

# **INTERNATIONAL ASSIGNMENTS**

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Version December 2009

To be published in Harzing, A.W.K.; Pinnington A.. (ed.) International Human Resource Management, London: Sage Publications

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## Chapter 7: International Assignments

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#### 1. Introduction

#### 2. Staffing policies

*PCNs, HCNs or TCNs: (Dis)advantages and statistics*

*Factors influencing the choice between HCNs and PCNs*

#### 3. Motives for international transfers

*Why do companies assign employees abroad? Edström and Galbraith's typology*

*Coordination through international assignees: Of bears, bumble-bees and spiders*

*International assignees as knowledge agents*

#### 4. Alternative forms of international assignments

*Inpatriate assignments*

*Short-term assignments*

*Self-initiated assignments*

*Virtual assignments*

#### 5. The international assignment process

*Selection and preparation*

Selection criteria: prescriptions for good practice

Expatriate selection in practice

Preparation

*Expatriate adjustment during the assignment*

*Repatriation*

## 6. Dimensions of assignment success

*Expatriate failure: Is it just a myth?*

*Multidimensional nature of assignment success*

## 7. Summary and Conclusions

## 8. Discussion Questions

## 9. Further reading

## References

### **Learning Objectives**

After reading this chapter you will be able to

- Understand and evaluate different staffing options that are available to MNCs
- Differentiate between the main motives for using international assignments in MNCs
- Identify different forms of international assignments and assess their distinct advantages and disadvantages
- Explain why the selection, preparation and repatriation form an integral part of the international assignment process
- Critically evaluate the success of an international transfer, both from the perspective of the individual assignee as well as the company

### **50-Word Summary**

The chapter reviews the various staffing options in MNCs in general and then discusses different corporate motives for using international transfers as well as the different forms of international assignments available to MNCs. It also gives a detailed overview of the assignment process and presents a set of criteria for assessing assignment success.

## **1. Introduction**

This chapter deals with several aspects of international assignments. First, Section 2 reviews different staffing policies and looks in some detail at the factors influencing the choice between host country and parent country nationals. Subsequently, Section 3 takes a strategic perspective on international transfers and looks at the underlying motives that MNCs have to transfer international assignees between MNC units. We review two of the motives for international transfers – control and coordination, and knowledge transfer – in detail. Section 4 then deals with alternatives to expatriation, including the use of inpatriate, short-term, self-initiated and virtual assignments. In Section 5, we examine the international assignment process which consists of the pre-assignment phase, the actual assignment and repatriation. Here, we review recruitment and selection issues associated with international assignments, discussing both the prescriptive models found in the expatriate literature and the circumstances that seem to persist in practice. We also consider expatriate adjustment during the assignment and describe organizational support upon repatriation. The final section critically reflects on the concept of expatriate failure and outlines a multidimensional perspective on assignment success.

## **2. Staffing policies**

In his seminal work, Perlmutter (1969) identified three different international orientations (ethnocentric, polycentric and geocentric) that have become the standard way to describe MNC staffing policies. MNCs following an *ethnocentric* staffing policy would appoint mostly parent country nationals (PCNs, see Box 7.1) to top positions at their subsidiaries, while MNCs following a *polycentric* staffing policy would prefer to appoint host country nationals

(HCNs). Firms with a *geocentric* staffing policy would simply appoint the best person, regardless of his/her nationality and that could include third country nationals (TCNs), nationals of a country other than the MNC’s home country and the country of the subsidiary. In a later publication, Heenan and Perlmutter (1979) defined a fourth approach, which they called *regiocentric*. In this approach, managers are transferred on a regional basis, such as Europe, and it often forms a mid-way station between a pure polycentric/ethnocentric approach and a truly geocentric approach. It is important to note that these staffing policies apply to key positions in MNC subsidiaries only. Although some PCNs or TCNs might still be found at middle management, MNCs normally appoint host country managers at this and lower levels.

*Box 7.1. Classification of international staff*

<b>Parent country national (PCN)</b>	Nationality of employee is the same as that of the headquarters of the multinational firm	e.g. a German employee working at the Chinese subsidiary of Volkswagen
<b>Host country national (HCN)</b>	Nationality of employee is the same as that of the local subsidiary	e.g. a Chinese employee working at the Chinese subsidiary of Volkswagen
<b>Third country national (TCN)</b>	Nationality of employee is neither that of the headquarters nor the local subsidiary	e.g. an Indian employee working at the Chinese subsidiary of Volkswagen

Recent research has criticized the HQ-centric nature of these orientations. Indeed, irrespective of the specific approach chosen in a given MNC the staffing decisions are usually initiated centrally and then imposed on the foreign units by the HQ. In this regard, Novicevic and Harvey (2001) call for a pluralistic orientation in which subsidiaries are given more autonomy and flexibility in the staffing process. This pluralistic orientation would consist of multiple, diverse and possibly competing orientations of subsidiary staffing that operate independently within the MNC context and requires coordinating mechanisms such as the

socialization of key MNC staff. Inpatriates (see Section 4) may take on such an integrative role by serving as link pins between the various subsidiaries and the HQ.

The term expatriation is often used to describe the process of international transfer of managers. Although the term expatriate could literally be taken to mean any employee that is working outside his or her home country, it is normally reserved for PCNs (and sometimes TCNs) working in foreign subsidiaries of the MNC for a pre-defined period, usually 2-5 years. Given the range of alternative forms of international transfers which we will discuss in Section 4, it is common to use the generic term 'international assignee' to refer to any person that is relocated internationally.

In this section, we offer a more detailed discussion of the advantages and disadvantages of using PCNs, HCNs or TCNs as well as some recent statistics on the use of PCNs and HCNs in different countries and industries. We also present a conceptual model that summarises the factors influencing the choice between PCNs and HCNs.

### **PCNs, HCNs or TCNs: (Dis)advantages and statistics**

A review of the advantages and disadvantages of employing these different groups of employees will clarify the applicability of the different staffing policies identified above. Some of the most frequently mentioned advantages and disadvantages (Negandhi, 1987; Phatak, 1989; Dowling, Festing, & Engle, 2008) are summarized in Table 7.1.

*Table 7.1. Advantages and disadvantages of using PCNs, HCNs or TCNs*

	Advantages	Disadvantages
<p><b>PCNs</b> <b>Parent country nationals</b></p>	<ul style="list-style-type: none"> <li>• familiarity with the home office's goals, objectives, policies and practices</li> <li>• technical and managerial competence</li> <li>• effective liaison and communication with home-office personnel</li> <li>• easier exercise of control over the subsidiary's operations</li> </ul>	<ul style="list-style-type: none"> <li>• difficulties in adapting to the foreign language and the socioeconomic, political, cultural and legal environment</li> <li>• excessive cost of selecting, training and maintaining expatriate managers and their families abroad</li> <li>• the host countries' insistence on localizing operations and on promoting local nationals in top positions at foreign subsidiaries</li> <li>• family adjustment problems, especially concerning the unemployed partners of managers</li> </ul>
<p><b>HCNs</b> <b>Host country nationals</b></p>	<ul style="list-style-type: none"> <li>• familiarity with the socioeconomic, political and legal environment and with business practices in the host country</li> <li>• lower cost incurred in hiring them as compared to PCN and TCN</li> <li>• provides opportunities for advancement and promotion to local nationals and, consequently, increases their commitment and motivation</li> <li>• responds effectively to the host country's demands for localization of the subsidiary's operation</li> </ul>	<ul style="list-style-type: none"> <li>• difficulties in exercising effective control over the subsidiary's operation</li> <li>• communication difficulties in dealing with home-office personnel</li> <li>• lack of opportunities for the home country's nationals to gain international and cross-cultural experience</li> </ul>
<p><b>TCNs</b> <b>Third country nationals</b></p>	<ul style="list-style-type: none"> <li>• perhaps the best compromise between securing needed technical and managerial expertise and adapting to a foreign socioeconomic and cultural environment</li> <li>• TCN are usually career international business managers</li> <li>• TCN are usually less expensive to maintain than PCN</li> <li>• TCN may be better informed about the host environment than PCN</li> </ul>	<ul style="list-style-type: none"> <li>• host country's sensitivity with respect to nationals of specific countries</li> <li>• local nationals are impeded in their efforts to upgrade their own ranks and assume responsible positions in the multinational subsidiaries</li> </ul>

It will be clear that none of the options is without its disadvantages. In the next subsection, we will discuss several factors that might influence the choice between these different types of managers, but first we will provide some recent statistics on the relative use of these groups. Given the fact that staffing policies might have an important impact on the functioning of the subsidiary, it is surprising that there is such a paucity of research on the relative use of PCNs, HCNs and TCNs. In fact until recently, only two studies had been conducted which provide any details on this issue (Tung, 1982; Kopp, 1994). Kopp's results were limited to the use of PCNs in MNCs from various home countries only and neither Tung nor Kopp discussed the use of PCNs in different industries. Moreover, both studies

conceptualized Europe as one supposedly homogeneous group, both in terms of home and host country.

A recent study (Harzing, 2001a) – based on archival data for 2,689 subsidiaries of nearly 250 different MNCs – provides us with detailed information on the relative use of PCNs for the managing director position in foreign subsidiaries. Overall, 40.8% of the subsidiaries had a PCN as managing director, but as Table 7.2 shows this percentage differed substantially by home country, host country cluster and industry. With regard to home countries, subsidiaries of Japanese MNCs are much more likely to have a PCN as managing director than are subsidiaries of European MNCs. The exact percentage of PCNs in subsidiaries of European MNCs differed considerably across the various countries ranging from a low of 18.2% for Denmark to a high of 48.1% for Italy. At subsidiary level, the highest percentage of PCNs can be found in Latin America, Africa, Asia and the Middle East, while expatriate presence is much lower in Canada and Western Europe and is particularly low in Scandinavia. In general, MNCs operating in the financial sector and the automobile industry show the highest percentage of PCNs as managing directors. A low expatriate presence is found in some service industries and in “multidomestic” industries such as food. As the sample size for some of the categories is relatively small, results for these categories should be treated with caution. It must be noted though that the overall sample size is *much* higher than that of either Tung’s or Kopp’s study.



*Table 7.2. Sample size and percentage of PCN subsidiary managing directors in different HQ countries, subsidiary country clusters and industries*

Country of origin of HQ	N	% of PCNs	Industry	N	% of PCNs
Denmark	88	18.2%	Business & management services	71	12.7%
UK	381	23.1%	Rubber & miscellaneous plastics	30	20.0%
Norway	49	24.5%	Stone, glass & clay products	72	23.6%
Switzerland	207	25.6%	Pharmaceutical	156	25.0%
France	247	30.0%	Food & related products	132	25.8%
Finland	200	30.0%	Advertising agencies	109	26.6%
Netherlands	196	32.7%	Electronic & electric equipment	160	30.6%
Sweden	389	34.2%	Industrial equipment	282	32.6%
Germany	279	40.9%	Instruments	70	32.9%
Italy	52	48.1%	Paper	101	33.7%
Japan	601	76.5%	Computers & office machines	128	34.4%
			Industrial Chemicals	175	37.7%
Total	2689	40.8%	Engineering services	41	39.0%
			Insurance carriers & agents	139	39.6%
<b>Subsidiary country cluster</b>	<b>N</b>	<b>% of PCNs</b>	Household appliances	84	40.5%
Scandinavia	164	14.6%	Metal products	83	42.2%
Western Europe	1351	33.3%	Printing & publishing	80	45.0%
Eastern Europe	81	39.5%	Oil & Gas	25	48.0%
Canada	94	41.5%	Non depository financial institutions	46	52.2%
Australia/New Zealand	135	41.5%	Telecommunications equipment	62	53.2%
Latin America	254	50.8%	Motor vehicles and parts	82	62.2%
Africa	53	58.5%	Banks & banking services	481	76.1%
Asia	515	60.2%	Security & commodity brokers	80	84.8%
Middle East	42	66.7%			
			Total	2689	40.8%
Total	2689	40.8%			

The aforementioned results describe the percentage of PCNs in the managing director function only. Although much less information was available for the other functions, the level of expatriate presence was generally found to be lower in these functions. Only 17.2% of the subsidiary finance directors (N=358) were PCNs, while this was the case for 10.1% of the marketing directors (N=218). The lowest percentage of PCNs, however, was found in the personnel director's function (2.2%, N=92). In general, MNCs tended to have more PCNs for the managing director function than for any of the other functions. For both German and Italian MNCs, however, the percentage of PCNs for the financial director function comes close to the percentage of PCNs for the managing director function, while for British MNCs the financial director in subsidiaries is even more likely to be a PCN than is the managing

director.

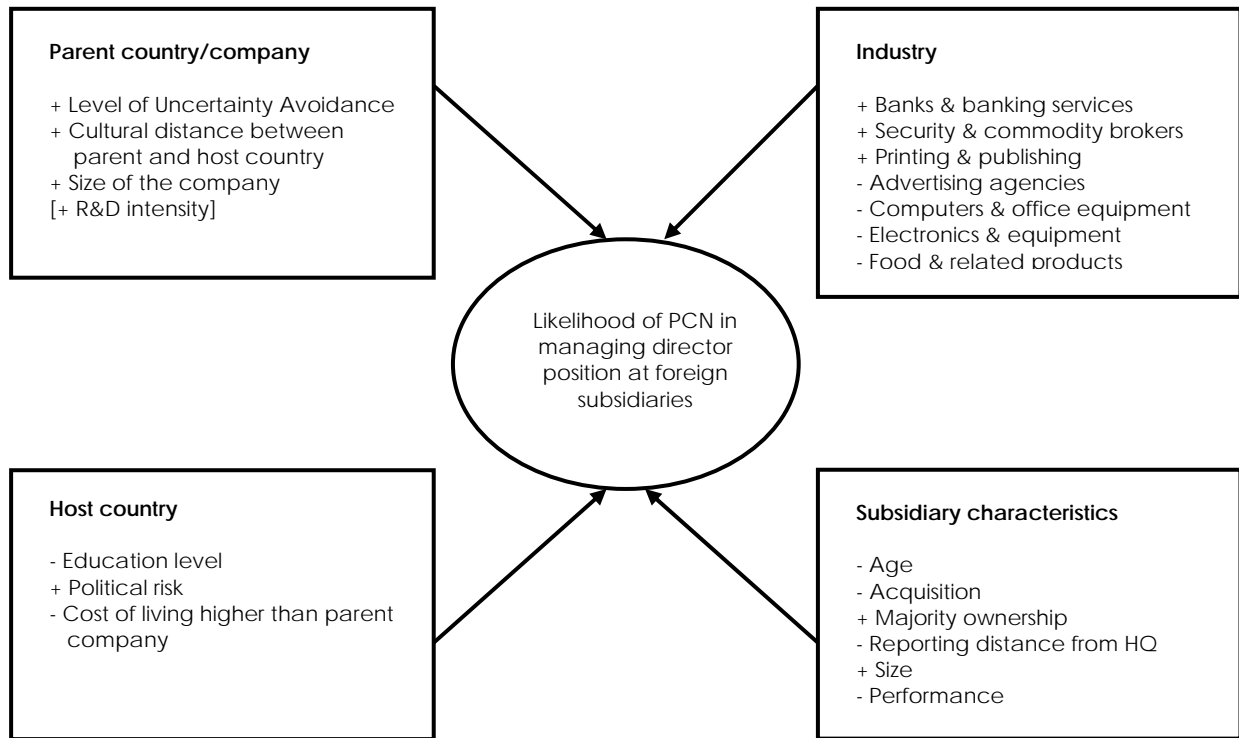
As less than 5% of the positions in this study were taken up by TCNs we have not discussed this category in any detail. However, we can say that, similar to Tung's study, the highest percentage of TCNs in our sample can be found in African subsidiaries. Confirming the results of both Tung's and Kopp's study, European MNCs tend to employ more TCNs than Japanese MNCs. This might be a reflection of the availability of near-nationals in European countries (e.g. Denmark-Sweden, Spain-Portugal).

Our study also shows that a differentiated approach to subsidiary management, as advocated by many scholars in the field of international management (Bartlett & Ghoshal, 1989; Ghoshal & Nohria, 1993; Paterson & Brock, 2002), is important for staffing practices as well. Fewer than 10% of the companies in this study had a uniform staffing policy (only HCNs or only PCNs). These companies were mostly Japanese MNCs in the financial sector, a sector that on average had a very high percentage of PCNs as managing directors. Other companies differentiated their approach according to host country and subsidiary characteristics. We will look into the factors that influence the choice between HCNs and PCNs in more detail in the next section.

### **Factors influencing the choice between HCNs and PCNs**

The same study we referred to above (Harzing, 2001a) also gives us some insight into the factors that influence the choice between HCNs and PCNs for the managing director position in foreign subsidiaries. Figure 7.1 summarises the factors that had a significant impact on this choice. It is important to realise that this model was constructed based on multivariate statistical analysis (logistic regression). This means that although some of the factors might be intercorrelated, they all have a significant and independent impact on the choice between HCNs and PCNs.

Figure 7.1. Factors influencing the choice between HCN and PCN\*



\* (+) denotes a positive relationship. Example: + Size = The larger the organization the higher is the likelihood that a PCN holds the managing director position in its foreign subsidiaries.

With regard to parent country/company characteristics, MNCs from countries with a national culture that scores high on uncertainty avoidance (Hofstede, 1980, 2001) have a higher tendency to employ PCNs as managing directors for their subsidiaries. There is often suspicion towards foreigners as managers and a view that initiative arising from subordinates should be kept under control. Managers are expected to be experts in their fields and generally are selected based on seniority (Hofstede, 1980, 2001). These characteristics usually point to a trusted PCN as the preferred alternative for senior positions in subsidiaries. Direct control of subsidiary operations will also be more important if the level of cultural distance, or institutional distance (Gaur, Delios, & Singh, 2007) between home and host country is high. In this case, HQ managers might not trust the information they receive from local managers. Additionally, HQ managers might fear that local managers are less committed to the company. However, Gong (2003a) found that the reliance on PCNs in cases of high cultural

distance weakens over time, suggesting that MNCs' longer presence in a host country may lead to the development of trust relationships with HCNs and thus a reduced need to deploy PCNs. Furthermore, communication between people from different cultural backgrounds can be very difficult (even if they speak the same language) and the opportunity for misunderstanding is usually high (Marschan-Piekkari, Welch, & Welch, 1999). Therefore, HQ managers will prefer to have at least some home country managers in important positions to facilitate the information flow.

Larger MNCs have more PCNs as managing directors since they have more managerial resources and are more likely to have a formal management development program in operation that involves the transfer of managers around the world. MNCs with a research intensive product are more likely to feel the need to transfer at least some of this knowledge to their subsidiaries and to train local managers (Hamill, 1989). Whereas Harzing did not find support for this relationship, Tan and Mahoney (2002) showed that R&D intensity did increase the number of PCNs for Japanese firms, although not the likelihood of a PCN as managing director. This is probably due to the fact that R&D knowledge is transferred mainly by technical specialists rather than by the managing director.

More recent research has highlighted the role of MNC competitive strategy for subsidiary staffing (Tarique, Schuler, & Gong, 2006). Whereas MNCs with a global strategy are more likely to staff their subsidiaries with a focus on PCNs or HCNs/TCNs that have been socialized at the HQ, MNCs with a multidomestic strategy will concentrate on HCNs who have been socialized at the host-country subsidiary. This influence is likely to be moderated by parent-country cultural dimensions, the cultural similarity between parent and subsidiary country, and the managerial orientation at the HQ. For example, MNCs with a multidomestic strategy will more likely staff their culturally dissimilar subsidiaries with HCNs that have been socialized at the HQ. Similarly, MNCs with a global strategy and a polycentric

managerial orientation will more likely staff their subsidiaries with HCNs that have been socialized at the HQ.

With regard to the influence of the industry, only those with a significantly higher or lower level of PCNs as managing director are included in this model. A high percentage of PCNs as managing director is found in the financial services and printing & publishing, while a low percentage of expatriates is found in the advertising industry, the computers & office equipment industry, the electronic & electric equipment industry, and the food industry. Some of the industry effects are easily explained. The control aspect will lead companies to employ a large percentage of PCNs in financial services, while the importance of knowledge of the local market will lead companies to employ a large percentage of HCNs in advertising and the food industry. The results for the other industries are less straightforward and would merit further investigation in a more controlled sample.

With regard to host-country characteristics, MNCs are more likely to employ PCNs when the level of education in the host country is low, since in that case qualified local personnel will be scarce. Further, a high level of political risk in the host country is likely to make direct control through expatriates more important because the risks of loss of income or assets might be substantial. It also makes the speed and clarity of communication facilitated by the use of PCNs crucial (Boyacigiller, 1990). As we have seen above, one of the advantages of having HCNs in top management positions is that they are less expensive to employ than PCNs. This motive is more important when the cost of living in the host country is higher than in the home country. In this case, an expatriate will expect to get additional compensation to maintain his/her previous lifestyle. Local managers have probably adjusted better to the high cost of living and would not require additional compensation.

Finally there are several subsidiary characteristics that impact on the choice between HCNs and PCNs as managing director. Subsidiary age will be negatively related to the

likelihood of using PCNs as managing directors. When a subsidiary has just been established, HQ will feel a higher need to ensure its operations are in accordance with HQ policies and will hence use trusted PCNs. Furthermore, MNCs might have difficulty in attracting high-calibre locals for employment in recently established subsidiaries. When subsidiaries become more established, local recruitment may be easier and some transfer of knowledge and training of local managers will already have been effected (Boyacigiller, 1990; Gong, 2003b). In this regard, Hébert, Very and Beamish (2005) even point to negative implications of using PCNs for a MNC's operational efficiency once the company has developed detailed host-country expertise because PCNs entail substantial costs and resource commitments. Furthermore, the parent company's lack of knowledge of the local labour market and a lack of recruitment potential will also be major reasons for greenfield establishments to appoint PCNs to top management positions. In contrast, acquired subsidiaries often already have an established local managerial cadre. When a subsidiary is very important to HQ, keeping its operations under control through PCNs will be felt to be more necessary (Belderbos & Heijltjes, 2005). Large, majority-owned subsidiaries that report directly to the HQ or subsidiaries that possess resources necessary for the parent to execute its strategy successfully are more important to the HQ. Finally, control of the subsidiary will also be more important when a subsidiary is under-performing, and direct HQ intervention by means of a PCN is necessary.

### **3. Motives for international transfers**

Now that we have established the advantages and disadvantages of using different groups of managers and have reviewed the factors influencing the choice between HCNs and PCNs, we will take a closer look at the motives that MNCs have to send expatriates out to their foreign

subsidiaries. In this section, we will first discuss the classification by Edström and Galbraith (1977) and will show that the results of German studies largely confirm this classification. We will then review two of the motives for international transfers – control and coordination, and knowledge transfer – in more detail.

### **Why do companies assign employees abroad? Edström and Galbraith's typology**

There are few theoretical means of clarification or concepts regarding the motives for international transfers. At first sight, the study by Edström and Galbraith (1977) is the only one that theoretically explains why international transfer of managers occurs. They propose three general company motives for making this type of transfer. The first was to *fill positions*, which concerns the transfer of technical and managerial knowledge. This motive is quite important for developing countries, where qualified local nationals might not be available, but specific knowledge transfer might be necessary to subsidiaries in developed countries as well. Expatriates can be seen as the key bearers of tacit knowledge. The second major motive is *management development*. The transfer gives the manager international experience and develops him/her for future important tasks in subsidiaries abroad or with the parent company. This kind of transfer would be carried out even if qualified host-country nationals were available. For the third motive for international transfers, the final goal is not individual development but *organization development*. This motive consists of two elements: socialization of both expatriate and local managers into the corporate culture and the creation of a verbal information network that provides links between subsidiaries and HQ.

The classification of Edström and Galbraith is well accepted in the literature on international transfers. Virtually every publication that deals with this topic refers to Edström and Galbraith's now classic 1977 *Administrative Science Quarterly* article. A further investigation, however, revealed a substantial number of German studies, both conceptual and

empirical, on this topic. The fact that they appeared in the German language only seems to have blocked their dissemination within the Anglophone research community. A summary of these studies and a comparison of their classifications to the one by Edström and Galbraith can be found in Table 7.3.

*Table 7.3. Motives for international transfers according to various authors*

<b>Edström and Galbraith (1977)</b>	<b>Position Filling</b>	<b>Management Development</b>	<b>Organization Development/ Coordination &amp; Control*</b>
Pausenberger and Noelle (1977) [our translation]	To ensure transfer of know-how; To compensate for a lack of local managers; Training and development of local managers.	To develop the expatriate's management capabilities; To develop managers' global awareness.	To ensure homogeneous practices in the company; To ensure a common reporting system in the company; Presence of different viewpoints in decision-making bodies.
Welge (1980 [our translation])	Position filling; Transfer of know-how.	International experience; Use management potential.	Coordination; Change management.
Kenter (1985) [our translation]	Lack of qualified local managers available; Transfer of know-how; Training of local managers.	Development of parent country nationals.	Control and coordination; Increase loyalty and trustworthiness of expatriates.
Kumar and Steinmann (1986) [our translation]	Transfer of know-how; The necessity to train German managers.	HQ wants Japanese managers to gain international experience.	To ensure coordination with HQ corporate policies and philosophies; To facilitate communication; Desired loyalty with HQ goals.
Pausenberger (1987) [our translation]	Transfer of know-how.	Management development.	To ensure a uniform company policy.
Roessel (1988) [our translation]	Transfer of Management know-how; Lack of qualified local personnel	Managerial development of expatriates and local managers.	Coordination, control and steering; Reciprocal information flows; Internationalisation of the company as a whole.
Groenewald and Sapozhnikov (1990) [our translation]	Transfer of technological, administrative or sales know-how; Lack of qualified local personnel.	Management Development; Better career opportunities for employees.	Steering and coordination.
Kumar and Karlhaus (1992) [our translation]	Transfer of know-how; Limited availability of local managers; The necessity to train foreign managers.	HQ wants German managers to gain international experience.	To ensure coordination and communication with HQ; Desired loyalty with HQ goals.
Macharzina (1992) [our translation]	Filling vacant positions.	Management development	Coordination.
Wolf (1994) [our translation]	Filling vacant positions.	Personal or managerial development.	Coordination.

\* Coordination & control is an alternative term to Edström & Galbraith's organization development motive.

There seems to be a considerable consensus on the principal functions of international transfers, well represented by the original classification of Edström and Galbraith. In many of



the German studies, though, the focus is more on a direct type of expatriate control than on the informal type of control or coordination identified by Edström and Galbraith. At the same time, the ultimate goal is similar in both cases: making sure that the various organizational units strive towards common organizational goals. It is interesting to note, however, that although Edström and Galbraith termed their third motive “organization development”, their description of this organizational motive for international transfers focuses exclusively on control aspects. This is also the way in which this motive for international transfers has been interpreted in most of the English articles that refer to the Edström and Galbraith classification and the German studies. Pausenberger (1987), however, indicates that all three functions of international transfer can in fact lead to organization development defined as the increase of the company’s potential to succeed and compete in the international market. Roessel (1988) advances a similar view when he discusses how the various functions of international transfers can lead to the further internationalisation of the MNC, which would make it more effective in international markets. Maybe we should conclude that organization development is not a goal of international transfers as such, but is rather the result of knowledge transfer, management development and the creation of a common organizational culture and effective informal information network? It might then be more appropriate to call the third category coordination & control rather than organization development.

As Edström and Galbraith (1977) have argued, these three motives for international transfers are not mutually exclusive. The key point that companies should realise is the fact that expatriation is a strategic tool to achieve specific organizational goals and needs to be used as such. More recent research has highlighted the link between the reason for the international assignment and different dimensions of success (see Bolino, 2007). In this regard, Shay and Baack (2004) show that the management development motive positively

relates to an assignee's personal change whereas the control motive is directly related to organizational change. In Section 6, we will look at assignment success in more detail.

### **Coordination through international assignees: Of bears, bumble-bees and spiders**

In this section we will take a closer look at one of the motives for international transfers: coordination & control, based on a study by Harzing (2001b). Data were analysed by correlating the level of expatriate presence with the coordination mechanisms in question (direct expatriate control, socialisation/shared values and informal communication). The fact that there was a significantly positive relationship between expatriate presence and these three coordination mechanisms, while no such relationship was present for the other coordination mechanisms (e.g. bureaucratic control, output control) included in this study, independently confirms the importance of this function of expatriation.

As we have seen above the coordination & control function of international transfers has three distinct elements. Expatriates are employed to provide personal/cultural control in both a direct and an indirect way. They can serve to replace or complement HQ centralisation of decision-making and direct surveillance of subsidiaries by HQ managers. This is the kind of control that is alluded to in many of the German studies discussed above. We call this the “*bear*” role of expatriates. The bear is chosen as an analogy, because it reflects a level of dominance (and threat that might be perceived in the extreme case) associated with this type of expatriate control. Expatriates can also be used to realise control based on socialisation and the creation of informal communication networks, which is the kind of control described by Edström and Galbraith and some of the German studies. The role of expatriates in socialisation we refer to as “*bumble-bees*”. Organizational bumble-bees fly “from plant to plant” and create cross-pollination between the various off-shoots. Weaving an informal communication network is of course the role of expatriates as “*spiders*”.

While expatriates seem to perform their roles as bears in any situation, an exploratory analysis showed that their roles as bumble-bees and spiders are more important in some situations than in others. They are more important in subsidiaries that were established more than 50 years ago than in younger subsidiaries, although the bumble-bee role is important in very young subsidiaries as well. Both the bumble-bee and the spider roles are particularly important in subsidiaries that show a high level of local responsiveness, and that are not at all or hardly dependent on the HQ for their sales and purchases. Finally, the bumble-bee and spider roles are more important in acquisitions than in greenfields. What these situations have in common is that they all represent situations in which subsidiaries operate quite independently from HQ. Apparently, expatriate presence is most effective in facilitating informal control in subsidiaries that are otherwise relatively independent from the HQ, whereas in subsidiaries that are quite dependent on the HQ expatriate presence serves mostly to facilitate direct expatriate control. Since absolute expatriate presence is generally lower in subsidiaries that are relatively independent from the HQ (Harzing, 1999), we might also conclude that the “marginal effectiveness” of expatriates in facilitating informal control decreases if expatriate presence increases. In other words: if there are no or only a few expatriates employed in a particular subsidiary, “adding” expatriates might have a strong positive effect on shared values and informal communication, while the effect of adding another expatriate is much weaker in a subsidiary that already employs a large number of expatriates.

### **International assignees as knowledge agents**

Recently, research has increasingly highlighted the role of international assignees as carriers of knowledge between their home and host units. This is mainly due to MNCs’ growing attempts to capitalize on business opportunities in developing and emerging economies. To

offset their lack of experience in these culturally and institutionally more distant environments, MNCs face the challenge of accessing and applying local knowledge (Harvey, Novicevic, & Speier, 2000). While the transfer of people is only one of many mechanisms to initiate knowledge flows in organizations, a large part of the knowledge transferred across MNC units is highly context-specific and tacit in nature (Riusala & Suutari, 2004). Contextual and tacit knowledge cannot be codified in written documents but requires the knowledge sender and recipient to interact directly in order to adapt the knowledge to the recipient's context and clarify the meaning.

Researchers have considered different directions in which assignees can transfer knowledge. One group of studies cover aspects of learning and knowledge creation from an individual point of view (e.g., Berthoin Antal, 2000; Hocking, Brown, & Harzing, 2007) and thus primarily focus on assignees as knowledge recipients. The knowledge assignees may acquire during their assignment is thought to help them in their future positions and includes

- an understanding of the company's global organization and the corporate culture at the HQ,
- factual knowledge about the assignment culture and
- the acquisition of culture-specific repertoires.

Implicit to this perspective is the idea that assignees acquire knowledge at the host unit and then may apply it back at their home unit at a later stage. This type of knowledge transfer thus represents a knowledge outflow from the host unit. In contrast, a second group of studies concentrate on the knowledge that assignees share during their assignment to the host unit (e.g., Bonache & Brewster, 2001; Hébert et al., 2005), conceptualizing assignees as senders of knowledge. This type of knowledge transfer represents a knowledge inflow to the host unit. Relevant knowledge that assignees can share

- helps to streamline cross-unit processes,

- creates common corporate practices and routines or
- increases the chances of subsidiary survival, for example through the provision of local acquisition experience or product development know-how.

Scholars have also pointed out that the success of knowledge sharing through international transfers is not automatic but rather depends on social processes. Indeed, if we view individuals as carriers of knowledge we need to consider that this knowledge can only be shared through social interaction. In this regard, Reiche, Harzing and Kraimer (forthcoming) argue that assignees need to establish social relationships, interpersonal trust and shared values with host-unit staff in order to share and acquire knowledge. In addition, assignees may act as boundary spanners that link the social networks at the home and host units. In doing so, assignees help to establish social interactions between MNC units and thus facilitate cross-unit knowledge exchange. Investigating the development of social relationships between people from different cultures and their effects on knowledge flows in MNCs has therefore become a key area of interest in current research on international assignments (Au & Fukuda, 2002; Mäkelä, 2007)

#### **4. Alternative forms of international assignments**

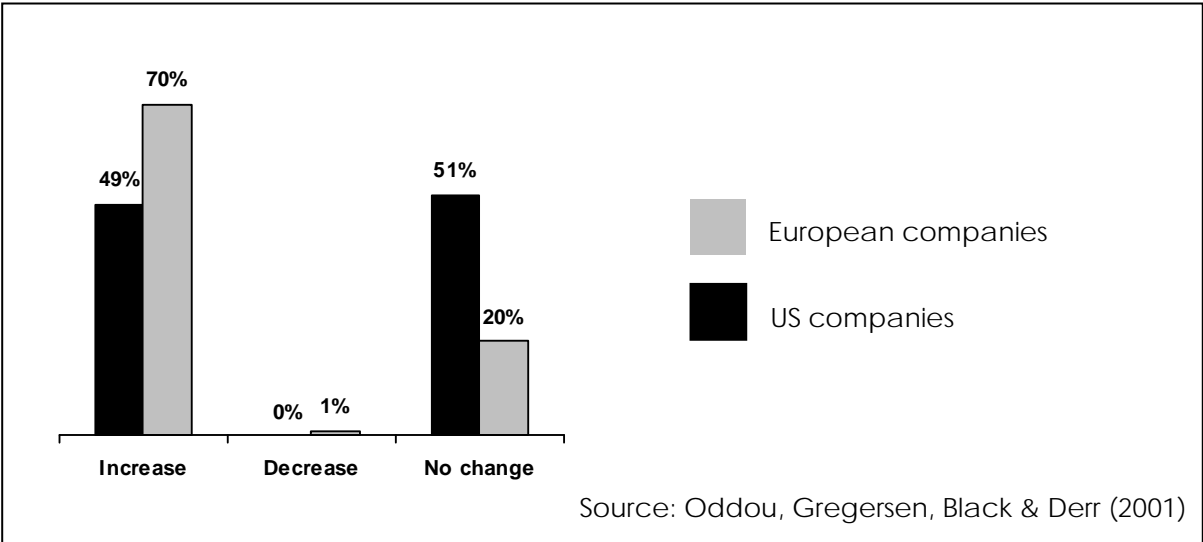
We have seen that international transfers can fulfil a number of very important functions in MNCs. Unfortunately, there are increasing signs that barriers to mobility – especially the issue of dual-career couples – are becoming more and more important, leading to a decline in the willingness to accept an assignment abroad (Forster, 2000; Harvey, 1998). In addition, sending out expatriates can be very costly. Increasingly, companies are therefore looking for alternatives to expatriation. In this section, we will discuss a range of other types of

international assignments that include inpatriate, short-term, self-initiated and virtual transfers.

**Inpatriate assignments**

One alternative to expatriation is *inpatriation*, which involves the transfer of subsidiary managers to the HQ for a specific period of time (Harvey et al., 2000). This would allow key subsidiary managers to get to know the workings of the parent company and build up informal communication networks. It also allows the HQ to inculcate the subsidiary managers into the corporate culture in a more direct way than would be possible by the transfer of expatriates. Inpatriation is also a useful option if tacit knowledge needs to be transferred from subsidiaries to the HQ and it has the added advantage of exposing parent company managers to an international perspective. It is to be expected that the use of inpatriates, especially in European and US multinationals, will increase in the future (see Box 7.2).

*Box 7.2. Expected future change in the inpatriate population*



At first sight, expatriate and inpatriate assignments only constitute alternative forms of establishing HQ-subsidary linkages. Indeed, both groups of assignees may act as boundary

spanners or may help to reduce existing information asymmetries between the HQ and its subsidiaries. However, despite their similarities expatriates and inpatriates differ along several dimensions:

- *Status differences.* Expatriates possess the status and influence related to their role as HQ representatives. Coming from the MNC's periphery, inpatriates are, on the contrary, unlikely to receive the same level of respect (Harvey, Novicevic, Buckley, & Fung, 2005; Reiche, 2006).
- *Cultural adjustment challenges.* Barnett and Toyne (1991) delineate increased adjustment challenges for inpatriates in comparison to expatriates. They argue that inpatriates not only need to adjust to the national culture (see Section 5) but also need to be socialized into the MNC's HQ corporate culture. Indeed, learning the HQ corporate culture is considered an important motive for inpatriating foreign nationals. Expatriates, in contrast, often impose elements of the HQ corporate culture upon the subsidiary they are sent to.
- *Differences in the underlying MNC staffing policies.* The use of inpatriates also increases the cultural diversity and multicultural staff composition at the HQ, thereby fostering a geocentric approach to the allocation of human resources in MNCs. In particular, a higher share of employees with diverse cultural backgrounds will be collaborating directly as inpatriates are, for instance, temporarily integrated into the HQ's management teams. In contrast, the use of expatriates reflects an ethnocentric view towards international staffing and expatriates generally continue to coordinate with their own HQ management team.

Inpatriation seems to be an important addition to the company repertoire and can help to transfer knowledge, improve HQ-subsidary relationships and develop managers. However, inpatriates have to cope with many of the same problems as expatriates, such as repatriation, and, as described above, in other cases even encounter additional problems such as increased

adjustment pressures. It is therefore unlikely that they will ever completely replace expatriates.

### **Short-term assignments**

Another alternative to expatriation that has received growing attention by practitioners and researchers alike and helps MNCs to contain their costs is short-term assignments. The literature commonly refers to short-term assignments as postings between 1 to 12 months in length (Collings, Scullion, & Morley, 2007). In contrast to traditional expatriate or inpatriate assignments, the assigned manager is usually unaccompanied by his/her family, thereby avoiding the disruption of relocating entire families. Moreover, selection and preparation procedures (see Section 5) for short-term assignments tend to be more informal and ad hoc. Short-term assignments are particularly useful when specific skills need to be transferred, for example in the scope of multinational project work, or particular problem-solving needs arise. Apart from the increased cost effectiveness, short-term assignments also require less bureaucratic effort and can be executed in a more flexible and timely manner. At the same time, research has highlighted that short-term assignees may fail to develop effective relationships with local colleagues and customers while also facing increased risks of marital problems (Tahvanainen, Worm, & Welch, 2005).

A related but even more temporary staffing option is the use of business trips that may last from a few days to several weeks. These transfers are also frequently referred to in the literature as international business travel or frequent flyers assignments (Welch, Welch, & Worm, 2007), thereby characterizing work arrangements in which international travel forms an integral part. Frequent flyer trips are useful for conducting irregular specialized tasks such as annual budgeting meetings or for maintaining personal relationships with key colleagues and customers in the host country. Finally, companies make increased use of commuter and



rotational assignments. Whereas the former refers to a work arrangement in which the individual commutes from his/her home unit to a foreign unit on a weekly or bi-weekly basis, the latter concerns alternations of intensive work postings abroad and prolonged periods of leave, as common on oil rigs. Given the increased levels of stress associated with these assignment types, they are unlikely to be maintained over an extended period of time (Collings et al., 2007).

### **Self-initiated assignments**

While the traditional view of international assignments has been to focus on the employing organization to initiate the transfer, a growing number of assignees make their own arrangements to find work abroad, facilitated by the introduction of free movement of labour in the European Union and other economic regions. In contrast to the aforementioned types of assignments, these so-called self-initiated assignees are employed on local work contracts. In their study of graduate engineers from Finland, Suutari and Brewster (2000) identified a series of distinct characteristics of self-initiated assignments compared to traditional expatriation. For example, self-initiated assignees tend to

- be slightly younger, single and female,
- work for organizations with a lower focus on international business activities, at lower hierarchical levels and on more temporary contracts than expatriates,
- be motivated to move abroad due to an interest in internationalism and poor employment situations at home, and
- receive no repatriation promises and see their relocation as a more permanent move.

Overall, given the increased need for international and cross-culturally experienced personnel, self-initiated assignments serve as an important complementary staffing option for both domestic and international organizations.

## **Virtual assignments**

Finally, companies have begun to make use of virtual assignments in order to address the competing needs for decentralization and global interrelation of work processes, in a more flexible way. A virtual assignment does not require the individual to physically relocate to a foreign organizational unit but rather distributes international responsibilities as managed from the individual's home base (Welch, Worm, & Fenwick, 2003). The growth of virtual assignments has been facilitated by improvements in information technology over the last decade to the extent that whole teams now regularly collaborate and communicate via email, telephone and videoconferencing. Despite the many advantages of virtual assignments that often exceed those of short-term assignments, face-to-face communication remains crucial in many circumstances, thus limiting the use of virtual work arrangements.

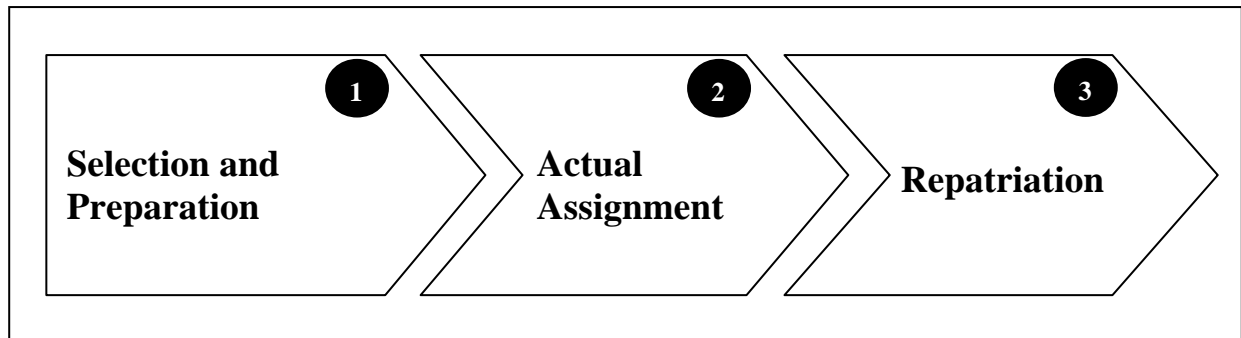
Since expatriation fulfils many roles, these four alternatives are unlikely to completely replace expatriates. However, they are often a cheaper alternative to expatriation, especially in the case of virtual transfers, and it is much easier to involve a large number of managers through short-term postings or virtual assignments than it is through expatriation. Moreover, each alternative form of transfer may also serve distinct purposes that are directly related to the successful operation of the company, which is why they are instruments that should form part of the repertoire of any MNC.

## **5. The international assignment process**

The international assignment process is commonly considered to encompass three distinct phases (see Figure 7.2): the pre-assignment stage (selection and preparation), the actual

assignment and the post-assignment stage referred to as repatriation (Bonache, Brewster, & Suutari, 2001).

*Figure 7.2. The international assignment cycle*



The following sections will discuss these key elements in more detail. Although the literature has dealt with all three phases, the majority of studies have centred on cultural adjustment during the actual assignment (Harrison, Shaffer, & Bhaskar-Shrinivas, 2004).

### **Selection and preparation**

In this section, we will discuss two popular studies concerning the recruitment and selection of international assignees and then evaluate the situation that seems to persist in practice. Then, we briefly review research dealing with the preparation of individuals for an international transfer.

#### *Selection criteria: prescriptions for good practice*

The first major study in this area was carried out by Tung (1981). Based on a review of the literature on the selection of personnel for assignments abroad, she identified four groups of variables that contribute to success or failure on the job and hence should be used to guide selection:

- *Technical competence on the job.* As in the selection and placement of personnel in domestic operations, this factor is one of the primary determinants of success. It may be even more important for assignments abroad because the individual is located at some distance from the HQ, often the hub of technical expertise, and cannot consult as readily with his/her peers and superiors on matters related to the job.
- *Personal traits or relational abilities.* This refers to the ability of the individual to deal effectively with his/her superiors, peers, subordinates, business associates and clients. In assignments abroad, this variable greatly influences the probability of successful performance. This factor is not limited to simple knowledge of another culture. The crucial element is the ability to live and work with people whose value systems, beliefs, customs, manners and ways of conducting business may greatly differ from one's own.
- *Ability to cope with environmental variables.* In domestic operations the ability to identify and cope with environmental constraints, such as governments, unions, competitors and customers, is crucial to effective performance. This same requirement is no less valid in assignments abroad, but the political, legal and socioeconomic structures which constitute the macro-environment in the host country may be very different from the systems with which the expatriate is familiar. This poses problems of adjustment. The expatriate has to understand these systems and operate within them.
- *Family situation.* This refers to the ability of the expatriate's family (the partner in particular) to adjust to living in a foreign environment. Researchers and practitioners are becoming increasingly cognizant of the importance of this factor to effective performance abroad. The situation often becomes even more complex if the partner (male or female) has had to give up a job or even a career to accompany his or her partner abroad.

A second important contribution is the study by Mendenhall and Oddou (1985). According to them, there is insufficient knowledge about the relevant dimensions in expatriate acculturation, leading to the use of inappropriate selection procedures. They distinguish four dimensions as components of the expatriate adjustment process:

- The *self-orientation dimension*: activities and attributes that serve to strengthen the expatriate's self-esteem, self-confidence, and mental hygiene.
- The *other's orientation dimension*: activities and attributes that enhance the expatriate's ability to interact effectively with host nationals.
- The *perceptual dimension*: the ability to understand why foreigners behave the way they do, the ability to make correct attributions about the reasons or causes of host nationals' behaviour.
- The *cultural toughness dimension*: this dimension can modify the importance of the first three dimensions. In culturally tough countries (countries that are culturally very different from the home country), the first three dimensions become even more important than in culturally similar countries.

The expatriate selection process should focus explicitly on the strengths and weaknesses of the applicant on the above-mentioned dimensions.

#### *Expatriate selection in practice*

Recent studies have empirically confirmed that expatriate selection is a multi-faceted subject and that personality characteristics as well as interpersonal skills are very important (Caligiuri, 2000; Spreitzer, McCall, & Mahoney, 1997). In practice, however, most companies still use technical competence and knowledge of company systems as selection criteria (Harris & Brewster, 1999a; Morley & Flynn, 2003; Sparrow, Brewster, & Harris, 2004). There are several reasons for this practice (see Bonache et al., 2001): First, it is

difficult to identify and measure the relevant interpersonal and cross-cultural competences. Even in a domestic context there is still debate over the criteria that make good managers. Second, selection decisions are often made by line managers who circumvent selection criteria set out by the HR department, increasing the incoherence of the selection process. Third, there is also the self-interest of the selectors, who will try to minimize the personal risk involved in selecting a candidate who might fail on the job. Technical competence will almost always prevent immediate failure on the job.

Brewster (1991) notes that selection decisions for expatriate postings frequently rely on personal recommendations from either specialist personnel staff or line managers. The result is that the outcome of selection interviews is more or less pre-determined and negotiating the terms of the offer takes precedence over determining the suitability of the candidate. In a provocatively titled article: “The coffee-machine system: how international selection really works” Harris and Brewster (1999a) develop this idea further and provide a typology of international manager selection systems based on the distinction between open and closed systems and formal and informal systems. The closed/informal system was most frequent among the organizations that Harris and Brewster studied. The researchers adopted the term “the coffee-machine system”, as a catchy summary for this type of selection system. The process starts with a senior line manager (usually male) who is joined by a colleague while waiting for his coffee at the coffee machine (see Box 7.3).

*Box 7.3. The coffee-machine system of international assignee selection*

*“How’s it going?”*

*Oh, you know, overworked and underpaid.*

*Tell me about it. As well as all the usual stuff, Jimmy in Mumbai has just fallen ill and is being flown home. I’ve got no idea who we can get over there to pick up the pieces at such short notice. It’s driving me crazy.*

*Have you met that Simon on the fifth floor? He’s in the same line of work. Very bright and looks like going a long way. He was telling me that he and his wife had a great holiday in Goa a couple of years ago. He seems to like India. Could be worth a chat.*

*Hey thanks. I’ll check him out.*

*No problem. They don’t seem to be able to improve this coffee though, do they?”*

Source: Harris & Brewster (1999a: 497)

As Harris and Brewster indicate, the decision, that in effect has already been taken, is subsequently legitimized by organizational processes. The international HRM department will usually only become involved to deal with the financial aspects and practical arrangement related to the transfer. The disadvantages of this type of selection system are obvious. Candidates are not formally evaluated against ideal-type criteria, the pool of candidates is very much restricted and the organization takes a reactive rather than strategic approach to expatriation.

*Preparation*

In order to prepare individuals, who have been selected for an international posting, and facilitate their adjustment to the foreign culture, diverse cross-cultural training programs have been developed (Harris & Brewster, 1999b; Harvey & Miceli, 1999; Tung, 1981; see also Parkinson & Morley, 2006). The content and focus of these programs are contingent upon 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.

The effectiveness of cross-cultural training has been examined by Deshpande and Viswesvaran (1992) who undertook a meta-analysis to demonstrate a positive effect of training on a number of assignment-related outcome variables. Others have argued that pre-departure training assists transferees in developing accurate expectations towards the assignment which enhances their effectiveness abroad (Black, Mendenhall, & Oddou, 1991). More recently, Mendenhall and Stahl (2000) have called for additional training measures, specifically highlighting the importance of in-country, real time training, global mindset training and CD-ROM/internet-based training. However, research also suggests that a gap remains between individual training needs and the actual training offered by MNCs (Harris & Brewster, 1999b), with the provision of language courses and general information on the host-country context often remaining the only instruments. All too often assignees are also expected to take responsibility for their own training and preparation.

### **Expatriate adjustment during the assignment**

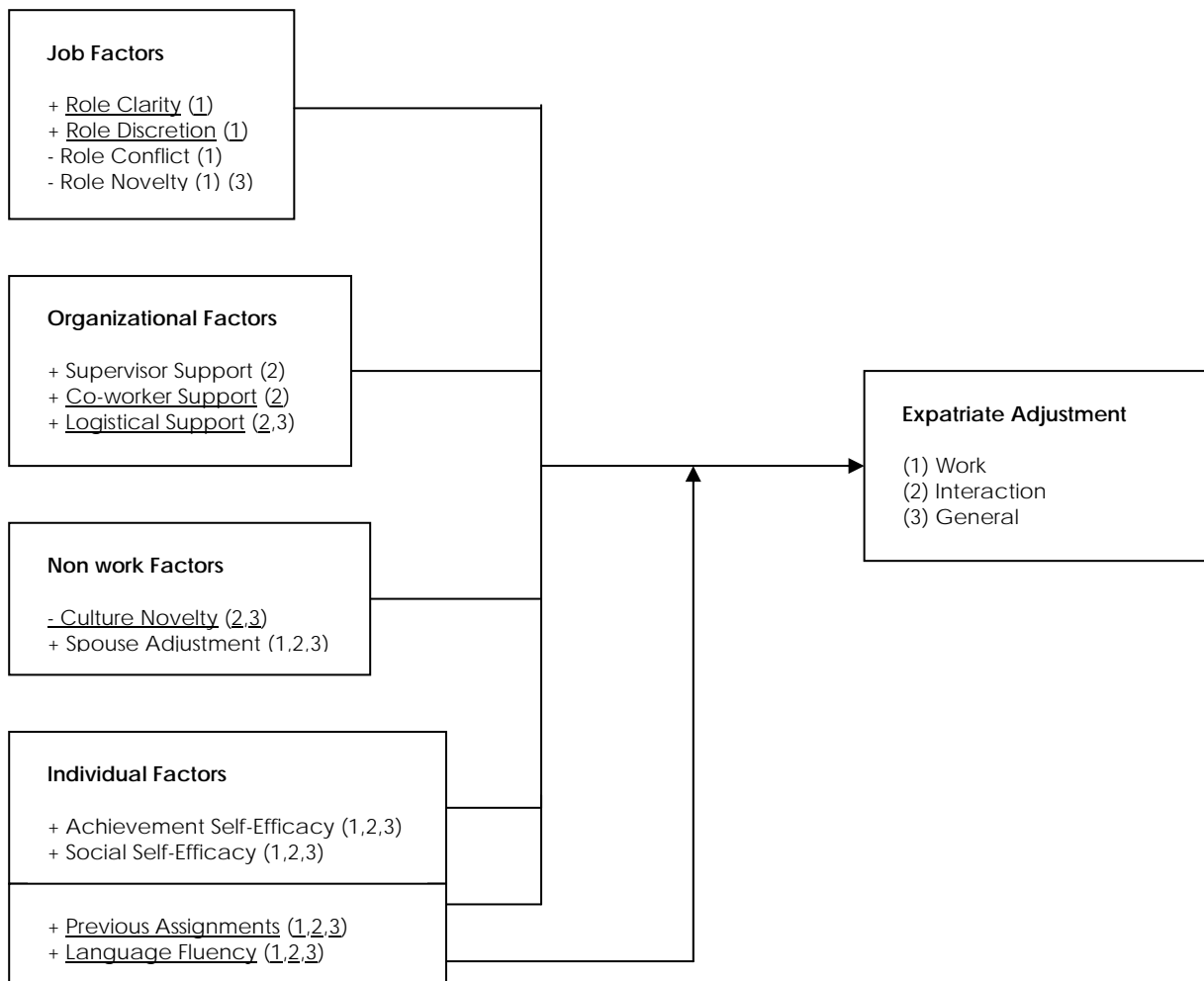
Despite the undoubtedly positive nature of certain aspects of the international assignment experience, the exposure to a foreign culture will involve high levels of stress and uncertainty. It has been common to describe this phenomenon as 'culture shock' (Oberg, 1960). Accordingly, much research has centred on analysing the process of adjustment to a new environment during the assignment. Black, Mendenhall and Oddou (1991) provided a



comprehensive model of expatriate adjustment that integrates perspectives from theoretical and empirical work in both the domestic and international adjustment literature. They argue that expatriate adjustment includes two components: anticipatory adjustment and in-country adjustment. Anticipatory adjustment can have an important positive impact on in-country adjustment. It is positively influenced by cross-cultural training and previous international experience, although it is reasonable to expect that the latter will only result if the earlier experience abroad was a positive one. Both help to build up realistic expectations and the more accurate the expatriate's expectations, the lower the level of uncertainty, the fewer the surprises and the lower the level of culture shock. The MNC can help anticipatory adjustment by providing cross-cultural training and using comprehensive selection criteria.

The in-country adjustment part of their model, which is reproduced in Figure 3, was tested by Shaffer, Harrison and Gilley (1999). Shaffer et al. introduced two moderating variables: previous assignments and language fluency. We have underlined the relationships that were confirmed in the empirical study in Figure 7.3. The model identifies three dimensions of adjustment: adjustment to work, adjustment to interacting with HCNs and general adjustment to the living conditions abroad. As expected, both role clarity (the extent to which what is expected from the assignee is clear and unambiguous) and role discretion (flexibility in the execution of the job) were positively related to work adjustment. Role conflict (conflicting signals about what is expected in the new work setting) and role novelty (the extent to which the current role is different from past roles) did not show the expected negative relationship to work adjustment, although role novelty was negatively related to general adjustment.

Figure 7.3. Determinants of expatriate adjustment\*



\* Numbers in parentheses indicate the corresponding dependent variables

Source: Adapted from Black et al. (1991) and Shaffer et al. (1999)

Support from co-workers and logistical support were positively related to interaction adjustment, although the expected impact of logistical support on general adjustment was not confirmed. Supervisor support did not have any significant influence on adjustment. Cultural novelty and spousal adjustment had a very strong impact on general adjustment and a weaker, yet still very significant, impact on interaction adjustment. Spousal adjustment did not influence work adjustment. The two self-efficacy variables seemed completely unrelated to adjustment, but contrary to the authors' expectations both the number of previous assignments and language fluency have a significant positive *direct* effect on interaction adjustment.

As expected, both previous experience and language fluency had important moderating effects as well. Previous experience moderated the relationship between supervisor and co-worker support. For individuals on their first assignments, supervisor support was negatively related to all aspects of adjustments, while for more experienced assignees this relationship was reversed. The same was true for co-worker support: experienced assignees relied more on their support for their adjustment. Shaffer et al. conclude that experienced assignees have learned to rely more on host-country management than on home-country management. Language fluency moderated the relationship between role conflict and all three dimensions of adjustment, which was more strongly negative for those assignees fluent in the host-country language. Shaffer et al. reason that the conflicting demands from host-country management and home-country management might go unnoticed for expatriates with fewer language skills. Shaffer et al. also found distinct differences between the PCNs, TCNs and inpatriates in the sample. Whereas role clarity and co-worker support influenced all three dimensions of adjustment for inpatriates, they only affected one adjustment dimension for the other two groups of assignees. Consequently, we can assume that the adjustment process involved in moving to a firm's HQ differs considerably from the process of relocating to or between subsidiaries.

Overall, Shaffer et al.'s results provide general confirmation of Black, Mendenhall and Oddou's conceptual model and clearly point to the importance of job design, organizational support systems, the inclusion of the spouse in any training and support programs, and the importance of language fluency as a selection criterion. Extending these findings, Kraimer, Wayne and Jaworski (2001) found that assignees' perceptions of overall support provided by both the home and host unit will positively influence different dimensions of adjustment. More recently, researchers have begun to examine the role of social networks that international assignees develop with local nationals and their positive effects on adjustment

(Liu & Shaffer, 2005; Wang & Kanungo, 2004). In this regard, host-unit employees are increasingly viewed as important socializing agents (Toh & DeNisi, 2007) or host-country mentors (Mezias & Scandura, 2005) for assignees and therefore have to be explicitly considered in any meaningful assessment of expatriate adjustment.

### **Repatriation**

Increased academic interest has also been placed on repatriation as the final phase of the assignment cycle. It has long been recognized that the return to one's home country after a prolonged stay abroad is subject to adjustment challenges similar to those of the initial transfer (Gullahorn & Gullahorn, 1963). However, despite the obvious importance of reintegration planning, this domain has only started to receive attention as an independent research area and is still judged to lack coherence and systematic consideration both in the academic and managerial context (Bolino, 2007; Lazarova & Cerdin, 2007). Given the trend towards using international transfers for knowledge transfer and management development purposes, the retention of repatriates is now even more crucial for MNCs to benefit from international staff transfers in the long run. Against this background, it is surprising that academic studies continue to find assignees to be largely unsatisfied with MNCs' repatriation support and to perceive their positions upon repatriation to be inadequate, leading to repatriate turnover intentions (Stahl, Miller, & Tung, 2002; Tung, 1998; see also Box 7.4), a phenomenon we will look at in more detail in Section 6.

#### Box 7.4. Assignment in Saudi Arabia

*“[A senior engineer from a European electronics company] was sent to Saudi Arabia on a four-year assignment, at a cost to his employer of about \$4 million. During those four years, he learnt fluent Arabic, gained new technical skills, and made friends with important businesspeople in the Saudi community. But upon returning home, the man was shocked to find himself frequently scolded that “the way things were done in Saudi Arabia has nothing to do with the way we do things at headquarters.” Worse, he was kept waiting almost nine months for a permanent assignment which, when it came, gave him less authority than he had had abroad. Not surprisingly, the engineer left to join a direct competitor a few months later and ended up using the knowledge and skills he had acquired in Saudi Arabia against his former employer.”*

Source: Black & Gregersen (1999: 60)

In one study, Lazarova and Caligiuri (2001) examined eleven repatriation support practices which were considered important by repatriates but were shown to be available in only 10-50% of the MNCs under study. Among others, these practices included

- 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 counselling and financial/tax assistance, and
- on-going communication with the home office.

It is important to note here that repatriate turnover not only results in a loss of human capital investment for the MNC in general but also risks the possibility of losing this investment to a direct competitor. Furthermore, repatriate turnover is likely to have negative implications for the willingness of colleague workers within the organization to accept an

international transfer (Kamoche, 1997). To reduce the risk of repatriate turnover, MNCs will need to combine short-term oriented HR practices with longer-term instruments such as integrating international assignments into individual career paths. However, this requires treating the actual transfer and repatriation not as isolated incidents but rather linking the assignment experience to the expatriate's overall career.

## **6. Dimensions of international assignment success**

Considering the complex challenges that emerge within the scope of international transfers, the analysis of assignment success is of crucial value for organizations with a high share of internationally mobile personnel. Consequently, the investigation into factors that influence assignment success has been a major research focus in the field of international transfers (e.g., Clarke & Hammer, 1995; Harrison et al., 2004; Kraimer & Wayne, 2004). Past research has identified numerous operational measures. The most prominent operational measure of assignment success is the intention or motivation to remain on the job, i.e. to complete the assignment (Feldman & Thomas, 1992; Thomas, 1998). However, empirical evidence on the magnitude of expatriate premature returns is ambiguous. In this section, we will therefore critically evaluate the issue of expatriate failure and introduce a multi-dimensional categorization of assignment success.

### **Expatriate failure: Is it just a myth?**

If there is one thing that most publications in the area of expatriate management – and in particular those dealing with either cross-cultural training or adjustment – have in common is that they all refer to the “fact” that expatriate failure rates – measured as premature return of the expatriate – are very high, with commonly cited figures in the region of 16-50% for

developed countries. Harzing (1995, 2002) has argued that there is no empirical foundation for these claims and that the myth of high expatriate failure rates has been perpetuated by careless and inappropriate referencing. She also argues that this myth may have had a negative impact on the effectiveness of expatriate management. When reading the academic and practitioner literature on expatriate management, practitioners cannot help but draw the false conclusion that expatriate premature return is one of the most important problems in sending employees abroad. This might lead companies to focus their attention and resources on avoiding assignees' premature return, while failing to notice or manage other issues that are, in fact, far more important for assuring the individuals' and the company's success. Forster and Johnsen (1996) suggest another practitioner reaction to the myth of high expatriate failure rates that might be equally detrimental to both expatriate and company success. They propose that this myth might well explain why the training and selection procedures of companies in their study diverge substantially from the ideal policies recommended in the literature. In reconciling the high expatriate failure rate figures with the actual practice in their company, each individual firm may believe that it is other firms who have a problem with high failure – not themselves. These companies would therefore see no reason to change training and selection policies and might lose out on the benefits of improved selection and training methods.

So should we conclude we can disregard expatriate failure? On the contrary! Further and more sophisticated research into expatriate failure is long overdue. Such research would first of all involve using a much broader definition of failure. The current definition used by the overwhelming majority of studies is the expatriate returning before his/her assignment contract expires. However, as Harzing and Christensen (2004) argue in some circumstances a premature return might actually indicate a success – a job accomplished in less time than originally anticipated – while in others an expatriate that stays on, but is under-performing,

might in fact do much more damage than one who returns early. And what about the assignee who returns home, but finds that his/her skills developed during the assignment are not really valued in the home company and is so frustrated that he/she leaves the company soon after returning? Any definition of expatriate failure should therefore include under-performance and repatriate failure. Companies should also acknowledge that the costs of expatriate failure might go well beyond a simple calculation including the assignee's salary, relocation costs and training costs. They might include indirect costs such as damage to customer relationships and contacts with host government officials and a negative impact on the morale of local staff. Expatriate failure will also be very traumatic for the expatriate and his/her family and might impact his/her future performance.

### **Multidimensional nature of assignment success**

Given the evident problems arising from a narrow definition of expatriate failure, it is fruitful to view success as a multi-faceted construct. In developing a multidimensional categorization of success, we can differentiate between two key dimensions: the level at which assignment success is assessed and the time frame (Yan, Zhu, & Hall, 2002). First, a range of studies has demonstrated a relatively high willingness among repatriates to leave their current organization and look for employment opportunities elsewhere despite their generally positive assessment of the assignment, for example in terms of personal growth and new skill development (Stahl et al., 2002; Tung, 1998). A central problem in research on assignment success thus concerns the notion that a failure from the corporate perspective is not always a failure in terms of the individual assignee. Therefore, a meaningful assessment of assignment success must link both the individual and organizational perspectives. Second, the discussion in Section 5 has highlighted the importance of long-term assignment outcomes. From the point of view of the individual assignee, career advancement in terms of attractive subsequent



postings and continuous development opportunities play a crucial role. For the organization, learning is the most prominent aspect and refers to the transfer and application of acquired expertise within the firm. In this regard, Kamoche (1997) argues that any type of expatriate failure can be regarded as a waste of opportunities to learn and diffuse this newly acquired expertise within the organization. Building on the distinction between individual and organizational success criteria on the one hand and short-term and long-term assignment outcomes on the other, we can develop a more comprehensive categorization of assignment success criteria (see Table 7.4).

*Table 7.4. Success criteria for international transfers*

	Individual benefits	Organizational benefits
<b>During the assignment (short-term)</b>	<ul style="list-style-type: none"> <li>• Task performance</li> <li>• Skill building, learning, growth</li> <li>• Adjustment</li> <li>• Job satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Accomplishment of organizational tasks</li> <li>• Achievement of key organizational objectives (such as control &amp; coordination, knowledge transfer)</li> </ul>
<b>After the assignment (long-term)</b>	<ul style="list-style-type: none"> <li>• Continued development</li> <li>• Attractive future assignments</li> <li>• Development of contacts with key people</li> <li>• Promotion</li> <li>• Enlargement of responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• Retention of repatriated employee</li> <li>• Utilization of new expertise</li> <li>• Transfer of expertise</li> <li>• Encouragement of international mobility among colleagues</li> <li>• Willingness to accept future international transfers</li> </ul>

Source: Adapted from Yan et al. (2002)

However, it has to be acknowledged that a precise and applicable conceptualization of assignment success is still lacking in the corporate world (Thomas, 1998). In this vein, Gregersen, Hite and Black (1996) empirically demonstrate that systematic performance appraisal of international assignees in MNCs is far from being universally applied which may entail negative consequences for assignees' careers within the organization.

## **7. Summary and conclusions**

This chapter has given an overview of various dimensions and issues related to international assignments. We provided an analysis of the different transfer policies, looked at the specific motives for international transfers, reviewed alternative forms of international transfers, examined the key elements of the assignment process and discussed dimensions of assignment success. We have seen that the group of what constitutes international assignees is in fact very diverse and includes different transfer directions, different assignment lengths and different levels at which the assignment is initiated. From this perspective, the various assignment forms provide MNCs with a detailed toolbox to address the challenges of globalization and tailor these staffing options to their individual needs. As a result, international assignments are increasingly becoming a strategic instrument for MNCs to successfully compete internationally. The key challenge for MNCs will then be to link international assignments more directly to their organizational career paths in order to be able to capitalize upon the experiences and skills that assignees develop during their transfers in the long run. Changes in the way careers are perceived among the younger generations suggest that individuals are less willing to focus their professional lives on a single employer. Companies therefore have a lot to lose if they do not manage international assignments well.

## 8. Discussion questions

1. With the growth in modern communication technologies, such as email and video-conferencing, and the declining costs of international travel, expatriates will become an extinct species! Comment on this statement.
2. Imagine a European MNC having to staff one of its subsidiaries that acts as a regional HQ for the Asian market. Which staffing strategy would you choose? Explain why.
3. With regard to recruitment and selection, actual practice in MNCs seems to be quite different from recommendations for good practice. Why do you think this is the case?
4. Section 4 discusses alternative forms of international assignments. How will these types of assignee differ with regard to their role as knowledge agents between MNC units?
5. A successful international transfer from the perspective of the individual assignee does not necessarily imply success from the company's point of view. Find examples for this statement and discuss them in class.

## 9. Further reading

- Harzing, A.W.K. 2001a. Who's in charge: An empirical study of executive staffing practices in foreign subsidiaries. *Human Resource Management*, 40(2): 139-158.

Harzing, A.W.K. 2001b. Of bears, bumble-bees and spiders: The role of expatriates in controlling foreign subsidiaries. *Journal of World Business*, 36(4): 366-379.

*The main conclusions of these two articles are summarised in this chapter, but the original articles provide much more detail on recent empirical studies dealing with staffing policies and the functions of international transfers.*

- 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(2): 198-213.

*This article provides a more detailed account of recent changes in the management of international assignments due to supply side issues, cost issues, demand side issues and career issues. It also reviews alternative forms of international assignments that have recently emerged and discusses the implications for the design of international HR policies and practices.*

- 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(3): 557-581.

*This study provides the most comprehensive and up-to-date empirical test of the expatriate adjustment model by Black, Mendenhall and Oddou. It introduces two new variables in the model – international experience and language fluency - and shows that both variables have an important direct effect as well as a moderating effect on some of the other variables related to adjustment.*

- Reiche, B.S. Harzing, A.-W., & Kraimer, M.L. forthcoming. The role of international assignees' social capital in creating inter-unit intellectual capital: A cross-level model. *Journal of International Business Studies*.

*This article offers a more complete picture of how international assignees initiate and contribute to knowledge flows in MNCs. It introduces two distinct roles that assignees possess as knowledge agents. First, assignees serve as knowledge brokers by linking their social networks at the home and the host unit, thereby generating access between previously unconnected knowledge resources. Second, assignees also act as knowledge transmitters,*

*both by sharing their home-unit knowledge with host-unit staff and by transferring the knowledge they have acquired during the assignment to their home unit.*

- Bonache, J. 2006. The compensation of expatriates: A review and a future research agenda. In G.K. Stahl & I. Björkman (Eds.), *Handbook of research in international human resource management*, 158-175. Cheltenham: Edward Elgar.

*This book chapter gives a good overview of issues related to the compensation of international assignees.*

- Caligiuri, P.M. 2006. Performance measurement in a cross-national context. In W. Bennet, C.E. Lance & D.J. Woehr (Eds.), *Performance measurement: Current perspectives and future challenges*: 227-243. Mahwah, NJ: Lawrence Erlbaum.

*This book chapter discusses performance measurement strategies in MNCs and differentiates performance evaluation instruments with regard to different forms of international assignments.*

- Black, J.S., Gregersen, H.B., & Mendenhall, M.E. 1992. *Global assignments: Successfully expatriating and repatriating international managers*. San Francisco: Jossey-Bass.

*This book is a good source of reference on issues related to the management of the various phases of the international assignment process, with a particular focus on the balancing of family concerns and the repatriation of assignees.*

- Scullion, H., & Collings, D.G. (Eds.). 2006. *Global staffing*. Milton Park: Routledge.

*This is an edited book that provides a wide range of topics on the strategic and operational aspects of staffing in MNCs, including international staff composition, international recruitment, talent management, cross-cultural management, and the management of international assignments.*

## 10. Internet resources

1. GMAC Global Relocation Services ([www.gmacglobalrelocation.com](http://www.gmacglobalrelocation.com)): A US-based provider of relocation services and consulting that publishes an annual global relocation trends survey.
2. Delta Intercultural Academy ([www.dialogin.com](http://www.dialogin.com)): A knowledge community on culture and communication in international business that maintains online forums on different topic areas, advertises job postings, publishes online articles and book reviews, organizes e-conferences etc.
3. Living Abroad ([www.livingabroad.com](http://www.livingabroad.com)): An online provider of general information, country reports and tools for international assignees.
4. Relocation Journal ([www.relojournal.com](http://www.relojournal.com)): An online provider of news and information on global relocation that includes a library of topical articles, informative white papers, a newsletter and general relocation service information.
5. Expatriate Exchange ([www.expatechange.com](http://www.expatechange.com)): An online community for meeting other expatriates, finding international jobs, getting expert advice on living abroad, international schools, taxes, relocation, etc.

## 11. Self-assessment questions

1. Why is it more appropriate to call Edström and Galbraith's third motive for using international transfers 'Coordination & Control' rather than 'Organization Development'?

*Answer: Edström and Galbraith's description of this motive centers exclusively on control aspects and most of the English literature has interpreted it in this way. Additionally, all three motives identified by Edström and Galbraith may in fact lead to organization development*

*defined as the increase of the company's potential to succeed and compete in the international market. Therefore, organization development is not a goal of international transfers as such, but is rather the result of knowledge transfer, management development and the creation of a common organizational culture and effective informal information network.*

2. What type of staff do MNCs with an ethnocentric staffing policy appoint to top management positions in their foreign subsidiaries?

*Answer: MNCs pursuing an ethnocentric staffing policy typically appoint parent country nationals to top positions in their subsidiaries. These traditional relocations may be complemented by short-term assignments if specific additional skills are required in the subsidiary.*

3. Why are MNCs increasingly looking for alternative forms of international assignments?

*Answer: The main reasons lie in a growing reluctance of traditional expatriates to relocate abroad, mainly due to dual-career issues, and the substantial cost involved in relocating traditional expatriates.*

4. What are the advantages and disadvantages of using short-term international assignments?

*Answer: Short-term assignments are useful for the transfer of specific skills, for example in the scope of multinational project work or when particular problem-solving needs arise. They are also more cost effective than traditional expatriation, require less bureaucratic effort and can be applied in a more flexible and timely manner. At the same time, short-term assignments make the development of effective relationships with local colleagues and customers more difficult and may also lead to a higher risk of marital problems due to more pronounced levels of stress.*

5. On what criteria should assignment success be evaluated?

*Answer: A comprehensive assessment of assignment success should include an evaluation of both individual (e.g. adjustment, promotion) and organizational (e.g. accomplishment of organizational tasks, repatriate retention) benefits that may result from the transfer. In addition, the assessment should not only be limited to the actual assignment period (e.g. task performance during the assignment) but should also include the post-assignment period (e.g. do attractive future assignments exist for the individual and to what extent does the repatriate transfer his or her expertise back to the home unit?).*



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