on future intentions and attitudes to form subgroups in virtual teams, *Communication Research,* 41: 333–352.

Yoo, Y. and Kanawattanachai, P. (2001) Developments of transactive memory systems and collective mind in virtual teams, *International Journal of Organizational Analysis*, 9(2): 187–208.

Yuan, Y. C. and Gay, G. (2006) Homophily of network ties and bonding and bridging social capital in computer-mediated distributed teams, *Journal of Computer-Mediated Communication,* 11(4): 1062–1084.

Zander, L., Mockaitis, A. I., and Butler, C. L. (2012) Leading global teams, *Journal of World Business*, 47: 592–603.

Zika-Viktorsson, A., Sundström, P., and Engwall, M. (2006) Project overload: An exploratory study of work and management in multi-project settings, *International Journal of Project Management,* 24: 385–394.

32

IHRM's role in managing ethics and CSR globally

Michael Muller-Camen and Wolfgang Elsik

Introduction

The corporate social responsibility (CSR) discourse of today has resulted in an increasing pressure on MNCs to demonstrate that they follow responsible and sustainable business practices. This development is at least partly driven by corporate scandals. Whereas over recent years most of these were related to financial fraud such as the case of Enron or environmental pollution such as BP's Deep Water Horizon oil spill, unhealthy and inhuman working conditions have also tarnished the reputation of MNCs. Although it is generally suggested that there is too little attention by business on employee well-being and health (Pfeffer 2010), it is assumed that this is an even bigger issue in regard to employees in developing countries. One of the most prominent and still widely known examples is Nike. In the 1990s it became public that supplier plants of this athletic footwear company underpaid workers in Indonesia, used child labor in Cambodia and Pakistan and had poor working conditions in China and Vietnam and thus this brand name "became synonymous with slave wages, forced overtime, and arbitrary abuse" (Locke and Romis 2010: 51). Recent reminders that these issues are still prevalent in the supply chain of MNCs are major accidents in ready-made garment factories in Bangladesh. In November 2012 the Tazreen Fashion fire killed more than 110 workers and in April 2013 the collapse of the Rama Plaza building, where five factories were based, killed more than 1,200 workers. More generally it is suggested that Bangladesh "has 7 m child workers; fires and collapses are common; working conditions are routinely poor; labour organizers are victimized" (FT 02052013: 11). Whereas until recently it has been widely accepted in the international management literature that in developing countries efficiency-seeking strategies of MNCs that aim to reduce costs in the value chain are legitimate, the CSR discourse is changing this.

Over the last two decades CSR has become institutionalized in society (Bondy *et al.* 2012) and an essential component of corporate global strategy (Brown and Knudsen 2012). Instead of focusing on financial performance only, business is now required to achieve legitimacy by achieving a triple bottom line of economic, environmental and social goals and to meet the concerns of its principal stakeholders (Elkington 1997; Jones-Christensen *et al.* 2007: 351). This particularly affects large international firms, which are not only the main subjects of international HRM research, but also the main audience for its normative recommendations.

CSR, ethics and MNCS

CSR is nowadays an umbrella term for responsibility in business. There are various definitions. For example, the European Commission (2011) defines CSR as "the responsibility of enterprises for their impacts on society" (p. 6). In the 21st century CSR has become an institution (Bondy *et al.* 2012) in most MNCs who have CSR departments, CSR gives guidelines and accounts for their economic, environmental and social performance in reporting. At the same time, the track record of MNCs, particularly in developing countries, has been questioned (Jamali 2010). MNCs have been accused of economic exploitation and human rights abuses. They are also criticized for not using power and influence to reduce corruption, mismanagement and poverty (Cooke 2012; Scherer and Palazzo 2011). However, it is also acknowledged that international firms operate in multiple, diverse and complex global environments and that "the expectations of their external stakeholders may be myriad, ambiguous and self-contradictory, or even non-existent" (Heikkurinen and Ketola 2012: 326). Similar to the local/global debate in the IHRM literature, there is also such a debate in the CSR literature, where it is discussed whether MNCs should follow a global CSR strategy based on universally accepted standards such as the International Labour Organization (ILO) conventions or adopt their practices to the expectations of local stakeholders in the host countries (Bondy and Starkey 2012; Jamali 2010).

Whereas in other management functions such as accounting, marketing and supply chain management, the CSR discourse has been taken up for some time, HRM research is lagging behind. Several reasons are suggested for this. One is that the main IHRM models were developed in the 1990s, when CSR was of much less importance. As a result these "models have yet not adequately considered the rights and interests of internal and external stakeholders, including employees, consumers, communities and business partners" (Shen 2011: 1352). Furthermore, IHRM scholars' managerialist perspective and emphasis on performance as the end-goal of their analysis may also explain the lack of ethical sensitivity in their theories and models (Delbridge *et al.* 2011; Janssens and Steyaert 2012: 61).

Only recently a literature emerged under the term Sustainable HRM which explicitly aims to go beyond the financial bottom line and to consider how the HR function or HRM policies can contribute to the achievement of environmental and social goals. It is proposed that the importance of HRM could grow and the HR function become a strategic partner by establishing responsible leadership and mobilizing employees for the social good (Gond *et al.* 2011).

Linked to CSR and particular relevant to IHRM is business ethics. Scholars in the field of ethics and HRM question whether "HRM is, can be or should be ethical" and thus "the legitimacy, relevance and morality of HRM" (Jack *et al.* 2012: 2). It is suggested that this applies even more for IHRM, which requires an even stronger ethical stance and sensitivity (Doh *et al.* 2010; Janssens and Steyaert 2012). Building on theories of ethical decision making, this literature points to ethical issues faced by MNCs such as corruption, child labor and other human rights violations (Janssens and Steyaert 2012). IHRM's emphasis on competitiveness, efficiency and normative recommendations, needs to be complemented by research on the "what" (e.g. what is the MNC or the manager doing, and what are its ethical implications) (Janssens and Steyaert 2012: 62)

Janssens and Steyaert (2012) suggest an ethical research agenda for international HRM. Taking a cosmopolitan view they distinguish three different perspectives with different ethical implications for MNC. The political perspective stresses the ideal of one worldwide community with actors' primary identity as global citizens. Major themes are dealing with problems transgressing the potentials of individual nations (human rights, environmental pollution, global crime, and terrorism) by developing a universal ethical code to gain global justice. Within this

context, IHRM practices of MNC can foster or violate human rights with the result of an increase in global justice or injustice. The cultural perspective stresses the idea of openness to others, especially to other cultures. MNCs are understood as "third places" where actors can create hybrid cultures by infusing international HRM practices with local meanings. The social perspective leaves the macro level of cultures and global communities and takes a look at the everyday social processes that produce cosmopolitanism which also include unintended and sometimes negative consequences of living in a cosmopolitan world. Here HRM practices are analyzed in how they support or impede change and transformation. "While a political perspective is mostly concerned with a representative inclusion of multiple stakeholders at a global level, a cultural perspective prefers to zoom in on a local level against a transnational and postcolonial background, and a social perspective is concerned with understanding everyday interactions infused by global and local positions" (Janssens and Steyaert 2012: 70).

For some time, "stakeholder management, stakeholder dialogue and stakeholder partnership have become mainstream concepts in the field of CSR" (Yang and Rivers 2009: 156). The rationale is "that the monitoring of corporate performance by stakeholders is an important factor that increases the likelihood corporations will behave in socially responsible ways" (Campbell 2007: 956). One important implication for IHRM is that a larger group of relevant stakeholders need to be considered. So far there is a focus in IHRM on formal government institutions, shareholders, employees and the parent firm, and other key stakeholders become important from a CSR perspective. For example, in addition to the above, Yang and Rivers (2009) suggest the community in which the company operates or serves non-government organizations, industry bodies, and consumers. Regarding the last the increasing importance of ethical consumption and socially responsible consumers (Yang and Rivers 2009: 162) is of strategic importance for MNCs. The neglect of human rights in the supply chain can result in consumer activism such as boycotting or avoiding products (Crane and Matten 2010). NGOs such as the ILO, WHO, or WWF have become an important social force in the last few decades. "They have influenced CSR practices indirectly via lobbying and directly by participating in partnerships" (Yang and Rivers 2009: 159). For example, they have established codes of conduct and have put pressure on MNCs as well as governments to change labor practices (Campbell 2007: 956). One example that recently grew in importance is global union federations. They are actively involved in co-designing employment relations in MNCs as well as their supply chains (Fichter, Helfen and Sydow 2011).

This pressure has had some impact on business policies. One outcome is the increasing prevalence of human rights policies in MNCs. For example, research conducted in 2009 by Preuss and Brown (2012) found that more than half of the FTSE 100 UK's largest publicly traded firms explicitly addressed human rights in their CSR tools. Another impact is the growing reporting about workplace social standards. Islam and McPhail (2011) conducted a longitudinal analysis of annual and sustainability reports of a sample of 18 large European and US clothing and retail companies. As there was no reporting on workplace social standards until the mid-1990s, by 2007 more than two-thirds of the sample reported on the elimination of child labor, forced labor, and all forms of discrimination, as well as the provision of safe and healthy work environments. As Roper, Szigetvari, Parsa and Muller-Camen (2013) show, this is largely driven by the increasing adoption of the Global Reporting Initiative (GRI). They also found a strong impact from the home country, as their data of the world's largest 131 MNCs that adopted the GRI framework shows that the ratios at which a company from a CME will report on issues related to the freedom of association and forced labor are approximately 2.5 times higher than for an LME company. This points to the possible importance of international divergence in human rights policies and practices despite pressure for global convergence.

To some extent globally operating NGOs and the global civil society exert at least institutional pressure on MNCs to adopt similar ethical standards worldwide. However, it is still suggested that CSR policies and practices differ between countries. A widely cited distinction is the one by Matten and Moon between explicit and implicit CSR. By "explicit CSR," we refer to corporate policies that assume and articulate responsibility for some societal interests. They normally consist of voluntary programs and strategies by corporations that combine social and business value and address issues perceived as being part of the social responsibility of the company. By "implicit CSR," we refer to corporations' role within the wider formal and informal institutions for society's interests and concerns. Implicit CSR normally consists of values, norms, and rules that result in (mandatory and customary) requirements for corporations to address stakeholder issues and that define proper obligations of corporate actors in collective rather than individual terms (Matten and Moon 2008: 409). Matten and Moon (2008) suggest that explicit CSR is more prevalent in liberal market economies whereas implicit CSR is more widespread in coordinated ones. In coordinated market economies the law and a strong institutional role for trade unions strongly define the social responsibilities of business (Brammer, Jackson and Matten 2012). Hence this variety is due to institutional differences. According to Witt and Redding (2012), this is reflected in senior executives' conceptualizations of how firms contribute to society. As a result there is not only an implicit versus explicit, but also stakeholder versus product-oriented CSR. The picture gets even more complicated considering that CSR practices reflect norms and values of Western societies and not those prevalent in developing countries (Brammer, Jackson and Matten 2012). As a result it is suggested that MNCs from some emerging economies such as China do not receive the same level of stakeholder pressure regarding their social and environmental conduct as Western firms (Doh *et al.* 2010: 486).

National differences in CSR as a result of different varieties of capitalism have important implications for MNCs. The international management literature suggests that many MNCs have a global or transnational business strategy. Thus they are likely to standardize management policies and practices. One popular way to do this is codes of conduct or codes of ethics, which are likely to reflect pressures for legitimacy in the home country. If ethical norms in the host country differ from the home country it can create local ethical pressure in the foreign subsidiary (Tan and Wang 2011).

Antecedents of CSR practices in subsidiaries of MNC can be identified at the social level (formal institutions, community voice, NGO activities, industry body) and at the organizational level (parent firm relations, shareholders' demands, employees' power, consumers' actions). Subsidiaries will be more likely to adapt to local CSR practices if there are stakeholders with strong demands in the host country, if the institutional distance between home and host country is big, if the density of legal regulations in the host country is high, if there are potent NGOs acting in the host country, if industry bodies establish industry codes and exert peer pressure to subscribe to it, if there is strong community voice via lobby groups, if there is little resource dependence of the subsidiary on the parent company, if the MNC faces legitimacy problems as a whole, if consumers react sensitively to reportedly irresponsible firm behavior, if (prospective) employees have high power because they control scarce qualifications, and if there are no strong shareholders expectations in the home country (Yang and Rivers 2009).

The institutional duality faced by a MNC's foreign subsidiary has implications for the micro and macro politics of the organization and its subsidiaries (Morgan 2012). On the micro-level, local actors have to conform to the ethical expectations of the host country. Thus they may resist the implementation of headquarter standards, which is one of the reasons why expatriate managers are brought into subsidiaries to ensure compliance (Morgan 2012). On the macro level, MNCs may seek to change and reshape host country institutions (Morgan 2012). Given

the decline in the power of the nation-state, it has been suggested that MNCs become political actors that are involved in developing public policies in areas such as public health, labor rights, and security (Doh *et al.* 2010: 483–484).

Although an explicit discussion of ethics, CSR, and sustainability is limited in the HRM literature, it is even less significant in IHRM (for exceptions see Cooke 2011 and Shen 2011). This is surprising as the HR function could play an active role in fostering ethical and sustainable awareness and behavior in international firms. These issues are particularly pertinent for Western MNCs operating in developing countries (Cooke 2011) and will be the focus of the following sections. However, as these issues are different for directly owned subsidiaries compared to firms in the supply chain, we will discuss these different modes of operation separately.

CSR and ethics in directly owned subsidiaries

The IHRM issue most discussed in the CSR and ethics literature is international staffing. The IHRM literature proposes that the use of expatriation should be aligned with the international orientation or organizational strategy. In particular textbooks suggest that organizations with ethnocentric or geocentric orientation should rely on expatriates to limit the liability of foreignness and only those with a polycentric orientation should employ mainly local managers. In contrast, ethics scholars argue against an over-reliance on expatriate managers, particularly at the bottom of the managerial structure in the host countries (Berger, Choi and Kim 2011). According to the business ethics literature, this practice is unfair and discriminatory. It constitutes a "human rights gap for local managers" (Millar and Choi 2010) and has negative consequences for host countries (Banai and Sama 2000). Such a staffing strategy also undervalues the local manager's knowledge and institutional value, as they have better access to local knowledge, networks and social structures, and thus this unequal treatment leads to inefficiency (Berger, Choi and Kim 2011; Millar and Choi 2010: 58). It is also suggested, that a polycentric staffing policy can be unethical, as it excludes local managers from the promotion to headquarter management positions (Banai and Sama 2000). At this point it is worth pointing out that the global reporting initiative explicitly requires organizations adopting its reporting standards to describe "procedures for local hiring and proportion of senior management hired from the local community at significant locations of operations" (GRI, EC7). Overall it appears that from a CSR and ethics perspective there is pressure on MNCs, particularly those operating in developing countries, to employ more local managers.

There are also ethical issues in regards to remuneration and pay. For example, there are equity and fairness issues when employees work in international teams on comparable jobs, but are rewarded differently according to the country in which they are based (Janssens and Steyaert 2012: 61). Fair pay and wages that allow basic minimum standards are also issues for which there are policies in some MNCs, but which have not yet led to too much research in IHRM. Many MNCs promise to pay at least the minimum wage. However, in many developing countries the legal minimum wage is not sufficient to meet basic needs of employees for subsistence with dignity (Cohen, Taylor and Muller-Camen 2012: 16). Thus employees need to be compensated well beyond minimum wage levels.

Corruption is not yet a popular topic in IHRM research either. An exception is the model proposed by Novicevic *et al.* (2003) about the socialization of host country employees into the use of corporate codes of ethics. Nevertheless, in connection with gift giving and bribery it is a topic in the supply chain literature. Bribery still seems to be an ongoing problem when doing business in China. Millington, Eberhardt, and Wilkinson (2005) investigated the purchasing practices of UK manufacturing companies in China and their local component suppliers. They

were interested in the role that *guanxi* practices play in this supplier–buyer relationships, in the perceptions of gift giving and taking within those relationships, and in the structural responses of the UK manufacturers to deal with these type of situations. Results indicate that bribery payments from suppliers to purchasing staff are still commonplace in China (it was observed or at least suspected in two thirds of the sample companies) and according to the respondents in the UK firms this will probably be the case in the medium to long-term future. There seems to be a clear and mutual understanding whether gift giving is meant as part of the *guanxi* building process or as a bribery practice. Interestingly, the incidence and perceived importance of engaging in *guanxi* practices is not very high among the UK managers. UK manufacturers have taken some HR actions to deal with the problem. First of all they threaten their purchasing staff with dismissals in case of bribery, and over a quarter of the companies report to have dismissed employees for bribery activities. Second, they train their purchasing staff to avoid such activities; third, they changed some formal structures like split responsibilities, staff rotation, and the involvement of senior managers in purchasing decision processes.

Overall the ethics and CSR literature emphasizes the negative spillover effects of MNCs in host countries and in particular developing countries. The same applies to industrial relations and labor process research that is critical of MNCs undermining industrial relations institutions in their countries of operation as well as their home countries. In contrast, the mainstream IHRM literature either neglects this issue or emphasizes positive spillovers from MNCs. For example, in their research on MNCs in Bangladesh, Chowdhury and Mahmood (2012) observed that expatriate managers help to insulate subsidiaries, particularly in developing countries, from inappropriate political interference and corruption. Nevertheless, research by Bailey and Spicer (2007) comparing Russian managers with American expatriates found that those expatriates who were highly included in Russian communities expressed similar attitudes regarding the violation of ethical norms to their Russian counterparts.

CSR, ethics and HRM in the supply chain

An important implication of globalization has been the growing outsourcing of production to a global network of suppliers. For some organizations this means that only a minority of its workforce is directly employed. For example, in 2004 Nike had only 24,291 direct employees, mostly working in the United States. At the same time this footwear company had more than 800 suppliers in 51 countries and employing more than 600,000 workers in its supply chain (Nike CSR Report 2004 cited in Locke and Romis 2010). Supply chains "are defined as multiple organizations that work together to provide raw materials, produce goods and services and deliver finished products to customers" for their field and are so far not a major area for study in HRM (Fisher, Graham, Vachon and Vereecke 2010: 814).

It can be argued that ethical reasoning should cross organizational borders and take into account the whole supply chain because the potential for innovations in sustainable development is higher than within the buying organization. Isaksson, Johansson and Fischer (2010) suggest the concept "value per harm" to measure the sustainability effects of specific actions and to have some rationale for prioritizing organizational measures toward sustainability enhancement. In the case of mobile communications' supply chain the main value would be communication availability (which especially in emerging markets contributes significantly to improvements of the economic situation) and the main harm would be the price of communication and not as one would expect environmental pollution or unfavorable working conditions, because there are many more potentially poor users who would suffer from high prices than employees who suffer from bad working conditions. The basic assumption behind the idea that the supply chain is part of

an organization's CSR is that MNCs have the power to influence the behavior of suppliers.

Starting with the Nike scandals in the 1990s, the pressure this generated from the NGO and the significant risks for a company's reputation, more MNCs recognized the need to develop corporate governance beyond the firm's boundary to their supply chain partners (Amaeshi, Osuji and Nnodim 2007; Gimenez and Tachizawa 2012). One indicator is purchasing strategies that lay down environmental or social standards that suppliers must meet. This development has already been reflected in the supply chain literature where research on sustainable supply chain management and socially responsible purchasing is emerging (Ashby, Leat and Hudson-Smith 2012; Gimenez and Tachizawa 2012). This trend is also reflected in CSR and sustainability reporting, where human rights is one of the six indicator categories of the global reporting initiative. This category includes performance indicators such as "percentage of significant suppliers, contractors and other business partners that have undergone human rights screening and actions taken" as well as "operations and significant suppliers identified as having significant risks for incidents of child labor, and measures taken to contribute to the elimination of child labor" are included. Other ILO human rights requirements such as freedom of association, nondiscrimination and the elimination of forced labor, as well as health and safety are also part of these reporting requirements.

However, so far the IHRM literature has not widely recognized that there is a responsibility of the HR function for employees outside the firm's boundaries. There are no systematic analyses and assessment of a MNC's HRM practices in regards to fundamental human rights (Janssens and Steyaert 2012).

Nevertheless, an issue that has received some attention from scholars in ethics and international management is child labor. A more neglected and understudied issue is slavery, which still affects millions of people (Crane 2013). Slavery is not only something we find in the history books but can be viewed as a contemporary management practice. There are about 27 million slaves worldwide (Hardy 2013), most (but not all) of them in developing countries. Although reducing modern slavery is beyond the influence of any single organization and requires concerted efforts there are four actions that MNCs can take to reduce the risk of purchasing goods and services that have been produced or provided by forced labor. MNCs can analyze the industry, socioeconomic, geographic, cultural and regulatory context to estimate the likelihood of slavery within their supply chain. Conditions enabling slavery are among others: high labor intensity with demand for unskilled labor generating only low value capture; high poverty, low education, and a high level of unemployment; high geographic isolation of the company and high physical, political, or psychological distance of the workers from their homes; traditions, entrenched inequalities and religious beliefs that legitimize slavery; and low issue attention and weak enforcement of legal anti-slavery regulations. These contextual variables are moderated by three factors that can be managed by the MNCs. First, supply chain interventions like the institution of new trading relationships, the use of better technology and the abdication of putting downward pressure on prices can reduce the effects of high labor intensity and low value capture. Second, the availability of affordable credit (microcredit) can reduce the risk for workers to be trapped into debt bondage. Third, the deployment of private or civic regulation like supply chain codes of conduct, partnerships with NGOs, or supporting officials with training or equipment can mitigate the effects of weak public governance (Crane 2013).

Over the last decades a number of supply chain interventions have been developed. These are usually based on codes of conduct and monitoring mechanisms aimed at enforcing them (Barrientos 2008; Locke, Amengual and Mangla 2009). MNCs wishing to extend sustainability to their suppliers are well advised to impose a combination of two governance mechanisms, supplier assessment (via questionnaires or company visits) and collaboration with suppliers

(e.g. providing them with training, support or other activities). These governance mechanisms are backed up by a combination of internal and external enablers. Internal enablers are a clear policy statement toward sustainability, senior management support for implementing changes toward sustainability, the availability of resources to implement these changes, the strategic role of purchasing, a purchasing staff with supply management capabilities and a performance measurement system for purchasing, and other functional areas to access and reward sustainable supply chain management practices. External enablers are trust and clear objectives within the buyer–supplier relationship (Gimenez and Tachizawa 2012).

The effects of these interventions are mixed. Some assessments are positive. For example, Crane (2013: 55) reported that assistance in the form of new technologies and fairer trading arrangements from US confectionary companies to West African growers have eroded slavery to some extent. Based on data from an impact assessment conducted for the UK Ethical Trading Initiative, Barrientos (2008) identified some benefits of codes of conduct for permanent and regular workers in the supply chain. However, apparently most vulnerable workers and particularly those employed by labor contractors did not benefit. According to Locke, Amengual and Mangla (2009) the traditional compliance model has only had a limited impact on poor working conditions in global supply chain factories. Instead these academics promote a more commitment-oriented approach that is based on joint problem solving, information exchange, and the diffusion of best practices.

MNCs increasingly have to assume responsibility for human rights abuses in their supply chain. As a result HR managers have a duty to ensure that in-house policies to protect human rights are also observed by third-party vendors (Cohen *et al.* 2012). This has a number of implications for the HR function. First, there are new stakeholders such as global human rights organizations like the Fair Wear Foundation. Human Rights issues have to be integrated in the HR vision, mission, and strategy (Palthe 2008). Then the MNC has to ensure consistency between in-house organizational policies to protect human rights and the policies applied by vendors in the supply chain (Cohen, Taylor and Muller-Camen 2012). This includes, for example, a commitment to pay cost of living wages throughout the supply chain. Measures are implemented to ensure that discrimination of any kind is avoided and that employees are free to join trade unions. Training creating awareness about potential human rights issues should not only be offered to expatriate managers, but to all employees involved in supply chain dealings. For example, MNCs could provide training in all aspects of corruption and measure the number of employees trained and hours spent in such training (Cohen *et al.* 2012). In addition, MNCs could also offer training in these matters for HR managers in their supply chain.

Conclusion

CSR, ethics, and human rights are not yet taken seriously in IHRM. Instead existing attempts by scholars covering this link are so far confined to supply chain management, business ethics, and the broader CSR literature. A reason for this might be IHRM scholars' managerialist perspective and emphasis on economic performance. However, the general neglect of supply chain issues also plays a role. This chapter argues that there is a need for academics in the field of HRM to broaden their research and incorporate these neglected issues. The emerging literature on sustainable HRM might be an avenue for this.

References

Amaeshi, K. M., Osuji, O. K., and Nnodim, P. (2007) "Corporate social responsibility in supply chains of global brands: A boundaryless responsibility? Clarifications, Exceptions and Implications," *Journal of Business Ethics,* 81: 223–234.

Ashby, A., Leat, M., and Hudson-Smith, M. (2012) "Making connections: A review of supply chain management and sustainability literature," *Supply Chain Management: An International Journal*, 17 (5): 497–516.

Bailey, W., and Spicer, A. (2007) "When does national identity matter? Convergence and divergence in international business ethics," *Academy of Management Journal,* 50 (6): 1462–1480.

Banai, M. and Sama, L. M. (2000) "Ethical dilemmas in MNCs' international staffing policies a conceptual framework," *Journal of Business Ethics*, 25: 221–235.

Barrientos, S. (2008) "Contract labour: The 'Achilles heel' of corporate codes in commercial value chains," *Development and Change*, 39 (6): 977–990.

Berger, R., Choi, C. J., and Kim, J. B. (2011) "Responsible leadership for multinational enterprises in bottom of pyramid countries: The knowledge of local managers," *Journal of Business Ethics*, 101 (4): 553–561.

Bondy, K. and Starkey, K. (2012) "The dilemmas of internationalization: corporate social responsibility in the multinational corporation," *British Journal of Management*, doi: 10.1111/j.1467–8551.2012.00840.x.

Bondy, K., Moon, J., and Matten, D. (2012) "An institution of corporate social responsibility (CSR) in multi-national corporations (MNCs): Form and implications," *Journal of Business Ethics*, 111 (2): 281–299.

Brammer, S., Jackson, G., and Matten, D. (2012) "Corporate social responsibility and institutional theory: New perspectives on private governance," *Socio-Economic Review*, 10, 3–28.

Brown, D. and Knudsen, J. S. (2012) "Managing corporate responsibility globally and locally: Lessons from a CR leader," *Business and Politics*, 14 (3): 1–29.

Campbell, J. I. (2007) "Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility," *Academy of Management Review*, 32 (3): 946–967.

Chowdhury, S. D., and Mahmood, M. H. (2012) "Societal institutions and HRM practices: An analysis of four European multinational subsidiaries in Bangladesh," *The International Journal of Human Resource Management*, 23 (9): 1808–1831.

Cohen, E., Taylor, S., and Muller-Camen, M. (2012) *HRM's Role in Corporate Social and Environmental Sustainability*, Alexandria: SHRM Foundation.

Cooke, F. L. (2011) "Social responsibility, sustainability and diversity of human resources" in A.-W. Harzing and A. H. Pinnington (eds) *International Human Resource Management*, 3rd edition, London: Sage, 584–624.

Cooke, F. L. (2012) "The globalization of Chinese telecom corporations: Strategy, challenges and HR implications for the MNCs and host countries," *The International Journal of Human Resource Management*, 23 (9): 1832–1852.

Crane, A. (2013) "Modern slavery as a management practice: Exploring the conditions and capabilities for human exploitation," *Academy of Management Review*, 38 (1): 49–69.

Crane, A., and Matten, D. (2010): *Business Ethics*, 3rd edition. Oxford: Oxford University Press.

Delbridge, R., Hauptmeier, M., and Sengupta, S. (2011) "Beyond the enterprise: Broadening the horizons of International HRM," *Human Relations,* 64 (4): 483–505.

Doh, J., Husted, B. W., Matten, D., and Santoro, M. (2010) "Ahoy there! Toward greater congruence and synergy between international business and business ethics theory and research," *Business Ethics Quarterly*, 20 (3): 481–502.

Elkington, J. (1997) *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*, Oxford: Capstone Publishing.

European Commission (2011) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Retrieved from http://ec.europa.eu/enterprise/policies/sustainable-business/files/csr/new-csr/act_en.pdf.

Fichter, M., Helfen, M., and Sydow, J. (2011) "Employment relations in global production networks: Initiating transfer of practices via union involvement," *Human Relations*, 64 (4): 599–622.

Fisher, S. L., Graham, M. E., Vachon, S., and Vereecke, A. (2010) "Guest editors' note: Don't miss the boat: Research on HRM and supply chains," *Human Resource Management*, 49 (5): 813–828.

Gimenez, C., and Tachizawa, E. M. (2012) "Extending sustainability to suppliers: A systematic literature review," *Supply Chain Management: An International Journal*, 17 (5): 531–543.

Gond, J.-P., Igalens, J., Swaen, V., and El Akremi, A. (2011) "The HR contribution to responsible leadership: An exploration of the CSR-HR Interface," *Journal of Business Ethics*, 98: 115–132.

Hardy, Q. (2013) "Global slavery, by the numbers," *The New York Times*, March 6, 2013, http://bits.blogs.nytimes.com/2013/03/06/global-slavery-by-the-numbers/ (retrieved May 13, 2013).

Heikkurinen, P., and Ketola, T. (2012) "Corporate responsibility and identity: From a stakeholder to an awareness approach," *Business Strategy and the Environment*, 21: 326–337.

Isaksson, R., Johansson, P., and Fischer, K. (2010) "Detecting supply chain innovation potential for sustainable development," *Journal of Business Ethics*, 97: 425–442.

Islam, M. A., and McPhail, K. (2011) "Regulating for corporate human rights abuses: The emergence of corporate reporting on the ILO's human rights standards within the global garment manufacturing and retail industry," *Critical Perspectives on Accounting*, 22: 790–810.

Jack, G., Greenwood, M., and Schapper, J. (2012) "Frontiers, intersections and engagements of ethics and HRM," *Journal of Business Ethics*, 111 (1): 1–12.

Jamali, D. (2010) "The CSR of MNC subsidiaries in developing countries: Global, local, substantive or diluted?" *Journal of Business Ethics*, 93:181–200.

Janssens, M., and Steyaert, C. (2012) "Towards an ethical research agenda for international HRM: The possibilities of a plural cosmopolitan framework," *Journal of Business Ethics*, 111: 61–72.

Jones-Christensen, L., Pierce, E., Hartman, L. P., Hoffman, W. M., and Carrier, J. (2007) "Ethics, CSR and sustainability education in the Financial Times top 50 global business schools: Baseline data and future research directions," *Journal of Business Ethics*, 73 (4): 347–368.

Locke, R. M., and Romis, M. (2010) "The promise and perils of private voluntary regulation: Labor standards and work organization in two Mexican garment factories," *Review of International Political Economy*, 17 (1), 45–74.

Locke, R. M., Amengual, M., and Mangla, A. (2009) "Virtue out of necessity? Compliance, commitment, and the improvement of labor conditions in global supply chains," *Politics & Society*, 37 (3): 319–351.

Matten, D., and Moon, J. (2008) "'Implicit' and 'Explicit' CSR: A conceptual framework for a comparative understanding of corporate social responsibility," *Academy of Management Review*, 33 (2): 404–424.

Millar, C. C. J. M., and Choi, C. J. (2010) "MNCs, worker identity and the human rights gap for local managers," *Journal of Business Ethics*, 97: 55–60.

Millington, A., Eberhardt, M., and Wilkinson, B. (2005) "Gift giving, guanxi and illicit payments in buyer–supplier relations in China: Analysing the experience of UK companies," *Journal of Business Ethics*, 57: 255–268.

Morgan, G. (2012) International business, multinationals and national business systems. In Wood, G., Demirbag, M. (eds) *Handbook of Institutional Approaches to International Business*. Cheltenham: Elgar, pp.18–40.

Novicevic, M. M., Buckley, M. R., Harvey, M. G., Halbesleben, J. R. B., and Des Rosier, S. (2003) "Socializing ethical behavior of foreign employees in multinational corporations," *Business Ethics: A European Review*, 12 (3): 298–307.

Palthe, J. (2008) "Managing human rights and human resources: The dual responsibility of global corporations," *Forum on Public Policy*, 1–11.

Pfeffer, J. (2010), "Building sustainable organizations: The human factor," *Academy of Management Perspectives*, 24(1), 34–45.

Preuss, L., and Brown, D. (2012), "Business policies on human rights: An analysis of their content and prevalence among FTSE 100 firms," *Journal of Business Ethics*, 109 (3): 289–299.

Roper, I., Szigetvari, E., Parsa, S., and Muller-Camen, M. (2013) "Vulnerable workers in global value chains: Assessing multinationals' social reporting of human rights," unpublished working paper, Middlesex University.

Scherer, A. G., and Palazzo, G. (2011) "The new political role of business in a globalized world: A review of a new perspective on CSR and its implications for the firm, governance, and democracy," *Journal of Management Studies*, 48: 899–931.

Shen, J. (2011) "Developing the concept of socially responsible international human resource management," *The International Journal of Human Resource Management*, 22 (6): 1351–1363.

Tan, J., and Wang, L. (2011) "MNC strategic responses to ethical pressure: An institutional logic perspective," *Journal of Business Ethics*, 98: 373–390.

Witt, M. A., and Redding, G. (2012) "The spirits of corporate social responsibility: senior executive perceptions of the role of the firm in society in Germany, Hong Kong, Japan, South Korea and the USA," *Socio-Economic Review*, 10: 109–134.

Yang, X., and Rivers, C. (2009) "Antecedents of CSR practices in MNCs' subsidiaries: A stakeholder and institutional perspective," *Journal of Business Ethics*, 86: 155–169.

This page intentionally left blank

Index