

OF BEARS, BUMBLE-BEES AND SPIDERS:

**THE ROLE OF EXPATRIATES IN CONTROLLING
FOREIGN SUBSIDIARIES**

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ABSTRACT

This article investigates the role of expatriate managers in multinational companies. We discuss three key organisational functions of expatriation: position filling, management development and organisation development. In the last function, international transfers are used as an informal co-ordination and control strategy. The article explores this role of international transfers in detail and also refers to a direct way in which expatriates can control subsidiaries. A large-scale mail survey offers empirical evidence for the role that expatriates play in controlling foreign subsidiaries and shows under which circumstances the different types of control are most important.

In the field of International Human Resource Management, the management of expatriates, headquarters employees working abroad in one of the firm's subsidiaries for a limited period – usually 2-5 years –, often takes up a dominant role. This is not surprising given the fact that many of the traditional functions of HRM – staffing, training & development, appraisal and compensation – become far more complex when an expatriate dimension is added. However, in many publications an extensive discussion of the international aspects of these traditional functions obscures the basic question of why the international transfer of managers occurs in the first place. This article aims to redress this balance by taking a closer look at the organisational functions of international transfers. A first section reviews the key organisational functions of international transfers, drawing on both English and German literature. Subsequently one of these functions, the role that expatriates play in controlling foreign subsidiaries is discussed in detail. Data from a large-scale international mail survey are subsequently used to test the role of international transfers in controlling foreign subsidiaries.

ORGANISATIONAL FUNCTIONS OF INTERNATIONAL TRANSFERS

Although many publications on expatriate management give an overview of the advantages and disadvantages of employing expatriate managers in foreign subsidiaries, there are few theoretical elaborations and concepts regarding the organisational functions fulfilled by international transfers of managers. At first sight, the study by Edström and Galbraith (1977) is the only one that theoretically explains why international transfer of managers occurs. Edström and Galbraith identify three general company motives for making this type of transfers. The first is to *fill positions*, which mainly concerns the transfer of technical knowledge to developing countries, where qualified local nationals are not available. The second major motive is *management development*. The transfer gives the manager international experience and develops him or her for future important tasks in subsidiaries abroad or with the parent company. For the third reason for international transfers, the final goal is not individual development but *organisation development*, that is transfers are used to

change or maintain the structure and decision processes of the organisation. In this case, international transfers are used as a coordination and control strategy. This strategy consists of two elements: socialisation of both expatriate and local managers into the corporate culture and the creation of a verbal information network that provides links between subsidiaries and headquarters.

The classification of Edström and Galbraith is well accepted in the literature on international transfers. Virtually every publication that deals with international transfers refers to Edström and Galbraith's now classic 1977 ASQ article. Borg (1988) illustrates this common acceptance in his dissertation: "The study of Edström and Galbraith (1977), which is very often quoted in both articles and textbooks, seems to be the only one which theoretically explains why international transfers of managers occur" (Borg, 1988:41). A further investigation, however, revealed a substantial number of German studies on this subject, both conceptual and empirical.ⁱ The fact that they appeared in the German language only seems to have blocked their way to the Anglo-Saxon 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 1.

[TABLE 1 ABOUT HERE]

Pausenberger and Noelle (1977) queried 14 German companies about their expatriate management practices and included a question about the reasons for international transfers. It is unclear where their list of reasons originates from, but the six most important ones are easily related to the categories of Edström and Galbraith (1977). The two reasons under organisation development, however, would seem to represent a more direct type of control than the one indicated by Edström and Galbraith. In a later article in the professional journal *Personalführung* Pausenberger (1987) simplified the earlier list of reasons for international transfers to the three basic motives identified earlier. Again, however, the "ensure a uniform company policy" would seem to refer to a rather direct type of control.

Kumar and Steinmann (1986) study on various aspects of expatriation relating to Japanese managers in Germany included 135 Japanese expatriates in 30 German subsidiaries of Japanese MNCs. As overall reasons for transfer Kumar and Steinmann mention the two basic aspects of subsidiary management: transfer of resources and integration of the activities of the subsidiary in the MNC as a whole. Five of the six most important reasons for transfer included in this study can be reduced to these two aspects that are also easily related to Edström and Galbraith's position filling and organisation development functions. The reasons mentioned under organisation development would seem to be a mix of direct and more indirect, informal control.

In a study on expatriate management practices in 8 German multinationals Roessel (1988) tried to synthesise the reasons for international transfers found in the literature. He categorises them under three headings (know-how-transfer, management development and coordination, control and steering), but then discusses several aspects of the three categories. The aspects mentioned under coordination, control and steering represent both indirect/informal and direct types of control.

Groenewald and Sapozhnikov (1990) studied the reasons for expatriation and the selection and preparatory training of expatriates in 16 airline companies. The reasons included in this study bear a great resemblance to those mentioned by Edström and Galbraith. Direction and coordination was seen as the most important reason to send out expatriates. For fourteen of the airlines this was very important or important. As a coordination and control strategy, however, this is more direct than the control strategy envisaged by Edström and Galbraith.

Kumar and Karlhaus (1992) investigated the contribution of international transfers to the career perspectives of 29 employees in a large German MNC. The two most frequent answers to the question why their position was filled by an expatriate rather than a local manager were: "knowledge transfer" and "to ensure coordination and communication with headquarters". Four of the other reasons can easily be categorised under the three functions distinguished by Edström and

Galbraith (1977). The least important function: “the company has to present itself as a German company” is less easily put in one of the categories.

Referring to previous studies Macharzina and Wolf (1996) conclude that filling vacant positions, management development and coordination are the most important functions of international transfers. Under coordination they describe the role of expatriates as the long arm of headquarters management (the direct aspect of control), but also as a way to improve communication channels and to create a common corporate culture (the indirect aspect of control).

Finally, in a study that covered various aspects of expatriation, Stahl et al. (2000) queried 494 expatriates in 30 German MNCs on the organisational functions of international transfers. The list of possible functions was drawn from earlier German and English literature, among which Edström and Galbraith (1977). They find the transfer and communication motive to be most important, closely followed by the two coordination elements, while management development is seen as slightly less important.

Looking at Table 1, there seems to be a considerable consensus on the principal functions of international transfers, well represented by the classification of Edström and Galbraith. It is interesting to note, however, that although Edström and Galbraith termed their third reason “organisation development”, their description of this organisational function of international transfers focuses exclusively on control aspects. This is also the way in which this reason for international transfer has been interpreted in most of the English articles that refer to the Edström and Galbraith classification and in the German studies. Pausenberger (1987), however, indicates that all three functions of international transfer can in fact lead to organisation development defined as the increase of the company’s potential to succeed and to compete in the international market. Roessel (1988) puts forward a similar view when he discusses how the various functions of international transfers can lead to the further internationalisation of the MNC, which would increase its effectiveness in international markets. Maybe we should conclude that organisation development is not a goal of international transfers as such, but is rather the result of knowledge transfer, man-

agement development and the creation of a common organisational culture and effective informal information network.

It would therefore seem better to re-label Edström and Galbraith's "organisation development" function as a "coordination and control" function. Even within this category, however, we can see that in many of the German studies, the focus is more on a direct type of expatriate control than on the informal type of control or coordination that Edström and Galbraith distinguish. The next section of this article will discuss the various elements of the control and coordination function of international transfers in detail.

INTERNATIONAL TRANSFERS AND CONTROL

The role of international transfers as a control mechanism has to be seen in the light of headquarters-subsidary relationships in general. Control is seen as having one basic function: "to help ensure the proper behaviours of people in the organisation" (Merchant, 1985:4). In MNCs this can be interpreted as the way headquarters make sure that subsidiaries behave in a way that is in concordance with headquarters policies. Control mechanisms are the various ways that headquarters has to ensure that this is the case. A review of control mechanisms (Harzing, 1999) led to a classification of control mechanisms on two dimensions: direct vs. indirect and personal vs. impersonal. This classification could adequately summarise a substantial body of previous literature on control mechanisms. Table 2 summarises this classification and includes the suggested labels for these categories.

[TABLE 2 ABOUT HERE]

Expatriates can be used to effectuate the two different types of personal control. They can serve as mini-headquarters in foreign subsidiaries and in doing so can replace or complement centralisation of decision-making at headquarters or direct surveillance of subsidiaries by headquarters managers. This is the kind of control that many of the German studies refer to and referring to the analogy in our title, we see this as the "bear" role of expatriates. The bear is chosen as an analogy, because it

reflects a level of dominance and threat that might in the extreme case be 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 that Edström and Galbraith and some of the German studies refer to. The bumble-bees in our title refer to the role of expatriates in the socialisation of subsidiaries. Organisational bumble-bees fly “from plant to plant” and create cross-pollination between the various off-shoots.ⁱⁱ Weaving an informal communication network is of course the role of expatriates as spiders.

Martinez and Jarillo (1989, 1991) argue that informal and subtle control mechanisms are becoming more and more important in MNCs. Socialisation and informal communication networks are two important elements of their informal and subtle control mechanismsⁱⁱⁱ and Martinez and Jarillo suggest expatriates are one way to achieve this. Macharzina and Wolf (1996:34) claim that the coordination function of international transfers has become more and more important. Due to developments such as the increasing internationalisation of companies, the emancipation of foreign subsidiaries, the shortening product life cycles and the necessity of building strategic alliances, control mechanisms such as centralisation, formalisation and standardisation have to give way to the more flexible, personal and informal control mechanisms.

The potential role of expatriates in controlling subsidiaries therefore seems to be very important. From the studies discussed above, however, it is not completely clear whether expatriates are in fact successful in these roles. Edström and Galbraith present their paper as “the results of our speculations” (Edström and Galbraith, 1977: 249) and not as empirical evidence of the role of expatriates in either socialisation or the creation of verbal information networks. Without exception, the German studies - if they had any empirical evidence at all - asked respondents to score a predefined list of functions of international transfers, which might easily lead respondents to overstate the importance of any of these functions. None of these studies have studied the expatriate role in the context of control mechanisms in general and as mentioned before many were biased towards

the bear role of the expatriate. There are some additional studies that look at the expatriates' role as bumble-bees and spiders though which we will discuss below.

BUMBLE-BEES AND SPIDERS

In a retrospective look at his experiences as an executive with Unilever Peter Kuin claims that: "Another reason [other than management development] why sufficient scope for international job rotation should be maintained is the need for what I would call "corporate acculturation^{iv}"." (Kuin, 1972:91). Wiechman (1974) in a study on integration of multinational marketing activities in 27 MNC, indicates corporate acculturation as an alternative to centralisation. People transfer – including international transfers – is mentioned by the executives that were interviewed as an important way to foster corporate acculturation by helping to "smooth differences of viewpoints that inevitably exist in a widespread multinational organization" (Wiechman, 1974: 14). The study does not give us any indication, however, whether all MNCs, a majority of MNCs or just some MNCs saw people transfer as important.

Jaeger (1983) mentions an initial heavy use of expatriates as one of the ways to bring subsidiaries "into the fold", i.e. to establish the organisational culture. His empirical study investigates in detail one representative each of two opposing types of firms: type A and type Z firms, that were identified in an earlier part of the study. Type Z firms were hypothesised to manage overseas subsidiaries by organisational culture. Jaeger's results show that the difference in organisation culture between headquarters and subsidiary is indeed significant in the type A firm, but not in the type Z firm. As Jaeger expected there were more expatriates in the subsidiary of the type Z firm, thus empirically supporting the link between expatriate presence and organisational culture. However, the difference in expatriate presence - 5 expatriates versus 3 expatriates - was not overwhelming and results for two Brazilian subsidiaries of two American headquarters are hardly enough to generalise about the role of expatriates in socialisation of subsidiaries. In a subsequent article with Baliga (Baliga and Jaeger, 1984) cultural control is defined as a combination of our direct expatriate

control and socialisation. The role of expatriates in this type of control is supported only by reference to Edström and Galbraith (1977) and Kuin (1972).

Based on a series of clinical studies in five large MNCs, Doz and Prahalad (1984) criticise the traditional approach in the literature on multinational management as searching for the right structure: product, geography and matrix and advocate a focus on process instead. They identify three sets of coordination mechanisms to manage the relationship between headquarters and subsidiaries: data management mechanisms, manager's management mechanisms and conflict resolution mechanisms. Manager's management mechanisms include the choice of key managers, career paths, rewards and punishment systems, managers' development and patterns of socialisation. Although Doz and Prahalad do not discuss this specifically, the role of expatriate managers as bumble-bees and spiders could well fit into this category. However, only three of the five companies they studied – Ericsson, General Motors and Ciba Geigy – made use of manager's management mechanisms and Doz and Prahalad's general discussion of the application of this control mechanism does not offer us solid empirical evidence of the role of expatriates as bumble-bees and spiders.

Bartlett and Ghoshal (Bartlett and Ghoshal, 1987; Ghoshal and Bartlett, 1988; Bartlett and Ghoshal, 1989) joined Prahalad and Doz in criticising the search for the ideal international structure and suggested focusing on the development of a more sophisticated set of control mechanisms that includes informal control mechanisms such as developing informal networks of communication and emphasising a corporate culture. According to them European MNCs – represented by Philips, Unilever and Ericsson – have traditionally applied this type of control mechanisms, using among others international transfers.

Martinez and Jarillo (1989) identify socialisation and informal communication as two elements of their category of informal and subtle control mechanisms. They see transfer of managers is as an element of both types of control mechanisms, but did not include it in their empirical study. Finally, Ferner, Edwards and Sisson (1995) studied an international accounting and management

consulting firm and concluded with regard to international transfers: “These transfers were seen [...] as a way for individuals to build up networks of contacts and to absorb the international ethos and practices of the firm: part, therefore, of what Edström and Galbraith (1977) refer to as an international ‘control strategy based on socialisation’” (Ferner et al, 1995:353).

CONCLUSION

This section has shown that although there is some evidence of the successful performance of expatriates in their role as bears, it still remains to be seen whether the roles of bumble-bees and spiders are part of their repertoire in more than a selected number of companies as well. The role of expatriates in achieving an informal type of control is based more on assumptions than on hard empirical evidence. The few studies that did study this role empirically are characterised by very small sample sizes, often focus on the same select group of companies, and their conclusions are nearly all based on what some managers said in interviews. We therefore concur with Fenwick, De Cieri and Welch (1999), who claim that: “[...] the role played by expatriate assignments [in achieving cultural control] has yet to be rigorously tested, especially in mature, geographically diverse MNEs.” (Fenwick, De Cieri and Welch, 1999: 112). This is what we will attempt to do in the remainder of the article.

METHODOLOGY

In order to accommodate the problems identified above, we use a way to test the hypothesis that expatriates can be seen as bears, bumble-bees and spiders that is more objective than that used in earlier studies. The empirical study that is described below investigated the application of different control mechanisms used by headquarters towards their subsidiaries. The level of direct expatriate control, the level of shared values (socialisation) and the level of informal communication between headquarters and subsidiaries were three of the control mechanisms that were measured. If subsidiaries with a large expatriate presence would show a higher level of control by these means, we would be able to conclude that expatriates do indeed act as bears, bumble-bees and spiders.

The level of expatriate presence in subsidiaries was measured by two questions that measured two different, but related aspects of expatriate presence. The first question asked for the nationality of the managing director (host country national, parent country national or third country national), while the second question asked respondents to indicate the number of the top-5 positions in the subsidiary that were taken up by expatriates. The first variable was coded 0 if the managing director was a host country national and 1 otherwise. To facilitate analysis, the two measures were subsequently combined into one measure of expatriate presence^v. Direct expatriate control, shared values and informal communication were measured by single items that were adapted from Martinez and Jarillo (1991). A correlation analysis between the level of expatriate presence and the three different types of control mechanisms was used to test the hypothesis that expatriates can be used to achieve these three distinct types of control.

The exact questions that were used in this part of the study can be found in the appendix. The animal names used in this article were not included in the questionnaire. They are metaphors specifically created for this article. A complete description of the questionnaire items, mailing procedures and response rates can be found in Harzing (1999). Although one can question the reliability of single-item variables, the number of variables included in the questionnaire and the fact that response rates tend to vary inversely with the length of the questionnaire made multi-item variables infeasible in this study.

[TABLE 3 ABOUT HERE]

Data for this study were collected by means of an international mail survey. Questionnaires were mailed to the managing directors of 1650 wholly owned subsidiaries of these multinationals in 22 different countries. The overall response rate was 20% giving a usable sample of 287 subsidiaries that represented 104 different MNCs, headquartered in Japan, the United States and seven European countries. These subsidiaries were located in 22 different countries and operated in eight dif-

ferent industries. Table 3 summarises the number of respondents by industry, subsidiary country and country of the location of headquarters.

RESULTS

Table 4 shows the results of a correlation analysis between the level of expatriate presence and the three different types of control that expatriates were assumed to facilitate: direct expatriate control, shared values and informal communication. The first line indicates that there is a very significant positive correlation between the level of expatriate presence and the three types of control, so we can conclude that expatriates do indeed play a role as bears, bumble-bees and spiders. Although all three correlations are highly significant, the correlation is stronger for direct expatriate control than it is for the two indirect types of control. This, however, is not surprising given the format of the question for direct expatriate control, which referred specifically to the presence of expatriates. Even though we asked our question in the light of control mechanisms and not in the light of functions of expatriation, our measurement of direct expatriate control shares some of the drawbacks of the measures used in the earlier German studies. Respondents might have adjusted their answer to the question on direct expatriate control to the level of expatriate presence. Unfortunately, it is impossible to ask about this type of control without referring to expatriates. In that respect, the very significant correlation between expatriate presence and the level of shared values and informal communication can be seen as a stringent test of the role of expatriates as bumble-bees and spiders. No reference at all was made in these questions to expatriates and the question asking about expatriate presence was located about two pages away from the questions on shared values and informal communication.

[TABLE 4 ABOUT HERE]

Although expatriate presence influences the level of shared values and informal communication in subsidiaries significantly, table 4 shows that this relationship is not equally strong in all situations. Expatriates seem to perform their roles as bears in any situation, but an exploratory analysis

showed that their role as bumble-bees and spiders is more important in some situations than in others. It is 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 role are particularly important in subsidiaries that show a high level of local responsiveness, measured as the percentage of local production, local R&D, product modification and marketing modification. The same is true for subsidiaries that are not at all or hardly dependent on headquarters for their sales and purchases. Finally, the bumble-bee and spider role is more important in acquisitions than in greenfields. In all of these situations the strength of the correlation between expatriate presence and shared values and informal communication approaches the strength of the correlation between expatriate presence and direct expatriate control, in spite of the far more stringent way of measuring the two informal types of control. So in these situations, we can be confident that the expatriate's role as bumble-bee and spider is as important as his or her role as bear.

What these situations have in common is that they all represent situations in which subsidiaries operate quite independently from headquarters. Apparently, expatriate presence is most effective in facilitating informal control in subsidiaries that are otherwise relatively independent from headquarters, while in subsidiaries that are quite dependent on headquarters expatriate presence serves mostly to facilitate direct expatriate control. Since absolute expatriate presence is generally lower in subsidiaries that are relatively independent from headquarters, 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" additional expatriates has a strong positive effect^{vi} on shared values and informal communication, while the effect of adding another expatriate is much weaker in subsidiaries that already employ a large number of expatriates.

DISCUSSION AND CONCLUSION

What we can clearly conclude from our study is that international transfers do indeed play an important role in multinational companies. First of all, they are a means of knowledge transfer and position filling when no qualified locals are available. Although knowledge is traditionally assumed to flow from headquarters to subsidiaries, flows from subsidiaries to headquarters and between subsidiaries might be equally important, especially now that Centres of Excellence are becoming more important in MNCs (Holm and Pedersen, 2000). Second, international transfers can be a very effective way to internationalise managers, and to prepare them for important positions at either headquarters or other subsidiaries. Black et al. (1999) see international assignments as the most powerful means of developing the skills and knowledge that future leaders will need. They cite Geiger, Director of Finance of Ford Motor Company, who claims that there is no substitute for the learning that occurs on a foreign assignment.

Previous studies on expatriate management have often claimed that expatriates also play a role in realising both a direct and indirect type of control. So far, however, none of them has provided an adequate empirical test of this role. Our study has provided such a test, and showed that expatriates play a role as bears, bumble-bees and spiders. There is a positive relationship between the level of expatriate presence and the level of direct expatriate control, the level of shared values between headquarters and subsidiary managers, and the level of informal communication between them. This relationship was not equally strong in all situations and the expatriates' role as bumble-bees and spiders was shown to be particularly important in subsidiaries that operate quite independently from headquarters. In subsidiaries that were quite dependent from headquarters, the expatriate's role as bear, the long arm of headquarters management, was more important.

ALTERNATIVES TO INTERNATIONAL TRANSFERS

Many authors (e.g. Doz and Prahalad, 1984; Bartlett and Ghoshal, 1989; Martinez and Jarillo, 1989; 1991, Macharzina and Wolf, 1996) have indicated that subtle and informal control mecha-

nisms are becoming even more important in today's international environment. As our study shows, expatriates can be a good way to achieve this type of control. This role as well as the role of expatriate as bears might even become more important in the current wave of mergers and acquisitions, since the personal contacts that are achieved through expatriation might be the only way to integrate two companies. Our study already indicated that the role of expatriates in achieving an informal type of control was stronger in acquisitions than in greenfield subsidiaries.

Unfortunately, there are increasing signs that barriers to mobility - especially the issue of dual-career couples - become more and more important, leading to a decline in willingness to accept an assignment abroad (Forster, 1992; Kilgore, 1991; Punnett et al, 1992; Scullion, 1992; Welch, 1994). Further, sending out expatriates can be very costly. So we could ask ourselves whether other mechanisms might provide the same results in a less expensive way? Are there alternatives to international transfers in realising both direct and indirect control. Alternatives for the bear role might be a centralisation of decision-making at headquarters and personal surveillance by headquarters managers. However, both alternatives would seem to be infeasible in large, diversified companies. International training programmes and international meetings and task forces and, however, might very well be used as a less costly substitute for the expatriate's bumble-bee and spider role.

Training is recognised as an important means for socialisation (Child, 1984; De Meyer, 1991; Derr and Oddou, 1993; Ondrack, 1985a/b). Formal training programmes can be an effective way to directly transfer the organisational goals and values to a whole group of people at the same time. Management trainees in large (multinational) companies usually follow a whole series of one- or two-week training courses. In addition, this shared experience might also create informal networks. So in multinational companies, these training programmes can provide an important impetus to achieve shared values and facilitate network building between headquarters and subsidiaries.

International task forces or project groups of employees of different backgrounds and nationalities can be constructed to work on a company problem. The Philips Octagon programme (Van Houten, 1989), in which a team of eight young high-potential managers of different backgrounds and nationalities are brought together to work on an actual company problem, is an excellent example. This programme lasts six to eight months and “its purpose is to broaden the scope of understanding of the company, to increase appreciation of the interdependence of functions and disciplines, and to provide a cross-cultural forum for working together and exchanging ideas” (Van Houten, 1989:110). Of course, this intensive co-operation also gives a very strong impetus to informal network building. Ghoshal et al. (1994) showed that what they call lateral networking mechanisms (joint work in teams, task forces and meetings) have significant positive effects on the frequency of both subsidiary-headquarters and inter-subsidary communication.

The question is whether these alternative ways to achieve socialisation and informal communication networks can completely replace expatriates. They are certainly cheaper alternatives and it is much easier to involve a large number of managers through training and international task forces or project groups than it is through expatriation. And since training and international task forces serve other important aims as well, directly related to the successful operation of the company, they would certainly seem to be instruments that should part of the repertoire of any MNC. On the other hand, we do not have any more solid empirical evidence for the impact of international training and international task forces on shared values and informal communication than we had before this study for the impact of expatriation. Furthermore, the “bear” function of expatriation would not seem to be easily substituted by alternatives. In addition, there are the two other functions of expatriation to bear in mind: knowledge transfers and management development. As we have discussed above, neither of these is decreasing in importance. Expatriates can be sent out for any combination of the three general motives that we distinguished at the beginning of this article. As Edström and Galbraith (1977) pointed out the motives are not mutually exclusive. So although there might be alternatives to realise any of the three functions of expatriation, sending out an ex-

patriate might be a cost-effective way to realise all three general functions at the same time. The key point is that companies should realise that expatriation is a strategic tool to achieve specific organisational goals and needs to be used as such.

FUTURE DIRECTIONS

One of the limitations of this study is that it looked only at the transfer of expatriates from headquarters to subsidiaries. Although in most companies this is still the dominant mode of expatriation, the reverse transfer from subsidiaries to headquarters - also called inpatriation - and transfer between subsidiaries is gaining in importance. It is important to note that transfers in all directions can potentially fulfil any of the three functions of expatriation. Managers can be transferred from subsidiaries to headquarters or to other subsidiaries to fill positions, to transfer knowledge, to be trained for future positions, to be inculcated in the company culture and to expand their informal information network. The only function of expatriation that would seem to relate mostly to transfers from headquarters to subsidiaries is direct expatriate control, the bear function of expatriation. Future studies could try to assess whether inpatriation is as effective as expatriation in realising the aims of international transfers. Another limitation of our study is that the sample included only wholly owned subsidiaries. Expatriate roles might be quite different for different types of subsidiary ownership. Future studies might broaden their samples to include joint-ventures and strategic alliances in order to explore these differences. A third aspect that would be deserving of further study is our finding that the various aspects of control through expatriation are not equally effective in different situations. Future studies could address this issue in a systematic way in order to find out which type of expatriate control is most effective under which circumstances.. A final area that might be worth exploring is whether there are gender differences in the functions assumed by expatriates. All respondents in this sample were male, but since the share of female expatriates is increasing, an interesting research question would be whether this would have an impact on the relative importance of the three control functions of expatriation.

In conclusion, although much research has been done on expatriation in the past decades, a systematic empirical investigation of the functions of expatriation is still missing. Our study has shown that expatriates play a role as bears, being the long arm of headquarters managers, as bumble-bees transferring organisational culture and as spiders in weaving informal communication networks. But there is still more to do to assess the impact of the various alternatives to expatriation, to evaluate the function of inpatriation and to explore in more detail the situations in which the various roles of expatriation are most effective. An answer to these questions would help MNCs to really use expatriation as a strategic tool in meeting the challenges of the international environment.

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APPENDIX
(QUESTIONS USED TO MEASURE THE CONSTRUCTS IN THIS STUDY)

EXPATRIATE PRESENCE

- *How many of the top five jobs in this subsidiary are held by expatriates (employees on temporary assignment from either headquarters or other subsidiaries)? Tick boxes 0-5.*
- *What is the nationality of the managing director of this subsidiary? Tick boxes: nationality of parent/-headquarters country, nationality of subsidiary country, other (third country) nationality.*

CONTROL MECHANISMS

- *Direct expatriate control: In some multinational firms, expatriates are assigned to subsidiaries to ensure that headquarters policies are carried out. Others do not send out expatriates or do this for other reasons. Please indicate the degree to which headquarters uses expatriates to directly control this subsidiary's operations (scale anchors: very little expat control - very high expat control)*
- *Socialisation: Some multinational firms attach a lot of value to a strong 'corporate culture' and try to ensure that all subsidiaries share the main values of the firm. Others do not make these efforts (or, having made it, have had no success). To which extent do the executives in this subsidiary share the company's main values? (scale anchors: no shared values at all - fully shared values)*
- *Informal communication: Some multinational firms have a very high degree of informal communication among executives of the different subsidiaries and headquarters. Other firms do not foster that kind of informal communication and rely exclusively on formal communication channels. Please indicate the level of informal communication between this subsidiary and headquarters/other subsidiaries of the group. (scale anchors: no informal communication at all - daily informal communication)*

Table 1: Organisational functions of international transfers

Edström & Galbraith (1977)	Position Filling	Management Development	Organisation Development
	Position filling where qualified local managers are not available and/or transfer of knowledge.	Develop the expatriate manager for future positions at headquarters or other subsidiaries.	Transfers as an informal coordination and control strategy through socialisation and creation of an informal information network.
Pausenberger & Noelle (1977) <i>[our translation]</i>	To ensure transfer of know-how; To compensate for a lack of local managers; Training & development of local managers.	To develop the expatriate's management capabilities.	To ensure uniform management in the MNC; To ensure a common reporting system in the MNC.
Kumar & Steinmann (1986) <i>[our translation]</i>	Transfer of know-how; The necessity to train German managers.	Headquarters want Japanese managers to gain international experience.	To ensure coordination with headquarters corporate policies and philosophies; To facilitate communication; Desired loyalty with headquarters goals.
Pausenberger (1987) <i>[our translation]</i>	Transfer of know-how.	Management development.	To ensure a uniform company policy.
Roessel (1988) <i>[our translation]</i>	Transfer of managerial know-how; Lack of qualified local personnel.	Managerial development of expatriates and local managers.	Improve communication channels, Transfer of norms and values, Keep a close eye on the subsidiary's operations.
Groenewald & Sapozhnikov (1990) <i>[our translation]</i>	Transfer of technological, administrative or sales know-how; Lack of qualified local personnel.	Management Development; Better career opportunities for employees.	Direction and coordination.
Kumar & Karlhaus (1992) <i>[our translation]</i>	Transfer of know-how; Limited availability of local managers; The necessity to train foreign managers [The company has to present itself as a German company].	Headquarters want German managers to gain international experience.	To ensure coordination and communication with headquarters; Desired loyalty with headquarters goals.
Macharzina & Wolf (1996) <i>[our translation]</i>	Filling vacant positions.	Management development.	Coordination.
Stahl et al. (2000) <i>[our translation]</i>	Transfer of technical or managerial know-how; [Improve communication channels between headquarters and subsidiaries].	Further development of expatriate for higher level positions at headquarters or at other subsidiaries.	[Improve communication channels between headquarters and subsidiaries]; To ensure that subsidiary activities are in conformance with headquarters expectations; Coordination of foreign activities with the MNC as a whole.

Table 2: Classification of control mechanisms on two dimensions

	Personal/Cultural (founded on social interaction)	Impersonal/Bureaucratic/Technocratic (founded on instrumental artefacts)
Direct/Explicit	Personal centralised control	Bureaucratic formalised control
Indirect/Implicit	Control by socialisation and networks	Output control

Table 3: Number of respondents by industry, subsidiary country and headquarters country

Industry	Number of respondents	Subsidiary country	Number of respondents
Electronics, electr. Equipment	41	Argentina	4
Computers, office equipment	26	Austria	8
Motor vehicles and parts	30	Belgium	14
Petroleum (products)	20	Brazil	15
Food and Beverages	34	Denmark	16
Pharmaceutical	46	Finland	8
Paper (products)	25	France	14
Chemical (products)	55	Germany	16
Various	10	Hong Kong	5
		Ireland	11
		Italy	21
		Japan	16
		Mexico	10
		Netherlands	25
		Norway	13
		Singapore	10
		Spain	14
		Sweden	11
		Switzerland	14
		UK	25
		USA	13
		Venezuela	4

Table 4: The role of expatriates in controlling subsidiaries under various circumstances.

	THE BEAR	THE BUMBLE-BEE	THE SPIDER
	Direct expatriate control	Shared values	Informal communication
Overall	***	***	***
Subsidiary age			
< 20	***	***	*
20-35	***		
36-50	***		
>50	***	***	***
Local responsiveness			
Low (<25%)	***		*
Medium (25-50%)	***		
High (>50%)	***	***	***
HQ dependence			
Low (0%)	***	***	***
Medium (1-25%)	***	***	*
High (>25%)	***		
Entry mode			
Greenfield	***		*
Acquisition	***	***	**

Table shows the significance of the correlation between expatriate presence and the three control mechanisms

*** = $p < 0.001$

** = $p < 0.01$

* = $p < 0.05$

ⁱ The large number of German studies on expatriate management – usually investigating German MNCs – might well be reflective of the importance of expatriation in German MNCs. Dobry's (1983), Negandhi and Welge (1984), Egelhoff (1988), Wolf (1994) and Harzing (1999) all found German MNCs to use more expatriates in their subsidiaries than other European and American MNCs.

ⁱⁱ This analogy is adapted from Morgan's (1993) spider-plant image.

ⁱⁱⁱ The final element of this type of control identified by Martinez and Jarillo (1989, 1991) was committees, teams and task forces. This element, however, is not expected to be conceptually related to international transfers. This expectation is confirmed by our empirical study which shows the correlation between expatriate presence and a measure of task forces/project groups to be -.003.

^{iv} Kuin used the term acculturation in the same sense as we use the term socialisation in this article.

^v The correlation between the two variables was 0.69, indicating that they measured related, but slightly different aspects of expatriate presence. In order to combine the two variables they were first standardised and then added together. Standardisation was necessary because the variables were measured using different scales (0-1 and 0-5).

^{vi} We assume a causal relationship, which of course cannot be formally concluded from our cross-sectional survey.