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AN ANALYSIS OF THE FUNCTIONS OF INTERNATIONAL TRANSFER OF MANAGERS IN MNCs

ABSTRACT

The aim of this article is to get a clearer picture of why multinational companies (MNCs) send out expatriates. We identify three organisational functions of international transfers: position filling, management development and coordination & control. Based on an empirical study with results from 212 subsidiaries of MNCs from 9 different home countries, located in 22 different host countries, we show that the importance that is attached to these functions differs between subsidiaries in MNCs from different home countries, between subsidiaries in different host regions and in addition varies with the level of cultural difference. Position filling is seen as most important for subsidiaries of American and British MNCs and in the Latin American and Far Eastern region. Management development is seen as most important for subsidiaries of German, Swiss and Dutch MNCs and tends to occur more in Anglo-Saxon countries than in the Far Eastern region. Transfers for coordination & control seems to be most important for subsidiaries of German and Japanese MNCs and in host countries that are culturally distant from headquarters. We argue that these differences might have important consequences for expatriate management.

Key-words: multinational companies, international transfers, expatriation

INTRODUCTION

The aim of this article is to get a clearer picture of why multinational companies (MNCs) send out expatriates. Earlier studies (Tung, 1982; Dobry, 1983; Negandhi and Welge, 1984; Kopp, 1994; Wolf, 1994; Harzing, 1999) have identified that the country-of-origin of a MNC has a substantial impact on the number of expatriates that are sent out to subsidiaries and that expatriate presence also differs quite substantially according to the host country in question. Some studies (Boyacigiller, 1990; Wolf, 1994) have identified the cultural distance between home and host country as an important explanatory variable for the level of expatriate presence. However, all of these studies have focused on expatriate presence as such and do not give any empirical evidence as to *why* these expatriates are sent out in the first place.

This article explores the reasons behind these differential levels of expatriate presence. We first review the literature – including a range of neglected German studies – on the organisational functions of international transfers. Subsequently, we put forward three hypotheses with regard to the importance of these functions for specific home and host countries and relate the functions of international transfers to cultural distance. An empirical study with results from 212 subsidiaries of MNCs from 9 different home countries, located in 22 different countries is then used to test these hypotheses. The discussion and conclusion sections evaluate our results and indicate their importance for organisational practice.

ORGANISATIONAL FUNCTIONS OF INTERNATIONAL TRANSFERS

Edström and Galbraith (1977) found three general company motives for sending out expatriates: position filling, management development and organisation development. Position filling refers to the transfer of technical knowledge, mainly to developing countries where qualified local nationals are not always available. Transfer for management development gives the expatriate

manager in question international experience and develops him for future roles 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. Transfers are used to change or maintain the structure and decision processes of the organisation. In this case, international transfers are used as a co-ordination 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.

Edström and Galbraith’s classification 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 perfectly describes this unanimous support 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). After further investigation, however, there appear to be a substantial number of German studies, both conceptual and empirical, on this subject. The fact that they appeared in the German language only might 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.

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Insert Table 1 about here

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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 make it more effective 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, management development and the creation of a common organisational culture and effective informal information network. It might then be more appropriate to call the third category coordination & control rather than organisation development.

Most of these studies have looked at the functions of international transfers from a headquarters perspective. However, there might be a substantial difference between the perspective of headquarters and subsidiary managers in this respect. First of all, expatriates might be sent out for a particular reason (e.g. management development), but in practice might actually fulfil another function (as well). Second, HRM managers at headquarters might be more likely to put forward the "company line" in surveys, while subsidiary managers might be more likely to paint a realistic picture of the functions of expatriation in their subsidiaries. In this study we will therefore collect our data mainly at the subsidiary level.

HYPOTHESES

With regard to home countries, a number of studies (Tung, 1981; Kopp, 1994; Harzing, 1999) have documented that Japanese and German MNCs are more likely to send out expatriates to their subsidiaries than MNCs from other countries, in particular from the USA and the UK. Japanese and German MNCs are known for their more personal approach towards control, while American and British companies tend to rely on a more impersonal bureaucratic type of control

(see e.g. Egelhoff, 1984, 1988; Negandhi and Welge, 1984; Ferner and Varul, 1999). A discussion of elements of the “national business systems” approach might further illustrate this difference. Whitley (1999) distinguishes three different type of business systems: particularistic, collaborative and arm’s-length. The collaborative business system, which is typical of Japan and Germany, promotes the development of a “cooperative hierarchy” type of firm that is characterised by more integrative relationships and interdependence between employees, stockholders and other firms than is the case for the “isolated hierarchy” type of firm. The latter type of firm typically develops in an “arm’s length” business system that is more common in the USA and UK. When expanding abroad, in cooperative hierarchies most foreign subsidiaries of any significance will be quite closely supervised and integrated into parent activities and integration of foreign subsidiaries into host economies is limited. In the isolated hierarchy type of firm subsidiaries are managed at a distance and provided the formal procedures and targets are followed, units will be allowed some local adaptation and will not be as fully integrated into their parents’ operations as is the case with co-operative firms. This would lead us to expect that the difference in expatriate presence is caused by the higher importance of the coordination & control function of international transfers for German and Japanese MNCs in comparison to American and British MNCs, rather than to differences for any of the other functions. Therefore:

Hypothesis 1: Subsidiaries of Japanese and German multinationals will attach a higher importance to the coordination & control function of international transfers than subsidiaries of American and British multinationals, but this will not be true for the other functions of international transfers.

At the level of the subsidiary country, a higher level of expatriate presence in developing countries is usually justified by a lack of locally qualified personnel and the need to transfer knowledge to these countries. This follows Edström and Galbraith’s (1977) argument that trans-

fer for position filling is quite likely in developing countries. At host country level, our study includes data from the US, West European, Asian (Japan, Hong Kong, Singapore) and Latin American countries. Of these only Latin American countries could potentially be classified as developing countries in this context. High educational standards in Japan, Hong Kong and Singapore would make it seem unlikely that no qualified candidates would be available in these countries. Therefore:

Hypothesis 2: Subsidiaries in Latin American countries will attach a higher importance to the position-filling function of international transfers than subsidiaries in other regions.

As mentioned above, cultural distance has been put forward as an important explanatory factor for expatriate presence (Boyacigiller, 1990, Wolf, 1994). We expect though that the impact of cultural distance will differ for the different functions of international transfer. It is expected to be strongest for the coordination & control function. Control of subsidiary operations (either directly or indirectly) will be more important if the level of cultural distance between home and host country is high. In this case, HQ managers might not trust the information they receive from local managers. In addition, HQ managers might fear that local managers are less committed to the company. Transfer of parent country nationals in order to create or improve information flow between headquarters and the subsidiary in question is also likely to be more important if the level of cultural distance between headquarters and subsidiary is high. Communication between people from different cultural backgrounds can be very difficult (even if they speak the same language) and the opportunity for misunderstandings is usually high. To a lesser extent, we would also expect a positive relationship with the position-filling function. The mere fact that subsidiary employees are culturally different would probably lead headquarters managers to think that they are less suited for top-level positions and that transfer of know-how would be neces-

sary. The management development function would probably be relatively less important for culturally distant subsidiaries as headquarters would rather choose “less difficult” locales for management development. International transfers offer enough challenges without the added cultural difference. Therefore:

Hypothesis 3: There will be a positive relationship between cultural distance and the importance attached to both the coordination & control and the position-filling function of international transfers, although the latter relationship will be weaker. There will be a negative relationship between cultural distance and the importance attached to the management development function of international transfers.

METHODOLOGY

Data for this study were collected as part of a larger scale study on control mechanisms in MNCs. An international mail survey was used to gather the necessary information. Since most of the earlier studies in this field focused on a limited number of home/host countries and/or industries, we made every attempt to make our results as generalisable as possible. The starting point for our population was an address book that included the names and addresses of the 500 largest multinational companies and their subsidiaries in some 80 countries (Hoopes, 1994). We selected eight industries (electronics; computers; motor vehicles and parts; petroleum products; food and beverages; pharmaceuticals, paper; and industrial chemicals). From these industries, we selected the largest MNCs that were headquartered in the US, Japan or one of seven European countries (United Kingdom, France, Germany, Sweden, Finland, the Netherlands, and Switzerland). With regard to subsidiary countries, we selected 22 countries from six of the eight commonly distinguished cultural clusters (Anglo, Germanic, Nordic, Latin European, Far East, and Latin American) (see e.g. Ronen and Shenkar, 1985). The result was a population of 122 MNCs with

1,643 wholly owned subsidiaries, which is broadly representative of the largest 150-200 MNCs in the world. The average number of employees employed by the MNCs in our sample was around 77,000, while their average level of sales was around 24 milliard dollars.

Questionnaires were mailed to HRM managers and CEOs at headquarters and to the managing directors at the subsidiaries. They were mailed in two batches: one in October 1995 and one in January 1996¹. Reminders to the first batch were sent in January 1996, about three months after the original mailing. Reminders to the second batch were sent in March 1996, about six weeks after the original mailing. The questionnaire contained 56 questions, most of them closed-ended. A response card, including the respondent's name and address, was included with the questionnaire. Respondents could use this response card to indicate that they did not want to participate in the survey or to indicate that they had sent back the questionnaire anonymously by separate post.

Incentives to increase response rates included an offer of the results, an international committee of recommendation, and several methods of making the relation between researcher and respondents less anonymous and more interactive than in the usual mail questionnaire approach. The overall response rate at subsidiary level was 20 percent. Response rates were calculated by dividing the number of positive responses by the number of deliverable questionnaires². The total number of 287 subsidiary responses represents 104 different headquarters (85 percent of our population). The number of responses per headquarters varied from 1 to 11. Since the number of

¹ A pilot mailing was sent to 96 subsidiaries in 12 different countries at the beginning of June 1995. In the pilot mailing respondents were invited to note down any difficulties they had in answering the questions. Most remarks involved questions that were not completely clear. These questions were adjusted. The questionnaire was also sent to all members of the committee of recommendation, academics in 20 different countries. In general, the questionnaire was very well received. However, quite a number of recommendations were made concerning the wording of questions and scale markers. In addition, some questions were thought to be too difficult to answer for subsidiary managers. Most of the recommendations were included in the final version of the questionnaire and a number of questions were deleted.

² Even though we used the latest available address books to collect our addresses a total of 205 questionnaires was returned undeliverable. This is by no means abnormal in international mail surveys. Shipchandler, Terpstra and Shaheen (1994) had 26.1% returns, while Schlegelmilch and Robertson (1995) indicate that about 20% of the entries in printed directories become invalid each year.

responses at headquarters level (25 for HRM managers and 26 for CEOs) was too small to allow statistical analysis, this paper focuses mainly on the data collected at subsidiary level.

The independent variables home country and host country were taken from the secondary sources that were used to gather address information (annual reports, various address books) and verified through questionnaire answers. Since the sample size for individual host countries was too small for statistical analysis, following Ronen and Shenkar (1985) they were clustered into 6 cultural clusters: Anglo, Germanic, Nordic, South European, Latin American, Far Eastern. Kogut and Singh's (1988) composite index, which summarises the difference between two countries on each of Hofstede's (1980) dimensions, was used to measure the overall cultural distance between home and host country.³

The importance of the various organisational functions of international transfers was probed with 6 questions addressing the different aspects of the three functions of international transfers. Respondents were asked to assess the importance of each of the aspects on a scale from 1 to 5 (of very little importance – of utmost importance). This part of the questionnaire is replicated in Appendix 1. Unfortunately, at the time the questionnaire was constructed, we followed the Edström & Galbraith classification of functions of international transfers and did not realise that the more direct type of control identified by most German authors might also be an important function of international transfers. Fortunately, direct expatriate control was measured in another part of the questionnaire that dealt with control mechanisms. However, this does mean that the format of the question for this function of international was different from the format of the other functions and that some of the results should therefore be interpreted with care.

³ Although Hofstede's work has elicited some criticism, it is largely accepted as a helpful, though crude way to quantify cultural differences (see Harzing & Hofstede (1996) for a discussion of the various critiques and the extensive use of Hofstede's dimensions in other studies; see Sondergaard (1994) for a summary of reviews, replications and citations).

RESULTS

In this section, we will test the three hypotheses that have been formulated above with regard to the functions of international transfers. Before doing so, however, we will give a general overview of the importance of the various functions of international transfers, comparing the responses from HRM managers at headquarters with the responses from managing directors at subsidiary level. At this stage it might be interesting to know that at subsidiary level slightly over half of the respondents were local managers (host country nationals), while nearly a third were parent country nationals. The remaining 15% were third country nationals.

DESCRIPTIVE RESULTS

Table 2 shows the average importance of the various functions of international transfers, measured at both subsidiary and headquarters (HR-managers) level. That these specific functions of international transfers can indeed be subsumed under three general functions is confirmed by the fact that correlations *within* the three groups are higher than between functions of *different* groups. A factor analysis of the seven functions of international transfers resulted in three factors that could clearly be identified as position filling, management development and coordination & control, with all of the individual functions loading highly (.619 - .914) on the expected factors. Since only 212 of the subsidiaries had expatriates in their workforce and replied to the questions related to the importance of various functions of international transfers, our final sample was reduced to 212 observations.

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Insert Table 2 about here

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It is not surprising that each of the functions is considered less important at subsidiary level, since the perceived importance of each of the functions at subsidiary level was related to the

actual expatriate presence. In some of the subsidiaries that responded to these questions, expatriate presence was very low. However, there are a number of interesting similarities and differences in the rank order of the different functions at both levels. At both levels, knowledge transfer is seen as the most important reason for expatriation, while direct expatriate control is seen as least important. The importance of transfer for management development (MD) takes an intermediate position at both levels.

However, two of the coordination & control (CC) functions, the transfer of organisational culture and the improvement of information channels, are seen as relatively important at subsidiary level, while they are relatively unimportant according to HR-managers at headquarters. This difference might be explained by the fact that the subsidiary sample includes only some of the same MNCs as the headquarters sample. Furthermore, headquarters managers would consider the importance of certain functions for *all* MNC subsidiaries, while our subsidiary sample only includes a selection of them. Another explanation might be that expatriates are not so much sent out for CC-reasons, as indicated by headquarters managers, but the responses at subsidiary level might indicate that in actual practice this function is more important than expected at headquarters

Concerning position filling (PF), we find the exact opposite pattern: headquarters managers see this as the second most important reason for expatriation, while at subsidiary level it is seen as one the least important reasons. Again, this might be explained by differing samples. If we had included more non-western subsidiaries, position filling might have been more important at subsidiary level as well. Another explanation could be that respondents at subsidiary level are hesitant to judge their co-workers as less competent, as would be inherently implied by the “no qualified locals available” reason. On a more positive note, they might also simply be better informed than HRM managers at headquarters about the quality of the local workforce.

HYPOTHESIS TESTING

In this section we will test the hypotheses we have formulated above, using the data collected from subsidiary managing directors. Before we test the three hypotheses that we have put forward with regard to the importance of *specific* functions of international transfers in specific situations, we have to make sure that differences in importance for the three functions of international transfers are not simply caused by a response effect. We might expect for instance that managers of subsidiaries with a high expatriate presence would assign more importance to *any* of the three functions. We therefore first performed an overall Kruskal-Wallis Anova analysis⁴ to assess whether the *combined* level of importance of the three functions of international transfers differed substantially across home or host regions. This was shown not to be the case (Chi square 5.365, $p=0.718$ for home country, Chi square 4.988, $p=0.417$ for host region). So any differences we find with regard to home and host country will have to be differences on *specific* functions of international transfer.

Home countries

Table 3 presents the results of both the statistical tests for the three specific hypotheses and the results of some additional exploratory tests. With regard to home countries there is a significant overall difference in the importance of the *coordination & control* function of international transfers across home countries. The difference between subsidiaries of German and Japanese MNCs on the one hand and subsidiaries of American and British MNCs on the other hand, was in the expected direction and highly significant, confirming our first hypothesis. In fact even a comparison between subsidiaries of American and British MNCs on the one hand and subsidiaries of MNCs of *all* other countries on the other hand showed that the former group attached a significantly lower importance to this function. As predicted German and Japanese MNCs did not

⁴ The distribution of the 7 questions measuring the importance of international transfers was found to be non-normal (K-S Lilliefors normality test). We therefore used the non-parametric versions of the Anova analysis (Kruskal-Wallis Anova) and t-test (Mann-Whitney test) and the less restrictive Spearman's rho correlation coefficient to test our hypotheses.

attach more importance to the other two functions of international transfer, while position filling was in fact seen as significantly more important by subsidiaries of American and British MNCs.

A further exploration of the data showed that the importance of transfer for *management development* did show a significant overall difference between home countries. More in particular this function is seen as more important in subsidiaries of Dutch, Swiss and also German MNCs than in subsidiaries of MNCs from other countries. There were no significant differences in this respect for any of the other functions of international transfers. This finding receives partial confirmation from a study by Levolger (1995:35), which found that management development was the most important reason for international transfers in Dutch companies. The higher than average use of international management training (as a control mechanism) by Swiss and Dutch MNCs (Harzing, 1996) also fits this observation. The importance of *position filling* showed only a marginally significant difference between countries. However, it is seen as significantly more important in subsidiaries of British and American MNCs than in subsidiaries MNCs from other countries. There were no significant differences in this respect for any of the other functions of international transfers.

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Insert Table 3 about here

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Host countries

The importance of the *position filling* function of international transfers showed a significant difference across subsidiary regions. More specifically, subsidiaries in Latin American countries attached a higher importance to this function than subsidiaries in other regions, confirming our hypothesis 2. However, a further exploration of the data showed that subsidiaries in Far Eastern countries also attached a high importance to this function, although this difference was not sig-

nificant. Exploring the data for other functions of international transfers showed that differences in the perceived importance of *management development* were only marginally significant between subsidiary regions. Most notably, this function was seen as less important in subsidiaries in Far Eastern countries than in subsidiaries in any other countries. A significant overall difference was found between subsidiary regions on the perceived importance of the *coordination & control* function of international transfers. In particular, this function was seen to be significantly more important in the Far Eastern subsidiaries when compared to subsidiaries in other regions.

Cultural distance

Cultural distance is generally found to be related to a high expatriate presence (Boyacigiller, 1990, Wolf, 1994). Hypothesis 3 proposed that this would be mainly due to a higher importance of the coordination & control function in culturally distant countries, while to a lesser extent position filling would also be more important. Management development, on the contrary, was hypothesised to be less important in subsidiaries in culturally distant countries. The statistical results support this hypothesis. Transfer for coordination & control is positively related to cultural distance, while the same is true for transfer for position filling. The results for management development are also in the expected direction, though not significant at the conventional 0.05 level of significance.

Other subsidiary characteristics

Although we chose to focus this article on aspects related to home and host country and the cultural distance between them, there might be several subsidiary characteristics that might have an impact on the perceived importance of the various functions of international transfers. The last part of Table 3 shows some interesting exploratory results for three key subsidiary characteristics: age, size and the type of entry mode. *Position filling* is perceived as slightly more important in large greenfield subsidiaries. Find a large enough contingent of locally qualified personnel might

be more difficult in this type of subsidiaries. *Management development* is seen as much more important in older and larger subsidiaries. This type of subsidiaries is likely to be more established and more important to headquarters and might therefore offer a more suitable training ground. The very strong impact of size could also explain the high perceived importance of management development in Latin American subsidiaries, that are significantly larger than subsidiaries in any other regions. Finally, transfer for *coordination & control* is seen as more important in younger subsidiaries. Making sure that the new subsidiary functions according to headquarters plans and establishing communication channels is likely to be very important in the early phases of operation.

DISCUSSION

We explored the various functions of international transfers: position filling, management development and coordination & control. At both subsidiary and headquarters level, knowledge transfer is seen as the most important reason for expatriation, while direct expatriate control is seen as least important. However, our data at subsidiary level showed that not all of the three functions of international transfer are equally important in subsidiaries of MNCs from different headquarters countries or in subsidiaries in different host regions. Confirming our hypotheses we found that coordination & control is seen as more important in subsidiaries of Japanese and German MNCs than in American MNCs and that position filling is seen as more important in Latin American subsidiaries than in subsidiaries in more developed countries. As predicted cultural distance between headquarters and subsidiary was positively related to the perceived importance at subsidiary level of both coordination & control and position filling and negatively to management development.

With regard to the country of origin, we also found some other interesting differences. Subsidiaries of MNCs from the Netherlands, Switzerland and Germany placed a higher importance on transfer for management development reasons than subsidiaries of MNCs from the

other countries, while the importance they attached to the other functions was not significantly different. German and to some extent Swiss and Dutch companies tend to follow the functional approach to management development (Evans, Lank and Farquhar, 1989). Horizontal job rotation through many different functions is a key feature of this “Germanic” model to management development. Developmental assignments abroad might fit this model better than the “elite cohort”, “elite political” and “managed development” approaches that are found in other countries. Future research might be able to confirm this difference and further explore the reasons behind it. For Dutch and Swiss companies, we could also hypothesise that the small domestic market may encourage the use of expatriation as a way of exposing managers to a wider range of opportunities. This does not explain, however, why we do not find the same pattern for Swedish and Finnish companies.

The perceived importance of transfer for position filling also differed among subsidiaries of MNCs from different home countries. It was most important in subsidiaries of American and British MNCs. At the same time, transfer for coordination & control was seen as less important in subsidiaries of American and British MNCs than in subsidiaries of MNCs from other countries, although as we can see in Table 3 this difference was not significant. Transfer for management development was at a level comparable to that in subsidiaries of other MNCs. American and British MNCs tend to send out fewer expatriates than MNCs from other countries (Harzing, 1999). Apparently, if they do send out expatriates it is because it is absolutely necessary for reasons of knowledge transfer or the lack of availability of locally qualified personnel. American and British MNCs appear to use other ways to control subsidiaries, focusing more on output and bureaucratic control (see e.g. Egelhoff, 1984, 1988; Negandhi, 1987, Ferner and Varul, 1999) hence making transfer for coordination & control less necessary. It can also be argued that transfer for one of the subfunctions of coordination & control: the improvement of communication channels

is less necessary, because many subsidiary managers will be able to communicate in English.

At the level of the subsidiary country, additional differences were also apparent. Although hypothesis 2 was confirmed in that Latin American subsidiaries attach a higher importance to this function of international transfers than subsidiaries in other countries, we found that the same was true for subsidiaries in Far Eastern countries. Subsidiaries in the Far Eastern region also attached more importance to transfer for coordination & control and less importance to transfer for management development than subsidiaries in other regions. Since both regions are characterised by a relatively high level of cultural distance from many of the home countries included in our study, our results with regard to cultural distance might in fact be a host region effect or visa versa. We therefore ran three linear regression analyses including both cultural distance and region dummies as independent variables. For position filling and management development the host region proved to have a dominant impact, while for coordination & control cultural distance was more important. Apparently, transfer for coordination & control is effected to control culturally distant subsidiaries, while the higher level of transfer for position filling in Latin America and the Far East and the lower level of transfer for management development in the Far East is mainly due to regional characteristics. A (perceived) lower level of management capabilities in the Latin American and Far Eastern region might explain the differences for both position filling and management development. It is interesting to note that although this difference was not significant, transfer for management development was perceived as most important and transfer for position filling as least important in subsidiaries in the Anglo cluster (USA, UK, Ireland). This might lead us to conclude that MNCs see these countries as relatively advanced in terms of management skills and that MNCs use an assignment in these countries to expose their managers to the Anglo-Saxon style of management.

CONCLUSIONS

This article has clearly shown that the different organisational functions of international transfers are not equally important in all circumstances. Position filling is seen as most important in subsidiaries of American and British MNCs and in subsidiaries in the Latin American and Far Eastern region. Management development is seen as most important for subsidiaries of German, Swiss and Dutch MNCs and tends to occur more in Anglo-Saxon countries than in the Far Eastern region. Transfers for coordination & control seems to be most important for subsidiaries of German and Japanese MNCs and in host countries that are culturally distant from headquarters.

These findings might have an important impact on the *management* of expatriates. Most publications in the expatriate literature prescribe best practices in expatriate management in terms of selection, training and compensation. However, since expatriates are sent out for different reasons, practices with regard to their selection, training and appraisal and compensation might need to be tailored to these different reasons for transfer. For instance, for an expatriate that is mainly sent out for coordination & control reasons and more in particular to improve communication channels between headquarters and the subsidiary in question, excellent language and communication skills would be essential. These skills might be less important for an expatriate who is sent out to transfer technical knowledge. In this case, possession of specific technical skills would be most important. In terms of appraisal and compensation, appraisal systems that are geared towards the realisation of the specific objectives of the assignment would put the expatriate in a far better position to achieve his objectives. We feel that too often expatriate management has been seen as a one size fits all exercise and that closer attention to the functions of international transfers and HRM practices tailored to these functions might make expatriate assignments more successful.

In this article we have been able to provide some preliminary conclusions on the importance

of various functions of international transfers. Of course our study is not without limitations. First, there is the general problem of asking respondents for their perceptions. We feel strongly that studying the importance of the various aspects of international transfers at subsidiary level is likely to give a more realistic picture than asking HQ managers. However, in particular the coordination & control function of international transfers might be quite difficult to measure reliably at either level. Especially the more direct form of control is not necessarily seen as legitimate and subsidiary managers might want to present themselves as more autonomous than they really are. The coordination & control function was also measured with two different questionnaire formats, which means that the results should be interpreted with some caution. Future studies might attempt to find a more reliable way of measuring this function of international transfers. Second, although the breadth of our sample made it possible to generalise our findings, sample sizes for some home countries and host regions were quite small and hence some of our results should be interpreted with care. Future research might concentrate on a more limited number of home and host countries, maybe focusing in the first instance on those countries that have shown to be very different from each other in our sample. Third, our study only looked 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 international transfers. 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. Future studies could try to assess the relative importance of the functions of international transfers for inpatriation as well as expatriation.

To the best of our knowledge this is the first study that has attempted to look at the importance of the different functions of international transfers in different circumstances on an empirical basis. More research is necessary to confirm or disprove our results and bring the field of expatriate management forward. With a better insight into the functions that international transfers can fulfil in different circumstances, MNCs might be able to use international assignments in a more strategic way.

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Table 1: Organisational functions of international transfers according to various authors

Edström and Galbraith (1977)	Position Filling	Management Development	Organisation Development (Coordination & control)
Pausenberger and Noelle (1977) <i>[our translation]</i>	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 <i>[our translation]</i>)	Position filling; Transfer of know-how.	International experience; Use management potential.	Coordination; Change management.
Kenter (1985) <i>[our translation]</i>	Lack of qualified local managers available; Transfer of Know-how-Transfer; Training of local managers.	Development of parent country nationals.	Control and coordination; Increase loyalty and trustworthiness of expatriates.
Kumar and 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 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) <i>[our translation]</i>	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) <i>[our translation]</i>	Transfer of know-how; Limited availability of local managers; The necessity to train foreign managers.	Headquarters want German managers to gain international experience.	To ensure coordination and communication with headquarters; Desired loyalty with headquarters goals.
Macharzina (1992) <i>[our translation]</i>	Filling vacant positions.	Management development	Coordination.
Wolf (1994) <i>[our translation]</i>	Filling vacant positions.	Personal or managerial development.	Coordination.

Table 2: Average importance on a scale of 1-5 of various functions of international transfers, measured at subsidiary and headquarters level

Function of expatriation	Subsidiary level			Headquarters level		
	N	Mean	Standard deviation	N	Mean	Standard deviation
PF-Knowledge transfer	212	3.29	1.13	25	4.28	.79
PF-No locals	212	2.32	1.28	25	3.60	1.04
MD-Training for headquarters	212	2.69	1.19	25	3.40	1.12
MD-Training for subsidiaries	212	2.59	1.16	25	3.36	.86
CC-Direct expatriate control	210	2.26	1.24	25	2.73	1.00
CC-Transfer culture	212	2.67	1.15	25	2.88	.93
CC-Improve info channels	212	3.08	1.28	25	3.28	1.10

Table 3: Results for hypotheses 1-3 (in boldface) and further exploration

Home country analysis	Subsidiaries of German or Japanese MNCs	Subsidiaries of American or British MNCs	Significance of difference	Significance of difference between		
				All home countries	Dutch/Swiss/German vs. other MNCs	British/American vs. other MNCs
Position filling	2.57	3.04	0.006**	0.099†	0.301	0.025*
Management development	2.70	2.62	0.720	0.050*	0.001***	0.647
Coordination & control	2.98	2.40	0.000***	0.012*	0.888	0.023*

Host country analysis	Latin American subsidiaries	Far Eastern subsidiaries	Subsidiaries in other regions	Significance of difference between		
				All host regions	Latin American vs. others	Far Eastern vs. others
Position filling	3.10	3.07	2.70	0.043*	0.016*	0.192
Management development	2.83	2.13	2.69	0.072†	0.299	0.007**
Coordination & control	2.79	3.28	2.66	0.002**	0.502	0.000***

Cultural distance analysis	Spearman's rho	Significance
Position filling	0.132	0.028*
Management development	-0.104	0.067†
Coordination & control	0.220	0.000***

Subsidiary characteristics	Subsidiary age		Subsidiary size		Entry mode (acquisition or greenfield)	
	Spearman's rho	Significance	Spearman's rho	Significance	Z-value	Significance
Position filling	-.024	0.735	.121	0.079†	-1.940	0.052†
Management development	.152	0.030*	.195	0.004**	-0.919	0.358
Coordination & control	-.219	0.002**	-.066	0.339	-0.322	0.747

*** = $p < 0.001$, ** = $p < 0.01$, * = $p < 0.05$, † = $p < 0.10$, all two-tailed except in results for hypothesis

APPENDIX 1

This section mentions six functions of expatriation. Please indicate how important these various functions are for expatriates working in your subsidiary. You may skip this question if your subsidiary does not have expatriates in its workforce. Please note that these questions are **about your subsidiary only**, not about expatriation to other subsidiaries of the group or to headquarters. (Scale: of very little importance, of some importance, important, very important, of utmost importance)

- Improving information and communication channels with headquarters or other subsidiaries of the group.
- Transferring specific technical or management knowledge from headquarters or other subsidiaries to this subsidiary.
- Ensuring a homogeneous corporate culture throughout the company as a whole.
- Filling positions for which no local personnel is available in this country.
- Training the expatriate in question for future positions at other subsidiaries.
- Training the expatriate in question for future positions at headquarters.

Direct expatriate control. In some multinational firms, parent-country nationals are assigned to subsidiaries to ensure that headquarters policies are carried out. Others do not send out expatriates or do it 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*)