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CAPTURING STRATEGIC ORIENTATION TOWARD INPATRIATION IN MANAGEMENT STAFFING POLICIES OF GLOBAL ORGANIZATIONS

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CAPTURING STRATEGIC ORIENTATION TOWARD INPATRIATION IN MANAGEMENT STAFFING POLICIES OF GLOBAL ORGANIZATIONS

A Dissertation APPROVED FOR THE MICHAEL F. PRICE COLLEGE OF BUSINESS (MANAGEMENT DIVISION)

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CHAPTER ONE

Introduction

At the beginning of the 21st century, global organizations have faced discontinuous environmental changes caused by globalization, deregulation and technological complexities (Aguirre, 1997; Prahalad & Oesterveld, 1999). The most dramatic discontinuity in this new competitive landscape has been the sudden access to two billion new potential consumers in the emerging economies of the world (Bartlett & Ghoshal, 1987; 1992; Arnold & Quelch, 1998). To capitalize on this extraordinary opportunity, a global organization will be required to develop strategic flexibility embodied in competent global managers and leaders (Evans & Doz, 1992; Gregersen & Black, 1995; Hitt, Dacin, Tyler & Park, 1997).

The organization's strategic orientation toward innovations in its global management staffing policies may be the critical component for the development of its effective leadership and competitiveness, particularly when the global organization is growing in emerging markets (Hitt, Tyler, Hardee & Park, 1995; Gregersen, Morrison & Black, 1998). As this strategic orientation toward growth in emerging markets is reflected in the global mindset of the firm's top management and implemented by its international human resource management (i.e., IHRM managers), a research challenge is to explain theoretically these innovative practices and capture the judgment of the IHRM managers and professionals on the appropriateness of various staffing alternatives for the emerging markets (Murtha, Lenway & Bagozzi, 1998; Ireland & Hitt, 1999; Napier & Vu, 1999).

In the strategic IHRM literature, the discussion of staffing policies across borders takes up a prominent place (Laurent, 1986; Kogut, 1990; Kopp, 1994; Harzing, 1995). The most important issue in a global context is the managers' nationality policy in international transfer of managers (Tung, 1981; 1982; 1987). The traditionally IHRM staffing alternative, has centered on the transfer of parent country managers to foreign assignments (i.e., expatriation). A series of empirical studies (Boyacigiller, 1990; Kobrin, 1994; Kopp, 1994; Sargent & Matthews, 1998; Harzing, 2001) have examined the management staffing patterns in multinational corporations (i.e., MNCs) in an effort to test Kobrin's (1988) hypothesis of "expatriate reduction" (i.e., the decreasing numbers of parent country nationals – PCNs or expatriates – in MNCs), and assess the growing need for innovative alternatives to the entrenched expatriation practice.

Overview of past research on expatriation policy, practice, and issues in multinational organizations

The study by Edstrom & Galbraith (1977) was the first to explain theoretically the tactical and strategic motivations of MNCs for international expatriate transfers. Tactically, expatriation is aimed at filling positions involving the transfer of technical knowledge when qualified local nationals are not available, as well as at management development of the corporate high-potential "fast track" managers who need international experience (Harzing, 1999). In contrast, the strategic expatriation is associated with organizational development, where expatriate transfers are used to change or maintain the structure or decision processes of the MNC. In this case, expatriation provides not only coordination and control mechanisms, but also a vehicle intended to disseminate corporate culture and facilitate the headquarters-subsidiary communication (Hendry, 1994).

Building on Perlmutter's (1969) early model predicting expatriate staffing patterns, several researchers have espoused specific reasons why staffing a subsidiary with a manager from the headquarters/home country is preferred: 1) emerging countries lack managerial and technical talent needed to run large, complex organizations (Boyacigiller, 1990; Black, Gregersen, Mendenhall & Stroh, 1997; Black, Morrison & Gregersen, 2000); 2) expatriates can serve as an effective mechanism to transfer information about company culture, complex organizational routines, and tacit knowledge from the headquarters and other nodes of the MNC's global network to the local operation (Nohria & Ghoshal, 1994; 1997; Bartlett & Ghoshal, 1998); 3) expatriation experience is an important part of the corporate succession planning process (Oddou & Mendenhall, 1991); and 4) expatriates are more likely to respond to the need of the headquarters, while local managers will likely identify with and respond to the needs of the local operation (Kobrin, 1988; Moynihan, 1993; Marchan, Welch & Welch, 1997).

A series of empirical studies by German researchers (for an overview, see Harzing, 2001) has shown that expatriates can be used to effectuate both direct (i.e., surveillance) and indirect (i.e., socialization) control, and thus facilitate the headquarters decision-making process. The flexible, personal and informal control mechanism by expatriates is more efficient than the rigid, impersonal and formal control mechanism by the headquarters (i.e., centralization, formalization, and standardization of administrative procedures). This is particularly true when the effects of subsidiary autonomy, competitive dynamics, and cross-border alliances and acquisitions are significant (Black, Gregersen & Mendenhall, 1992; Forsgren 1992; Forsgren & Pahlberg, 1992; Marquart & Engel, 1993; Hamilton & Kashlak, 1999). Boyacigiller (1990) and Harzing (1999) argue that expatriates are common management staffing choice when the host country is cultural distance, high uncertainty avoidance and political risk, particularly when local operation is new, complex and of strategic importance.

Harvey (1996) argues that, while the reasons for the continued use of expatriates are compelling, there are a number of potential problems associates with their use (Black, & Mendenhall, 1990; Birdseye & Hill, 1995). There is ample evidence that expatriate managers experience a high failure rate related to difficulties in adjusting and managing across cultural settings (Mendenhall & Oddou, 1985; Tung, 1998; Napier & Vu, 19978. In the United States, the failure rate of expatriates has been estimated as between 20-40 percent (Sargent & Metthews, 1998; Dowling, Schuler & Welch, 1999; Tsang, 1999) resulting in significant direct (i.e., training, relocation, compensation) and indirect sunk costs (i.e., reduced service to customers, strained relations with host country networks, damage to the expatriate's career) (Tung & Havlovic, 1996; Webb & Wright, 1996).

Multiple factors have been identified to contribute to the high failure rate of expatriates including lack of appropriate cross-cultural training, *ad hoc* selection criteria, ineffective compensation programs, ineffective leadership, and family adjustment issues (Harvey, 1985; Schell & Solomon, 1997; Florkowski & Fogel, 1999; Forster 2000). In particular, family-related issues create a salient problem for IHRM managers because expatriation assignments are increasingly refused with an estimated 25 percent of the top candidates turning down offers for overseas relocation assignments (Feldman & Thompson, 1993; Dulfer, 1998). A primary driver of this increased refusal rate is the growing number of dual-career couples (Harvey, 1997b). In addition, the difficulties in expatriate commuting and the lack of adequate policies for female expatriates (Harvey, Buckley, Novicevic & Wiese, 1999) have increased the instances of expatriate ineffectiveness. Exhibit 1.1 summarizes the individual, organizational, environmental, and systemic issues of influence on an expatriate success/failure that were gleaned from research conducted on expatriate selection.

Exhibit 1.1
Predicting Success/Failure of Expatriate Managers

Expatriate Performance	Individual	Organizational	Environmental	Systemic
SUCCESS	• Big "5" personality characteristics • Technical competence • Cultural adaptability • Previous cultural adjustments • Extensive foreign travel	•Cross-cultural training •Repatriation program •Knowledgeable IHRM managers •Separate IHRM process/procedures •Mentoring program	•Relocation to similar economy/culture •Reduced government restriction •Similarity of languages	•Planning perspective •Integrated IHRM system •Increased use of technology •Flexibility of IHRM system •Consistency of systems globally
REPRESENTATIVE RESEARCH	Caligiuri, 2000, Stroh & Caligiuri, 1998, Ones & Viswesvaran, 1999, Spreitzer, McCall & Mahoney, 1997	Feldman & Bolino, 1999, Harvey *et al.*, 1999, Katz & Seifer, 1996, Selmer *et al.*, 1998	Barlett & Ghoshal, 1997, Tug & Miller, 1990	Lado & Wilson, 1994, Harvey, 1996b, Becker *et al.*, 1997, Harris & Brewster, 1999, Ferris *et al.*, 1999 Fish & Wood, 1996
FAILURE	•Family issues •Unwillingness to be relocated •Dual career issues •Commitment to assignment •Lack of language capabilities	•Lack of career planning •Inadequate orientation •Inadequate compensation programs •Inadequate training programs	•Emerging markets •Restrictions on HR by government •Hostility (climate, healthcare, etc) of environment •Cultural taboos (women, minorities)	•"Centric" IHRM orientation •*Ad hoc* case-by-case negotiations with candidates •Inadequate career development process during foreign assignment •Ineffective performance appraisal system
REPRESENTATIVE RESEARCH	Caligiuri et al., 1998, Harvey, 1998, Fish & Wood, 1997, DeCieri *et al.*, 1991	Brewster & Pickard, 1994, Brewster, 1995, Chen, 1994, Florkowski & Fogel, 1999	Harvey *et al.*, 1999, Dowling *et al.*, 1998	Harris & Brewster, 1999, Pucik & Saba, 1998, Fish, 1999, Brewster & Scullion, 1997

Harvey (1997a) postulates that emerging markets introduce a number of additional issues into the expatriate assignment decision. Several empirical studies have also documented ineffectiveness of expatriates in interactions with host country nationals in emerging markets (Hailey, 1996; Keeley, 1998). In recognition that expatiates are ineffective in facilitating local initiatives, Japanese MNCs are reported to be reducing their use of expatriates (Beamish & Inkpen, 1998). It appears that, as the globalization process puts a strong demand for local knowledge integration, the main issue becomes the common conflict between expatriates and host country employees due to differences in language, culture, compensation, and promotion opportunities. The same claim is advanced by Sergeant & Matthews (1998), who found relatively few expatriates in US subsidiaries in the interior of Mexico. In support of this claim, Gowan, Ibarreche & Lackey (1996) reported that Packard Electric had an explicit policy not to use expatriates in assembly plants located in the interior of Mexico. Simon & Davis (1996) documented cross-cultural conflict and lack of understanding between US and Hungarian managers, while Kavanaugh (1997) found similar situation in maquiladora plants.

Strategic Growth of Global Organization in Emerging Markets: The Impact on Expatriation Practices

Emerging markets of developing countries offer a major growth potential for MNCs (Garten, 1996, 1997a, 1997b). Traditionally, developing countries were mostly viewed by MNCs as convenient sources of low-cost labor and raw materials. Alternatively, some MNCs considered these countries as optional markets to "dump" their obsolete/low-quality products and technologies. This marginal perspective of the emerging countries is, however, changing rapidly. Since the 1994 Department of Commerce Classification of "Big Emerging Market Policy," there appears to be a growing recognition that these "suppliers" of the past will actually be the dominant "buyers" of the future (i.e., shift from cost to revenue markets for MNCs). In particular, the recognition is salient for the emerging markets referred to as the "Big Ten," which include: Mexico, Brazil, Argentina, Poland, Turkey, South Africa, China, India, South Korea, and the countries that compose the ASEAN regional trading block (e.g., Brunei, Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam), constitute an indispensable frame in the managerial mindset of global corporations.

Two distinct characteristics of these emerging markets underscore the need for a management-staffing alternative to expatriate assignments. First, the emerging markets are at a lower level of economic development than the developed economies that harbor the headquarters of most MNCs. The major difference in economic development stages reflects the multiple inadequacies of the commercial infrastructure that must be overcome to integrate the emerging country opportunities into the operating norms of global business conduct (Pucik, 1992; Cutanda & Paricio, 1994; Fowler, 1995; Quelch & Bloom, 1999). Second, the dramatic novelty of social and cultural differences among the emerging countries and, more particularly, relative to the headquarters' home country, is an important issue for recognition of local opportunities. Both economic differences and cultural diversity highlight the management staffing difficulties for MNCs as they attempt to tap the emerging country markets of future customers (Garten, 1996, 1997a & b; Schell & Solomon, 1997; Sanders & Carpenter, 1998).

Harvey, Speier & Novicevic (1999c) posit two compelling reasons supporting the claim that emerging markets are going to have a growing strategic importance for MNCs: (1) exponential growth of potential consumer base growth in emerging markets - it is estimated that in 2025 seven-eighths of the world population will reside in emerging market countries (World, 1996). The world population is projected to total 8.3 billion people or about 45 % more than the current population of 5.7 billion (World, 1996; Garten, 1996, 1997a). The vast majority of expansion in the population base is expected to occur in emerging markets (Garten, 1997b); and (2) dramatic growth of subsidiary base in emerging markets - in the early 1990s, there were 37,000 MNCs in the world with 170,000 foreign affiliates, 41% of their subsidiaries were in emerging market countries (UNCTAD, 1996). These emerging markets can be characterized as typically having rapidly expanding populations, low per capita incomes, accelerating urbanization, economic growth double that of the developed economies, frequently inadequate/antiquated infrastructure as well as having a high level of economic and political instability (Welch, 1994; Yip, Johanson & Roos, 1997; Arnold & Quelch, 1998; Vachany, 1999).

The shifting of the strategic focus of globally oriented companies to these emerging consumer markets of the future is going to be the compelling impetus for global organizations, through their affiliates, to strategically target these markets for sales growth in the future. Given the increasing relevance of emerging markets for the future growth of MNCs that cannot be addressed appropriately though expatriate assignments, the associated IHRM issued need to be addressed though innovative IHRM policies and practices (Stroh & Caligiuri, 1998). The primary IHRM issue is whether there is going to be a sufficient number of qualified managers to meet the strategic needs of MNCs in emerging market countries? (Gregersen, Morrison & Black, 1998)

Top managers of leading MNCs are skeptical that current policies and practices of expatriation can meet the demands of increasingly complex global assignments (Harvey & Novicevic, 2001). In a recent survey of *Fortune* Global

500 firms, Arthur Andersen and Bennett & Associates found that 81 % of the respondents indicated their companies intended to expand into emerging markets (Tung, 1998). At approximately the same time, another survey of United States based *Fortune* 500 firms discovered that 85 % of human resource managers indicated they did not believe they had an adequate number of global leaders/managers (Gregersen, Morrison, & Black, 1998). Given the complexity of bridging the cultural, social, and economic gap between global organizations and subsidiaries in emerging markets and the shortage of managers, how can the strategic intent of these global markets be accomplished efficiently and effectively? The sheer number of managers is in question, as the recruiting, training, and retaining of qualified managers capable of understanding the complexity/diversity of the emerging markets becomes a daunting task.

Harvey, Speier & Novicevic (1999b) argue that, when developing a strategic global management staffing system to enter emerging markets, it is imperative that the differences and nuances of individual country markets are taken into consideration. There are a number of issues that are forecasted to have a significant impact on management staffing policy in these emerging countries:

[1] **Economic Issues** – the rate of growth can be so fast that finding competent managers can be made more difficult by having to compete with the multitude of other organizations "chasing" the same finite number of managers (Gregersen et al., 1998):

[2] **Politics and Legal Issues** – the strong political parties in many emerging/transition economies may raise specific HR/employment issues that can

have a dramatic influence of staffing policies and practices. Due to the continuous and dramatic change that may occur in the political/legal segment of the local environment, a manager with a local political foresight becomes a vital resource in these countries (Vanhonacker, 1997):

[3] Technology and Infrastructure Issues – there is a marked contrast between the levels of technology in developed and emerging/transition economies, as well as, the accepted levels of technology in these countries. These issues influence the level of sophistication in related industries, suppliers and customers. In addition, the supporting infrastructure in emerging/transition economies (i.e., electrical power, water, roads, telephones) is frequently inadequate and marred by sporadic lack of reliability (Kaltenheuser, 1997):

[4] Social and Cultural Issues –deeply-seated in tradition, the cultural roots of many emerging economies are potent barriers to the significant development and required modernization of the economic systems. The significant cultural novelty that exists between emerging country and home country cultural settings of global organizations can directly impede the applicability of processes and procedures used throughout the organization, but are most evident in the HRM area: and

[5] Unique Factors Affecting Emerging Environments – these factors seem to permeate the emerging country arena at the systemic level (i.e., the rate and magnitude of institutional change, basic value clashes between developed and emerging countries relative to the globalization process, and the friction created at interaction points between the two economies/cultures affecting their trade policies) (Taylor, Beechler, & Napier, 1996).

The anticipated change in the strategic orientation of global organizations (i.e., moving from the mature developed country markets to the new emerging country markets) necessitates a commensurate change in the traditional management staffing system of a global organization. In other words, the challenges of emerging countries necessitate a global management staffing system that can efficiently and effectively reduce uncertainty and creates value when the global organization is growing in these emerging markets. These challenges of the absence of marketing infrastructure and market data, poor distribution systems, unpredictable changes in business regulations, ambiguity about timing of entry, difficult maintenance of government relations, significant "unofficial" economy (e.g., black and gray markets) as well as the scarcity of local management talent have contributed not only to the escalation of expatriation refusal rates for emerging markets (Harvey, 1997b), but also to the need for global leadership development in many MNCs. This multifaceted escalation has placed a growing demand upon IHRM managers and professionals to design policies that support the development of multicultural management teams to increase management effectiveness within global firms (Rowe & Wright, 1997; Wright & McMahan, 1992).

The constraining difficulties of managing operations in many of these emerging country markets tend to de-motivate expatriates as inadequate economic and social infrastructures, significant socio-cultural differences from home country culture, and higher personal risk (i.e., social, legal, political, and medical) contribute to the increased assignment complexity (Tung, 1993). In other words, these factors make the subsidiary management position to be viewed as less desirable career target by potential expatriate managers (Harvey, Speier & Novicevic, 1999a).

Furthermore, the greater the associated economic, legal, and cultural risk the more likely the expatriate and her/his family will have difficulty in acclimating to the new environment (Feldman & Thompson, 1993). The difficulty in adjusting to the emerging market countries accentuates the possibility of higher rates of future expatriation failures (Webb & Wright, 1996). Given the compounding effect of the increasing importance of emerging markets, potentially high expatriate refusal/failure rates, and the growing strategic need for the use of multicultural teams, it is critical to reexamine the appropriateness of the traditional view of potential candidate pools across a variety of environmental contexts that are crucial for future growth of global organizations in emerging markets. (Harvey, 1993) proposed a structured transfer of local and/or third country nationals into the headquarters of the home country organization (i.e., "inpatriation") as an innovative means to develop an appropriate management staffing solution for emerging markets. But, extensive theoretical and empirical research of inpatriation process, policy, practice, and issues is woefully lacking (Harzing, 2001).

Inpatriation as Global Staffing Alternative to Expatriation in Global Organizations Operating in Emerging Markets

As expatriation has a limited potential as a viable management staffing orientation in a global organization entering emerging markets, the IHRM function needs to develop an alternative global management staffing solution that provides the dual expertise (i.e., formal vs. informal and headquarters vs. subsidiary knowledge). This need has prompted examination of the selective transfer of high potential local and/or third country managers to the parent company (Schuler & MacMillan, 1984; Barnett & Toyne, 1991). These "inpatriate" managers, having specific knowledge of the subsidiary and local culture, are transferred to the home country to be immersed into the culture and informal knowledge structures of the parent organization (i.e., to be "inpatriated"). Harvey (1993, 1997a) developed a formal definition of inpatriation as a formalized process of selectively transferring and/or hiring local or third country managers into the parent organization of an MNC on a semi-permanent to permanent basis for global leadership positions development (Harvey, 1997a).

Inpatriates can provide a unique frame-of-reference regarding the development of competitive strategy given their intimate knowledge of subsidiary operations, markets, and culture while at the same time having been socialized into the culture of the parent organization for intensive development for global leadership positions (Harvey & Buckley, 1997). Recent surveys of Fortune 100 companies suggest that US-based organizations are increasingly using inpatriates in their operations (Solomon, 1995a; 1995b). Furthermore, Price Waterhouse Coopers argues that inpatriation is a global context-generalizable phenomenon across national institutional systems (Executive Insights, 1998). In support of this claim, Scullion (2000) has empirically documented the growing practice of inpatriation among leading UK global organizations.

MNCs have a long and rich administrative heritage in developing organizational capability of exploiting specific knowledge of expatriates at the local level. However, integration of individual inpatriate knowledge at the corporate level is a new and emerging organizational capability. As an alternative mechanism for developing a flow of globally competent managers between subsidiaries and the headquarters, inpatriation is a growing but empirically undifferentiated global management staffing practice. Therefore, the lack of wide-spread experience and established norms/policies in the use of inpatriate managers presents a unique set of problems for MNCs who are inpatriating these individuals to their home country. For integration of inpatriate specialized individual knowledge, a flexible, dynamic human resource system, that can accommodate the differences presented by inpatriate managers though distinct policies, is necessary. To better understand the integration of inpatriate knowledge, a discussion of inpatriation, as a global staffing policy complementary to expatriation, is presented from the perspective that views specific knowledge of the transferred managers as a valuable resource when shared in a global organization (Roberts, Kossek & Ozeki, 1999).

Past research has proposed that a proactive transfer and integration of inpatriates to accelerate globalization within an organization is a necessary IHRM policy shift, given a majority of future market growth will come from emerging markets (Harvey, Speier & Novicevic, 1999a) (see Exhibit 1.2). This perspective is consistent with the view anticipating that MNCs will use a declining number of expatriate managers in emerging markets as global competitors continue to develop a multicultural management perspective to the global operations (Welch & Welch, 1993; 1994; Reynolds, 1997; Harvey, 1997a, 1997b; Dowling, Welch & Schuler, 1999).

Exhibit 1.2
Model of Global Management Through Inpatriation

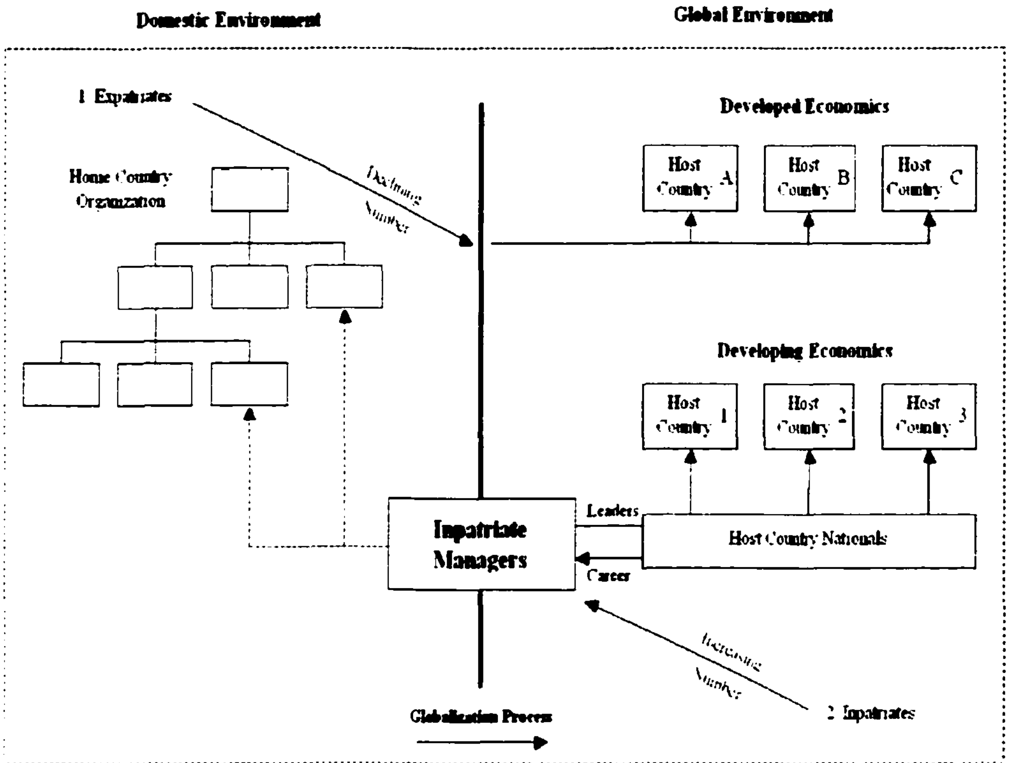


Exhibit 1.2. illustrates that inpatriation and expatriation can be complementary management staffing practices in global organizations. Specifically, in an effort to provide home country managers with an opportunity to develop knowledge about host country markets that can be utilized and become common in a global organization, an MNC will definitely continue to view expatriate managers as effective candidates particularly in developed countries. Due to the high level of economic development and low cultural distance between home and host countries, expatriate adjustment will be easier in these settings, and therefore the probability of attracting/retaining expatriate managers will be higher (Kamoche, 1996; 1997). Utilizing expatriates also helps to insure that individual specialized knowledge of domestic managers can play a significant strategic role in the future of the global

organization. If domestic managers were not expatriated, over time, the organization would become control-dependent on the inpatriate mangers to acquire/maintain its common knowledge base of global business (Kobrin, 1988; Sambharya, 1997).

The building of a common knowledge base through expatriation becomes more apparent when one considers the influence of top management's background and the resulting dominant logic that drives organizational strategic orientation (i.e., thus framing the strategic orientation of IHRM managers and professionals) (Wiersema & Bentel, 1992; Denison, Dutton, Kahn & Hart, 1996; Geletkanycz, 1997;). The "dominant logic" (i.e.,, the attitudes, beliefs, and mindsets of top management teams) strongly influences the valued practices of the organization (Prahalad & Bettis, 1986). Therefore, career experiences in novel contexts, which go beyond functional orientation, can be expected to have a significant influence on organizational strategic orientation and outcomes (Melone 1994). If home country managers were not allowed to expatriate and acquire specialized knowledge about developing markets, their contribution to the dominant logic in the organization's global mindset would be limited. In contrast, when such experiences are encouraged, the expatriates' contribution to the common knowledge base provides the referent control factor for the headquarters management team when shifting the corporate global strategic orientation (Dadfer & Gustavsson, 1992; Granstrand, Hakanson & Sjölander, 1993). Therefore, as growth orientation in global organizations shifts toward emerging markets, the network of expatriates will likely hold the referent positions in developed countries while inpatriate managers explore opportunities in emerging countries.

Grounded in the dominant logic of the expatriates' role for developed country markets, the corporate HR function's design of inpatriates' role in the globalization of the management of the organization implies the adoption of innovative global staffing strategies to compete in emerging countries. In particular, the design legitimizes a practice that a group of inpatriate managers is selected and transferred to the headquarters of the global organization, so that these inpatriates can play an important "linking pin" role between the domestic headquarters and subsidiaries in emerging markets in which the organization is attempting to grow. These inpatriates thus can perform a boundary-spanning role between headquarters and the foreign subsidiary and their cultures (Thomas, 1994).

The organizational position of the inpatriate managers provides knowledge appropriate to the MNCs expansion efforts in emerging markets given their tacit knowledge of the context-specific opportunities in these countries. The inpatriate managers, though formally located in the domestic organizational structure, can undertake frequent assignments to emerging markets to provide direction and facilitate tacit knowledge transfer, thus expanding the organization's common knowledge base about emerging markets. By locating the knowledgeable inpatriate managers in the part country organization, top management does not experience the loss of control generally felt and partially experienced when using non-inpatriated host/third country nationals, which lack the tacit understanding of the corporate frame-of-reference when permanently located in their own countries (Sohn, 1994). In addition, when the inpatriate managers are domiciled in the domestic organization, the process of legitimizing both multiculturalism and trans-culturalism can be enacted in the MNC. By utilizing their subtle cultural input, the organization has undertaken a visible step in developing a global learning organization needed to compete effectively in the new global competitive landscape (Nemetz & Christensen, 1996; Aguirre, 1997; McMillen, Barker & White, 1997; Reynolds, 1997). At the same time, management in the parent organization develops a global mindset (Paul, 2000).

Harvey (1997a) postulates that inpatriate managers can also provide invaluable specialized knowledge concerning the human resource function in emerging markets. In particular, inpatriates can provide accurate advice on the adaptation of technical dimensions of the human resource process (i.e.,, selection criteria, compensation plans, performance evaluations, and training/development for host country nationals). Based on the inpatriates' insights, the corporate IHRM can design an efficient means for transferring the appropriate dimensions of the home organization's culture to the host country subsidiary. The culturally sensitive "exporting" of corporate culture, (i.e., roles, norms, values, climate) to subsidiaries in emerging markets enables social control to be exercised in an acceptable and effective manner (Schein, 1983; Spender, 1996; Stcliffe & Huber, 1998). Rather than prescribing and enforcing the norms of corporate culture, the corporate IHRM can rely on inpatriates' insights about the host country culture to guide how the organizational climate in a specific subsidiary can evolve over time.

The primary conduit to culturally embed concepts, processes, and strategies in the emerging market subsidiaries becomes the "linking pin" role of the inpatriate managers, who will more than likely and more readily be accepted by the host country nationals as change agents than expatriates will. The cultural embedding mechanisms, believed to be most effective, should include: 1) the issues that the inpatriate manager feels that require attention, measure and control; 2) the inpatriate managers interpretation of critical differences between the two organizational cultures (home/host country); 3) the inpatriate manager's role modeling/mentoring for other host country nationals; 4) inpatriate manager's interpretation of rewards and status to host county nationals; and 5) inpatriate manager's suggestions for operating criteria for recruiting, selection, and promotion of host country nationals (adapted from Schein, 1983). This cultural adaptation of the home country organizational culture to subsidiaries is a critical context for increasing the functional consistency or organizational fit and flexibility of the IHRM system components across various organizational units. The fit and flexibility can establish the inter-unit linkages and balance the needs for subsidiary autonomy (i.e., coordination and control for the purpose of increased competitiveness in the emerging markets (Schuler, Dowling & De Cieri, 1993; Lepek & Snell, 1999).

The first important component for such an IHRM system's sustainability is the informal program encouraging inpatriate managers to mentor high potential managers from emerging host country nations to insure a succession plan when new inpatriate managers are moved into the home country organization. The second important component of the IHRM system is that a career path is established for inpatriate managers that allows, them every opportunity to become an integral component of the home country organization. In order to fully benefit from the multiculturalism and knowledge integration created by the inpatriate managers, the firm must insure the third component of succession planning so that inpatriates are viewed as a part of the core global strategic management team and not as peripheral (Harvey, 1997b). This practice opens a career path for high potential host country nationals to become future inpatriate managers.

Comparative Analysis of Inpatriation and Expatriation Policy Issues

Given the growing importance of the role of corporate IHRM in developing qualified global managers, Harvey (1996) has attempted to identify the managerial competencies that are essential to effectively manage in a global context and in particular emerging economies such as: 1) cultural awareness, 2) developing a global (i.e., geocentric) perspective, 3) heightened cross-cultural skills (i.e., communication, learning, and adaptation), 4) ability to adjust to new cultural environment rapidly, 5) equal and equitable acceptance of individuals from different countries, 6) emotional energy, 7) ability to address cognitive complexity, 8) psychological maturity, and, in addition, 9) personal character such as self-reliance, empathy, sense of humor, curiosity, and strong sense of self (Black & Stephens, 1989; Ghoshal & Bartlett, 1997). In addition, the new country managers in emerging markets are expected to develop effective local strategies and embody: 1) an external focus on local government relations; 2) cultural leadership; 3) social networking; 4) teamwork; 5) a keen understanding of the dynamics associated with the consumer and competitive environment; and 6) a high level of local social knowledge of the ways to effectively compete (Bartlett & Ghoshal, 1990; Sohn, 1994; Caligiuri & Stroh, 1995). Arthur and Bennett (1995) empirically identified five factors, in a descending order of importance, perceived to contribute to success of an international assignee: 1) family situation; 2) flexibility/adaptability; 3) job knowledge and motivation; 4) relational skills; and 5) extra-cultural openness.

Harvey (1996) integrated these diverse characteristics (i.e., identified in previous research studies) into specific dimensions to derive predictors relevant for practitioners to make a usable comparison of expatriation and inpatriation policy issues in terms of appropriateness of the candidate pools for developed and emerging markets (see Exhibit 1.3). The outcomes of this comparison make readily apparent inference that dimensions may predict that inpatriate managers have a distinct comparative advantage in social knowledge and resulting skills necessary to be effective in emerging markets. A detailed theoretical explanation, as well as an empirical assessment of the environmental and role-related factors that lead toward these valued outcomes of inpatriation, are awfully lacking in the IHRM research. Therefore, theoretical framing/operationalization and empirical assessment of the specific factors that are likely to influence the IHRM practitioners' shared mental judgment model of this appropriateness is the subject of this study.

Exhibit 1.3
Expatriation/Inpatriation Appropriateness Analysis

	Location of Assignment			
	Expatriate		Inpatriate	
	Developed	Emerging	Developed	Emerging
Organizational cultural "fit"	H	L	H	H
Flexibility (social/cultural/family)	M	L	H	H
Difficulty in adaptation	M	H	M	L
Relative cost characteristics	H	H	L	L
Motivation to participate	M	L	H	H
Loyalty	H	L	H	H
Headquarters confidence	H	M	M	H
Level of peer acceptance	L	M	M	H
Level of stress	M	H	M	L
Formal business education	H	H	L	L
Internal political understanding	H	L	M	H
Renewable resources (willingness to extend)	L	L	H	H
Willingness to accept position	M	L	H	H

Level of Appropriateness
H = High
M = Moderate
L = Low

Adapted from: Harvey, M., C. Speier & M. Novicevic 1999, "The Role of Inpartiation In Global Staffing." ***International Journal of Human Resource Management*****, vol. 10, #3.**

Purpose of the Research Study

The purpose of this research study is to introduce and examine two key aspects of inpatriation research: 1) developing the general rationale for strategic reorientation from expatriation toward inpatriation in a global organizations that are growing in emerging markets; and 2) identifying the contextual factors that indicate when/where it is appropriate to use inpatriation as a value-adding global management staffing practice. (i.e., where inpatriate managers add value in the context of corporate goals). Specifically, this research effort investigates the relative influence of the identified contextual factors that may explain why inpatriation emerges as an appropriate shift in the global management staffing orientation.

This investigation of inpatriation first provides and overview and analysis of organization-level and individual-level issues associated with the reorientation toward inpatriation in IHRM of global organizations (Chapter 2). Second, a theoretically derived set of contextual factors is identified to influence a firm strategic orientation toward inpatriation for emerging markets (Chapter 3). Finally, the derived theory-based model is empirically evaluated using policy capturing methodology to identify which of the proposed factors/predictors are considered important by managers/decision makers when they judge the appropriate use of inpatriation (Chapter 4). The results and findings of the empirical test are discussed, future research directions suggested, and practical implications outlined explicating how this model may inform further global management staffing policy development and guide staffing practice in MNCs growing in emerging markets (Chapter 5).

CHAPTER TWO

Literature Review

This Chapter provides a comprehensive literature review of specific and related studies addressing not only the role of inpatriate managers in global organizations but also the associated issues that arise in the process of inpatriating managers into the home organization of a MNC. Although inpatriation is an emerging concept/practice in international management, with most of its foundation literature comprised of the studies by Harvey and his associates, it has evolved from a very long string of research studies examining the domain of international assignments.

Conceptualization of Inpatriate Manager's Role in Global Organizations

The concept of inpatriation was introduced into management literature by Harvey (1993). He envisioned inpatriation as the appropriate strategic response by the corporate IHRM function to the evolution of the network form of organizing the global organization's business activities (Harvey, 1997a). The integrated network form implies that subsidiaries of MNCs are encouraged to develop their own context-specific capabilities that must be, however, compatible with and integrated into the corporate-level base of common knowledge. As MNCs move to more global organizations, they increasingly adopt an integrated network form. Also, the global organizations will expand into emerging markets, which ultimately necessitates the integration and sharing of specific knowledge about the strengths and opportunities in emerging markets becomes essential for their sustainable growth (Harvey & Buckley, 1997).

The success of a global organization is increasingly predicated on its ability to acquire, develop, and maintain the plurality of its global leadership (i.e. its talent pool) dispersed across the network of its subsidiaries (Johanson & Matson, 1988; Malnight, 1996; Koch & McGrath, 1996; McMillen, Baker & White, 1997; Palich, Hom & Griffeth, 1995). The plurality of managerial talent in subsidiaries insures that subsidiaries are strategically aligned but, at the same time, are capable of developing independent initiatives for competitive positioning (e.g., thus enriching the corporate mindset to think and act coherently globally, regionally, and locally). Harvey & Novicevic (2001b) argue that this pluralistic logic in global leadership sourcing and development allows the top management of the organization to develop an intimate knowledge of both the resource dynamics of the global organizational network, enabling them to relate strengths and opportunities in the local context more effectively.

Such a strategic global HRM orientation (i.e. SGHRM) requires an innovative practice of developing global leaders to form multicultural global teams. In particular, such orientation requires the introduction of inpatriation in global organizations (Harvey & Novicevic, 2000). Furthermore, Harvey & Buckley (1997) claim that inpatriation is the appropriate practice of global leadership development that may evolve into the organization's core competency (i.e. as it contributes in a unique and valuable way to the increase of common knowledge in the organization relative to specific opportunities in emerging markets). In the multicultural teams, inpatriate managers are the "linking pins" of common knowledge arising from the integration of the domestic and global dimensions of individual knowledge in the integrated network (Harvey, Speier & Novicevic, 1999c).

Harvey, Speier & Novicevic (2001) proposed a learning view of the SGHRM orientation in a global network organization, arguing that inpatriate managers might contribute to integration of both internal and external sources to specialized knowledge to effectively develop focused strategies for emerging country markets. In this learning view of the corporate SGHRM orientation, the specific advantages of the innovative practice of using inpatriate managers to develop and implement global strategies are: 1) they provide unique understanding and insights in "doing business" that is difficult for expatriates; 2) they can provide the critical meaningful communication link to host country nationals to help insure clarity of corporate pluralistic orientation; 3) they can provide a plurality of perspectives when developing policies, strategies, and plans for competing in emerging/transition economies; 4) they can develop and maintain formal and informal relationships with influential government officials as well as with the critical members in the local value chain; 5) they will share the common knowledge of the global market-oriented objectives of the organization and, at the same time, be capable of effectively focusing on the local marketplace of emerging markets; and 6) they are an internalized alternative to the high expatriate costs and failure rate because expatriates have difficulties to develop and provide a cultural/social "window" into doing business in the host countries of emerging markets (Harvey, 1993; Harvey, Speier & Novicevic, 1999a, 1999b, 1999c; Shon 1994). These inpatriate managers can thus be viewed as potentially providing the staffing foundation for developing a pluralistic

SGHRM perspective. If this perspective is considered to be one of the primary requisites for competing in the global marketplace effectively (e.g. particularly in emerging markets such as Russia, China, India, Indonesia, etc.) inpatriation becomes an essential element in executing a global competitive strategy (Kamoche, 1997).

Harvey, Buckley & Novicevic (2001) suggest that SGHRM system with pluralistic orientation (i.e. incorporating inpatriation) fosters a commitment-based approach to relationships in a global network emphasizing a divergence from the more traditional formal control-based approach (Huselid, 1995; Hedlund, 1995; Hamilton & Kashlak, 1999). The ultimate goal of a SGHRM system incorporating inpatriation is to produce a multiplicity of the managerial competencies across the global network. By focusing on the specialized contextual knowledge of inpatriates (i.e. their individual competencies), the corporate SGHRM system insures a dynamic fit between the emerging market needs and the abilities of managers to implement strategies in these markets. In addition, the SGHRM system develops a pluralistic orientation to the diverse set of cultural norms and contributes to consistency in operating processes and procedures in the global organization (Harvey & Novicevic, 2001b). Harvey & Buckley (1997) posit that the SGHRM system incorporating inpatriation can become a firm-specific resource that may evolve to a core competency to effectively compete on a global scale.

Uniqueness and Value of Inpatriate Managers' Specialized Local Knowledge

Harvey, Buckley & Novicevic (2001) have provided a comprehensive explanation how specialized knowledge of inpatriates contributes to the integration of common knowledge in a global network organization permeated with pluralistic cultural norms. The increased compatibility of staffing to pluralism in SGHRM orientation, created by utilizing inpatriate managers to facilitate entry in emerging markets, is derived from the acceptance of the diversity of inpatriate cultural backgrounds at the headquarters of the organization. Their diverse nationalities and variety of global experiences provide inpatriate managers with a dual heritage, which makes them an effective staffing solution to fill the boundary spanning role of knowledge disseminators and interpreters between headquarters and subsidiaries (Daniels & Insch, 1998).

Inpatriate managers are likely to have unique local social knowledge (i.e., an ability to understand and predict the local others' general patterns of behavior), which distinguishes them from the expatriate counterparts who are frequently perceived and treated like outsiders (Tolbert, 1988; Shon, 1994). This common "local" frame-of-reference of the inpatriate managers with the host country managers/employees is particularly valuable in establishing relationships with the stakeholders that the inpatriate could interact within the host country. Possessing the ability to conduct business in the local context enables the inpatriate manager to reduce the "liability of foreignness" of the global organization in the host countries of emerging markets (Zaheer, 1995; Zaheer & Mosakowski, 1997).

The specific social knowledge of inpatriate managers captures the rich plurality of the formal and informal business norms and roles, which represent the context of the local environment. But, at the same time, the inpatriate managers will have been socialized at the corporate level to identify with the global strategic thrust of the headquarters of the MNC (Harvey, 1997a & 1997b; Harvey & Buckley, 1997;

Harvey et al., 1999a; Harvey et al., 1999c). The opportunity cost and time necessary for expatriates to gain a comparable in-depth local social knowledge can be too great, and potentially quite costly in the process. Yet, their interaction with inpatriates is critical for successful operations in emerging markets (Barkema, Bell, & Pennings, 1996; Eriksson, Johanson, & Majkgard, 1997) because this interaction increases shared knowledge in the organization. The capacity of expatriates, when attempting to acquire this local social knowledge on their own, is limited by the magnitude of differences of the cultural/social/economic dimensions of emerging markets and their individual abilities.

Acquiring accurate local social knowledge in emerging markets is difficult for "foreigners" who are from culturally distant countries, and it is accentuated in the case of expatriate managers from developed countries attempting to grasp the local context of business in emerging markets. In-depth local knowledge is not always as intuitive or obvious, and mistakes made in interactions with local managers or other stakeholders may do irreparable damage to the development and maintenance of relationships (Yan, 1998). However, the transfer of this local social knowledge is neither easy nor automatic. The tacit nature of this knowledge (i.e., its inexplicable cultural, social, intuitive aspects), and the plurality of organizational norms, structures, and processes in global organizations, creates formidable barriers in the acquisition and transfer of this knowledge by expatriate managers (Nonaka, 1994; Nonaka & Takewchi, 1995; Davenport & Prusak, 1998; Cohedent et al., 1999). The more tacit (i.e., presumed, implied, implicit, or inferred) the local social knowledge, the more difficult it is to integrate it and enlarge the common knowledge base in the global organization. Researchers have found that highly tacit forms of knowledge, such as local social knowledge about emerging markets, tend to be more immobile or "sticky" and therefore difficult to learn and transfer from manager to manager or to members across organizational units (Kogut & Zander, 1992; Zander & Kogut, 1995). Therefore, managers who possess this tacit contextual knowledge prior to the assignment (i.e., inpatriates) have increased probability of success in an organization (Harvey, Novicevic, Speier, 1999a). The tacit social knowledge of inpatriate managers goes beyond "knowing how to do business in" and therefore, a residual outcome of inpatriate social knowledge is the evolution of a higher level of trust with host country managers/employees and other stakeholders. This trust serves to allow the transfer of action from the headquarters organization to emerging markets in less time and with fewer resources.

The Contribution of Inpatriate Managers to Establishment of Trust in Global Organizations

Past research has contended that expatriate managers are accepted in local subsidiaries because the headquarters legitimizes them and they represent the formal policies and norms of the headquarters management (Boyacigiller, 1990). Given the cultural novelty and need for local social knowledge to effectively manage in emerging markets, inpatriate managers in a global organization pursuing pluralistic SGHRM orientation will more successfully establish a level of trust because of their tacit knowledge of the context and informal norms of conducting business both in the headquarters and in emerging markets.

The inpatriate advantage in building headquarters-subsidiary trust at both ends would accrue from two key sources: 1) context - relevant behavior/knowledge to have intimate cultural/social insights into how to effectively interact, communicate, and relate to host country nationals that are internal and/or external to the organization...generally referred to as social orientation (Kelly, 1984; Rusbult, Verette, Whitney, Slovik, & Lipkus, 1991); and 2) relationship-relevant outcomes of interpersonal interaction - to elicit a high level of mutuality and reciprocity with local individuals due to consistent and continued interaction...frequently referred to as interpersonal orientation (Kelly, 1984; Van Lange, 1997). These two dimensions of inpatriate country-specific orientation are conducive to the emergence of interpersonal trust, which should grow over time due to repeated interaction between inpatriate managers and host country nationals/headquarters personnel. The high level of mutuality and accommodation between the inpatriate managers and host country "others" reduces the host country members' need to be on guard against the inpatriate manager...they develop cultural/social understanding of each other (Kelly, 1997).

The trust building process between the inpatriate manager and host country nationals in emerging markets is an integral dimension of a global organization's successful pluralistic SGHRM orientation in these countries. Overall, the trust is important because it can reduce transaction costs (Jones, 1995), improve organizational flexibility to adapt and make changes in complex environments (McAllister, 1995), improve efficiency (Frank, 1988), facilitate cooperation (Smith, Carroll, & Ashford, 1995), and improve the probability of maintaining implicit control through compliance with social norms and expectations. Both the increased organizational capacity and lowered interaction cost occur when trust is established in cross-cultural relationships (Wicks, Berman, & Jones, 1999). The inpatriate managers are competent to socially embed trust at two levels - both in their personal relationships as well as between the headquarters and subsidiary organizations. Trust, established by an inpatriate manager in the headquarters and a local social context need to be both stable and allowed to be shaped over time by the dynamics of the headquarters-subsidiary relationship (i.e., trust should be viewed as a dynamic process rather than one event or at one point in time) (Granovetter, 1985).

The Contribution of Inpatriate Managers To Increasing Commitment in Global Organizations

Traditionally, expatriate managers have been used in foreign assignments to insure managerial control over the activities of subsidiaries (Boyacigiller, 1990). This form of formal personnel control has had, as its primary goal, to constrain the activities of the foreign subsidiary so that they are in accord with the corporate policies and plans, as well as with the management expectations relative to performance (Baliga & Jaeger, 1984; Gannon, Flood & Paauwe, 1999). Through expatriation, the top management institutes formal controls to monitor behavior of managers in the geographically distant host countries. For a stable set of subsidiary tasks, such formal controls can be used to insure vertical coordination of those activities between home and host country organizations that exhibit high levels of interdependence (Hannon, Huang & Jaw, 1995). However, in situations in which subsidiary-specific knowledge is critical for superior corporate performance, formal personnel control mechanisms of distrust are less efficient than those that contribute to the development of commitment and trust. The personnel mechanisms that engender commitment and trust represent more informal and/or cultural forms of social control (Prahalad & Doz, 1987; Roth & Nigh, 1992; Kumar & Seth, 1998).

Inpatriate managers, by building trusting relationships with host country managers, may become an efficient mechanism for developing commitment in foreign subsidiaries. This normative commitment is developed by an indirect internalization of norms, roles, rules, or derived behaviors by host country managers/employees through cultural interaction with inpatriates, who have previously been socialized to the headquarters cultural norms (Edström & Galbraith, 1977). The reinforcement of these normative dimensions of commitment through the inpatriate managers contributes to establishing a trust-based collaborative relationship between headquarters and the subsidiaries (Roth & Nigh, 1992).

The development of normative commitment by subsidiaries through inpatriate managers is predicated upon efficient use of inpatriate unique local social knowledge of the emerging markets, and their social knowledge of the political nuisances in the headquarters organization. The boundary spanning role of the inpatriate managers, positioned as the linking pin between the members/nodes of the global network, is critical for the process of evolving mutual commitment into trust (Harvey et al., 1999a, 1999b). The local/social knowledge of inpatriates may mitigate the network member opportunistic inclinations, which frequently emerge in formal control situations. Therefore, the inpatriate-mediated interactions will likely facilitate an efficient cultural control over joint actions with host country managers/employees (Shon, 1994).

Inpatriate-supported cultural control facilitates the development of normative commitment, which can instill trust and cooperation in interactions with host country stakeholders. The trust-based knowledge sharing fuels the process of enlarging common knowledge base in the global organization as inpatriate managers develop and build social capital in the headquarters (i.e., they become trusted through socialization and are viewed as having unique skills and knowledge necessary to differentiate the organization from competitors in emerging markets). When an inpatriate's knowledge is integrated at the firm level as common knowledge, the inpatriate manager's role becomes embedded into the routines of the global organization.

As common knowledge base about emerging markets increases, the informal authority of inpatriate managers over the global operations of the organization also increases (Boggs, 1992). Therefore, the inpatriate-mediated mechanism of commitment and trust enables the global network to integrate the strengths and opportunities in emerging markets in a flexible, adaptive, and coordinated way into the organizational capability and routines developed in the headquarters organization. The accumulation of both the headquarters and subsidiary social capital by inpatriate managers enhances the organization's capacity to act effectively on a wider scope of opportunities in emerging markets.

The Contribution of Inpatriate Manager's Social Capital to Improved Efficiency in Global Organizations

Social capital of inpatriate managers is the derivative of the unique and valuable competencies that these managers have relative to the efficient global organization's operations in emerging markets. Social capital is typically defined as "the organizational standing one has in an organization and the concurrent ability to draw on the standing to influence actions of others in the organization" (Friedman & Krackhardt, 1997, p. 319). The inpatriate social capital, both in the headquarters and local markets (i.e., internal and external social capital), is the crucial grease of social relations that provide information and political support to help insure success of inpatriation (Brass, 1994).

Historically, the acceptance and support of host country and third country managers has been low among top management. Therefore, for confidence in maintaining formal control, expatriate managers (with headquarters social capital) were assigned key management positions in the global network. However, in global integrated networks growing in emerging country markets inpatriate unique human capital becomes essential. As a scarce/unique resource, it becomes valuable only when complemented with their social capital in the headquarters. While human capital (i.e., qualities of the manager such as education, training, experience, past performance) is the property of individual inpatriate managers, social capital is its social complement, a quality trusting mechanism between individuals and residing in the nature of the social relationships between them (Burt, 1998; Coleman, 1998). Once the inpatriate social networks in the headquarters organization are developed, they can be efficiently used to gather information, obtain scarce resources, garner support for strategic action at the subsidiary level, as well as allow the inpatriate to adapt corporate policy, procedures and strategies to the emerging market context (Burt, 1992; Krackhardt, 1992; Krackhardt & Hanson, 1993).

Social capital, as the catalyst of the change-conducive organizational culture, becomes the organizational "glue" to bond the headquarters of the MNC to the plurality of context-specific norms held by subsidiaries in emerging markets. Inpatriates, as boundary spanners, thus need to have the support and confidence of the top management of the MNC in order to leverage and make valuable their unique human capital. When embedded in the headquarters social capital to provide them the decision-making latitude and the confidence in their ability, loyalty, and the commitment to the corporate goals and policies, inpatriate human capital becomes a rare, unique, valuable, and non-substitutable resource of the global organization. Therefore, inpatriate managers need to have both the local social capital and the headquarters social knowledge to support efficiently subsidiary strategies and gain the trust of both local managers and top management of the MNC. The linking pin concept appears to fit inpatriate managers and provide the means for the global organization to insure the coherence of standard operating procedures and cultural norms in both the domestic and emerging markets.

The Contribution of Inpatriate Managers to Increasing Organizational Legitimacy

MNCs have a particularly difficult task of establishing and maintaining organizational legitimacy in emerging country markets (i.e., acceptance of the organization by its environment and regulating institutions making it important for survival and success) without a global management staffing system incorporating inpatriation (Meyer & Rowen, 1977). The various factors that are germane to establishing organizational legitimacy are: 1) the factors related to the characteristics of the organization - the corporate size, actions, citizenship, ownership, and acceptance by constituents (Scott, 1995); and, 2) the factors related to the institutional characteristics of the organization's environment - the regulatory, judicial, and executive institutions that monitor, control, and prosecute organizations in home and host countries (Zucker, 1983). These factors influence the legitimization process by which the actors in the environment develop their perceptions of the organization - the means/standards by which the organization is assessed (i.e., laws, regulations, standards, public perception or opinion) (Hybels, 1995; Kostova & Zaheer, 1999).

Organizational legitimacy of a global organization has both internal and external dimensions (Rosenweig & Singh, 1991; Westney, 1999). Internally, legitimacy is based upon acceptance of the organization's mission, policies, strategies, and operating procedures in both domestic and international organizational units. The inpatriate managers can be instrumental to blend the plurality of domestic and international norms and policies in order to elicit legitimacy in emerging countries/subsidiaries. Their local social knowledge of how to conduct business in the context of the emerging market environments allows them to gain acceptance for critical issues associated with the subsidiary. Whereas, expatriates cannot be equally instrumental because they do not possess an experiential framework to develop the comparable insights and contextualize the organization's operating template to the subsidiary-specific environment in the emerging markets. Therefore, inpatriation is critical for gaining internal organizational legitimacy and facilitate the acceptance and ultimately the normative commitment of host country managers/employees. Adoption of the global management staffing system, incorporating inpatriation, with its derived structures, policies, and practices by subsidiaries, enables an official institutionalization of consistent cultural norms into the operating format of the subsidiary (Kostova & Zaheer, 1999).

Simultaneously with the pursuit of internal legitimacy, global organizations must establish and maintain external organizational legitimacy in emerging markets. External legitimacy is contingent on the acceptance of the subsidiary by specific host country institutional constituents (i.e. stakeholders). This is important because of the wide variety of local formal and informal institutions, as well as because of the variation among institutions from emerging country to emerging country. The expatriates' perception gap relative to the difference between the developed country's institutions and those found in the emerging country is often dramatic because the variation of institutional characteristics between each set of emerging markets is substantial in an expatriate manager' eyes. In contrast, inpatriate managers have the local social knowledge of how the political, economic, and regulatory systems operate. Therefore, inpatriates possess a significant advantage over expatriates when attempting to establish institutional legitimacy in emerging countries. In other words, they tacitly know more than "how to do business in..." because they understand the local underlying assumptions. In particular, inpatriate managers have specific knowledge to effectively address the three legitimizing domains of a host country's institutional external environments: 1) regulatory; 2) cognitive; and 3) normative, which all vary in their degrees of formalization and transparency (i.e., the level of explicit codification). When these domains are more implicit, the value of the inpatriate's local social knowledge for organization's legitimacy is amplified.

While the value of inpatriate managers in emerging markets can be assessed at the organizational level, there are a number of constraining individual-level limitations that pose challenges to international human resource managers. The primary obstacles, constraining the effectiveness of inpatriate managers in the domestic headquarters organization, center on the issues at the individual inpatriate level. These limitations are examined for both the inpatriate and the inpatriate's family in the following sections.

Limitations at the Individual Inpatriate Level

The constraining issues associated with inpatriate managers reflect the corporate IHRM function's concerns in designing an appropriate inpatriation policy. Of particular concern are the complications relative to the adjustment to the new environment that both the inpatriates and their families face. Just as problems on the job can create stress which carries over to the inpatriates' families, so too can the difficulties the inpatriate families experience adjusting to the new culture. The successful integration of inpatriate managers into domestic organization is predicated, to a larger degree, upon the appropriate policy design satisfying the social and cultural support needs of the inpatriates. The framework for appropriate inpatriation policy design is grounded in the body of research studies by Harvey and his associates (Harvey, Speier & Novicevic, 1999b; Harvey & Fung, 2000; Harvey, Napier & Ralston, 2000).

Adjustment Issues Associated with Inpatriation Process

Black, Mendenhall & Oddou (1991) posit that the adjustment cycle, when entering a new culture, is typically predicated on two categories of interrelated set of factors: 1) work-related factors (i.e. pre-departure training; previous overseas experience; criteria used in the selection of candidates; and characteristics and skills of inpatriate manager), and 2) non-work-related factors (i.e., family issues, degree of cultural distance to the host country, degree of procedural formalization in the organization) (Parker & McEvoy, 1993; 1996). With reference to the work-related factors for an inpatriate manager, Harvey (1993) agues that the level of difficulty inpatriate managers encounter upon relocation to the United States can be diminished through appropriate selection criteria and pre-departure training that incorporate cultural flexibility assessment. The level of past cross-cultural experiences prospective inpatriate managers have had can be an indicator of how successfully the adjustment cycle will be shortened once they are transferred to the United States.

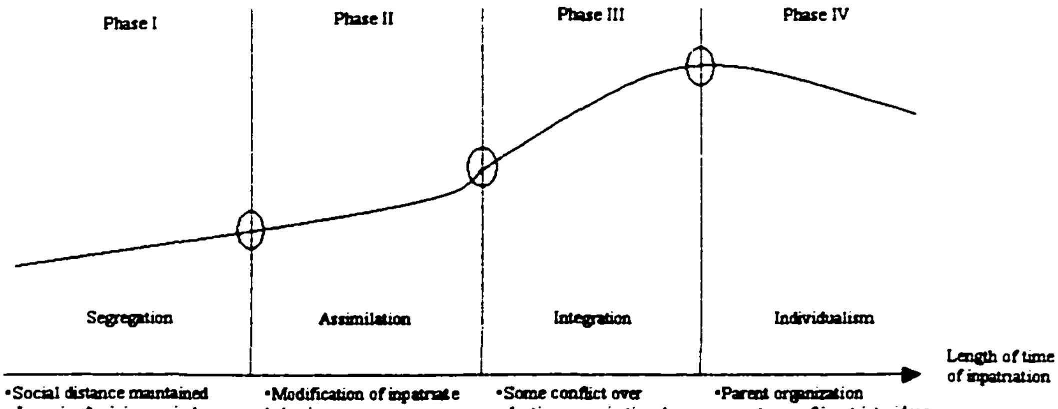
Among the non-work related factors, adjustment issues of the trailing spouse and family members are important factor constraining successful inpatriation. Therefore, the duration and the level of dysfunctional consequences of the adjustment should be anticipated prior to relocation. By forecasting the perceived adjustment cycle, the corporate human resource function can design the necessary support mechanisms for the changing inpatriate's adjustment needs, as well as for those of the family. In addition, by making an estimate of the length and complexity of the inpatriate manager's family adjustment, the human resource function will be alerted to the emerging problems in a timely manner. The need for support provided by the company will be designed to reduce the inpatriate's dual stress (i.e., lack of stability in the work and non-work environments accompanying the inpatriate adjustment). To reduce the constraining impact of non-work-related factors on successful inpatriation of managers, the corporate IHRM function should pay specific attention to family, community, and work role issues during the evolving inpatriate's adjustment process.

Family Issues Associated with Inpatriation Process

Inpatriate job performance and the successful adjustment to the United States is mostly influenced by the extent to which the inpatriate manager's family has adjusted (Harvey, Speier & Novicevic, 1999a). As the family adjustment life cycle curve is not uniform over time, the level of the family unit influence on the inpatriate manager varies each stage of the life cycle (see Exhibit 2.1).

Exhibit 2.1 illustrates a typical family life-cycle and the typical types of family problems that can impact the inpatriate manager at each stage of the cycle (Gilby & Enis, 1982).

Exhibit 2.1
Life-cycle Phases of Inpatriate Organizational Socialization



Characteristics	•Social distance maintained • Learning/training period •Acceptance of differences	•Modification of inpatriate behavior • Understanding of informal organization patterns •Increased level/quality of communication	•Some conflict over adapting organizational culture to inpatriate concept of culture •Recognition of the value in difference in organizational perspectives	•Parent organization acceptance of inpatriate ideas •Value of social knowledge to the global network •Blending of focal/global contexts
Critical Juncture	•Perceived value of social knowledge of inpatriate	•Reduced tension between inpatriate and home country managers	•Blending organizational culture reflecting inpatriate/domestic cultures	•Network orientation based on distinctive competency
Barriers	•Overt hostility between groups • Lack of a common body of knowledge •Inability to effectively communicate	•Differing rate of acceptance by inpatriate cluster •Fear of loss of authority/power by home country nationals •Lack of understanding of decision processes between inpatriate and home country managers	•Balance between demands of two cultures • Acceptance of hybrid global culture •Blurring of norms and procedural justice	•Coordination of individual organizational entities •Maintaining coherent culture (frame of reference) •Loss of organizational identity and resulting impact on commitment/loyalty

For example, the more children become a central issue of the family unit's attention, the greater is the inpatriate's need for cultural and social support mechanisms. The educational, religious, and extended family issues become significant concerns within the inpatriate family during these stages. These culturally influenced factors may be the most difficult to address during the inpatriate's assignment to the United States. However, when the children are older, they become more involved in cultural inculcations, partially relieving the inpatriate family's relocation experience. The college age children may elect to return to their home country or stay and attend a college of their choice, thereby, reducing their adjustment issues.

The formal and informal support necessary to promote successful adjustment for the inpatriates and their families is to a large extent designed to meet the inpatriate family expectations. The need to develop formal support from the MNC is predicated to a large degree upon specific family needs. For example, the need to find employment for the trailing spouse may necessitate a formalized placement program for inpatriate managers' spouses. U.S. Sprint, NCR Corporation, Kodak, and BP Amoco all have instituted trailing spouse placement programs. Without this assistance, the trailing spouse may experience significant obstacles to continuing his/her career. The frustration associated with not being able to find employment may play a critical role in the spouse's level of satisfaction with the family's relocation to the United States. A related factor is the impact on the disposable income of the family's lifestyle. While inpatriate managers will more than likely receive an increase in compensation and relocation benefits, the discretionary income beyond maintaining the inpatriate's standard-of-living may decline (on a relative basis). Also important is the trailing spouse's attitude toward the MNC because the inpatriate's company is the primary reason that he/she had to give up their career. According to individual circumstances, this may result in spousal adjustment problems and considerable animosity toward the MNC. In general, family issues are the most critical non-work-related factors constraining successful inpatriation.

External Community Issues Associated with the Inpatriation Process

The inpatriate manager may not adjust equally well in specific different communities in the United States. Just as there is a cultural distance between countries, the degree of sophistication and cosmopolitanism between communities within a culture varies significantly. Every effort needs to be made to match the communities from which the inpatriate is moving to the community he/she is being transferred to in the United States. For example, transferring a McDonald's inpatriate from Singapore to Chicago would be a good match from the level of cultural, social, educational, and transportation expectations of the transferee. The same inpatriate transferred to El Paso, Texas, would not have the same ease in adjustment to the assignment in the United States.

The majority of external community-related concerns for the inpatriate manager revolve around community integration of the trailing spouse and family. Spousal career interruption and employment restrictions are issues because many of the trailing spouses were career employees in the home country. The frequency of dual-career and dual-income families is increasing throughout developed and developed countries in the world with many of them reflecting 70-80 % dual-career/dual-income family units. Therefore, the relocation satisfaction of the trailing spouse is frequently contingent upon the spouse's ability to continue his/her career during the transfer period or to cope with the career loss.

The representation of minorities in the community could play a role in the transfer and adjustment of inpatriate managers to the United States. The willingness to accept "outsiders" is not a uniform characteristic of communities across the United

States. Contingent upon the national origin of the inpatriate, identification of communities based on cultural diversity and/or representation is an important variable in the corporate IHRM consideration before inpatriating the overseas manager. Community acceptance of the inpatriate family provides the foundation for successful adjustment to a new culture. In particular, schooling opportunities for children that are compatible with the inpatriate's expectations helps in reducing a major source of stress in relocating families.

Internal Community Issues Associated with Inpatriation Process

Not only the corporate IHR but also the domestic management team must be aware of the importance of the inpatriate manager program to leverage the value of individual inpatriate managers in the globalization process of the company. A definitive statement on the goals of the inpatriation program needs to be clearly communicated throughout the organization. To support and facilitate the inpatriate manager program, the corporate IHR should prepare a cross-cultural awareness and communication program for management within the MNC. When home country management is better prepared to address the influx of foreign managers, the inpatriate's adjustment process will be accelerated. In addition, the domestic managers can better understand the strategic rationale/importance why another "special interest" group is provided an opportunity to access the ranks for advancement and key management positions. The awareness training could include background information on the inpatriates country of origin, history of the inpatriates' home country, main social and cultural similarities/differences, and the economic importance of the global market segment of the inpatriate's responsibility for the future of the company.

Chapter Summary

This Chapter explained both the strategic drivers and the operating limitations relative to the inpatriation process of bringing managers into the headquarters of a MNC on a permanent or semi-permanent basis. It may be inferred that inpatriation is primarily driven by globalization that engenders intensification of global competition in many markets in general and in emerging country markets in particular. In turn, the intensification of global competition puts a pressure on MNCs to move to a more global network form of organizing its worldwide activities that increases the need for knowledge sharing and transfer within the firm. As the firm's globally dispersed but networked operations become more dependent on the transformation of general knowledge into the firm-specific knowledge, the role of inpatriate managers becomes more salient not only in the headquarters but also in frequent assignments to emerging country markets.

As such inpatriate role development is costly (i.e. due to the limiting work-related and non-work-related factors), the value proposition of sending inpatriates on assignments to emerging markets depends on the complexity of local context. In particular, as the contextual factors of environmental and assignment-related complexity influence the valuable knowledge transformation process within the firm, the IHRM managers must make some mental accounting (i.e. an implicit cost/benefit analysis) of the appropriateness of inpatriate assignments for emerging market in the face of the contextual facts and their influence on the knowledge integration within the organization. The following Chapter describes the theory-based identification process of these contextual factors and their relative importance in the mindset of IHRM managers when they judge the appropriateness of the inpatriate alternative for assignments in emerging country markets.

CHAPTER THREE

Theory Development: Knowledge-Based View of Global Management Staffing

A theoretical perspective of knowledge-based view of global management staffing and inpatriation has been proposed by Harvey, Novicevic & Speier (1999a, b and c). As Schuler & Jackson (2000) argued that this is the only theoretical development that addresses the structure of global management staffing, it will be the foundational theoretical frame used to help identify contextual predictors of inpatriation as the appropriate management-staffing alternative for emerging markets.

In general, knowledge-based view is becoming the dominant paradigm in global management literature because it addresses one of the primary problems that a global organization must resolve – the development of dynamic organizational capabilities. This perspective posits that value-creating strategies of a global organization are based on efficient and effective creation and coordination of common knowledge shared among its members (Birkinshaw, 1994; 1996; Denison et al, 1996; Gupta & Govindarajan, 1986; 1991; 1994). This common or social knowledge is derived from integration of specialized knowledge of individual members who are assumed as primary creators and repository of knowledge in the organization (Grant, 1996). Individual and common knowledge can be tacit or explicit and, therefore, the means for capturing this knowledge must differ. Explicit knowledge can be complex but is codifiable and therefore, teachable. The complexity of tacit knowledge, however, cannot be well articulated and, therefore, is likely not codifiable and teachable. Therefore, individuals with an experiential type of knowledge are needed to integrate this tacit knowledge into the organization (Kogut & Zander, 1992).

By use of modern means of computerized telecommunications, explicit knowledge can be efficiently transferred, recombined and integrated across a MNCs entities. In contrast, acquisition, transfer and integration of tacit knowledge is possible by transfer and interaction of personnel across MNC constituents (Naphiet & Ghoshal, 1998). As the perceived value of specific tacit knowledge for the organization is the central construct of the knowledge-based view of the firm, Harvey, Novicevic & Speier (1999a) argue that it is the main determinant of the organization's global staffing choices. In particular, the perceived value of the tacitness of local country knowledge for the MNC is the defining construct for the management staffing strategy for emerging markets.

Emerging markets are characterized by context-specific impediments to knowledge development and transfer, thereby limiting an of organization's capability for local responsiveness to market opportunities. The underlying foundation of this problem is the lack of specialized experiential knowledge about the dominant institutions that govern the value-creation process in the emerging markets (Spender, 1992; Simonin, 1999). With the growth of global economic interdependence among national economies, the local contexts of emerging markets have become so dynamic that the acquisition, integration and sharing of knowledge about the specific local contexts have become highly tacit (Erickson, Johanson & Majkgard, 1997). This tacitness of local contextual knowledge is particularly related to the implicit norms that govern relationships with local customers, competitors, supplies, public officials and other stakeholders. The tacitness of local knowledge is further reinforced by the equivocality of local legal, banking, political and informational nuances (Barkema, Bell & Pennings, 1996).

The contextual constraints in the emerging markets influence the "context-bound" rationality of individual organizational members who try to acquire local tact knowledge (Shapiro, 1987). In particular, the acquisition and internal transfer of local knowledge within the firm are highly limited unless effected by those who tacitly know both the local context and the routines of the knowledge integration process (Harvey & Buckley, 1997). The knowledge-based view of the firm addresses the issues of coordination in internal transfer of tacit and explicit knowledge within the firm (Szulanski, 1996). Therefore, the knowledge-based view of the firm may explain the global staffing choices that reduce the barriers posed by the tacitness of local contextual knowledge.

A global staffing strategy leading to reduction or elimination of these barriers to transfer of tacit knowledge may significantly improve the efficiency and effectiveness of the global organization. The knowledge-based view of global management staffing (Harvey, Novicevic & Speier, 1999c) is consistent with the findings of the past empirical research that the personnel-based solutions for knowledge transfer are indispensable in cases of tacit knowledge sharing across borders, particularly in situations of high difference in environmental complexity between home and host countries (Beamish & Inkpen, 1998).

In summary, the knowledge-based view of the firm conceptualizes a MNC as a knowledge-bearing repository of capabilities, in which individual and social expertise is transformed into economically valuable outcomes (Zander & Kogut, 1995). This means, "by its tacitness and social complexity, a MNC's stock of knowledge is an important determinant of its competitive advantage" (Hoskisson, Hitt, Wan & Yiu, 1999:26). Therefore, integration of individual tacit knowledge into the nucleus of common knowledge base of a MNC has economic superiority over transactional approach as it facilitates productive coordination and communication within the firm (Kogut & Zander, 1996).

In this study, the theoretical perspective of the knowledge-based view is used for the assumptions and analysis related to the appropriateness of inpatriation as a global management staffing/assignment alternative for emerging markets. The basic assumptions and analytical foci of the knowledge-based view include:

1) Knowledge is the key productive economic value adding resource of the firm that has strategic significance for the firm global competitive advantage;

2) Of particular competitive relevance is tacit personal knowledge stored by individual employees, professionals, and managers as a know-how and skill bundle;

3) As individuals specialize in their acquisition of knowledge, the creation of value within the firm requires the application and integration of various types of specialized knowledge;

4) The key consideration is the extent to which a firm is able to access and utilize the specialized knowledge which is stored within its individual members;

5) The integration of knowledge is achieved through both formal procedures and informal routines of the organization;

6) The efficiency of the firm integration mechanism refers to the firm capability to translate its diffused specialized knowledge into its

common knowledge base in order to communicate it across its units for a concerted action;

7) Efficient integration of tacit knowledge requires close proximity of specialists/managers possessing specific knowledge and the decision makers possessing operative decision rights to use that knowledge to pursue the firm strategic goals;

8) The extent of the firm capacity utilization of knowledge depends on matching the firm strategic orientation to its knowledge domain;

9) Efficient utilization of specific knowledge is achieved where the common knowledge of the firm matches exactly the knowledge requirements of the markets in which the firm pursues its growth; and

10) The boundary-spanning managers (i.e. such as inpatriates), who can augment this matching, will likely reduce the uncertainty of unknown environments (i.e. such as emerging country markets), which exists over the future knowledge requirements to explore and exploit local opportunities contributing to the firm global competitive advantage.

In summary, the knowledge-based view is a theoretical approach that predicts that, in a MNC, the headquarters needs to integrate into its base of common knowledge a source of unique and valuable tacit local knowledge. It offers insights into the strategic and managerial issues that drive the staffing/assignment choices for emerging markets. In particular, the knowledge-based view posits that a MNC will be strategically oriented toward inpatriation practice when certain contextual (i.e. environmental and assignment-related) conditions/factors predict that specific local knowledge will be unique and valuable. In the process of identifying these contextual factors, it should be kept in mind, however, that the research on organizational knowledge integration is still at a level of conceptual abstraction that provides only broad propositions and few clear implications for managerial practice.

Contextual Factors Influencing the Appropriateness of Inpatriate Staffing Solution for Emerging Country Markets

The factors describing these contextual conditions have been identified by Harvey, Novicevic & Speier (1999a, b, and c) (see Exhibit 3.1). These contextual factors include:

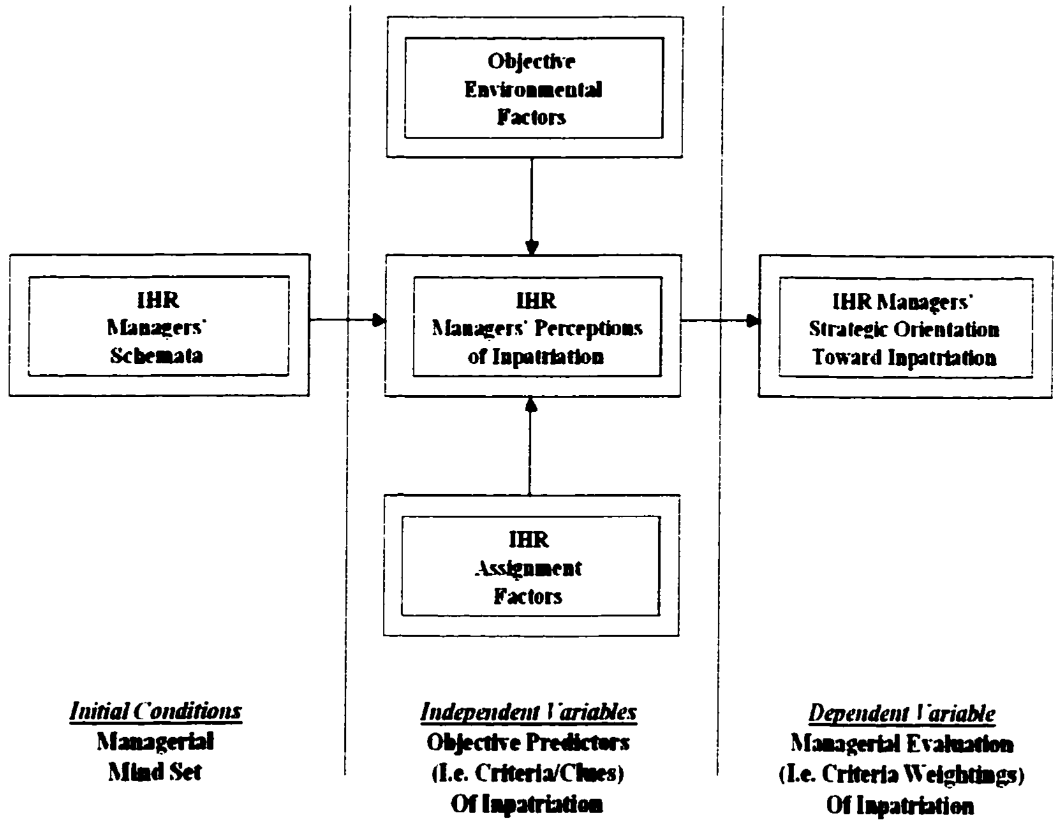
<u>Factors describing local environmental complexity</u>:

1) **socio-cultural risk/distance between home and host countries;**
2) **equivocality/ambiguity of subsidiary performance goals;**

<u>Factors describing assignment complexity in emerging country markets</u>:

3) **degree of the MNCs global strategic orientation determining the dynamics (i.e. changing nature) of the inpatriate's responsibility/assignment for emerging market;**
4) **difference in the level of economic development between home and host countries determining the variety in the inpatriate's responsibility for emerging markets; and**
5) **importance of emerging markets perceived by top management determining the extent of the inpatriate's autonomy in implementation of corporate initiatives in emerging markets.**

Exhibit 3.1
MNC Orientation Toward Inpatriation



In this study, these contextual factors/conditions are used as the criteria to assess judgments of the IHRM managers/professionals of the appropriateness of inpatriation for emerging markets. Each of these factors is explained in the remaining part of this section from the knowledge-based view perspective.

1) Socio-cultural risk/distance between home and host countries

A low socio-cultural distance (Kogut & Singh, 1988) is likely to entail the perceptions of limited socio-cultural risk influencing a MNCs preference for centralized management staffing choices in emerging markets. This argument is derived from the prior empirical findings (Kobrin, 1991) that a MNC's capabilities are shaped primarily through its involvement in the home market, and therefore especially attuned to and appropriate for it (Watson & O.Donnell, 2000). The knowledge-based view supports this argument by predicting that a MNC's investments in organizational resources reflect the specific cultural and demand characteristics of the home country common knowledge, and over time shape organizational routines (Kogut & Zander, 1992). While this administrative heritage might be a source of competitive advantage in the home country and in culturally similar foreign markets, it becomes a risk-bearing constraint in socio-cultural distant markets. When the socio-cultural distance is high, differences in the host context make the traditional MNCs management staffing policies less appropriate and will likely erode the applicability of its "home-grown" routines.

As the socio-cultural distance between two national markets increases, tacit local knowledge may become perceived as more important for managing local risk and exploiting context-specific opportunities in that host country. In other words, the need to have culturally attuned tacit local knowledge of inpatriates is accentuated when pursuing risky opportunities in socio-culturally distant emerging country markets. Therefore, the higher the local socio-cultural risk the more appropriate is to send an inpatriate manager on assignment to emerging country markets.

2) Equivocality/ambiguity of emerging country subsidiary performance goals

The concept of subsidiary performance goal ambiguity refers to the difficulty of determining the expectations for the subsidiary performance based upon specific local conditions, so that they are aligned with the corporate expectations of "acceptable" performance for the subsidiary (Harvey, Speier & Novicevic, 1999a).

This conceptualization of subsidiary goal ambiguity is multidimensional in four aspects: 1) the degree of understanding of the opportunities facing the subsidiary unit in its local environment; 2) management's past experience in competing in the specific local market; 3) the length of time the global organization has been actively competing in the local market; and 4) the motivation for entering the market an the resulting competitive posture developed over time (Roth & O'Donnell, 1996).

The greater the discretion of a subsidiary in an emerging market (i.e. the higher the ambiguity of specifying its performance goals), the more experience and insight is needed for a manager to form contextual strategies and competitive positioning of the MNC that is appropriate for the local market. The manager must have a tacit understanding of how to integrate the global network's goal expectations into the local context in a consistent manner. Therefore, the less that is known about the tacit dimensions of the local market, or the greater the uniqueness of the local consumer/competitive environment, the greater the demand for specific local knowledge to provide inputs necessary to specify local goals and strategies (Roth & Rciks, 1994).

Consequently, a high ambiguity about performance goals of emerging country subsidiaries calls for increasing inpatriation of managers into the headquarters of a global organization. However, if this ambiguity is not reduced accordingly, it is not appropriate to send inpatriate managers on assignments to emerging country markets because of the likely conflict with the host country stakeholders. Therefore, the more the subsidiary performance goal ambiguity is salient the less appropriate is to send inpatriate managers to assignments to emerging countries.

3) Degree of the MNCs global strategic orientation determining the dynamics (i.e. changing nature) of the inpatriate's responsibility/assignment for emerging market

The global management staffing system of a MNC, which incorporates various assignment-related issues, policies and practices, may differentially treat an assignee's nationality in the selection, succession planning, and career planning processes for global managers (Harvey & Novicevic, 2001a; Schuler, Dowling & DeCieri, 1993). The key antecedent to these processes is a MNCs current extent of strategic orientation toward global assignments within its global management staffing system. This orientation can be defined as the currently adopted general philosophy or approach taken by the top management of the firm in terms of the impact of nationality on the design of the firms' overall strategic global HRM system, particularly the staffing system relative to the subsidiaries in emerging markets (Taylor, Beechler & Napier, 1996). This orientation/philosophy reflects the judgments, attitudes, and expectations of the MNCs top management relative to the changing dynamics of assignments in view of the assignment evolution toward global assignments (Murtha, Lenway & Bagozzi, 1998). Harvey & Novicevic (2001b) suggest that the increasing dynamics of assignments stimulates a MNCs propensity to adopt inpatriation orientation to augment existing staffing alternatives. Therefore, relative to emerging markets, its is anticipated that the decision making process by the IHRM managers/professionals in global organizations will be guided by the dynamics/changing nature of evolving global assignments when judging not only the appropriateness of sending inpatriates on assignments to emerging markets. It could be argued that the more diverse the nature of the assignment-related tasks the more appropriate is to send an inpatriate manager on assignments to emerging markets.

4) Difference in the level of economic development between home and host countries determining the variety in the inpatriate's responsibility for emerging markets

The context of economic development in emerging markets may influence the perceptions of IHRM managers relative to the required variety of activities associated with the assignment that contribute to the improved integration of tacit country-specific knowledge. In particular, the absence of business infrastructure and standardized processes and procedures for conducting business in many emerging market countries necessitates a tacit understanding of the means of exploiting specific local opportunities by engaging in a variety of tasks/activities (Barlet & Ghoshal, 1995; Dadfer & Gusafson, 1992). Therefore, an IHRM manager may view the emerging countries appropriate for inpatriate assignments relative to he variety of tasks/activities that need to be managed in the face of deficiencies in local economic/business infrastructure.

The estimate of the variety of activities to be managed, derived from this economic perspective, is likely to be institutionally framed by the difference in the economic development between home and host countries. Hence, the greater the economic distance between the home and host countries, the more difficult the transacting of complex set of activities for expatriate managers, and more likely the orientation toward inpatriation. A significant economic difference may likely influence the evaluations of the contextual nature of business in emerging market countries to require an inpatriate to provide and in-depth understanding of "how businesses work" (i.e. specific local tacit knowledge). Therefore, the more salient the variety of the assignment-related tasks/activities to be managed due to the poor local economic/business infrastructure the more appropriate is to send inpatriate managers on assignments to emerging country markets.

5) The recognition of the importance of emerging markets by top management determining the extent of the inpatriate's autonomy in implementation of corporate strategies in emerging markets.

The potential (i.e., perceived value) of emerging markets may influence the MNCs management staffing choices for emerging markets. In other words, the perceptions of the potential of emerging markets for the MNC will influence the perceived importance of specific local tacit knowledge for the MNC. The value of local tacit knowledge comes from knowing what and how to manage in a host country and allows the manager's autonomy to: 1) predict how local internal stakeholders (i.e. employees) and external stakeholders (i.e. customers) are more likely to act; 2) relate observed behaviors to how locals interpret the present state of the local context; 3) share the locals' frame-of-reference relative to the gaps in perceived/actual behaviors; and 4) capture and understand (i.e. decipher) verbal and non-verbal communications from locals. Tacit local knowledge also helps to insure that the manager can autonomously assess the most effective utilization of resources in a local context. With the increased managerial autonomy in emerging markets, less bureaucratic and/or formal controls will be needed from headquarters, thereby, reducing the level of surveillance necessary to insure the subsidiary compliance with stated goals and strategies. Therefore, the higher the extent of the assignment-related managerial autonomy the more appropriate is to send inpatriate managers on assignments to emerging country markets.

Boundary Condition in Knowledge-Based View of Inpatriate Management Staffing

The firms' integration of local tacit knowledge through inpatriate managers enables efficient disaggregation and dispersion of its global activities across its global network (Ghoshal & Bartlett, 1997). These activities distributed across various country markets are implemented through the mechanisms of hard (i.e. bureaucratic, hierarchical, formal) control and soft (i.e. use of transfer personnel) control. The degree of global integration of the firm's dispersed activities depends upon the firm's needs to preserve local responsiveness to individual country markets in which it perceives its future growth (Roth & Nigh, 1992). The critical boundary condition that captures the need for local responsiveness is related to the geographic focus of the future MNCs growth (i.e., emerging vs. developed countries) (Watson O'Donnell, 2000). In effect, this variable may likely bias the judgment of the appropriateness of inpatriation for emerging markets in the mindset of IHRM managers/practitioners. Therefore, there will be a significant difference in judgments between IHRM managers who view future growth in emerging countries and those viewing future growth in developed economies.

Chapter Summary

In summary, the application of the knowledge-based theoretical perspective on global management staffing to model the judgment of IHRM mangers/professionals about the appropriateness of inpatriate assignments in emerging country markets leads to the following set of propositions that need further empirical testing:

Research Proposition $_1$: The IHRM managers' judgments will be positively related to the local socio-cultural risk and the variables/factors of assignment complexity, but negatively related to subsidiary performance ambiguity.

Research Proposition $_2$: The IHRM managers will view the factors of local environmental complexity as more important for their judgments than the factors of assignment complexity.

Research Proposition $_3$: There will be a significant difference in judgments between IHRM managers who view future growth in emerging countries and those viewing future growth in developed economies.

CHAPTER FOUR

Research Design And Methods

Research Design

An experimental research design grounded in social judgment theory (i.e., SJT) approach was applied in this study. SJT is an established theoretical and methodological approach to capturing and analyzing human judgment in social contexts (Stewart, 1968; Hammond, 1996). The form of judgment analysis, which is most commonly used in management research, is policy capturing. This analysis uses statistical methods to derive algebraic models of the judgment process (Cooksey, 1996).

The policy capturing approach has been used in hundreds of empirical studies in a variety of research applications including job search testimony (Cable & Judge, 1994), pay allocation decisions (Scherer, Schwab & Haneman, 1987), contract arbitration judgments (Olson, Dell'Omo & Jarley, 1992), work value fit decisions (Judge & Bretz, 1992), analyses of interview and selection decisions (Graves & Karren, 1992), and assessment of job analysis (Sanchez & Levine, 1989). Therefore, Cooksey (1996) recommended more extensive use of judgment analysis in applied organizational research.

The theoretical and analytical aspects integrated in the policy capturing method have implications for managerial practice in multiple ways. First, and specifically appropriate for this study, policy capturing can be used to assess how IHRM managers/professionals evaluates certain contextual factors which in turn can be used to capture an implicit policy relative to the appropriateness of inpatriation and inpatriate assignments for emerging markets. Practitioners to construct a formal policy if one has not been established can then use this captured policy. Second, advantages arise if a policy does exist so that policy capturing can be used to determine whether managers' judgments are consistent with that policy. Third, the results from a policy capturing study can be used as a means for a reflection of an IHRM manager/professional to determine whether he or she believes appropriate issues are considered in a staffing decision and whether these issues are weighted appropriately.

Of particular interest to this study is the work of Michael Hitt and his collaborators (see Hitt, Dacin, Tyler & Park, 1997, for a comprehensive review of policy capturing studies in strategic management). These studies used policy capturing to assess strategic orientation of actors in strategic alliances, mergers and acquisitions, new product development, and technology planning by manipulating variables describing specific influential theoretical and empirical factors. In his research, Hitt applies judgment analysis to accomplish three goals: 1) to obtain statistically-derived relative weightings of factors (i.e. cues) that are judged theoretically important to assessing orientation in strategic contexts; 2) to determine whether these statistically-derived weightings are the same as the levels of importance that are self-reported by the subjects; and 3) to evaluate the predictability of the judgment based on the theoretical factors.

The approach proposed in this study builds upon Hitt's work in several ways. First, the judgments are modified to reflect the theoretical concerns expressed in the three Propositions (see Chapter Three). In other words, the five factors derived based on the knowledge-based theoretical perspective, as well as the judgment on the appropriateness of inpatriation for corporate growth in emerging markets, are rendered by the subjects (i.e., IHRM managers). Second, one new independent variable (i.e., cue) is added to the calculus, that being, the construct reflecting the rank-order future market growth orientation judgment for multinationals growing in developing and emerging countries of major world regions (e.g., Europe, Asia, and Latin America). Third, it is hypothesized that this construct of market growth orientation may influence the differentiated judgments of appropriateness of inpatriation for emerging markets. Fourth, the scenarios are written in such a way as to solicit judgments of inpatriate assignments in general, rather than specific inpatriate assignments. This last difference is most significant as the normative evaluation of an inpatriate assignment, rather than a relative evaluation of a specific case of assignments, is the focus of this research study. Whereas the latter should provide the researcher with insight into the selection domain, the former addresses this study's interest in investigating possible normative aspects of policies addressing international assignments. The details of the approach used in this study are developed in the following section.

The research objective of the policy capturing approach in this study is to describe quantitatively the relationship between the judgment outcome and the independent variables used to make that judgment in order to test the three Propositions formulate in Chapter Three of this dissertation. The first domain of research interest is to examine how the independent variables of: 1) local socio-cultural risk, 2) subsidiary performance goal ambiguity, 3) variety of the assigned activities, 4) assignment dynamics, and 5) assignee autonomy, influence (i.e., both in terms of direction and relative importance) the dependent variable of judgment of appropriateness of using inpatriates for global assignments in emerging country markets. The other domain of research interest is to examine whether the global market growth orientation variable may affect this judgment (i.e. to assess whether there is a significant subgroup variation in judgments of the appropriateness of inpatriation of those IHRM managers who perceive future growth in developed country markets and those who perceived it in emerging country markets).

Procedures and Methods

Procedures

The data used in this study were collected over a period of 11 months. Subject data was gathered through systematic sampling from the list of members of the International Institute of Human Resources (i.e. IIHR), participating in 2000/2001 Global HR Forums. This sample-frame was selected because these IIHR members were exposed to the emerging conceptualization of inpatriation during the Global HR Forum presentations.

The subjects were requested to complete a 5-page survey (see Appendix One). The survey consisted of seven demographic questions, a 6-item scale to measure market growth orientation construct, and eight scenarios on global assignment choices for emerging country markets. The pre-test with leading academics in international human resource management showed that it took approximately 20 minutes to complete this survey. Appendix One contains the complete survey after it was amended based on the instructions received from the academic experts and practitioners used in the pre-test.

The amended survey was sent to the IIHR members by e-mail and/or by fax. The survey was sent with a cover statement and the credentials of the dissertation advisor and the investigator within the College of Business. The letter described the nature of the study, the importance of the subject's response and how the data may be used in the future. Specifically, all subjects were told that their responses would be held in strict confidence. A web site (www.ou.edu/sam) was provided to subjects as an option to sending the completed survey directly to the investigator. The response rate was 24 percent. This response rate may be attributed to the investigator's persistence and the support from a recognized IHRM consultant, as well as to the relative importance of the project to these respondents.

Sample

When conducting management research, in particular when examining complex global HRM policies such as those for management staffing alternatives, sample selection becomes a challenging element of the study. Arguments for and against the inclusion or exclusion of specific categories of individuals with certain life experiences are almost always compelling on the grounds that a relatively small sample can be easily skewed by over-representation of a certain category. Consequently, it seems likely that developing a nationwide random sample of organizations and individuals that is more inclusive of diverse backgrounds is the more appropriate strategy.

Unfortunately, first, it is the most expensive approach in terms of time and other resources, and, second, its is also the least feasible approach as the IHRM field has recently been increasingly contaminated by commercially-motivated surveys. In this study, an attempt was made to capture as general an outlook as possible by including people with work experience related to global assignments (i.e. managers and professionals who attend Global HR Forums). The study was conducted with a total of 61 subjects. The profile of the sample frame is shown Appendix Two.

Appropriateness of Inpatriation for Emerging Markets as the Judgment of Research Interest

There are certain implicit policies relative to the provided cues that the decision makers in global organizations apply when planning global assignments for specific markets. In this study, subjects are asked to read a series of scenarios containing specific factors/cues. The subjects are asked to make the judgment is about the appropriateness of inpatriate assignments for emerging markets with respect to each scenario.

Policy Cues

The stimuli contain five cues or factors. Each cue contains the variable used to operationalize the construct of interest described in Chapter Three, which is potentially important in the judgment of appropriateness of inpatriation. These variables are: 1) local socio-cultural risk, 2) subsidiary performance goal ambiguity, 3) variety of the assigned activities, 4) assignment dynamics, and 5) assignee autonomy.

Two criteria were used for including or excluding cues/factors from scenarios. The first criterion was whether the specific cue was assessed in past research and well grounded in theory. In this study each of the cues were derived from past research and derived from a theoretical frame. The second criterion was formed from the results of the pre-test. If the academic experts did not consider that a cue influenced the dependent variable in the pre-testing, that factor was not included in the experiment. All of the five theory-based cues used in this study were validated in the pre-test involving five prominent academics in the subject field of research.

Context for Scenarios

The introductory contextual assumptions set the stage for scenarios. It contains the variables the researcher wants to be sure are held constant in the subject's judgment. In this study, the following introductory contextual statements were provided:

> We would greatly appreciate your assistance in completing this questionnaire. It addresses one of the crucial issues in international subsidiary staffing—the appropriateness of using *expatriate* and *inpatriate* managers in *strategic emerging markets*. Thus, we are asking you to share your views on the appropriateness of relying on expatriate and/or inpatriate candidate pools when assigning managers the responsibility for overseeing your company's strategic emerging market subsidiaries. For this study, we are defining *expatriate*, *inpatriate*, and *strategic emerging markets* as follows:
>
> *Expatriate*-is the term that we use to refer to the pool of candidates a company would select from its domestic headquarters and domestic subsidiaries for assignment to a specific emerging market country for a medium-term time period.
>
> *Inpatriate*-is the term that we use to refer to the pool of candidates a country would select from a specific emerging market country subsidiary for assignment to the domestic headquarters for a medium or long-term assignment.
>
> *Strategic emerging markets-* will be defined for this study as the emerging market(s) that are crucial to a company's global plans, where we define emerging market to be a characterized by historically low levels of economic development but rapidly expanding population bases, projected economic growth rates in annual GDP of 5-10 percent and acceptable opportunity/risk ratio to attract investors. For example, the U.S. Department of Commerce

identifies China, India, Turkey, South Africa, South Korea, Mexico, Brazil, Argentina and ASEAN countries (Vietnam, Thailand, Malaysia, Indonesia, Philippines, Singapore, and Brunei) to be among the markets that could fit this classification.

For each scenario, you will be presented with five statements that provide information about the home office and the foreign subsidiary. Based on this information, please respond to the two questions at the end of each scenario. Also, for all scenarios, please assume:

[1] The emerging country market under consideration is of strategic importance for your organization.

[2] The candidates in both expatriate and inpatriate pools have been carefully selected and intensively trained to have the potential to achieve senior corporate positions in the future.

Please carefully read and respond to each of the eight scenarios. There are no correct answers. It is your opinion about which choices should be made that is of our interest.

To insure the constancy of the subject's assumptions derived from the contextual statements, this preamble was not altered across scenarios. The fact that the global organization is planning growth into emerging markets remains constant in all the scenarios. In addition, the fact that the candidates had been properly trained and prepared for potential senior positions is important to the judgments of appropriateness of inpatriation and expatriation.

Values of Contextual Factors (i.e. Cues)

The independent variables are assigned one of two values. In other words, each strategic factor has two levels (high and low). The variable values are as follows:

1) Local socio-cultural risk - the risk engendered by the differences in cultural and operating norms between headquarters and the subsidiary's emerging country may be high or low,

2) Subsidiary goal ambiguity – difficulty for corporate management to specify performance goals for subsidiaries in emerging markets may be high or low,

3) Variety of the assigned activities – range of different activities associated with the assignment in the emerging country may be high or low,

4) Assignment dynamics - for specific emerging markets may be high or low depending whether frequent or infrequent changes in assignments are required, and

5) Assignee's autonomy- may be high if top management is available to coordinate the assignee's implementation of corporate initiatives, or low in the opposite case.

Intercorrelations Among Contextual Factors/Cues

In this design, intercorrelations among contextual factors/cues are assumed not to exist because there is no empirical evidence that the presence of one cue is related to another. Cue intercorrelations result when there are not random or balanced uses of the cues. In many cases, balanced designs do not represent a realistic portrayal of the existing conditions under study. However, when there is a good reason to believe that a balanced design is appropriate and that it is representative of the existing conditions in the environment, then it is appropriate to duplicate this in the scenarios. Redundancy in the cue effects, however, may be experienced. In this study, the research design is a completely random, one-quarter, fractional factorial design, which yields no intercorrelations. This emphasis on feasibility is the most common approach to most studies based on social judgment theory. In particular as Graham & Cable (1998) have examined the merits of a full versus a fractional design and found that the estimated effects of explanatory variables are substantially the same.

Order of Scenarios

The order of blocks of scenarios was altered. Specifically, the first four scenarios were randomly altered with the last four scenarios. Randomizing the order of the blocks of scenarios helps to reduce serial effects that might occur when a subject becomes fatigued toward the end of the scenario. Altering the order of the blocks of scenarios reduces serial order effect.

Number of Scenarios

In many policy-capturing studies, cue values are either determined by a random selection (i.e. the method used in nearly all studies done by Hitt and his associates) or they are constructed to satisfy the orthogonal design requirements (Karren & Barringer, 2000). These are the default conditions involving human judgment analysis. The cue values in this study are constructed to satisfy an orthogonal design. The assumption behind this approach is that there are no intercorrelations among the cues in the ecological environment in which this research is concerned (i.e. global assignments for emerging markets). In other words, the cues are assumed to be independent of each other.

Although international/global assignment planning is a frequent topic in academic and trade journals, specific contextual factors or policies in implementing these plans are either not revealed or inconsistently reported. Therefore, observing the environment to gain an overall expectation of the prevalence of some policies or contextual factors is problematic. Additionally, no theoretical (or practical) reason leads to the belief that the presence of one factor condition will influence the presence or absence of another factor condition. As a result, an orthogonal design approach is assumed justified as the approach for this study. The next decision to be made relative to the research design was whether to use a full factorial (i.e. completely orthogonal) design or a fractional factorial design.

A completely orthogonal design would test every possible combination of contextual factors/cues. With five contextual factors at two levels (high and low), the total number of scenarios would be 32. Thirty-two scenarios is, however, a large number, which needs to be reduced because of the subject fatigue. Reading thirty-two similarly worded scenarios and responding to the identical matter of judgment after each scenario would take a prohibitive amount of time. Under these conditions, the last eight scenarios are less likely to get the attention of the first eight. Although different test forms help, the number of test forms becomes a procedural problem because it is preferable to have the same number of subjects taking the same form.

Another reason to reduce the number of scenarios is the previously stated assumption that no compelling theoretical reason leads to the belief that there are interactions among the strategic factors (i.e. cues). This is particularly true for the higher order interactions, which add little to the variance explained in a design with only five factors. In this case, thc methodological technique for reducing the number of scenarios, while still maintaining a balanced, orthogonal design, is a fractional; factorial design (Rosi & Anderson, 1982). In this study, a fractional factorial algorithm for cue factors was applied (Viswesvaran & Barrick 1992). One-quarter fraction allows a reduction of scenarios to eight while still testing for the main effects. The instrument used in this research contains the cue combinations that provide orthogonality for this case (see Appendix One).

Measures

Intervening Variable

Market growth orientation is tested as an intervening variable because an objective of this research is also to examine the influence of this variable on the difference in the studied judgments between the groups of IHRM managers. This scale is ordinal rank-ordering six items measuring the subject's orientation to the importance of developed and emerging countries in three major world regions (e.g. Europe, Asia, and Latin America) for the future growth of global organizations.

Dependent Variable

Appropriateness of inpatriate assignments for emerging markets is measured as a judgment on a 9-point scale, as recommended by Cooksey (1996).

Model of Judgment Related to the Appropriateness Of Inpatriation

This subsection explains procedures for modeling the inpatriation-related judgment for the policy capturing method of using multiple linear regressions. Specifically, the following model was applied to examine the direct effects of independent variables on the judgment:

Base Model: Yin = a + B1X1 + B2X2 + B3X3 + B4X4 + B5X5

Where:

Yin = Judgments of appropriateness of inpatriate assignments for emerging markets

X1 = Local sociocultural risk,

X2 = Subsidiary goal ambiguity,

X3 = Variety of the assigned activities,

X4 = Assignment dynamics,

X5 = Assignee's autonomy.

Chapter Summary

This Chapter has outlined the analytical approach that is taken to investigate the propositions developed in Chapter Three of this study. Specifically, the procedures for judgment analysis (i.e., policy capturing) have been outlined. Moreover, the appropriate model has been determined. The following Chapter Five provides a detailed account of the findings obtained from the use of policy capturing method to analyze the data collected by the instrument described in this Chapter.

CHAPTER FIVE

Analysis and Interpretation of Results

Policy capturing can be conducted for one or more decision-makers. In case of one decision-maker, the results would capture the relative weights placed by that specific decision-maker on the independent variables (i.e., cues). In this study, 61 decision-makers (e.g., IHRM managers) were used to make a judgment of appropriateness of inpatriation, for which the corresponding regression was computed. By regressing the decision-makers' judgments on the cues, the idiosyncratic model or policy used by the decision-maker to integrate cues can be inferred. As the cues are orthogonal by design (i.e. thus the inter-correlations among them are zero), it is possible to interpret the beta weight as an index of the relative importance of each cue to that decision-maker. In addition, the multiple correlations yield a measure of each decision-maker's predictability in making judgment on the appropriateness of inpatriation for emerging markets. The multiple correlations indicate the extent to which the judgments for each decision-maker were explained by the linear combination of the five cues. The relative weight of each cue and the multiple correlations were computed and shown in Appendix Three.

After estimating the relative importance placed by each decision-maker on the five contextual factors for a particular judgment of the appropriateness of inpatriation, the variability across participants was investigated in terms of the relative importance assigned to each cues (i.e., contextual factor). For each cue, aggregate analysis (Hunter & Schmidt, 1990) was conducted to cumulate the standardized regression weights across 61 decision-makers. Given one judgment and five cues, 5 separate meta-analyses were conducted. This methodology was previously employed by Viswesvarajan and Barrick (1992). Each aggregate analysis cumulated 61 estimates (i.e., the number of decision-makers), with each estimate based on a sample of eight judgments (i.e., the number of judgments by each participants for the "fractioned" combinations of cues). The impact of sampling error on the estimates was removed (i.e., the sampling error variance was subtracted from the observed variability), and the residual variance was taken as an index of whether the relative importance of cues varied across the decision-makers. In other words, as there is more variance in ratings from different decision-makers than it can be accounted for by sampling error alone, grouping of judges on the theoretically-relevant variable (i.e., orientation toward the future geographies of growth – emerging or developed countries) is necessary. In the opposite case, it can be inferred that the theoretically relevant variable of area growth orientation is not influential on the decision-makers' judgments.

The mean standardized weight, the observed standard deviation and the residual standard deviation (i.e. observed SD – corrected SD) are shown in Table 5.1.

Table 5. 1. Results of Judgment of Appropriateness of Inpatriates for Emerging Markets

	score(X1)	score(X2)	score(X3)	score(X4)	score(X5)	Multiple Corr	Valid N listwise
N	61	61	61	61	61	61	61

Minimum	**-1.16**	**-.86**	**-.69**	**-.82**	**-.68**	**.23**
Maximum	**1.04**	**.83**	**1.04**	**.69**	**1.23**	**1.00**
Mean	**-1.8349E-02**	**-6.6633E-02**	**-1.0331E-02**	**2.577E-02**	**-7.0424E-03**	**.8859**
Observed SD	**.5304**	**.4096**	**.3843**	**.3276**	**.3623**	**.1525**
Residual SD	**.31**	**.14**	**0**	**0**	**0**	**.06**

The five standardized regression weights examined the relative importance of each cue for a judgment independent of the other cues. First, the examination of the means in terms of signs shown in Table 5.1 indicates that Proposition 1 is partially supported (i.e. the association of the judgment with sociocultural risk, subsidiary performance ambiguity, and assignment dynamics supports the prediction in Proposition 1, while its association with assignment variety and autonomy is contrary to the prediction hypothesized in Proposition 1). It may be that certain aspects of inpatriate assignment complexity (i.e. the variety of the assigned activities and the inpatriate autonomy) are dependent on the type of subsidiary (i.e. joint venture or wholly-owned subsidiary). Therefore, the influence of the variable describing subsidiary ownership should be researched in further studies.

Second, to examine the extent to which the five cues as a set explained the variability (i.e. to test the support for Proposition 2), it was necessary to examine the multiple correlations. Therefore, a aggregate analysis was conducted for the inpatriation judgment. Corrections for sampling error were made in accordance with the suggestions of Viswesvaran & Barrick (1992); the adjusted multiple correlations and adjusted sample sizes were used in the aggregate analysis of multiple correlations (see Table 5.1). The examination of the means in Table 5.1 provides support for Proposition 2 (i.e. the decision makers place a much higher importance on the factors describing local environmental complexity that those describing inpatriate assignment complexity).

However, as seen in Table 5.1, the decision-makers vary among themselves in the relative weights assigned to all of the five cues (i.e., the sampling error variance does not explain all the between-decision-maker variability). The average correlated standard deviation across the five cues is 0.09. In addition, the decision-makers vary among themselves in the utilization of the cues taken as a set; after correcting for statistical artifacts the multiple correlation still varies across all decision-makers (i.e. the Residual SD = 0.06).

The variability in the aggregate analysis of the cues indicates that the decision-makers vary among themselves in the use of individual cues. Whereas, the variability observed across the decision-makers in the aggregate analysis of multiple correlations indicates that the decision-makers also vary among themselves in the overall utilization of the five provided cues. This indicates the potential moderating influence of the theoretically relevant variable, area growth orientation (i.e. developed vs. emerging countries), on cue weights.

To test the potential moderating influence of area growth orientation (i.e. to test the prediction hypothesized in Proposition 3), the 61 respondents were grouped into those who ranked higher emerging country potential for future growth (N=41) and those who ranked higher developed country potential for future growth (N=20). The aggregate analysis was conducted within each group, and the results are provided in Tables 5.2a and 5.2b.

Table 5.2a. Inpatriation Judgment Analysis for Respondents Ranking Higher Potential of Emerging Countries for Future Growth

Descriptive Statistics

	Zscore(X1)	Zscore(X2)	Zscore(X3)	Zscore(X4)	Zscore(X5)	CORR	Valid N (listwise)
N	41	41	41	41	41	41	41
Minimum	-1.06	-.86	-.55	-.82	-.58	.37	
Maximum	1.04	.72	1.04	.69	1.23	1.00	
Mean	.1092	2.994E-02	2.405E-02	2.704E-02	4.202E-02	.8766	
Std. Deviatio	.5267	.4021	.3666	.3276	.3986	.1475	
Residual SD	.01	0	0	0	0	.001	

Table 5.2b. Inpatriation Judgment Analysis for Respondents Ranking Higher Potential of Developed Countries for Future Growth

Descriptive Statistics

	Zscore(X1)	Zscore(X2)	Zscore(X3)	Zscore(X4)	Zscore(X5)	CORR	Valid N (listwise)
N	20	20	20	20	20	20	20
Minimum	-1.16	-.65	-.69	-.75	-.68	.23	
Maximum	.66	.83	.79	.58	.23	1.00	
Mean	-.2797	-.1418	1.780E-02	2.318E-02	-.1076	.9049	
Std. Deviation	.4444	.4248	.4268	.3360	.2532	.1645	
Residual SD	.05	.02	.016	0	0	.01	

As seen in Tables 5.2a and 5.2b, the theory-based directional predictions (i.e. those hypothesized in Proposition 3) for differences in cue weights between these two groups are supported. The respondents anticipating future growth of global organizations in developed country markets placed more emphasis on performance ambiguity cue than the other group under observation. The support for this claim is further indicated by the average corrected standard deviation across all cues and the two groups of .02, as well by the reduction in the residual SD of multiple-correlation in each set.

Discussion

The focus of this study was on examination of how contextual variables (i.e., two variables describing local environmental complexity and three variables describing inpatriate assignment complexity) are related to the appropriateness of inpatriate assignments for emerging country markets. When making this judgment, all IHRM managers/professionals (i.e., respondents/decision-makers) perceived the environmental socio-cultural risk to be the most important cue (i.e., factor).

Across all cues, the decision-makers did not tend to use the same cues in a similar manner. Meta-analytical cumulating of standardized regression weights across decision-makers indicated that the importance of various cues did vary across different decision-makers (i.e. those ranking higher potential for future growth in emerging countries placed more importance on the environmental complexity cues than those ranking higher developed country markets). Thus, it can be inferred that the findings of this study are generally consistent with the propositions of Harvey, Speier & Novicevic (1999c) developed in their theory of inpatriate staffing for subsidiaries in emerging country markets. Specifically, their theoretical argument is that inpatriate staffing in emerging countries is appropriate when the complexity of the local environments perceived by decision-makers as more relevant than the complexity of the assignment.

It should be noted that the inferences presented in this study were made using policy capturing rather than direct ranking of the cue importance because the policy-capturing framework mitigates the effects of socially desirable responding. In other words, regression weights were used to infer the cue importance instead of their direct rating/ranking by the decision-makers. Policy capturing, by inferring the relative importance indirectly via regression, mitigates concerns of social desirability better than most other techniques used to elicit information about cue usage (Ones & Viswevaran, 1999).

There are several unique contributions of this study. Past research has shown that contextual factors are valid predictors of inpatriate management staffing alternative (Schuler & Jackson, 2000). However, very little is known about how these variables are perceived by decision-makers relative to inpatriate assignments in emerging country markets. This study is the first empirical contribution that systematically examined the importance of contextual factors of assignments in emerging country markets for inpatriate assignments.

This study is also unique in that the decision-makers/managers were presented quite a comprehensive coverage of contextual domain (i.e. in terms of factors describing local environmental complexity and assignments complexity). However, future research should explore the one's ability to generalize the findings in this study to other descriptors, particularly to those represented by the demographic variables of decision-makers and their organizations.

Another contribution of this study is that it may complement future criterion-related studies on inpatriation. This study helps researchers and practitioners understand why some predictors/cues are used while the criterion-related studies will address what predictors should be used for optimal prediction of inpatriation appropriateness. The discrepancy between what predicators decision-makers use and the criterion-related validity of these predictors/cues may partially explain the policy issues/tensions related to inpatriation.

Comparisons of the results of this study with results of future criterion-related validity studies should be viewed, however, only as informative. In particular, this study did not aim to examine either criterion-related validities of contextual variables or the effectiveness of the policies used by the decision-makers. In other words, this study is more descriptive than prescriptive in its nature. However, the fact that variables describing local environmental complexity in emerging markets (i.e., socio-cultural risks and performance ambiguity) obtained the highest mean standardized regression weights should not be viewed as coincidental (i.e., which is consistent with international management perspective professing salience of these variables in a plethora of phenomena). It is likely that decision-makers, based on their own observation, knowledge and experience in different work settings, have come to realize that the factors of local environmental complexity are the most important for the appropriateness of inpatriate assignments for emerging country markets.

It may also be that decision-makers do not systematically assess all of the cues provided for their judgments. Therefore, future research should explore ways to educate IHRM decision-makers on what contextual factors are predictive so that their decision policies reflect these characteristics. The effectiveness of such professional training and development relative to the strategic contextual factors of inpatriation would also constitute a fruitful avenue for future research.

Conclusion

Very little is known about the process by which IHRM managers assess the appropriateness of inpatriation policy and practice. So it would appear that their thinking is selective. Therefore, of research interest is to reveal what information IHRM managers/professionals use when asked to evaluate the appropriateness of inpatriation for emerging country markets or how managers' beliefs or mental models affect the assessment they are asked to make on behalf of the organization. The purpose of this study was to apply a policy capturing method to determine how IHRM managers evaluate (i.e., weight) factors for appropriateness of inpatriation as a global management staffing option for MNCs entering emerging markets. The key empirical question pertained to the relationship among cues, cue weightings, and managerial evaluation of the appropriateness of inpatriation. This evaluation can be viewed as a proxy for the MNCs acceptance of inpatriation when pursing growth in emerging country markets.

This study makes contribution by providing an empirical foundation for the knowledge-based view of global management staffing in a MNC. The theory section of this study argued that predictors associated with the knowledge-based view perspective can contribute to an understanding the factors (i.e., cues) that should be of concern to IHRM managers in MNCs. Once these factors had been audited by a group of academician and practicing experts, a policy capturing study identified the relative importance of the factors actually used in the judgment model of IHRM managers. The examination of factors used by IHRM managers can move the field of strategic global human resource management toward an integrated theory of attributes that managers use to innovate a MNCs global management staffing policies with inpatriation option.

The policy capturing method used in this study has both its advantages and disadvantages. The advantage of policy capturing studies is that they tap into the underlying cognitive process of IHRM managers more objectively than studies using self-report methods (Ones & Viswesvaran, 1999). The major disadvantage of policy capturing is that beyond quantification and weighting of overall use of information, policy-capturing method does not provide information on the specific thought process and feedback loops that IHRM managers have used to make their judgments. However, despite its focus on predictors, policy capturing allows doe many insightful subgroup factorial designs important for inpatriation policy analysis. For example, future research may examine a cross-cultural issue whether IHRM managers in MNCs headquartered in the United States, Japan, and European Union place similar or different weights on the provided factors in evaluating the appropriateness of inpatriation. Another line of research may examine dynamic stability of certain factors using a longitudinal design. Eventually, similarities and differences in strategic orientation between corporate and subsidiary IHRM managers can be addressed to evaluate the appropriateness of inpatriation within the headquarters-subsidiary relationship (Roth & O'Donnell, 1996).

This study will be of managerial relevance because IHRM managers involved in the decision on inpatriation can use these results to compare their criteria with those of the other IHRM managers/respondents in this dissertation. By understanding how others evaluate inpatriation, IHRM mangers may better predict strategic staffing responses of their competitors that may be planned for emerging markets. Furthermore, IHRM mangers seeking to institutionalize inpatriation policy in their MNCs will have empirical data reported in this dissertation to document their proposals.

In summary, IHRM manages in MNCs are embedded in a larger institutional context that serves as a powerful influence on their strategic staffing decisions. Over time, IHRM managers develop cognitive models that they use to integrated pieces of information into a single judgment during decision-making. Thus, the judgments of IHRM managers' on inpatriation reflect not only the available objective information, but also their individual orientations. Therefore, the managerial practices as much a function of the environmental forces/or context as of the norms and values that the IHRM managers import into their organizations through their interpretations of future strategic orientations. Understanding these orientations of IHRM managers in global organizations is of increasing importance in today's changing competitive landscape.

CHAPTER SIX

Implications of this Study

In the new competitive landscape of the knowledge-rich hypercompetitive global economy, effective innovations, particularly those in human resource management systems, are going to be one of the primary contributing factor to the capacity of an organization to explore and exploit new opportunities on a global scale. Specifically, the findings of this study indicate that the global human resource management innovations should address the means to reduce the socio-cultural risk and ambiguity, thus influencing organizational choices in the growing emerging markets in the world economy. The knowledge of the differences occurring in these markets is often tacit and difficult to articulate and codify to "outsiders". Therefore, the process of transferring this specific knowledge about the organization's local opportunities is seldom feasible without the transfer of key individuals with intimate knowledge of the cultural, social, political and institutional differences found in these emerging countries. As a result, an innovative SGHRM system incorporating inpatriation is necessary to help in identifying superior opportunities in global markets in general and emerging markets in particular.

The results of this study suggest that the factors of local environmental complexity in emerging markets are conducive to inpatriation and inpatriate assignments for many reasons. Specifically, the globalization processes have contributed to a radical opening of more than two billion consumers in emerging markets to the products and services of global organizations headquartered in developed economies. This discontinuous change in context from developed to emerging economies imposes a strong demand for a structural change in the organization's mindset in order to facilitate efficient coordination of a global organization's actions in emerging markets. Effective organizational actions in emerging markets require tacit knowledge of local context, which is scarce and dispersed in these global entities. The dispersal of knowledge creates coordination problems that go beyond the incentive coordination problems. Rather, organizational learning must go beyond the mere "Bayesian updating of priors" (Foss, 1999, p. 465), to involve setting-up new interpretative frameworks for handling types of unforeseen problems encountered in emerging markets, new decision-makers must be integrated into the management team with tacit knowledge and new insights into how to compete for local markets.

Following the knowledge-based view of global management staffing, described in this study, global organizations need inpatriate managers for global assignments who seek and value multiple views but then are able to hold and integrative perspective about specific opportunities and risks in the local context. Therefore, for effective organizational actions to be mediated by such innovative mental constructs (i.e., global mindset), the development of a SGHRM capability with the inpatriation process for global organizations would appear to be a necessity.

Also, this study conceptualizes inpatriation as a complementary staffing solution to expatriation because inpatriation heightens a global organization's alertness to new opportunities in emerging markets, thus compensating for the problem of expatriate "hyper-ignorance" (i.e., expatriates not knowing what they do not know about emerging markets) (Harvey & Novicevic, 2000). Overcoming this tacit ignorance about emerging markets is an important economic activity in global organizations, which goes beyond the conventional management of information asymmetry between the headquarters and subsidiaries. Inpatriates, as the key foci of dispersed knowledge about emerging markets, can facilitate the coordination of specific effective strategic plans thus enabling the company to combine speed with accurate response. Therefore, inpatriates may contribute to the process of discovering the best deployment of organizational assets, as well as to the alignment of mental frameworks in the development of the global mind-set of the management of global organizations. Moreover, the global organizations that develop strategic global human resource management systems, with inpatriation as their core competency, may achieve a distinct competitive advantage in terms of enhanced planning ability for accurate, timely, and responsive actions in emerging markets. This ability provides these companies with a distinctive competency that is difficult to duplicate and therefore adds significantly to a firm's ability to compete in a hypercompetitive global marketplace.

Although not all dispersed knowledge about emerging markets can be fully revealed through inpatriation process, the enhanced organizational planning ability can successfully update top management's knowledge of how to compete in these unique marketplaces. Thus, the top management team may become more attentive and informed about which kind of specific knowledge is present in the global organization, which learning processes are evolving in foreign subsidiaries, and which knowledge and practices may successfully be transferred to other parts of the global organization. In this way the organization can achieve: 1) an early and/or first mover advantage in identifying emerging opportunities; 2) a more sophisticated analysis regarding the trade-off between local adaptation and global standardization; 3) a smoother coordination across complementary functional activities distributed across borders; and 4) a lower failure rates in assignments thereby, reducing explicit costs and at the same time lowering the implicit cost of manager turnover.

It should be noted that inpatriates possess tacit knowledge about those elements of the emerging market environment that are stable and unique features (i.e., non-repeatable and idiosyncratic), which expatriates, frequently cannot identify in a competent and timely manner. This unique and valuable ability makes inpatriates eligible to become future global leaders capable of defining the relevant "rules of the game" and feasible strategies in emerging markets, as well as of determining which strategies should be pursued when encountering an unforeseen, emergent event. With inpatriates as its foci of tacit and distributed knowledge, a global organization faces lower dynamic transactions costs which arise in real-time in the process of acquiring and coordinating productive and market knowledge in emerging markets.

In summary, this study supports the relevance of inpatriation concept/practice for the corporate global mindset that fully recognizes the need for the inpatriation-augmented capability to transform the organization's global presence in emerging markets into its global dominance (i.e. to gain a global competitive advantage). Inpatriation helps the total management of global organizations to: 1) build a global mindset and confront the socio-cultural risk of growing in emerging markets; 2) integrate local tacit knowledge into its worldwide knowledge base; and 3) mobilize the cultural/cognitive diversity of its human resources toward shared goals. In other words, inpatriate managers enable global organizations to build a knowledge management capability for emerging markets, which is about knowing "why," as much as knowing "how" to achieve global competitive advantage.

Implicit in this recognition of inpatriation as a unique and valuable IHRM practice is that global organization must be seen as a system of distributed intelligence and that innovations can come from any part of the world. Specifically, the locus of innovation has shifted from the developed countries (i.e., typically the global organization's home markets) to the world at large with emerging countries as the focal point. The advanced economies of developed countries are relatively mature and, for most industries, provide modest prospects for growth. In contrast, the developing economies of emerging countries are experiencing much faster growth across industries. Therefore, global organizations have little choice but to go where the growth is by using inpatriation as an effective means to leverage its core competence in a focused and knowledgeable manner.

Directions for Further Research

Further research should examine both the value and related costs (i.e., net-value) of developing SGHRM capability for organizations moving to a truly global perspective as the expand into emerging markets. For example, there are both cognitive and incentive aspects to coordination problems addressed by inpatriation process. In particular, the value that can be captured by the global HRM capability development through inpatriation is inherently associated with substantial *ex ante* direct and indirect cost and risky decisions relative to inpatriate selection, adjustment, development, and socialization, as well as with the design of more powered incentive mechanisms. Therefore, the factors and the specific contexts that contribute to the inpatriate net-value maximization require empirical research. In this research direction, Jensen and Meckling's (1999) theory of the optimal co-location of specific knowledge and decision rights may provide an appropriate analytical framework to examine the interaction between the value of inpatriate specific knowledge and the associated organization's costs, decision-making processes, and incentive mechanisms.

In addition, the results of this study indicating the relevance of environmental complexity for inpatriate assignments in emerging markets address that further research should programmatically address the relationship between contextual factors and the inpatriation related SGHRM practices (i.e., selection, compensation, development and appraisal) and policies (i.e. as restraints to practices). The internal contextual factors should include technology, structure, size, organizational life-cycle stage, organizational culture and corporate strategy. Whereas, the external contextual factors should include legal, social and political environments, labor market conditions, industry characteristics, and national culture. These contextual factors influence inpatriation practices and policies because these are structured as an open system designed to attract, develop, motivate and retain competent inpatriates. Inpatriate managers are needed to ensure the effective functioning and creation of global competitive advantage for the global organization growing in emerging markets.

Although individual-level issues should be addressed in future inpatriation research (i.e., work and non-work-related factors of adjustment, training demands, selection mechanism, family and community integration issues, compensation and socialization/mentoring), the primary challenge would be to elevate the unit of analysis from micro-level to meso-level and macro-level dimensions focusing on the team-context and organization-context boundaries. The past research in global management staffing and transfer has been highly dominated by the assignment-as-situation analysis, whereas most of the emerging research in SGHRM shifts the analysis to the global team-as-situation and organization-as-situation levels.

Therefore, perhaps the most intriguing line of research would be to examine the role of inpatriates in global business teams such as in global account management (GAM) teams. The concept of the global business team with inpatriate member(s) is one of the most important process mechanisms needed to make the global network function effectively and efficiently. These teams are commonly granted mandates for: 1) integration of businesses acquired across borders; 2) management of global customer accounts; 3) development of new global products; and 4) reengineering of the global value-chain.

A future programmatic research should address the role of inpatriate members in global business team's task elements, such as: 1) cultivating trust among team members; 2) overcoming communication barriers; 3) aligning goals of individual team members; 4) ensuring the team possesses the needed bundle of knowledge and skills; and 5) obtaining clarity regarding the team objectives. The role of inpatriates is critical because global business teams necessitate a high level of diversity to be successful for the following reasons: 1) they are composed of members from diverse cultural and national backgrounds; 2) they represent different subsidiaries, which often have incongruent agendas; and 3) they often represent different functional units with different worldviews and priorities. It would be particularly interesting to investigate the appropriateness for an inpatriate to act as the integration manager assigned to build the organization's social capital that can facilitate smooth functioning of multiple business teams.

Relevance of this Study for Practice

Practitioners (i.e., IHRM managers, professionals and administrators) may be interested in the results of this dissertation for a number of reasons. Specifically, consideration of local environmental complexity and its importance for the orientation toward inpatriation solution may be critical to the change processes occurring in the global organization growing in emerging markets.

As the growth in emerging markets engenders change this change becomes pervasive across the unit and national boundaries because IHRM issues are highly systematic and characterized by a multitude of interdependencies. In particular, multiple of subsidiary bases are involved and pose competing demands for coordination and integration. Also, many risks and potential errors are involved because the policies to be developed are new and not well known *a priori*. Therefore, an IHRM manager has to examine how inpatriate managers can mitigate strategic errors that might move the whole change process into a wrong direction or into dealing with unsolvable problems. It is particularly relevant for the IHRM practitioners to examine the role of inpatriate managers relative to the management of the following aspects of the change process associated with the organization's growth in emerging markets:

1. **Work Change Management**

    a) Employment relations

    b) Financial control

    c) Relations with line managers

    d) Knowledge management

    e) IHRM information system compatibility

    f) Managing outside contractors/consultants

2. **Culture Change Management**

    a) Management of quality

    b) Team building

    c) Corporate values communication

    d) Ethics management

    e) Corporate climate development

    f) Diversity management

    g) Corporate mindset development

3. **Firm-Level Change Management**

    a) IHRM role in acquisitions

    b) IHRM role in joint ventures and strategic alliances

    c) Developing learning organization

    d) Cross-functional team management (virtual/multicultural)

    e) Competence development in key project/account management

    f) Cross-boundary transfer of IHRM policies and practices.

Limitation of this Study

The key objective of this dissertation was to examine the relationship between the contextual factors and the appropriateness of inpatriate assignments for emerging markets, and to assess which factors are the most important in the mindset of IHRM managers/professionals. The identification of the contextual factors and derivation of the associated propositions were grounded in the theoretical frame of the knowledge-based view of global management staffing. Although the results and the findings of this study provide a partial support for the derived propositions, it is necessary to discuss the limitations of this research.

As the limitations specific to the policy capturing method are covered in the previous Chapter, the limitations related to the inpatriation construct/practice and the research design need to be addressed. In particular, inpatriation is an SGHRM-related phenomenon in a very early stage of development (i.e., associated with the uneven policy differentiation and the limited number of subjects) that precludes most of the traditional research approaches. As the scope and the maturity of the inpatriation construct and practice increase in future, it will be possible to develop a nomological network to examine this phenomenon through a fine-grained approach. The past experiences with two other IHRM constructs/practices, dual-career expatriation and repatriation, indicates that this process may take nearly a decade.

The practical limitation is that inpatriation is increasingly used as an administrative term, rather than being referred to as a strategic practice. This use comes from tax and immigration consultants/lawyers who aggressively promote their services among the IHRM professionals. To differentiate the strategic use of inpatriation from its administrative designation, the questionnaire used was designed longer that it was appropriate for the method and might have induced stress and fatigue among respondents.

Finally, certain limitations are related to the research design and the sample frame. The research design used a Web-based survey due to the incompleteness of the addresses of the Global HR Forum participants. Although recent comprehensive study on electronically-based surveys found not difference vs. the mail surveys, the mail-based survey could have helped finish the study in a shorter period of time.

With reference to the sample-frame, social judgment studies frequently require a trade-off between the representative sample and the representative design (i.e., in SJT studies often the number of scenarios, rather than the number of subjects, is relevant). This trade-off arises not only from the practical feasibility of the research but also from the primary focus of the research questions (i.e., whether it is ideographic or nomothetic). As the research questions in this study underpin the ideographic aspects of the study, the choice of subjects was narrowed to those who had been exposed to the Global HR Forum presentation explaining the strategic aspects of inpatriation. This choice of the sample frame secured competent decision makers for the studied judgment (i.e., thus meeting the primary requirement for the SJT studies), but sacrificed the appropriate representativeness in terms of demographic variables. As inpatriation construct and practice mature, future research should address the complementarities between the ideographic and nomothetic foci in inpatriation-related research.

Chapter Summary

The strategic shift from multinational to global organizations accentuates the need for human resource systems and cultivation of organization's global mindset. Nowhere is the impact of this shifting in form of the strategic orientation of MNCs more noticeable that in the staffing and utilization of personnel. The dominant logic of SIHRM has traditionally been unidimensional and using an expatriate solution. The high failure rate in relocation of expatriates to challenging sites in developing/emerging countries brings this strategy into question. What is recommended in this dissertation is the development of SGHRM systems that match the global strategies of the organizations aimed at transforming their global presence in emerging markets into their global dominance in the world at large.

SGHRM perspective is appropriate for the organization structure of a network organization. In visualizing the global organization as a complex network of owned and affiliated organizations, human resource management can better plan what human resource systems are needed. One significant difference envisioned in global organizations is that developing an adequate number of qualified global managers becomes a means to competitively differentiate a global organization. The shortage of global managers presently and in the future indicated that this specific human resource scarcity is a means to develop competitive advantage. This dissertation examines inpatriation as a means to reduce the shortage of global managers, elaborating the multifaceted advantage these managers bring to the global organization.

The primary advantage of developing inpatriate managers is grounded in their dual competence derived from their tacit/social knowledge of emerging economies and social capital resulting in trust/loyalty bonds within the headquarters organization. This dual competence differentiates inpatriate managers from other pools of candidates. Given the difference in socio-cultural risk perceptions between developed and emerging markets, the inpatriate managers would appear to have the seeming requisites to provide a specific knowledge to global organizations that plan their growth in emerging country markets. The primary value, created by the development of inpatriate managers over time, is the infusion of a pluralistic perspective into the strategic orientation of the headquarters' management. The evolution to a global orientation of management (i.e., a global mindset) necessitates organizations to develop the ability to assess a top management team options in both the headquarters and subsidiary locations with diverse competencies and a multicultural orientation (Paul, 2000). The infusion of inpatriate managers accelerates this evolution of strategic global thinking. The resulting awareness and acceptance of cultural and cognitive diversity enables management to act flexibly in the global context, while addressing competition in regional and local markets in a coherent manner (Ghoshall & Bartlett, 1997; Barney, 1999).

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Appendix One

Survey Instrument

We would greatly appreciate your assistance in completing this questionnaire. It addresses one of the crucial issues in international subsidiary staffing in *strategic emerging markets*. Specifically, we are asking you to look at several hypothetical situations/scenarios and share your views on the appropriateness of relying on expatriate and/or inpatriate candidate pools when assigning managers the responsibility for overseeing a strategic emerging market. For this study, we are defining *expatriate*, *inpatriate*, and *strategic emerging markets* as follows:

Expatriate **is the term that we use to refer to the pool of domestic candidates a company would select for assignment to a specific emerging market country.**

Inpatriate **is the term that we use to refer to the pool of foreign candidates a company would develop in the domestic headquarters, for a time period longer than one year, for assignment to a specific emerging market country.**

Strategic emerging market(s) **will be defined for this study as the growth emerging market(s) identified by the U.S. Department of Commerce: China, India, Turkey, South Africa, South Korea, Mexico, Brazil, Argentina and ASEAN countries (Vietnam, Thailand, Malaysia, Indonesia, Philippines, Singapore, and Brunei).**

We assure you that all information you provide will be strictly confidential. Your responses will be combined with those of many others and used only in the aggregate. You and your company will have access to the summarized findings from this survey, but not to individual survey data. If you would like to receive a copy of the final results, please send a letter to Milorad Novicevic at the address given below. In the meantime, if you have any questions concerning the survey, please feel free to contact M. Novicevic at (608) 785-6664; or e-mail: novicevi.milo@uwlax.edu.

General Instructions

1. To insure anonymity, do *not* put your name on the survey.

2. Please respond to all questions as quickly and carefully as possible. Your first impression is usually your most accurate impression. There are no right or wrong answers. We are interested simply in your opinions.

3. When you have completed the survey, please place it in the enclosed addressed, stamped envelope, and return it to:

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SECTION ONE: Tables with Rows of Scenarios

Instructions: For convenience, each **hypothetical scenario** is structured as a **row** in **Tables 1 and 2** below. For each scenario, you will be presented with five statements that provide information about the home office and the foreign subsidiary. Based on this information, please respond to the question by circling a number of your choice (from 1 to 9) at the end of each scenario. Also, for all scenarios, please assume: 1] The emerging country market under consideration is of strategic importance for the organization. 2] The candidates in both expatriate and inpatriate pools have been carefully selected and intensively trained to have the potential to achieve future senior corporate positions in the headquarters.

Please carefully read and respond to each of the eight scenarios in each Table below. There are no correct answers. It is your opinion how appropriate international assignment decisions should be made that is of our interest. For each scenario, circle one number **to indicate the** appropriateness of assigning an inpatriate, in each row of the Table 1, **and** expatriate, in each row of the Table 2, **given the stated facts. Facts are provided on five areas about the home office and foreign subsidiary. Those five areas are:**

Local Sociocultural Risk – The risk engendered by the differences in cultural and operating norms between the headquarters country and the subsidiary's emerging country, compounded by the local political risk.

Subsidiary Goal Ambiguity – Difficulty for top management to specify performance goals for the emerging country subsidiary.

Variety of the Assigned Activities – Range of different activities associated with the assignment in the emerging country.

Dynamics of the Assignment – Frequency of changes in the nature of the assignment in the specific emerging market.

Assignee's Autonomy – Level of unavailability of top management to coordinate an assignee's implementation of corporate initiatives for the emerging market.

As an example, in Scenario #1 (i.e., the first row in Table 1), the risk from differences in cultural and operating norms between the headquarters country and the subsidiary's emerging country, compounded by the local political risk, is **low**. The top management's difficulty to specify performance goals for the emerging country subsidiary is **low**. The variety/range of different activities associated with the assignment in the emerging country is **low**. The frequency of changes in the nature of the assignment in the specific emerging market is **high**. The assignee's autonomy because of the top management's unavailability to coordinate an assignee's implementation of corporate initiatives for emerging markets is **high**. Based on these facts outlined in the first row of Table 1, please circle a number of your choice in that row, which corresponds to the appropriateness of assigning an inpatriate to an emerging country subsidiary in this situation. Then, make your choice of appropriateness for Scenario #2, which is outlined in the second row, as well as for the remaining Scenarios in subsequent rows.

Table 1. APPROPRIATENESS OF ASSIGNING AN INPATRIATE TO AN EMERGING COUNTRY SUBSIDIARY WHEN:

Local Socio-cultural Risk is	**Subsidiary Goal Ambiguity is**	**Variety of the Assigned Activities is**	**Dynamics of the Assignment is**	**Assignee's Autonomy is**	Very Inappropria **1**	**2**	**3**	**4**	Neutral **5**	**6**	**7**	**8**	Very Appropriat **9**
low	low	low	high	high	1	2	3	4	5	6	7	8	9
high	low	low	low	low	1	2	3	4	5	6	7	8	9
low	high	low	low	high	1	2	3	4	5	6	7	8	9
high	high	low	high	low	1	2	3	4	5	6	7	8	9
low	low	high	high	low	1	2	3	4	5	6	7	8	9
high	low	high	low	low	1	2	3	4	5	6	7	8	9
low	high	high	low	low	1	2	3	4	5	6	7	8	9
high	high	high	high	high	1	2	3	4	5	6	7	8	9

Table 2. APPROPRIATENESS OF ASSIGNING AN EXPATRIATE TO AN EMERGING COUNTRY SUBSIDIARY WHEN:

Local Socio-cultural Risk is	Subsidiary Goal Ambiguity is	Variety of the Assigned Activities is	Dynamics of the Assignment is	Assignee's Autonomy is	Very Inappropria 1	2	3	4	Neutral 5	6	7	8	Very Appropriat 9
low	low	low	high	high	1	2	3	4	5	6	7	8	9
high	low	low	low	low	1	2	3	4	5	6	7	8	9
low	high	low	low	high	1	2	3	4	5	6	7	8	9
high	high	low	high	low	1	2	3	4	5	6	7	8	9
low	low	high	high	low	1	2	3	4	5	6	7	8	9
high	low	high	low	low	1	2	3	4	5	6	7	8	9
low	high	high	low	low	1	2	3	4	5	6	7	8	9
high	high	high	high	high	1	2	3	4	5	6	7	8	9

SECTION TWO – Regions/ Countries of Future Market Growth

1, Six global region/country combinations are listed below. Please RANK ORDER them from 1 to 6 (with 1= very high importance and 6=very low importance) in terms of future growth of global organizations:

Global Market Regions	(Example)	(Your response)
Emerging country markets in Asia (e.g., China)	_5_	_
Emerging country markets in Europe (e.g., Turkey)	_1_	_
Emerging country markets in Latin America (e.g., Brazil)	_4_	_
Developed country markets in Asia (e.g., Japan)	_6_	_
Developed country markets in Europe (e.g., Germany)	_2_	_
Developed country markets in Latin America (e.g., Chile)	_3_	_

SECTION THREE –Demographics

1. Gender (circle one): a) Male b) Female X
2. Age (place X) : below 25 yrs. ____ 25-35 yrs. _X_ 36-45 yrs. _____ 46-55 yrs. ______ over 55 yrs. _____
2. Education (place X): a) Below Bachelor's ___ b) Bachelor's c) Above Bachelor's __X__
4. Your organization: a) is a multinational __X__ b) provides services to multinationals ___ c) other ___
5. Your position in your organization (place X): a) managerial __X_ b) non-managerial ___

(If you are currently a HRM Manager/Expert, please respond to the following 6 questions)

3. Years of tenure in your current firm (number of years): ___5__
4. Size of your firm: (total annual sales in $): _____~ $. 20 mln_____
   Percent of sales international __27__%
5. Number of employees in your firm: ____2500____
6. Percent of international employees (employed in foreign subsidiaries): ___NA_____
7. What industries is your firm involved in (place an "X" by those industries and then indicate the % of sales):

a) consumer products _X_ b) industrial products ____ c) services ____ other, please specify ____________________

Appendix Two

Sample Frame

The average respondent was 63% likely to be female, 71% of age below 35 years, 86% holding at least a bachelor's degree, and working 5-10 years in a manufacturing global organization with a 33.7 % of international sales.

Appendix Three

Policy Capturing Results:
Standard regression Weights and Multiple Correlation

Results from policy capturing analysis
(standard regression weights and multiple correlation)

local sociocultu-al risk	subsidiary goal ambiguity	variety of the assigned activities	dynamics of the assignmen t	assignee's autonomy	multiple correlation
-.03	-.67	-.15	-.20	-.58	.99
-.15	-.26	-.55	.55	-.57	.94
.49	.55	-.11	-.19	-.42	.86
-.52	-.12	-.65	-.75	-.29	.97
-.22	-.54	.16	-.03	.13	.95
-.22	-.73	-.54	-.20	.17	1.00
-.67	.00	.33	-.17	.32	.90
.45	-.45	-.06	.06	-.57	.99
-.51	-.68	.57	-.03	-.10	.96
-.05	.05	.79	-.37	.89	.96
-.32	-.50	-.11	-.09	-.04	.88
-.30	-.59	.00	-.59	-.29	1.00
-.25	.25	-.46	.67	.26	.93
.66	-.26	.12	.01	-.31	.95
-.25	.25	-.46	.67	.26	.93
.08	.28	.27	.28	-.39	.97
.89	-.38	.00	.13	.25	.93
.06	.41	.30	.17	.25	.79
-1.06	-.12	-.14	-.25	-.30	.99
-.30	.16	-.45	-.42	-.33	.77
.12	.01	.12	.01	.21	.23
.15	.54	.43	.40	.05	.94
-.54	-.45	-.32	.21	.04	.96
-.60	-.56	-.21	-.05	-.32	.89
1.04	.17	-.28	.17	-.02	.99
.78	.04	-.13	.04	.19	.89
.85	.23	-.23	-.22	.33	.97
.58	.26	-.26	-.22	.38	.90
-.01	.83	-.69	.01	-.05	.98
.02	-.12	-.18	-.02	.07	.88
.22	.08	1.04	-.12	.07	.99
-.79	-.53	-.03	.22	.23	.97
-.18	-.32	-.18	-.82	1.23	.97
-.60	-.69	.05	.08	-.07	.94
.31	-.31	.69	.07	.10	.85
.59	.19	-.19	-.07	.27	.67
-.40	-.13	-.22	.22	-.52	.60
-.53	-.86	-.28	.28	-.09	.99
.62	-.22	.22	-.22	.46	.71
.85	.30	-.30	-.01	.24	.97
-.45	-.65	-.18	.31	-.68	.94
-1.00	-.29	-.35	.22	-.36	.99
-.88	-.09	.09	-.09	-.13	.86
.89	.04	-.04	.16	.29	.96
.42	.35	-.09	-.25	.14	.69

-.74	-.39	-.64	-.08	.13	.99
.04	-.27	.50	.53	-.50	.88
.51	-.37	.10	.45	.39	.77
-.26	-.24	.61	-.36	.20	.86
-.09	.25	-.09	.09	-.34	.37
.36	.72	.26	.18	-.06	.97
.31	.38	.61	.57	-.12	.94
-.29	.29	.58	.58	-.28	1.00
.28	.41	.17	-.51	-.24	.99
-1.16	-.14	.05	-.05	-.16	.99
.03	.35	.79	-.03	.13	.92
.15	.55	-.41	.69	.32	.97
-.27	.50	-.15	.03	-.35	.55
.10	.27	-.27	-.22	.15	.59
.66	-.25	-.02	-.11	.43	.91
-.04	-.59	-.04	.25	-.55	.96