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# Multinational Companies Executive Selection Practices : challenge of Human Resource Management in International Business Management.

Sangeetha Lakshman

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**THÈSE**

Présentée par

**SANGEETHA LAKSHMAN**

Soutenue le 3 Décembre 2013

Pour obtenir le

**Doctorat en Sciences de Gestion**

**MULTINATIONAL COMPANIES EXECUTIVE SELECTION PRACTICES –  
CHALLENGES OF HUMAN RESOURCE MANAGEMENT IN INTERNATIONAL  
BUSINESS MANAGEMENT**

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## **STATEMENT OF ORIGINAL AUTHORSHIP**

I certify that, to the best of my knowledge and belief, this thesis entitled "*Multinational companies Executive Selection Practices – Challenges of Human Resources in International Business Management*" is my own work. The work contained in this thesis has not been previously submitted for any degree or diploma in any educational institution. The materials used for this research has been through proper use of references and citations.

NAME: SANGEETHA LAKSHMAN

TITLE OF THESIS: MULTINATIONAL COMPANIES EXECUTIVE SELECTION PRACTICES –  
CHALLENGES OF HUMAN RESOURCES IN INTERNATIONAL BUSINESS MANAGEMENT

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## **Abstract and Key Words**

Multinationals that are moving abroad for its subsidiary operation may use any one of the typology such as Global, Multi-domestic, Transnational, and International strategy in order to manage and maintain their business abroad. International staffing is a critical element of the implementation of the four strategies for doing business globally. In staffing the international operation, the organization may follow one of the three staffing approaches or a combination of three approaches (PCN, HCN, TCN) depending on their domestic circumstances and the life cycle of the MNC. In all the three staffing approaches (Ethnocentric, Polycentric, Geocentric) PCNs, HCNs and TCNs are used. But they will differ in relative proportions. There is little evidence in support of the utilization of HCNs and TCNs. Most of the research focused on expatriates (PCNs) than HCNs and TCNs. Therefore we want to explore on what situations multinationals use HCNs and TCNs. Further the study investigates the alignment between international business strategy and executive staffing. Theoretical foundations are drawn basically from existing literature.

Primary data were collected from top executives of 22 multinationals. In depth interviews were conducted and open ended questions were used to examine the alignment between international business strategy and executive staffing for subsidiary operation, expatriate roles during organization's different life cycle. The multinationals participated in our sample are from Singapore, Dubai, India, France, Netherlands, and Belgium. The data analysis is based on interpretative philosophy. The analysis of the proposed research expectation revealed that the pattern of result is consistent when higher the pressure for standardization, utilization of ethnocentric staffing (PCNs) is more. Whereas the pressure for standardization is low, then multinationals used other staffing approaches - polycentric staffing (HCNs). The pattern is partially consistent with strategy staffing alignment when the higher the local responsiveness then the utilization of polycentric staffing should be more. But in the given situation, ethnocentric staffing is slightly more than polycentric even when the local responsiveness is high. The findings extend the application of the underpinned theories and their beliefs in explaining the business strategy and executive staffing relationship and contribute to the body of knowledge. Implications of the results and direction for future research are recommended.

**Key Words:** Multinational Companies, International Business, Subsidiary, Key Executives, Strategy, Global Strategy, Multi – domestic strategy, Transnational strategy, Ethnocentric Staffing, Polycentric Staffing, Geocentric Staffing.

## Résumé et mots clés

Les multinationales qui s'implantent à l'étranger en créant des filiales peuvent recourir à la stratégie globale, multi-nationale, transnationale et internationale afin de gérer leurs entreprises à l'étranger. Le recrutement international est un élément essentiel de la mise en œuvre des quatre stratégies d'implémentation à l'étranger. Pour le recrutement, l'organisation peut suivre l'une des trois méthodes de dotation ou combiner les trois approches (PCN, HCN, TCN) en fonction des circonstances nationales et du cycle de vie du MNC. Dans les trois approches de recrutement (ethnocentrique, polycentrique, géocentrique) PCN, HCN et TCN sont utilisés. Toutefois, ils diffèrent dans des proportions relatives. Il y a peu de preuves à l'appui de l'utilisation des HCN et TCN. La plupart des recherches ont porté sur les expatriés (PCN) de HCN et TCN. Pour cette raison, nous voulons étudier, dans notre travail, dans quelles situations les multinationales utilisent les approches HCN et TCN. Notre étude examine l'alignement entre la stratégie commerciale internationale et le recrutement des dirigeants. Les fondements théoriques sont tirés essentiellement de la littérature existante.

Les données primaires ont été recueillies auprès des cadres supérieurs de 22 multinationales. Des entretiens approfondis ont été menés et des questions ouvertes ont été utilisés pour examiner l'alignement entre la stratégie commerciale internationale et le recrutement des dirigeants dans une filiale, le rôle joué par les expatriés au cours des différents cycles de vie de l'organisation. Les multinationales participant à notre échantillon proviennent de Singapour, Dubaï, Inde, France, Pays-Bas et Belgique. L'analyse des données est basée sur la philosophie interprétative. L'analyse des propositions de recherche révèle que le modèle de résultat est cohérent lorsque la pression de la normalisation est plus élevée et l'utilisation de la dotation ethnocentrique (PCN) est plus importante. Plus la pression de la normalisation est faible, plus les multinationales ont recouru à d'autres méthodes de recrutement- recrutement polycentrique (HCN). La structure est partiellement cohérente avec l'alignement de la stratégie de recrutement lorsque plus la réactivité locale est plus élevée que le recrutement polycentrique ne devrait être. Mais dans une situation donnée, le recrutement ethnocentrique est légèrement plus polycentrique, même si la réactivité locale est élevée. Les résultats étendent l'application des théories soutenues pour expliquer la stratégie de l'entreprise et le recrutement des dirigeants et cadres et contribuent au développement des connaissances. L'implication des résultats et des recherches futures sont recommandés.

Mots clés: Les entreprises multinationales, International Business, Filiale, Principaux, dirigeants, Stratégie, Stratégie mondiale, Stratégie multi – domestique, Stratégie transnationale, Recrutement Ethnocentrique, Recrutement polycentrique, Recrutement géocentrique.



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## **List of Abbreviations**

MNCs	Multinational Companies
MNEs	Multinational Enterprises
FDI	Foreign direct investment
HQ	Head quarters
PCNs	Parent country nationals
HCNs	Host country nationals
TCNs	Third country nationals
RCNs	Regiocentric nationals
EPRG	Ethnocentric Polycentric Regiocentric Geocentric
HR	Human resources
R&D	Resources and Development
GS	Global Strategy
MDS	Multi domestic strategy
TNS	Transnational strategy
Com	Commander
Cond	Conductor
Coa	Coach
Con	Connector
VP	Vice President
Sr	Senior
Reg	Regional
Mgr	Manager
TI	Telephonic Interview
DI	Direct Interview

CEO Chief Executive Officer

GNP Gross National Product

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Annexure 3 - Interview Schedule

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## **GENERAL INTRODUCTION**





# GENERAL INTRODUCTION

## OVERVIEW

In today's fast growing business, one of the most important and dominant theme(s) is the rapid growth in the globalization of the world economy. Parallel to the increase in globalization, the number of employees moving to international locations for the purpose(s) of taking new foreign job assignments is also increasing (Collings, McDonnell, Gunnigle and Lavelle, 2010). In the last few decades, political, economic, technological and particularly market forces are considered to be the reasons for the growth of the increased globalization of organizations. The global diversity of operations is conceptualized as firm's/organization's expansion across borders into new geographic markets. This rapid growth has been driven by factors such as saturation of domestic markets, trade liberalization and conscious export driven strategies by developed country like Japan and new industrializing countries in Asia (South Korea, Taiwan & Singapore) and organizations face many challenges in the form of direct Foreign Direct Investment (FDI) by Japan and Western European Countries in USA and Mergers & Acquisitions, Joint venture partnership with foreign countries (Peterson, Napier & Shim, 1996).

At the beginning of twenty first century, the most important development that happened is globalization of business activities. Since then, the process of globalization has been considered as the most important factor for the organization's international business development (Machková, 2006). The most significant processes currently influencing the world economy, are in the processes of globalization (Ubreziova, I, Bujnakova, M, Kapsdorferova, Z, Majorova, M, 2009). The authors also identified how the globalization has benefited the organization. First, it helped the organization(s) by providing new opportunities (viz., new product, new customers, and new market). Second, it enabled the organization(s) to increase their income/profits due to the increase in the productivity. Organizations also enjoyed globalization by utilizing the possibilities in global arena and at the same time optimizing the resources available to them (Ubreziova, I, Bujnakova, M, Kapsdorferova, Z, Majorova, M, 2009). Another reason for globalization was identified that the free flow of markets forced organization to be competitive in the environment so they can quickly respond to the

customer's needs and problems for which they need to have enough knowledge. This is the additional motive for globalization, in addition to those listed above Hron (2006).

The goals of this chapter are to:

- Review the concept of business strategy and international staffing.
- Discuss the research issue.
- Specify the research question and objective of the study.
- Provide in brief the methodology of this research.
- Provide in brief research design and analysis.
- Specify how the data will be collected
- Limitations and assumptions of the study
- Structure of thesis.

## **1.1. INTRODUCTION**

According to Peterson, Napier & Shim (1996), today more organizations participate in the race of globalization than when the United States and a relatively few Western European countries were major participants in the 1950s and 1960s. Peterson, Napier and Shim (1996), also identified the reasons what differentiates the current practices from the last few decades. First, there are more organizations participating in global business even from developing countries which was earlier dominated by few global competitors such as Japan, USA and European countries. Second many firms are facing huge competition and demand in international business. Third the multinational companies (MNCs) reputation is increasing since they are playing a major role in international business. Fourth, globalization provides new opportunities for the organization to increase the product(s) or service(s) which enables them to increase their profits or income. Fifth, the profitability is often greater in overseas than MNCs domestic business operations. Sixth, organization can optimize their resources. Finally in many organizations, there are more foreign nationals (person who is not citizen of host country in which he/she is residing or temporarily sojourning/staying) from different cultures and different countries than in the past. So it is more challenging for organizations to develop a common culture which can help them to retain and motivate employees from different cultures.

The effectiveness of international assignment (which means the employee is transferred to a job overseas for certain period of time which could be a year or more or as decided by the employer) is becoming an important source of competitive advantage for many organizations (Zhang and Dodgson, 2007). This is because of the globalization and liberalization of trade and services in many parts of the world which has created an opportunity for Multinationals (MNCs) to operate in diverse geographical environments. Some of the competitive advantages that companies can gain from sending their employees abroad are entering into new international markets, spreading and sustaining corporate culture, facilitating organizational coordination and control exchanging, transferring of technology, knowledge and skills, and reputation in the home country (Huang, Chi and Lawler, 2005, Shay and Tracey, 2009). As a company builds operations in multiple foreign locations, it inevitably takes on more and more diverse multinational workforce (Adler and Ghadar 1990; Kelly 2001). Organizations that wish to succeed in this era of globalization are realizing that they must turn to international markets to remain competitive in their business. An integral part of setting up a subsidiary overseas, acquiring a foreign organization, or participating in an international joint venture is a successful expatriate (a person temporarily or permanently residing in a country and culture other than that of the person's upbringing) or international assignment program. Though careful selection is done and training is given to expatriates for their international assignment, most of the assignments end in the premature return of the expatriate or in expatriate attrition (GMAC, 2007), and some expatriates experience psychological withdrawal even as they remain in their international assignment (Black & Gregersen, 1991; Shaffer & Harrison, 1998; Tung, 1981).

In the following sections, the researcher first starts discussing the typologies companies use for global expansion. Terms such as Global, Multi – domestic, Transnational, and International are often used to denote different types of MNCs. All the four typologies are explained separately with ample examples, and their relative advantages and disadvantages. In the following section, the researcher aims to discuss the staffing compositions organizations use for staffing their subsidiary operations viz., parent country nationals (PCNs), host country nationals (HCNs) and third country nationals (TCNs). The section moves on to explain the staffing strategies organizations use to decide which staffing methods for their international business namely (ethnocentric, polycentric, & geocentric). All staffing approaches are discussed in detail with their relative advantages and disadvantages. In the subsequent chapter, the reasons for the shift (from parent country nationals to host country nationals and third country nationals) in the multinational's staffing are described. In the next section, the success and failure of using the staffing approaches are discussed. This is

followed by the problem statement in which the main problem is discussed with questions addressing the gap. Next section describes the methodology to be used in the study. Finally the research plan was described.

## **1.2. BACKGROUND OF THE STUDY**

Global expansion means the organization moving abroad for its subsidiary operation from its domestic business. Though the expansion is challenging and an opportunity to compete globally, access to new markets, exposing to specialized skills, entrepreneurs consider this expansion is a critical part for their overall growth strategy. Globalization was possible and easier for organizations from developed countries like USA, Japan & Europe and it was a dream for organizations from developing countries and small firms few decades before. But the situation is not the same now. Due to the trade liberalization, small and young firms from even developing countries added in the list of venturing into foreign markets (Oviatt and McDougall, 1994). According to Bartlett and Ghoshal (1989), Adler and Bartholomew (1992), multinational companies may use any one of the typology in order to maintain and manage their business abroad. The scholars labelled these typologies as:

- (1) Global (2) Multi – domestic (3) Transnational (4) International.

### **1.2.1. Multinational Companies International Business Strategy**

Global Strategies: Organizations that adopt this strategy utilizes product standardization assuming that customers' preference is quality, functionality and low cost. In global strategy, organizations integrate their value chain activities across countries to achieve maximum efficiency globally, synergize the activities to maintain co-operation in order to produce with a combined effect. This way the organization can take maximum advantage of similarities across countries, maintain uniform technology and at the same time monitor competitor on global basis (Bartlett and Ghoshal, 1989, Pucik et al., 2002; Porter, 1986; Roth et al., 1991).

Multidomestic Strategies: The main focus of the companies who obtain this strategy is to increase their revenue by differentiating their products and services according to the customers' needs and preferences, industry characteristics and government regulations.

Companies adopting multi-domestic strategy gathers information from the local market, analyze them, so they can best serve the local customers. Innovation is done by local Research and

Development (R&D). The subsidiary units are not linked with each other and the subsidiaries have decentralized control (Bartlett & Ghoshal, 1989). It is assumed that tailoring products and strategies to individual markets will offset the higher cost that may result. Subsidiaries depend on local innovation for their local products to exactly match the local needs and use its own resources to respond to those needs (Evans et al., 2002; Bartlett and Ghoshal, 2002; Porter, 1986). Organizations with no or little international experience adopt this strategy as they can delegate many tasks to their country managers (Franchisees, licensees etc.). Difficulty of obtaining this strategy is that due to the stand alone philosophy, there is possibility of cross fertilization of learning and innovation. Most of the European multinationals follows this strategy.

Transnational Strategies: Organizations that practice this strategy are not country specific and their main focus is managing cost & revenues balancing simultaneously with efficiency and innovation. Transnational implies a flexible approach. It is a known fact that all customers' demand different products, but they want the same high quality, and low cost as standard global products. These organizations give importance to the local responsiveness and at the same time practice global standardization/integration to maintain and control the cost. The major issue of practicing this strategy is difficult implementation due to complex communication networks, and intricate organizational issues. This strategy poses leadership challenges for successful management (Bartlett and Ghoshal, 1989).

International Strategies: Large companies follow this strategy. Their MNCs may be headquartered in a technologically developed country like USA to exploit their home country innovations in new subsidiary location. In International strategy, a firm sells its goods and services outside its domestic market. The reason for implementing international strategy when compared to domestic market strategy is that international markets yield potential new opportunities. International organization allows local operations to choose from a menu of products and processes, modify them according to the local conditions, customers' tastes and preferences in local market. (Bartlett and Ghoshal, 1989). This strategy may not work in the countries where the local responsiveness demand is high. Most of the US companies follow this strategy.

The table used below better explain the differences among four strategies practiced by most of the organizations.

<p><b><u>Global Strategy</u></b></p> <ul style="list-style-type: none"> <li>- Treat, consider the entire world as one market</li> <li>- May operate with a mixture of two or more organizational structure simultaneously</li> <li>- Decision making is fully centralized</li> </ul>	<p><b><u>International Strategy</u></b></p> <ul style="list-style-type: none"> <li>- Relationship between two or more nations</li> <li>- Transports its business outside home country</li> <li>- Each operation(s) is a replication of company's domestic business products/services</li> <li>- Involves subsidiary general managers</li> </ul>
<p><b><u>Multi-Domestic Strategy</u></b></p> <ul style="list-style-type: none"> <li>- When people in different countries have significantly different tastes, a multi-domestic will often be the best choice</li> <li>- Multi-domestic corporation entitles in different countries can essentially operate as different businesses</li> <li>- Decision making is decentralized</li> </ul>	<p><b><u>Transnational Strategy</u></b></p> <ul style="list-style-type: none"> <li>- Use specialized facilities to permit local responsiveness</li> <li>- Large scale decentralization of decision making</li> <li>- Each business unit across the globe has the freedom to make and implement its own HRM policies and practices</li> </ul>

Table 1: Strategies of the Multinational

### 1.2.2. Executive Staffing Policies

Staffing is a critical element of the implementation of the four strategies (Global, Multi – domestic, Transnational, and International) for doing business globally. Perlmutter (1969) identified three different staffing approaches (ethnocentric, polycentric and geocentric). In 1974, Heenan and Perlmutter developed the fourth staffing approach which is the regiocentric approach that has become the standard way to describe MNC staffing policies. In staffing the international operation, the organization may follow one of the three staffing approaches or a combination of three approaches depending on their domestic circumstances and the life cycle of the MNC (Franco,1973). Before making the staffing decision for the subsidiary operation, organizations has to consider other factors such as bargaining power of the host country, technology and skill transfer, political and economic situation, country of origin effect, market influences on the relative need for local responsiveness versus standardization (Doz, 1986; Rosen Zweig and Nohria, 1994).

Subsidiary Staffing composition includes parent country nationals (PCNs), host country nationals (HCNs), and third country nationals (TCNs).

1. Parent Country Nationals (PCNs): are the employees of the multinational companies' who are usually the citizens of the country where the multinationals headquarter are located.

2. Host Country Nationals (HCNs): defined as the employees who work for the subsidiary operation of the multinational enterprise (MNE), they are the citizens of the subsidiary country.

3. Third Country Nationals (TCNs) : are the employees who neither belong to the headquarters nor to the host country where the subsidiary operation is located. TCNs are generally viewed as a compromise between HCNs and PCNs. Multinationals usually select TCNs when there is a skill gap between HCNs and PCNs (Tarique, Schuler and Gong, 2006).

PCN staffing is associated with ethnocentric strategy, HCN staffing is associated with polycentric strategy and finally TCN staffing is associated with geocentric strategy.

1. Ethnocentric: filling up top management positions in subsidiary operations with HQ officials who are parent country nationals (PCNs).

2. Polycentric: MNCs following polycentric staffing policy would appoint mostly HCNs for the subsidiary operations. In other words, filling up top management positions in local subsidiaries with the local employees who is Host country nationals (HCNs). Polycentric staffing approach is suitable for organizations practicing multi domestic strategy.

3. Geocentric: filling up top management positions both in subsidiary and headquarters with foreign nationals selected on the basis of merit and regardless of nationality (Heenan and Perlmutter, 1979; Perlmutter and Heenan, 1974) who are third country nationals (TCNs).

In the above, we need to emphasize that in all the three staffing approaches, PCNs, HCNs and TCNs will be used. But they will differ in relative proportions. For example, in polycentric staffing, the proportion of HCNs will be higher than the other two.

### **1.2.3. Shift in the International Staffing**

At the initial stages of international expansion, companies tend to use expatriates for their subsidiary operation. However with growing internationalization, multinationals (MNCs) have to give more space to non-parent country nationals (HCNs and TCNs). This seems to be the hot topic for the researchers. Of the two non-parent country nationals, third country nationals are said to have the advantage to replace the parent country nationals due to their familiarity with the surrounding



cultures and often of being less expensive (Tungli and Peiperl (2009). Multinationals will prefer employing HCNs and TCNs or PCNs who have a greater supplementary fit with the local environment.

#### Outward staffing Practices - HCNs

Multinationals staff their subsidiary operations with host country nationals due to the following reasons: (a) human resource practice insisted by the local governments (Briscoe and Schuler, 2004; Dowling et al., 1999) (b) When the cultural distance is somewhat similar to the head quarter culture (c) When subsidiaries are under high institutional pressure to acquire HCNs to comply with legal and cultural expectations arising from the host environments (Meyer and Scott, 1983).

#### Outward staffing practices - TCNs

Existing studies about global staffing focus heavily on flows of parent country nationals (PCNs) from the headquarters to subsidiary operations (Edstrom & Galbraith, 1977; Harzing, 2001; Scullion, 1994; Tan & Mahoney, 2006). But recently, there are some evidences of using TCNs by multinationals for their international operation (Gong, 2003; Tarique, Schuler, & Gong, 2006). Though organization's use TCNs, there is no evidence to prove as to what extent and which multinationals use TCNs in staffing global operations (Collings et al., 2008; Tungli and Peiperl, 2009). Organizations prefer to staff TCNs their global operations for the following reasons: (a) TCNs can be socialized effectively (b) Lower cost option in terms of salary and benefits than their PCN counterparts (c) More TCNs are willing to accept an international assignment than PCNs due to the limited opportunities in their country of origin (Briscoe, Schuler, and Claus, 2008; Tarique and Schuler, 2008).

### **1.2.4. Cost Or Effectiveness Of Subsidiary Operation**

The success or failure for the international operations depends on the person/employee who undertake the international assignment and the person who makes the staffing decision, the same can be measured (Bartlett & Ghoshal, 1992; Black & Gregersen, 1999; Hiltrop, 2002) and human resources contribution and function in that success is a critical part (Jaw and Liu, 2004; Rodriguez and DePablos, 2002; Rowden, 2002; Tung, 1998). Unless the staffing practices are well aligned with the business strategy and culture, success rate is less in international business and they cannot compete in global market (Henderson, 2002; Hiltrop, 2002; Laursen, 2002; Mendenhall, Kulmann and Stahl, 2001; Porter and Tansky, 1999). In addition, organization that make poor international staffing

choices may face additional expenses such as damage to relationships with customers, suppliers, and losing reputation in subsidiary operations (Patra, Khatik, and Kodwani, 2002). Some research has discussed about global staffing (Henderson, 2002; Hiltrop, 2002; Laursen, 2002) and revealed the merits and demerits of the host nationals and expatriates managers (Petrovic and Kakabadse, 2003), but direct comparisons between host nationals and expatriates rarely have been done.

### **1.3. PROBLEM STATEMENT**

At the initial stages of international expansion, companies tend to use mainly parent country nationals to work in the international assignment in order to maintain the standardization of services abroad (Perlmutter, 1969a). However with the growing internationalization, multinationals have to give more space and opportunity to host country and third country nationals. Today companies seem to be using a wider range of selection criteria than they did two decades before. Many organizations are welcoming this change so they can select the best fit for the position. Although multinationals started hiring host country and third country nationals for their subsidiaries, we have observed some issues which are described below.

#### **Research Issue:**

- Little research has been done on the link between the international business strategy with staffing approaches.
- Very little research has been done on the effectiveness of the three staffing approaches. There is no research to support which staffing policy/approach is superior to others.
- Most of the research focused on the ethnocentric approach and expatriates than the host country nationals (polycentric approach) and the third country nationals (geocentric approach).
- There is not much evidence on the shift from ethnocentric to other staffing approaches.
- There is no evidence found for analysing the executive's performance to the cost (the amount spent for sending the executives for subsidiary operation).
- So far no research has been done to identify the roles played by expatriates during the organization's different life cycle period.

#### **1.4. RESEARCH OBJECTIVE:**

1. Since there is no research done in the past about linking strategy to the staffing approaches, one of the primary objectives of this research is to identify the links, if any, between these international expansion strategies and the staffing approaches.
2. Extant research has also identified neither the effectiveness of the three staffing approaches nor the shift, if any, from ethnocentric staffing approaches to other staffing approaches.
3. Since the effectiveness of the staffing approaches could be related to their match with the international expansion strategies, this study examines such effectiveness by examining the match of the staffing approaches to international strategies.
4. To date, there is no evidence to support whether the staffing approaches are linked to the strategies for moving abroad. In today's fast growing business, the aim for any organization is to internationalize their business operation. Organizations face problems in the global arena due to the misunderstandings of the local culture, and the accelerating rate of environmental change. Due to the high accelerating change in the environment, economy and market, sometimes organizations even fail to develop strategies appropriate to the new challenges (Adler, Bartholomew, 1992).
5. The existing studies show that the research has been conducted on all the three staffing approaches which is ethnocentric (Banai, 1992) polycentric (Richards, 2001, Banai and Sama, 2000) and geocentric (Gowan, 2004). The research even indicates that some organizations use the combination of PCNs (using expatriates), HCNs and TCNs depending upon the strategy and the size of the business (e.g. Banai, 1992, Gowan, 2004, Richards, 2001, Banai and Sama, 2000, Isidor et. al., 2011). But there is no evidence to indicate which staffing policies are superior (in terms of cost effectiveness) when compared to the other approaches.
6. The existing studies discussed about the different roles played by expatriates. So far no study has been conducted to identify whether the expatriate role changes during the organization's different life cycle.
7. The rapid growth of organization's participation in global business even from developing countries which was earlier dominated and participated only by developed countries like USA, Japan and EU, increase in global competition, shortage of skilled employees have forced organizations mostly to use ethnocentric staffing strategy (using expatriates) contrasting other two strategies. But the perception about using expatriates in subsidiary has been found to be negative by host country nationals. The HCNs claim that the PCNs are less

competent than themselves (Harari and Zeira, 1974). Although organizations use these three staffing strategies as a mix or solely on different situation, more research focused on ethnocentric staffing approach than the other two staffing approaches.

**Therefore the research questions are:**

1. Examine the relationship between international strategy typology and international staffing approaches.
2. What are the different procedures used in international executive selection?
3. To identify if there is any shift from ethnocentric to other approaches
4. Examine the nature of this shift and its speed
5. Explain how all these selection practices affect cost or effectiveness of the organizations.
6. Examine the expatriate role differ during the organization's life cycle?

## **1.5. PROPOSED RESEARCH EXPECTATIONS**

From the extant literature, we have identified the issues in the research such as the alignment between business strategy and executive staffing, different roles of expatriates during organization's different life cycle, effectiveness of executive's performance. The gap in these areas suggested the need to develop/propose a model as well as qualitative method to empirically test and verify the alignment (strategy and staffing) which are proposed in chapter 3.

## **1.6. METHODOLOGY**

In this chapter, we explain how we have collected the data, the participants of our research, and how the analysis will takes place etc. in detail.

### **a) Research Design**

In order to empirically test our research expectations, we used qualitative method in our research. Primary data were collected – in depth interviews were conducted with one top executive of each multinational. We totally conducted 22 direct face to face and telephonic interviews with key executives of multinationals located in France, Singapore, India, Dubai, Belgium, and Netherlands. Direct interviews considered to be one of the best methods of data collection in order to reduce the non- response and increase the quality of data. Direct interview

helped us to get the spontaneous responses without any time delay. Interviews were tape recorded in addition to field/raw notes which was taken during the interview allow us to provide accurate and reliable report findings.

### **(b) Sampling and Sample Size**

The sample that is used in the research is the executives working in top management who makes the international staffing decision located in headquarters. The idea of involving the employees in top management in this research is to identify and evaluate how the selection decisions are made, on what situations, the management prefer to staff expatriates, host country nationals and third country nationals and finally to identify if there is any link between the strategy for international expansion and the staffing selection decision they make. This will ensure the data collected is more reliable and accurate. Our participants' are experienced, qualified, working in multinational as key executive who makes important management decision. Their response not only answers our research question(s) but also add richness and reliability to our research.

### **(c) Research Tools**

The research involved qualitative method for analysing the data that requires verification, validation and recording before the analysis take place. We tested our research expectations with the interview samples and presented our findings in different tables.

### **(d) Data Collection**

For our research purpose, we targeted all the multinationals (excluding born global companies because of their size in business and unfamiliarity in the international business and in the domestic market) located geographically dispersed. To receive the list of multinationals, we utilized the FCCS (French Chamber of Commerce) directory, Singapore Chamber of Commerce, and Social Networking to contact the multinationals. First, we faxed to the top executives of multinationals explaining about our research focus. The response rate was not as we had expected. Therefore, we decided to contact them through telephone. The telephonic contacts brought us favourable responses. Then the date and time of interview was fixed for direct interview based on the availability of the participants. Most of the interviews that were conducted at regional headquarters of French multinationals located at Singapore. Some interviews were conducted at HQ located in France. Telephonic interview were conducted with

top executives of few multinationals due to their geographic dispersion. It took us a total of one and half months to conduct all 22 interviews.

#### **(e) Data Reliability**

We are aiming to get quality of response from the top executives of multinational. Therefore, care was given to the language, tone, words used in the interview schedule that clearly communicates what we exactly wants to find out from respondents. After preparing the interview schedule, we pilot test the interview schedule with few researchers to know the clarity of the questions. We confirmed with the researchers whether the words used in the interview schedule is clear and simple at the reading level of all the participants.

#### **(f) Data Analysis and presentation**

The data collected by us was analysed and we present the results in data findings chapter.

## **1.7. SIGNIFICANCE OF THE STUDY**

The extant literature provides and discusses the business strategy of the organization for the international expansion. Similarly in existing literature, the selection of international executive practices can be found. But, so far no research has been done to link the international business strategy and staffing international executive practices. More research was done about expatriates, their selection criteria, success or failure of the expatriates' assignment etc. But, very little research has been done so far about the host country and third country national's selection practices. Hence, this is an important research context because more organizations even from developing countries expanding their business to international location and they should know what executives can fit the top management position in the subsidiaries. Parallel to the executive selection, identifying strategy and selecting executives to the key position is important for any multinationals.

## **1.8. LIMITATIONS AND ASSUMPTIONS**

There are various assumptions that were made during the course of research and there also number of limitations that we encountered while conducting the research. We collected the data from a total of 22 multinational companies. The findings result of the 22 multinationals cannot be

generalized to a larger population. Due to time and resources constraints, the study was conducted mostly on developed countries. Most of the interviews with French multinationals are conducted at regional headquarters. The limitations are discussed in detail in chapter 7.

## 1.9. RESEARCH PLAN

In **General Introduction**, we included the research background, problem statement, research objectives, research questions and proposed research expectations, brief methodology and limitation of the study.

Chapter 1: **Literature Review** focuses on business strategy and staffing orientation which consolidate the review of the theories. Additionally, we reviewed if there is any alignment between the strategy and staffing orientation.

Chapter 2: **Research Expectations** develops a relationship between international strategy and staffing orientation.

Chapter 3: **Methodology** describes the qualitative research approaches to be followed in the study. This chapter includes the sample, response rate, selection of key informants, analytical approach of qualitative data, validity and reliability have also been reported in this chapter.

Chapter 4: **Data Analysis** describes how we dealt with the data that were collected.

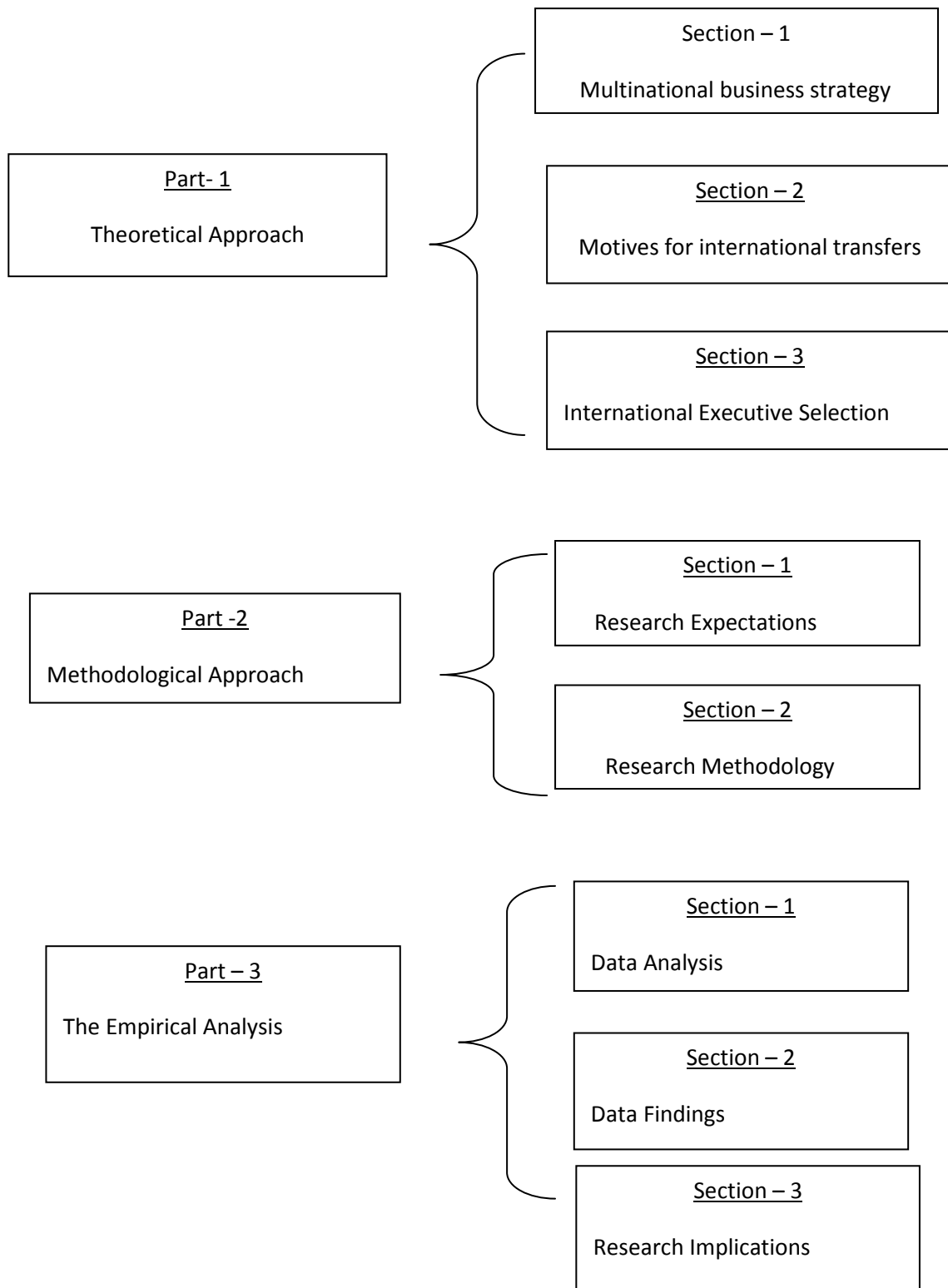
Chapter 5: **Data Findings** discusses the findings of research expectations. Research expectations have been empirically tested and compared with overall measurement model to verify the overall fit to the data and the theory. This chapter focuses on qualitative findings of the study. The sample profile of the in depth interviews, individual participants' responses are discussed in this chapter.

Chapter 6: **Implications & Discussion** provides the summary and implications of the study. To consolidate the answer of the research question and objective, this chapter combined the overall findings, which follows the research implications for researchers and practitioners. Detailed contributions to the theory and the body of knowledge are also discussed. As directed by the present research findings and background, several future research directions are suggested. Limitations are finally addressed in this chapter.

To summarize, the introduction chapter has provided the background and plan of this thesis. The background information explicitly specifies the research gap in the literature. The research problem, research question, research objective clearly signals the significance of this research. This chapter also provides an outline of the investigation including research framework, and methodological approach. Given the framework for this thesis, the following chapter discusses the relevant theories which emerged from a detailed review of the literature specifically on strategy and staffing.



## The Schematic plan of thesis



# **PART – 1**

## **THEORETICAL FRAMEWORK**

## **CHAPTER - 1**

### **LITERATURE REVIEW**

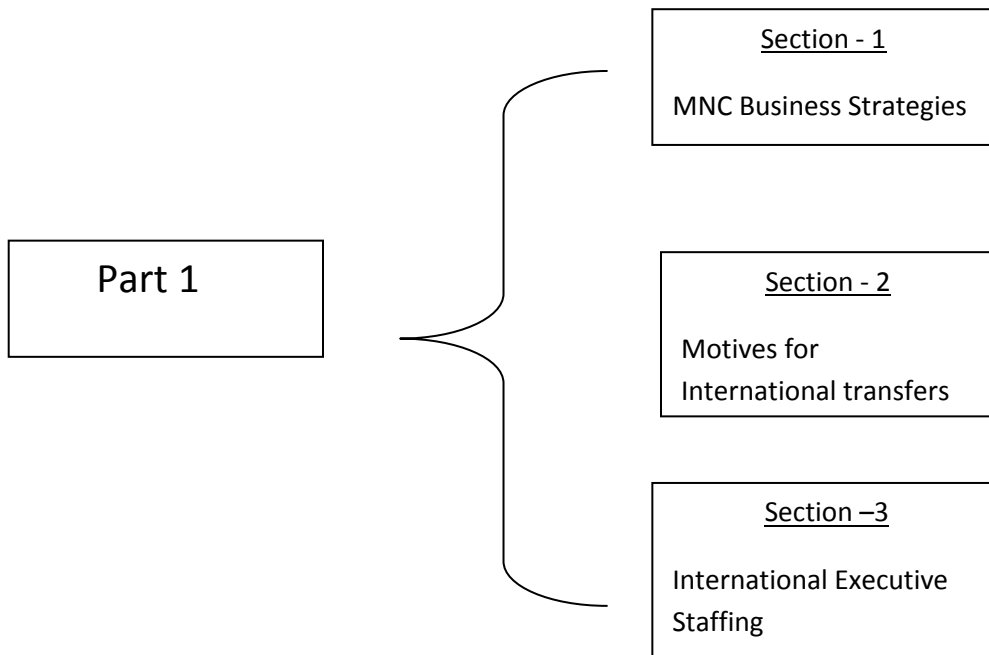
This chapter has been divided into three sub sections. The first section begins by defining what a Multinational Corporation is, followed by Bartlett and Ghoshal (1989) typologies that companies use for global expansion. Terms such as Global, Multi-domestic, Transnational, and International are often used to denote different types of strategies adopted by MNCs. All the four types are explained separately with ample examples, and their relative advantages and disadvantages. In addition, we aim to verify and establish the appropriateness of using Bartlett and Ghoshal (1989) typology for this research by reviewing the empirical evidence for it.

In the second section, we first explain about the motives of multinationals for transferring the employees abroad for their subsidiary operation(s). Once the motive for transferring employees is decided, then the multinational has to decide which staffing option to choose which is explained in third section.

In the third section, we explain the staffing approaches, identified by Perlmutter in 1969. Perlmutter, the pioneer who discovered the different staffing orientations, multinational may use to fill their subsidiary operation with parent country nationals (PCNs), host country nationals (HCNs) and third country nationals (TCNs). The section moves on to explain the staffing strategies organizations use to decide which staffing methods for their international business namely (ethnocentric, polycentric, & geocentric). All staffing approaches are discussed in detail with their relative advantages and dis-advantages. We also explain the traditional staffing style of MNCs (usually with PCNs) with current practices (HCNs and TCNs) for staffing the subsidiary. We also list the reasons why there is a shift from ethnocentric to polycentric and geocentric approaches in the international staffing strategies. is chapter will conclude by explaining the synthesis.

The goals of this chapter are to:

- Review the supportive theories that provide more insights for this study.
- Review the relevant literature related to business strategy, executive staffing approaches.
- Synthesize the review to consolidate the strategy staffing relationships.

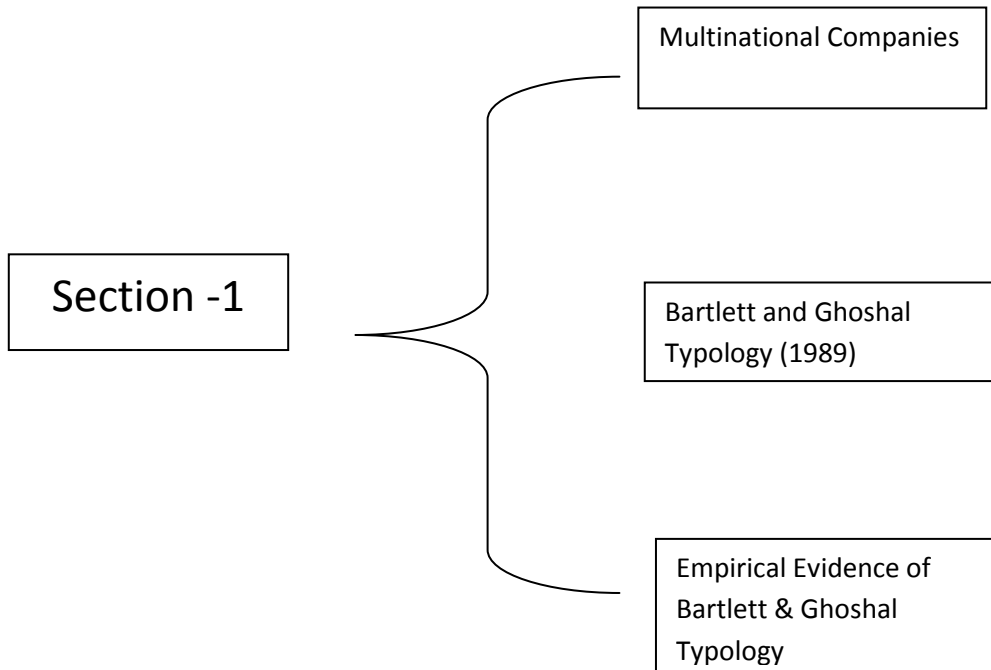


## 1.0. Overview

In our increasingly global society, many companies cannot afford to live with illusion that their domestic market will be intense and successful at all occasions. Not only for this reason, but also, it is a good opportunity for the organization to move/expand their domestic business abroad for variety of reasons (Peterson, Napier and Shul Shim, 1996). By taking a venture into different international markets, a company can expect an increase in profits in general, exposure to greater number of prospects. Further technical proficiency is often increased by expanding into the new markets. The decision to go to a new market must be made with care after making careful analysis of the strategy, culture and work related factors. This is more challenging and critical for the organizations. Differences in values, beliefs, societal norms and business negotiation styles, Government regulation all dictate how to conduct business in the subsidiary operation and these styles have an impact on doing business in foreign countries.

After considering and analysing all the risks carefully, the benefit(s) of going international often remains an advantage. An organization that wants to expand its business operation should identify and balance between risks and opportunities to avoid loss. There are two major steps in preparing for an overseas effort: (1) select the strategy for expanding abroad and (2) decide how to enter the market (Black and Mendenhall, 1991). An international marketing plan should outline and define the product/service to be sold in the country. In doing so, it is essential to consider whether the product/services that work in the home country will work in the new international markets. e.g., electrical outlets in Europe and Asia operate at 220 volts while in USA at 120 volts. Products designed for the American electrical system would need to be modified for overseas market.

## Section - 1



Section 1 has been divided into three sub sections. Sub section 1 describes about multinational companies and how it can have a powerful influence in local economies and sometimes in the world economy. In sub section 2, we begin by describing Bartlett and Ghoshal (1989) business typology. We explained all the four distinct types of strategies of multinational corporations, namely Global, Multi-domestic, Transnational and International with their relative advantages and disadvantages with ample examples. In sub section 3, we describe the results of the empirical studies. We have provided the empirically tested results of researchers (Roth & Morrison, (1990), Leong, Meng, and Tiong, (1993), and Harzing, (2000) who have attempted to empirically test the Bartlett and Ghoshal typology.

## 1.1. MULTINATIONAL CORPORATIONS (MNCs)

A multinational corporation (MNC) or multinational enterprise (MNE) is a corporation/enterprise that manages production or delivers services in more than one country. It can sometimes be referred as an international corporation (Christos and Sugden, 2000). An MNC as a corporation has its management headquarters (HQs) in one country known as home country and operates in multiple locations/ countries, known as host countries. By this way the company can take advantage of benefits of incorporating in a given locality, while also being able to produce goods and services in areas where the cost of production is lower.

An MNC is a parent company that (1) engages in producing global products through its affiliates/subsidiaries located in several countries (2) Exercises direct control over the policies of its affiliates/subsidiaries and (3) Implements business strategies in production, marketing, finance and staffing (Perlmutter, 1969).

There are several ways that MNC can come into existence. One approach is to intentionally establish a new company with headquarters in one country and possibilities of producing goods and services in facilities located elsewhere. The other way to become multinational is to merge with companies based in other country/location.

Multinationals can have a powerful influence in local economies and sometimes in the world economy. Their role in international business and globalization is huge. MNCs are important factor in the processes of globalization. National and local governments often compete against one another to attract MNC facilities with the expectation to increase tax revenues, employment and economic improvement. Sometimes due to the competition, MNCs in some countries may get incentives in the form of tax breaks, subsidized infrastructure and labor regulation.

The four distinct strategies used by multinationals for expanding their business operations are identified as: (1) Global Corporation – centralize its operations that acquires cost advantage through centralized production (normally in HQ where the corporation is located). (2) Multi-domestic Corporation – decentralize its operations, focus more on subsidiary country's need and requirement, considered as separate autonomous unit. (3) Transnational Corporation – partly centralized, partly decentralized operation, balance both standardization and local responsiveness at the same time (4) International Corporation builds on the parent corporation's technology

Current trends in the international marketplace favour the continued development of MNCs due to the liberalization of trade like North American Free Trade Association (NAFTA) a 1993

agreement between Canada, Mexico and USA and the European Union have the overall effect of removing barriers to international trade. The removal of international trade barrier is a boon to multinational corporations.

Multinationals are expected to operate in the subsidiary "best practice or one size fits all approach" due to the standardization of practices expected to be adopted in subsidiary and at the same time practice corporate coherence. According to Naguib and Ratiu (2010), organizations differ in their adaptation in their local environments based on factors situated at the level of the organization and of the activity sector. Multinationals don't restrict them to one location. They operate in multiple and different environments. Due to this diversity, multinationals face multiple institutional pressures (Oliver, 1991). The organization must balance the tension between the legitimate demands of different institutional contexts in which they operate. Multinationals cannot go to new environment with the illusion that the subsidiary environment will have similar culture, work style as of home country. There will be some dissimilarities that the multinationals have to face when they expand their business operation(s) abroad. MNCs decision related to host country selection (location), foreign entry strategy (license, wholly owned subsidiary, franchise, joint venture, mergers and acquisitions) and the transfer of strategic orientations and organizational practices from parent firm to the foreign subsidiary may change due to the environment and dissimilarities of host country culture and government regulation (Xu and Shenkar, 2002). Depending on the distance between the home and host country, the cognitive, regulatory and normative dimensions sometimes restrict MNCs to influence their behaviour. To become successful and stay competitive in the subsidiary environment, multinationals should fit the strategy according to the local environment. To fit the strategy, some degree of adaptation is advisable, and the need for adaptation increases as the institutional distance between source and recipient location increases (Jensen and Szulanski, 2004).

Perlmutter (1969) identified few motives for the organizations moving out of their domestic operations (expanding their operations abroad). The motives are:

- (a) Being multinational is prestigious for the organization
- (b) Multinationals tend to be more progressive, dynamic, geared to the future
- (c) Multinational makes sense for executives, so they take quality decisions which leads to survival, growth and profitability in our evolving world economy
- (d) Multinationals may contribute a significant proportion to the world's Gross National Product (GNP).



## **1.2. BARTLETT & GHOSHAL TYPOLOGY (1989)**

It was the new era of globalization during early 1980's and most of the managers in multinational corporations were unable to understand the nature of forces of change in their particular businesses and especially they were not able to manage the more complex strategies and operations on an on-going basis. Researchers such as Kogut (1985), Porter (1986), and Prahalad and Doz (1987) attempted to identify the strategies multinationals should consider, and the changing nature of the strategic control process between the head office and subsidiaries of a multinational respectively. Up until now, very few studies in the international management literature have tried to derive and test comprehensive typologies of MNCs. Bartlett and Ghoshal (1989) provided the most extensive typology of MNCs. Therefore, we focus on the most researched and empirically validated MNC strategy typology that of Bartlett and Ghoshal (1989).

Bartlett and Ghoshal typology extended Prahalad and Doz's (1987) global integration and responsiveness framework. Bartlett and Ghoshal (1989) identified four distinct types of strategies of multinational corporations (MNCs) namely Global, Multi-domestic, Transnational and International based on nine case studies conducted on companies in developed countries- USA, Europe and Japan. Each of these nine companies had become a large worldwide corporation by exploiting its particular strategic capability. Bartlett and Ghoshal first began with twenty companies to identify the problem definition which had alerted them to the significant variations in the strategic challenges faced by different businesses. To capture the implications of these differences, these researchers conducted in depth study on nine companies. The companies included in the case study were: NEC, Matsushita, Kao, ITT, GE, Procter and Gamble, Unilever, Philips and Ericsson. According to Bartlett and Ghoshal (1989), Adler and Bartholomew (1992), multinational companies may use any one of the typology (Global, Multi-domestic, Transnational & International) in order to maintain and manage their business abroad. Within any industry, companies can and do respond in different ways to the diverse pressures. To identify the commonalities and difference(s), and to capture the difference in strategic position and organizational approach from different national backgrounds, Bartlett and Ghoshal focused on three companies in each industry. The industry includes: House Hold Products, Consumer Electronics and Telecommunications.

House Hold Products: Procter & Gamble, USA

- Unilever, European representative
- Kao, Japanese competitor

Consumer Electronics: GE,

- Philips
- Matsushita

Telecommunications: ITT

- Ericsson
- NEE

They interviewed 236 managers in nine companies both at their corporate headquarters and subsidiary operations. The respondents included at the corporate headquarters include president and all his direct reports. At the subsidiaries level, the respondents invariably included the local general manager and the heads of the major functional areas such as marketing, finance, planning, production etc. Bartlett & Ghoshal conducted the interviews on headquarters and subsidiary level key executives during the period of 1984-86. Based on the research results upon how the organization control their subsidiaries – integration or differentiation, management processes and size of the business, the researchers arrived at the conclusion of the typologies of MNCs as (global, multi-domestic, transnational and international). Authors mainly focused on two main variables – global integration and local responsiveness.

Bartlett and Ghoshal identified two theoretical dimensions that multinationals should first evaluate the forces that are driving pressures for global integration and local responsiveness. The dimensions are (1) Pressure for global integration - signals economies of scale, uniform product offerings etc. and (2) Pressure for local responsiveness-signals host government demands etc. See also Prahalad and Doz (1987).

The figure given below describes that for global strategy, the global integration is high and the local responsiveness is low. For transnational strategy, the global integration is high and the local responsiveness is also high. For multi domestic strategy, the local responsiveness is high and global integration is low and finally for international strategy, both the global integration and local responsiveness is low.

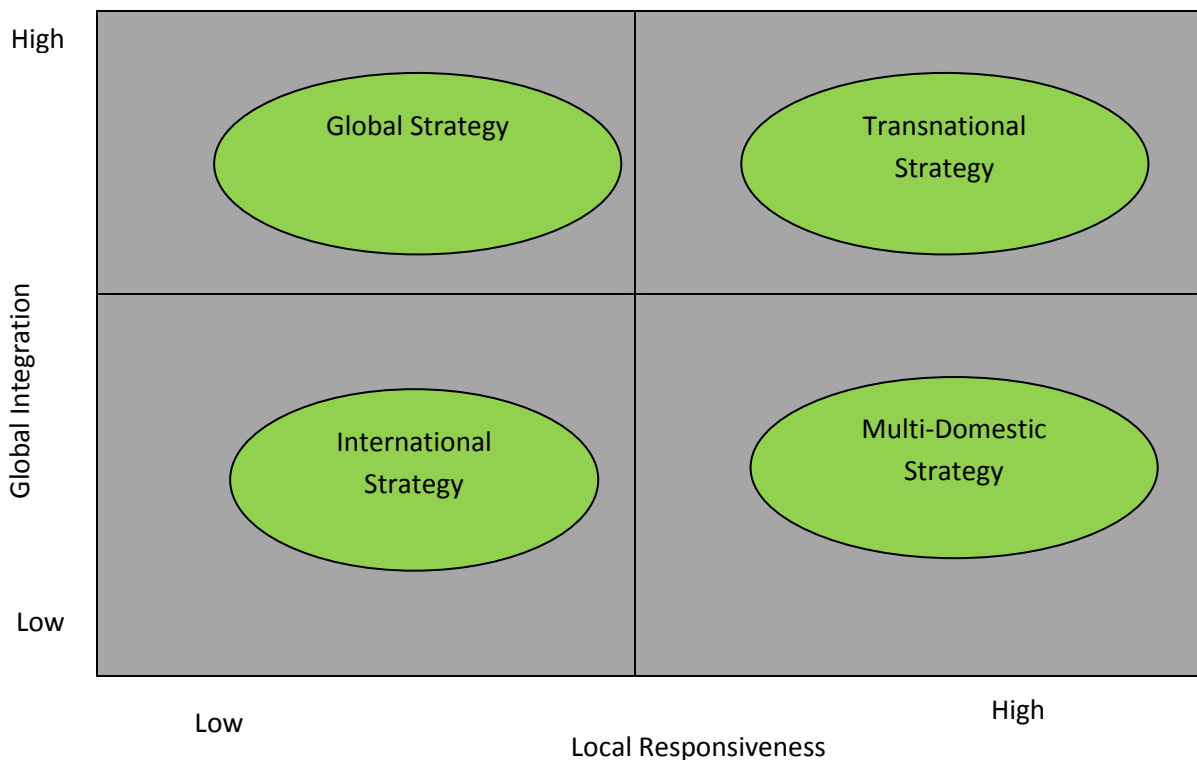


Figure1: Modified version of Bartlett & Ghoshal's Generic Roles of National Organizations

It was the new era of globalization during the period of 1980's that many companies were expanding their business operations abroad. Organizations involved in globalization, were not sure of what strategy to adopt, how to develop the organizational structures, administrative processes, and management perspectives to implement the strategies. In addition, environmental forces had dramatically changed the nature of the strategic demands in a wide range of businesses, and the traditional approaches of multinational, global and international companies could no longer yield any response. The new challenges required new solution (s) and that's how Bartlett and Ghoshal's research started to present a new approach to manage a company's worldwide operations and to help organizations to decide what strategy to adopt depending on their requirement, size etc. Organization's identified that they should respond to national market needs, and develop a worldwide learning capability that drives continuous innovation in order to capture global market and to effectively meet the competitors in the new environment.

Bartlett and Ghoshal also argued that in an environment of increasing complexity, demand, competition, diversity, and change, companies cannot manage through structures that are uni

dimensional, symmetrical and static. Firms that develop the organizational capability to embrace complexity and dynamism rather than deny them will have an enormous source of competitive advantage.

**1.2.1. GLOBAL STRATEGY-** High pressure for integration, low pressure for differentiation:

Global strategy is one of the four typologies of multinationals identified by Bartlett and Ghoshal (1989). During the last two decades, due to trade liberalization, the barrier to international trade was gradually reduced and more organizations are pursuing global strategies to gain a competitive advantage. To create a successful global strategy, managers must understand the nature of the global industries and the dynamics of global competition (Ghoshal (1987). Organization that adopts this strategy treats world as one market and one source of supply with no or very little variation in their products and services abroad. Importantly, competitive advantage is developed largely on a global basis. Hout et al. (1982) suggest that before a multinational adopts a global strategy, they have to ascertain whether there are significant benefits the company could gain by global diversification. Multinationals should understand and recognize that not all international operations lead themselves to global competition; some of these businesses have product differentiation among country markets and have high transportation costs, or their industries lack sufficient scale economies to yield the global competitors a significant competitive edge.

It is not easy for the multinationals to achieve success maintaining the global strategy (similar products or services worldwide) because of the differences in tastes and preferences of people worldwide. Hout et al. (1982) recommends two dimensions for the multinationals to gain competitive advantage in their global strategy: (1) Timing, a tool used by a successful competitor for production cost and distribution advantage as a leverage making it difficult for other competitors to respond and (2) Finance, where the global competitors invest more on technology, production or distribution before their competitors do so.

It is a general assumption in global strategy that parent company or headquarters has the global responsibility for issues that involve activities crossing national boundaries while subsidiary's role is just to implement the strategies. In other words their role is limited to the local/regional operating environment (Bartlett and Ghoshal 1989: 61). In global strategy, organizations integrate their value chain activities across countries to achieve maximum efficiency globally, synergize the activities to maintain co-operation in order to produce with a combined effect. This way the organization can take maximum advantage of similarities across countries, maintain uniform

technology and at the same time monitor competitor on global basis (Bartlett and Ghoshal, 1989, Pucik et al., 1992; Porter, 1986; Roth et al., 1991).

One good example for Global Strategy is Matsushita. They expand their overseas operations abroad through an export based strategy and retained strong centralized product development, manufacturing operations, and marketing strategy. The strategy of Matsushita resulted in : (a) Strong global distribution network (b) Companywide mission statement that was followed closely (c) Financial control (d) More applied R&D (e) Ability to get to market quickly and force standards since individual country buy – in was not necessary (Bartlett and Ghoshal, 1989).

Another example is Coca Cola. The success of coca cola is their ability to understand the local cultures across nations and link the local conditions to its overall corporate strategies. This corporate formula powered companies' business growth and made coca cola a truly global business starting 1950s (Moreno, 2011).

### Advantages of Global Strategies

After Bartlett and Ghoshal identified the four distinct typologies of multinationals, many researchers showed interest on the typologies and developed many advantages and obstacles through their research.

The advantages identified by Kogut (1985)

- ✚ MNCs have two major advantages of adopting global strategy, which is location specific advantage and competitive advantage. Location specific advantage is obtained through exploiting differences in factor, capital, and product markets or government policies among countries. Global competitive advantage is developed through international scale economies, international scope economies and organizational learning across national markets (Kogut, 1985). EADS, Airbus company is a good example for the location specific advantage. Since it is located in Europe (headquartered in France), they are able to derive profit by leveraging the technology.
- ✚ Another advantage of implementing global strategy is the operational flexibility that is derived from maintaining flow of resources within the multinational network. These resource flows include both tangible and intangible asset flows such as parts, components, finished goods, funds, skills and other scarce resources; and intelligence, ideas and knowledge (Bartlett and Ghoshal 1989:48). Through directing

the resource flows, the organization may shift its activities in response to changes in tax structures, labor rates, exchange rates, government policy, competitor moves or other uncertainties (Kogut, 1985).

Advantages identified by Bartlett and Ghoshal (1986), Roth et al. (1991), Jones and Hill (1988), Kedia, et al. 2002)

- ✚ Global strategy implementation is closely associated with the level of coordination and integration among subsidiary activities across geographic locations (Roth et al. 1991). Total E&P has business operations almost in 120 countries and they co-ordinate their business activity with their subsidiaries in order to maintain standardized practices around the globe.
- ✚ All the products are largely standardized and offer the same product around the world because the strategy view the world as single marketplace (Kedia,et al. 2002). The multinational Eurocopter, offers standard product throughout the globe. The products are manufactured or produced only at headquarters. All the subsidiaries are involved only in selling the products except minor changes, no changes has been made to the products they sell in the market.
- ✚ Provides management with a greater capability to respond to worldwide opportunities – the need to develop and diffuse worldwide innovation internationally.
- ✚ Due to the need for coordination, centralization of decision making responsibility and authority is maintained in global strategy (Jones and Hill, 1988). Veolia water solutions and technologies is a good example for defining this advantage. The decisions are made at headquarters. If the decisions are made at subsidiaries, it has to be validated by headquarters.
- ✚ The parent company or headquarters makes all the decisions and have full control on global resources (Bartlett and Ghoshal, 1986:88).

Advantages identified by Yip, (1994), Porter, (1986)

- ✚ By adapting this strategy, the multinational creates economies of scale, which results in lower operational costs Yip (1994), Porter (1986). The multinational EADS produces all products at headquarters and the same product is sold over all countries with minor changes in their products. By doing so, the multinational maintains lower operational costs.
- ✚ High quality products promote global brand recognition and give rise to customer preference and efficient marketing programs (Porter, 1986).

### Pitfalls of implementing the global strategy

Hill (2005), Bartlett and Ghoshal (1986), Edstrom and Galbraith (1977)

- ✚ Implementing global strategy results in a loss of responsiveness and flexibility in local markets. Subsidiaries are restricted to make any decision(s). They are just the implementers of the decision made by the headquarters (Edstrom and Galbraith, 1977). Most of the Japanese multinationals (to name a few, Toyota, Matsushita) makes decisions at the headquarters and all the products are produced at headquarters and the subsidiaries are just to implement the decisions and sell the products in local market.
- ✚ It is challenging and difficult for management, particularly in highly centralized organizations, to closely co-ordinate the activities of a large number of widely dispersed international operations (Bartlett and Ghoshal, 1986).
- ✚ Local managers are not given opportunity to innovate, because the decisions are made at the headquarters. Sometimes this restriction in the subsidiary operation(s) may become demoralized and lose their entrepreneurial spirit (Hill, 2005). EADS is a good example to explain this point. Knowledge is not shared with subsidiaries. The knowledge that is created at headquarters is not shared with subsidiaries. As a result, the subsidiaries are not in a position to innovate or create in their work.

Besides Bartlett and Ghoshal's (1989) typology about global strategies, two other approaches exist, the research done by Yip (1992) and Porter (1986). In both the approaches, the researchers identified dimensions that are different from those included in Bartlett and Ghoshal's approach. The dimensions identified by Porter and Yip are conceptual and not empirically tested. Therefore Bartlett and Ghoshal's (1989) typology is considered for this research thesis as their research is empirically tested, validated and implemented. Although Porter and Yip model does not attract the empirical support by researchers, we hereby describe the drivers of globalization identified by them.

Industries and markets differ vastly, but organizations, more specifically multinational corporations move their international operation to the country where there are more similarities (for eg., culture, tastes and preferences, government policies etc.) or most favourable combination of drivers which are likely to be the reason for their subsidiary country selection.

More specifically, Yip (1992) identified four drivers for globalization. He emphasized that each driver should be analyzed for the industry and market under consideration. The four drivers

identified by Yip are: (a) market drivers (b) cost drivers (c) government drivers and (d) competitive drivers.



Figure 2: Drivers of Globalization (source from Yip's globalization drivers (1992))

#### Market Globalization Drivers:

- Customer needs may be similar or different depending on the needs, change in culture, environment and other factors.
- Often organization's purchase products on a global basis in order to ensure low cost and provide quality products to their consumers at the same time. General Motors is a good example. They buy their automobile components globally (from different places/countries) to provide quality products to their customers. As a result of increase in number of business, the number of global customers has also increased.
- Certain countries take lead in product innovation in certain industries. For instance, Japan is the leader in Electronics, USA in Computer technology and Italy in ceramic tiles (Porter, 1990). Such countries set the global standards for the products and services in which they are pioneers in market.

#### Cost Globalization Drivers:

- The organizations fixed costs that are high mostly practice global strategy. So they can achieve economies of scale. Same products are produced for the entire global market.

#### Government Globalization Drivers:



- Extent to which differences in marketing regulations set by governmental bodies affect the potential for globally uniform marketing. Sometimes, the subsidies provided by the government for the home market encourages to seek foreign customers which results in increasing global competition.

#### Competitive Globalization Drivers

- The exports and imports of the country influence the competition in the country. If there are more participants in the market, then the competition will be high. If the competition is between the domestic markets, then the organizations are not forced to compete in the global strategy. In such case, the organizations can compete within national boundaries.

Porter (1986) suggested five strategies, the multinational should consider while expanding their business operations abroad. These five strategies, was not included in Yip's (1992) theory and Bartlett and Ghoshal's (1989) typology. The Five strategies are: (a) Global Cost Leadership (b) Global differentiation (c) Global Segmentation (d) Protected Markets and (e) National Responsiveness

- Cost Leadership: Global strategy focuses on being the lowest cost producer of a product globally. Organizations take advantage of global economies of scale and high volume sales worldwide.
- Global Differentiation: Organizations that practice global strategy create a superior product or change customer perception of the product in order to raise price on a global scale Global strategy motive is to build a strong brand name.
- Global Segmentation: Organizations with global strategy targets a single segment (product or service) on a worldwide basis.
- Protected Markets: Organizations focus on competing in countries where that particular government protects or favors the business (provide subsidies to the organization).
- National Responsiveness: Organizations focus on the needs and preferences of the market they are serving.

Implementing global strategy brings benefit not only to the organization, but also for the customers and the host country. Levitt (1983) has explained the benefits of practicing global strategy which not only benefits the multinational but also the international customers and the host country. The benefits are explained in the table given below:

<u>Multinationals</u>	<u>International Customers</u>	<u>Host Country</u>
- Increase in profit	- Cheaper prices (same product everywhere)	- Better standard of living for developing & under-developed countries
- Increase in sales	- Variety & opportunity of choice of more products & services	- Rise in the economy
- Different market	- Improved quality products	- More job opportunities for the local nationals
- Economies of scale & reduced costs		- Increase in the reputation
- Optimizing resources (human, finance, & natural resources)		

Table 2: GS benefits to MNCs, Customers & Host country (source from Levitt (1983))

**1.2.2. MULTI DOMESTIC STRATEGY-** Low pressure for Integration, High pressure for differentiation:

Multi domestic strategy is just opposite to the global strategy. This strategy involves products tailored to individual countries. The main focus of the companies who obtain this strategy is to increase their revenue by differentiating their products and services according to the customers' needs and preferences, industry characteristics and government regulations.

Companies adopting multi-domestic strategy gathers information from the local market, analyze them, so they can best serve the local customers. Innovation is done by local Research and Development (R&D). Subsidiaries depend on local innovation for their local products to exactly match the local needs and use its own resources to respond to those needs (Pucik et al., 1992; Bartlett and Ghoshal, 2002; Porter, 1986). Every subsidiary unit is autonomous, the subsidiary units are not linked with each other and the subsidiaries have decentralized control (Bartlett and Ghoshal, 1989). It is assumed that tailoring products and strategies to individual markets will offset the higher cost that may result. Organizations with no or little international experience adopt this strategy as they can delegate many tasks to their country managers (Franchisees, licensees etc.). Difficulty of obtaining this strategy is that due to the stand alone philosophy, there is possibility of cross fertilization of learning and innovation. Multi-domestic strategy is driven by a "multiple managerial philosophy" because it requires considerable strategic variety as subsidiaries of each country may

pursue its own strategy. This strategy indicates that the company allows each subsidiary to operate relatively independently, each being free to customize most aspects of its operations to meet the specific needs of its local customers. Multi – domestic strategy makes most sense when there are high pressures for local responsiveness, but the integration is not a big issue for firms that have adopted this strategy. Multi domestic company has a high level of local responsiveness, meaning their corporate strategy involves catering to the market demands of their immediate community (Harzing, 2000).

To balance global integration and local responsiveness, Birkinshaw et al., (1996) suggests that multinationals should be sensitive to what local managers think about indigenous contingencies in a specific environment because the local managers are in a better position to screen and appraise local dynamics and impediments.

Multinationals local responsiveness involves several factors such as geographic diversification and demand heterogeneity. In many countries, consumers continue to demand locally differentiated products reflecting substantial divergence in standards, tastes, brand recognition and perceived needs. To balance global integration and local responsiveness, Birkinshaw et al., (1996), suggests that MNC headquarters should be sensitive to what local managers think about indigenous contingencies in a specific environment because the local managers are in a better position to screen and appraise local dynamics and impediments.

Culture: MNCs that decides to do business in the new environment needs to consider the culture of the local environment. Culture is the set of norms, beliefs, customs that exist within the environment. MNCs that enter into that market develop management and other practices in accordance with the local culture they are operating in. Once the MNCs decide to move to the new environment, they analyze not only the market, but also the difference in national culture. Understanding the differences is the key to successfully working with other cultures. Once the MNCs identify the needs, they decide how to respond to the changes in the environment, i.e. whether to change the product, or make minimal changes in the products they are selling in the new environment. Culture play vital role in MNCs decision particularly when they are moving to the new environment with the high difference in culture.

We would like to give the example of Philips that adopted multi-domestic strategy (Bartlett and Ghoshal, 1989, p.21). The subsidiary units of Philips are highly autonomous, self- sufficient which includes a complete range of activities from development to sales. Therefore Philips strategy resulted in:

- Innovation from local R&D: For Philips, innovation means fully understanding the needs and aspirations of people and providing them with unique and creative solutions. For eg., Philips in China gone from "innovating for China" to "innovating in China" to stay ahead of competition. With the help of local R&D team, Philips could best serve the local customers according to their needs and desires (Source: [www.chinadaily.com.cn](http://www.chinadaily.com.cn)).
- Entrepreneurial spirit: Philips valued the entrepreneurial spirit, characterized by innovation, persistence, uniqueness in products, and creativity (Rajagopal, 2007).
- Products tailored to individual countries: Customers tastes and preferences vary according to the country. Therefore Philips products are tailored to individual countries and designed according to the local customer's tastes and requirements (Rajagopal, 2007).
- High quality: Philips maintained high quality of their products at all subsidiaries (Rajagopal, 2007).

Although Philips subsidiary are totally autonomous and self-sufficient, they faced some challenges due to the implementation of multi domestic strategy (Rajagopal, 2007). The challenges are:

- Philips faced high costs due to tailored and customized products and duplication across countries.
- Innovation from the local R&D groups resulted in products that were R&D driven instead of market driven.
- Philips was producing almost twice the volume of a very different product mix at fewer plants.
- Some plants in different locations had highly efficient operations, using the most advanced manufacturing processes and technologies to produce a focused product range for global markets.

#### Benefits of Multi-Domestic Strategy

- ✚ A multi domestic strategy that develops products which is tailor made to the local customers (Bartlett and Ghoshal, 1989). Oxygen Air Liquid multinational having its operations in many parts of the world. They have the operations in Singapore (subsidiary) where the products are made for local customers according to their needs.
- ✚ Innovation comes from local R&D to identify the local needs and preferences and cater them according to the requirement (Bartlett and Ghoshal, 1989).
- ✚ Each subsidiaries act on its own, so decisions can be taken quickly (Hill, 2005). Oxygen Air Liquid multinational subsidiaries are independent and autonomous. So they can easily cater the needs of the local people.

- ✚ Multi- domestic industries or businesses will be effective and essential where the competition is different from the headquarters (Porter, 1986).
- ✚ Due to the host country's demand and conditions, the organization has to modify and adopt its strategy and, over time, its competitive advantage becomes largely specific to the individual countries. Hence, each subsidiary becomes strategically independent and operations are decentralized (Porter, 1986).
- ✚ Multi domestic strategy decentralizes its business operations to meet the political realities of operating in different national markets (Porter 1986 and Prahalad and Doz, 1987).
- ✚ This approach places minimal pressure on headquarters staff because the authority for managing the subsidiary operation is delegated to the local managers (Prahalad and Doz, 1987). Sabena training services provide airbase training needs to the customers in Europe and around the world. So they have delegated the power by providing training for the local executive and place that person in charge for the subsidiary.
- ✚ Organizations with limited or no international experience often find this strategy an easy option as they can delegate many tasks to their subsidiary manager ((Prahalad and Doz, 1987).

#### Obstacles of Multi Domestic strategy.

- ✚ Adopting multi domestic strategy sometimes may lead to inefficient manufacturing, redundant operations, a proliferation of products designed to meet local needs, and generally higher costs of operations than other strategies (Bartlett and Ghoshal, 1989).
- ✚ Multi-domestic strategy is effective when large differences exist between countries (Bartlett and Ghoshal, 1989).
- ✚ Multi domestic strategy products that differ greatly from other countries which will have a high transportation costs, or their industries lack sufficient scale economies to yield the global competitors a significant competitive edge ( Hout et al (1982).
- ✚ By emphasizing more on local responsiveness, multinationals that practice this strategy, lose its international identity (Bartlett and Ghoshal, 1989).
- ✚ It is difficult for the headquarters to transfer the core value due to the decentralized operation (Hill, 2005).
- ✚ Competition may escalate among subsidiaries for the firm's resources because the subsidiary managers do not share a common corporate vision (Hill, 2005). Due to the decentralized

operation, subsidiary share only limited information which reduces the possibility of developing knowledge based competitive advantage (Hill, 2005).

- ✚ Subsidiaries product failure makes that branch less insulated because of the success of other company's within the parent company's reach (Leong et al. 1993).

### **1.2.3. TRANSNATIONAL STRATEGY**-High pressure for integration, high pressure for differentiation:

In transnational strategy, multinationals have a coordinated approach to internationalization in which the firm strives to be more responsive to local needs while retaining sufficient central control of operations to ensure efficiency and learning. Organizations that practice this strategy are not country specific and their main focus is managing cost & revenues balancing simultaneously with efficiency and innovation. Transnational implies a flexible approach – standardize where feasible and adapt to the local needs where appropriate. These organizations give importance to the local responsiveness and at the same time practice global standardization/integration to maintain and control the cost. The major issue of practicing this strategy is difficult implementation due to complex communication networks, and intricate organizational issues. This strategy poses leadership challenges for successful management (Bartlett and Ghoshal, 1989).

Transformation to Transnational strategy during 1980's:

Different tasks in the businesses required different levels of efficiency, responsiveness and learning capabilities. Organizations cannot stay with the illusion that they can succeed with a relatively uni-dimensional strategic capability that emphasizes only efficiency, or responsiveness or leveraging of parent company knowledge and competencies. To become successful, an organization should practice and achieve all three goals (efficiency, responsiveness & learning capabilities) at the same time. One important trend has been driven by changes in the attitudes of national governments and shifts in customer tastes and preferences in consumer electronics during 1980 had forced and enhanced the need for national differentiation to become more responsive to local needs, while protecting their world scale economies (Bartlett and Ghoshal, 1989: 27).

Hill (2005), identified some benefits of practicing transnational strategy which is discussed below:

### Benefits of Transnational Strategy

- ✚ Exploiting scale economies by sourcing from a reduced set of global suppliers: concentrating the production of offerings in relatively few locations where competitive advantage can be maximized.
- ✚ Core competencies are exchanged easily: The subsidiaries of this strategy are interdependent on each other. Therefore, the core competencies are easily exchanged.
- ✚ The strategy encourages facilitating global learning and knowledge transfer at the same time.
- ✚ The cost structure of these organizations is usually lower. The reason the cost structure is so advantageous to these organizations is because they have the ability to experience lower property prices, lower employment wages and possibly positive results from currency exchange rates.
- ✚ Some examples of organizations/companies that practice transnational strategy:  
Procter and Gamble is the example for transnational strategy (Bartlett and Ghoshal, 1989, P.21).

McDonalds may be cited as a good example that has followed the transnational strategy.

McDonalds sells somewhat unique, yet somewhat standardized in different markets. For ex., McDonalds sell their trademark food, burger and fries in all the countries (standardization) and at the same time make changes according to the local environment. In France they have added "p'tit plaisirs" or "small pleasures" to meet the local needs (local responsiveness). Certain components of McDonalds strategy can be globalized or localized according to the changes in the macro environment and to the globalization drivers. The components are:

Decision making: McDonalds decisions are generally taken at headquarters. But Sometimes, the decisions are taken at the subsidiary level when local responsiveness is required.

Value Adding Activities: The Knowledge that is developed by McDonalds are retained at headquarters, and sometimes it is disseminated with subsidiaries or some combination of two according to the local advantages.

Products: McDonalds products may be standardized or adapted when conditions dictate.

Marketing Strategy: The marketing strategy adapted by McDonalds may be global or local according to consumer and product characteristics. (Source: Stonehouse, G.,

Campbell, D., Hamill, J., and Purdie, T.(2004)

### Challenges of Transnational Strategy

Though there was a transition from global and multi-domestic strategy to transnational strategy, Bartlett & Ghoshal (1989) identified some challenges adapting this strategy which includes:

- ✚ The innovation process includes both headquarters and subsidiary operations. Due to this twofold operation, one innovation process often impedes the others.
- ✚ It is difficult to practice both standardization and local responsiveness at the same time.
- ✚ Affect the organization if not properly controlled (technological, cultural, political and economic aspects).
- ✚ In the long run almost all firms find that they need to include some elements of localized decision making because each country has idiosyncratic (particular way of thinking & behaving) characteristics. Eg., Few people in China may want to buy Laptop preferably with English keyboard. Another example is Coca Cola. They slightly modified its ingredients in different markets because customers in USA like Vanilla flavour whereas in India people don't like vanilla flavour in soft drinks. Therefore Coca Cola has to make slight variations in their products they offer to different markets.

**1.2.4. INTERNATIONAL STRATEGY-** Low pressure for integration, low pressure for differentiation:

Organization that adopts this strategy sells its home products in foreign markets without making any changes in the products. In other words, organization sells its excess products in the new market. The reason for implementing this strategy is that international markets yield potential new opportunities (Hill, 2005 and Vernon and Wells, 1981). The MNCs may be headquartered in a technologically developed country like USA to exploit their home country innovations in new subsidiary location. This strategy may not work in the countries where the local responsiveness demand is high (Bartlett and Ghoshal, 1989).

### Advantages of International Strategy

- ✚ Increased market size – product is developed in home country for domestic customers with inelastic demand and if the product is successful, the same product is moved to the international location (Hill, 2005; Vernon & Wells, 1981).



- ✚ Greater returns on major capital investments or investments in new products and processes – the successful product in domestic market are exported to developed countries to take advantage of economies of scale (Vernon & Wells, 1981).
- ✚ Competitive advantage through location such as access to low cost labor, critical resources etc. (Czinkota, Ronkainen, and Moffett, (2005).

Pitfalls of International Strategy

- ✚ Limited flexibility because of little experience and location economies.
- ✚ Home products may not suit international customers due to the change in culture, tastes and preferences.

Based on the existing literature in international management, there is evidence that different types of strategies (global, multi-domestic, transnational and international) of multinationals do exist. Empirical test has been conducted on Bartlett and Ghoshal typology of multinationals by few researchers such as Roth and Morrison (1990), Harzing (2000) and Leong, Meng and Tiong (1993). The details of the empirical test findings are discussed later in this section. Of the four typologies, international strategy has not attracted many researchers, as a result many authors did not include the international strategy in their categorization, and it is not as clearly defined as the other types and has not received much empirical support.

To show the difference in the characteristics of the four typologies of multinationals, we created a table which will recapitulates the key organizational attributes of the multinationals.

Characteristics of four Strategies of Multinationals

Organizational Characteristics	Global	Multi-Domestic	Transnational	International
Decision making style	Centralized	Decentralized	Partly centralized, partly decentralized	Centralized
Status of subsidiary operations	Implement strategies HQ	Depend on local R&D, autonomous business unit	Differentiated contributions by national units to integrated world wide operations	Adapting and influencing parent company competencies
Standardization Vs Differentiation of products or services	Standardization-high, differentiation –low	Standardization-low Differentiation-high	Standardization-high, differentiation-high	N.A

Dependency on HQs	Dependent	Independent	Interdependent	N.A
Knowledge development & diffusion	Knowledge not shared, developed and retained at HQ	Knowledge developed at each subsidiaries level, no influence of HQ	Knowledge developed by both HQ & subsidiary and shared with other subsidiaries	Knowledge developed at the centre and transferred to overseas units
Transfer of core values	Transfer strategy, vision, mission, objectives everywhere	Adopt different strategy, objective	Transfer of core values with minor changes in the objective based on the local responsiveness	No core values is transferred
Economies of scale	Low operational costs	High operational costs	In between high and low costs	Low costs

Table 3: Characteristics of MNCs 4 strategies (modified version of Bartlett and Ghoshal (1989))

Bartlett and Ghoshal have used a discrete measure of the two theoretical dimensions. It would be better to use a continuous measure of the two theoretical dimensions because the aim of this research is to identify the variation in staffing approaches corresponding to the variation in strategy.

### 1.3. Empirical Test of the Bartlett and Ghoshal's (1989) Organizational

#### Typology

For the last few decades, few attempts have been done in the international management literature to test typologies of MNCs. Many researchers such as Porter (1986), Prahalad and Doz (1987) attempted to test comprehensive typologies of MNCs. Their study was based on conceptual ideas and was not empirically tested. Bartlett and Ghoshal (1989) provided the most extensive typology of MNCs and were empirically tested. Below, we will describe the results of the empirical studies, the later researchers (Roth & Morrison, 1990; Leong, Meng, Tiong, 1993; and Harzing, 2000) have attempted to empirically test the Bartlett and Ghoshal typology.

Roth and Morrison (1990) conducted an empirical test to analyze the effectiveness of the integration and responsiveness framework for organizations in global industry and simultaneously tested the business level strategy and performance of each category. To examine the effectiveness, researchers conducted a field survey of organizations competing in global industries based on the information provided on the existing literature as global industries by (Porter 1980, 1986; Hout, Porter and Rudeen 1982; Bartlett and Ghoshal, 1987; Prahalad and Doz 1987). The industries included in the survey were civil aircraft and parts, watches and watch parts, textile industry, mining,

oilfield, semi-conductors, electro medical and X-ray apparatus etc. The respondents included in the survey are CEO's and presidents of the business units and questionnaires was prepared and forwarded to them for their response.

Using cluster analysis, Roth and Morrison segmented businesses into three groups based on the industry forces associated with global integration and local responsiveness pressures. These researchers (Roth and Morrison) suggested that maintaining the global strategy in all locations is a critical factor because if the organization modify or alter its strategy to fit the local environment in one location will concurrently impact the other locations also. Thus the global industry acts as a separate and different competitive arena instead of an amalgamation/integration of services in host nation competitive environments. In organizations practicing global strategy, if managers perceive local pressures predominantly, responsiveness is emphasized. Alternatively, if managers perceive and insist on global integration, high emphasis is placed on global strategic coordination. Prahalad (1976); Doz (1986); Bartlett and Ghoshal (1989) propose that when environmental pressures force organization to respond simultaneously to both local responsiveness and global integration, "multifocal" business strategies are adopted while businesses maintain the local responsiveness and integration at the same time. Bartlett and Ghoshal identified this typology as transnational strategy. Roth and Morrison (1990) used a different term called "multifocal" for transnational strategy. Roth and Morrison segmented the business operations into integration, responsiveness and multifocal and related these characteristics into four strategic dimensions (a) complex innovation – the degree to which business introduces major products or services (b) marketing differentiation – unique products to meet the needs and loyalty of the local environment (c) breadth – the scope of market that business services and (d) cost control – the extent to which the business a cost leadership position. Roth and Morrison concluded that within a global industry, groups of businesses exist that view the industry different and therefore emphasize different competitive attributes namely global integration, local responsiveness and multifocal.

Leong, Meng and Tiong (1993) conducted an empirical research to test Bartlett and Ghoshal (1989) organizational typology. The respondents included in the study were 131 top officers of MNCs around the world who were attending global strategies conference organized by Singapore Economic Development Board during 1990. Companies practicing global strategy were engaged in a wide range of operations, with electronics, computers and chemical industries. The sample companies did not include domestic and probably just internationalizing firms. A survey questionnaire was designed that required the top executives (respondents) to (1) categorize their organization into one of the four types (global, multi-domestic, transnational & international) developed by Bartlett and Ghoshal

(1989) and (2) Development and diffusion of knowledge in their organizations. Specifically respondents were asked to indicate how their company achieved competitiveness in global market on one of the four given choices (a) by maintaining cost advantages through global integration (b) strong presence in host country through differentiated products according to the tastes and preferences, government regulations and industry characteristics (c) innovation combining headquarters and subsidiaries through interdependency and (d) exploiting parent company's knowledge worldwide with little changes adopted. Each option reflected one of the four strategies in the Bartlett and Ghoshal (1989) framework. Specifically options a, b, c and d is associated with global, multi-domestic, transnational and international types of organization, respectively. Their research result indicated that transnational strategy considered as the least prevalent form for organizing international business activities. According to the authors, the lack of difference between transnational and other types of strategies may be due to the evolving nature of corporate structures in international business. The respondents stated in their respective response is that the new knowledge developed in overseas units and the R&D activities conducted by parent company was retained at the headquarters level and not transferred to other locations/subsidiaries. To justify what Bartlett and Ghoshal had discovered about multinationals adopting multi-domestic strategy, the respondents proved that the multi-domestic strategy organizations are having decentralized operations, self-sufficient, depending on local R&D to meet the local demands and knowledge was developed and retained within each subsidiary unit. Further in this research paper, the authors agreed to what Bartlett and Ghoshal (1989) had specified that there is no particular or specific organization type which is best suited for specific countries and the organizational forms differ based on their (a) assets and capabilities (b) role of overseas operations and (c) development and diffusion of knowledge.

Leong, Meng, Tiong (1993), study indicated two principal findings. (a) Executive's participated in the survey perceived their companies to vary in international organization type and (b) there is partial support for the differences in characteristics predicted across the four organization types of Bartlett and Ghoshal (1989). In particular, the boundary between multinational and especially globally organized corporations relative to other organizational types were more evident than those expected for international and transnational corporations. Thus they show partial support for the Bartlett and Ghoshal typology with stronger support for two types global and multi-domestic and less support for international and transnational.

Harzing (2000) conducted an empirical analysis, an extension on Bartlett and Ghoshal typology of multinational companies (MNCs). She reviewed all the existing empirical evidence for the

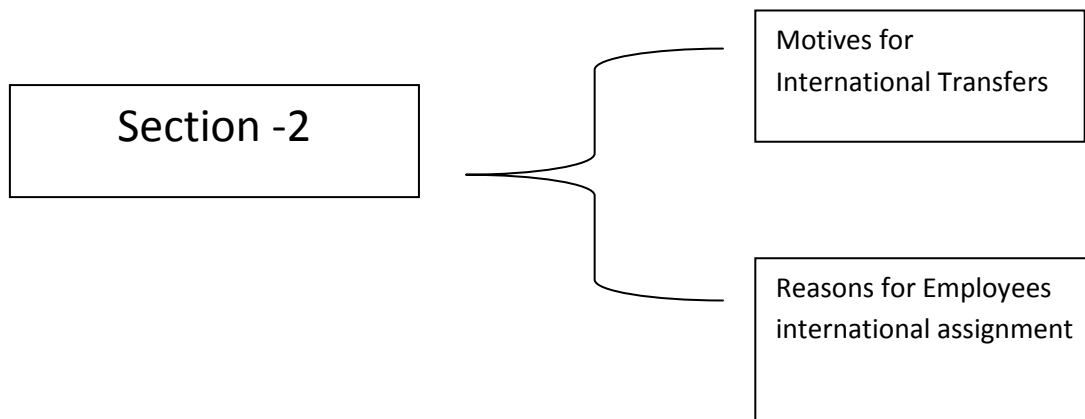
typology. Harzing included few variables such as organizational design, interdependence which was not addressed by any researchers before. To conduct the analysis, Harzing collected data from one hundred and sixty six subsidiaries from thirty seven MNCs, headquartered and located in nine countries. Harzing strongly believed that the organization which adopts the strategy (global, multi-domestic, transnational and international) and fit between environment, strategy, structure and processes would perform better than the multinationals that do not show such fit. Until now, very few studies in international management literature have attempted to test the typologies of MNCs. Bartlett and Ghoshal (1989) identified and developed the most extensive typologies of MNCs. Before Bartlett and Ghoshal identified the four typologies, few researchers (Perlmutter, (1969), Doz, (1986), Porter, (1986), Bartlett, (1986), Prahalad and Doz, (1987), Stopford and Wells, (1972) attempted to study on the typologies of multinational companies. Based on the existing empirical findings on the typology, three types of multinationals are distinguished on their research: Global – high on integration, low on local responsiveness, Multi-domestic – high on local responsiveness and low on integration, Transnational – high on integration, high on local responsiveness. The international firm does not fit in this category. Few researchers such as Sundaram and Black, (1992) simply considered international and transnational strategy are the same and rest of the researchers' neglected international strategy since it was difficult for many researchers to distinguish it from other strategy. Their research was based on conceptual analysis and they didn't include the international typology for their research. Bartlett and Ghoshal (1989) identified four distinct typologies, the multinationals practice based on empirical analysis conducted on nine case studies of multinationals located in USA, Europe and Japan. The typologies characteristics are not the same for all researchers. For instance, Adler and Ghadar (1990) described about three typologies of Bartlett and Ghoshal typology. But the description given for the global strategy closely fits the transnational strategy. But, all researchers explicitly agreed on two specific factors – integration/co-ordination advantages versus localization/differentiation advantages in describing their strategy at either headquarters or subsidiary level.

At the initial stage (during 1970-1980's), few studies were conducted on typologies of multinationals. These studies were mainly descriptive and included small samples (only 9 case studies conducted by Bartlett and Ghoshal) by including interviews or in-depth case studies. Most of the research included only headquarters and not subsidiaries. Later studies have attempted to test the variables in a more systematic manner. All the researchers used Bartlett and Ghoshal typology as a base for their research/study.

Based on the empirical study conducted by Harzing (2000), it is confirmed and accepted that standardization is practiced in global companies, centralization of services, knowledge is developed and retained at headquarters, globally scaled and the subsidiaries are just implementers and no innovation or adaption takes place at the subsidiary's level. This statement is matching with what Bartlett and Ghoshal discovered on their analysis. Multinationals that adapted multi-domestic strategy focused more on local responsiveness, considered as a autonomous business unit, detached from headquarters as described by Bartlett and Ghoshal. This statement is also matching with Bartlett and Ghoshal typology. Organization that holds transnational strategy characteristics was different from Bartlett and Ghoshal explanation especially with the organizations that were involved in food industry. Most of the products the subsidiaries were offering had adapted or modified according to the needs of the local market which resembles multi-domestic strategy and not transnational strategy. Using a three cluster analysis, Harzing measured the strategy adopted by headquarters. The test results confirm that there is a strong evidence for global and multi-domestic Strategy. Transnational strategy is different from what Bartlett and Ghoshal had described especially in food industry.

Harzing (2000) test results concluded that Bartlett and Ghoshal's typology based on in depth case studies of nine multinationals can be confirmed in a large scale empirical setting.

## Section - 2



Section 2 has been divided in to two parts. In sub section 1, we will first explain the motives for sending the employees abroad. In sub section 2, we have listed the 3 important reasons – position filling, management development and organizational development.

## **1.4. MOTIVES FOR INTERNATIONAL TRANSFERS (Edstrom and Galbraith Typology (1977))**

In this sub section, we will first explain the motives for sending the employees abroad followed by Perlmutter (1969) staffing orientation, the organizations use to staff their international operations. After explaining the staffing approaches (ethnocentric, polycentric, geocentric and regiocentric) in detail, this subsection will continue to explain why traditionally the multinationals use more expatriates for the international operations and what is the current trend faced by the multinationals for filling the key positions abroad.

Edstrom and Galbraith (1977) is the only one that identified and theoretically explained why international transfer of employees occurs in organizations. Until Edstrom and Galbraith identified the motives for sending employees abroad, most of the firms were making transfer decision either on individual or case-by-case basis but had never analyzed the transfer strategy. To identify what makes the organization decide about international transfers, the researchers conducted case study analysis on sixty largest firms in Europe. To discuss about motives of transfer, the organizations' current practices, the problems and experiences, the researchers decided to conduct workshop at Brussels and forwarded an invitation to all the personnel managers working in sixty organizations to attend the workshop. The workshop was attended by eleven representatives from ten organizations. As a result of the workshop, researchers learned about current practices and problems in European organizations. It was British, Swiss, and North European companies that appeared most interested.

### **1.4.1 Reasons for MNCs Employees international assignment**

International transfer of employees occurs when employees are transferred from headquarters to the subsidiary location to carry out similar tasks, with or without change in their hierarchy for three main reasons identified by Edstrom and Galbraith (1977): (1) Fill positions – transfer takes place when the headquarters could not find suitable match (lacking in technical and managerial knowledge) in the subsidiary location. The motive for transfer is important especially with developing countries where it is difficult for headquarters to find a qualified local national or cannot quickly train the local employees. But sometimes, knowledge transfer is essential even in developed countries as well. In addition to the above reasons, the organization transfer employees who may have previous international experience with awareness about the culture, language and environment



of the subsidiary location. As a result, the employee may show his/her willingness to move abroad which ease the organization's decision of executive selection. (2) Management Development – to promote employees for top management positions and to help the employees to face the new challenges. In other words, the transfer of employees is provided by the organization to develop the executive (expatriates) management capabilities to accept challenging tasks both in headquarters and subsidiaries in the future. Further, the motive for this transfer is to utilize the skilled employee for top position, and simultaneously retain the skilled employees with the organization. This kind of transfer would be carried out even if qualified host country nationals are available in the subsidiary location. (3) The final goal is not for individual development but for organizational development. This transfer helps to socialize both expatriate and local managers into the corporate culture and the creation of a communication network that provides links between subsidiaries and headquarters. In addition, the organization can ensure homogeneous practices across all subsidiaries. Fig: reflects the same idea which is explained above.

Though the motive for international transfer is identified by Edstrom and Galbraith for three different reasons (position filling, management development and organizational development), Pausenberger (1987) indicates that all three functions of international transfer can relate to organizational development which in fact helps the organization to increase its efficiency/potential to succeed and compete in the international environment. Roessel (1988) agreed to Pausenberger's view and included his comment that various functions of international transfers can further move on to more international expansion of multinationals which would increase their competencies in international markets. Harzing (2009) in her statement indicated that the organizational development motive is to socialize and coordinate the headquarters and subsidiaries, hence it should be called as coordination and control rather than organization development. Transferring employees abroad may not be an effective solution for all types of organizations and for all the situations. International transfers may be effective when subsidiaries are interdependent than when they are autonomous (Edstrom and Galbraith, 1977).

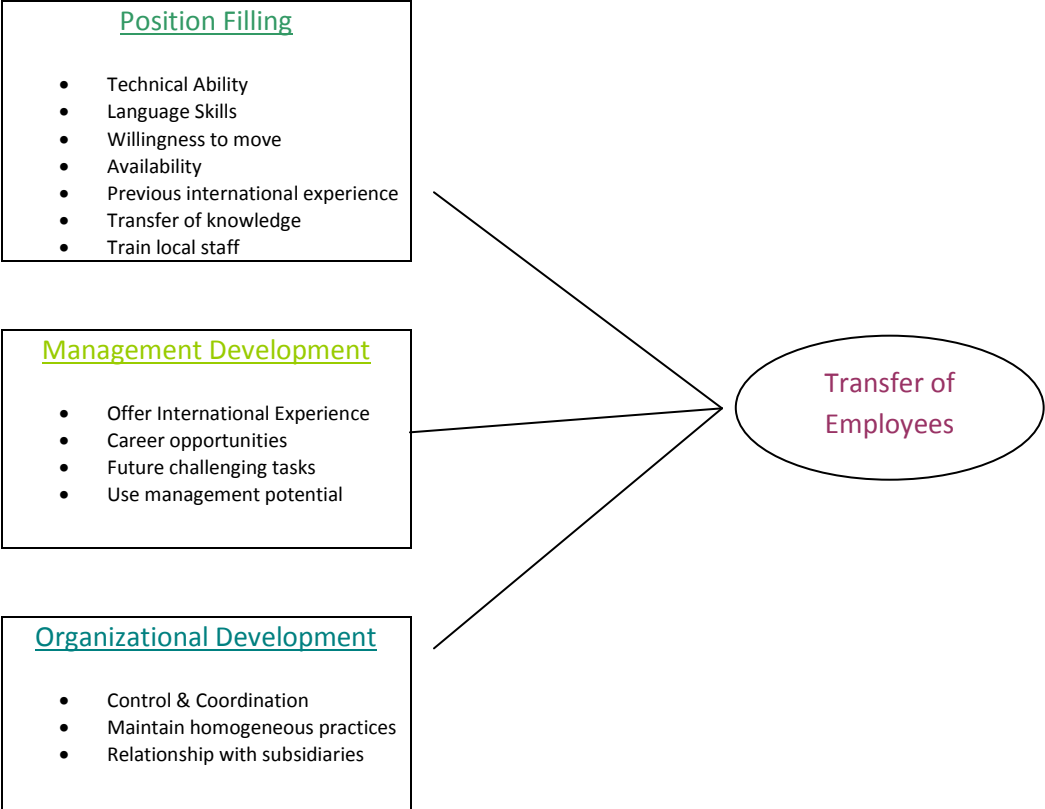
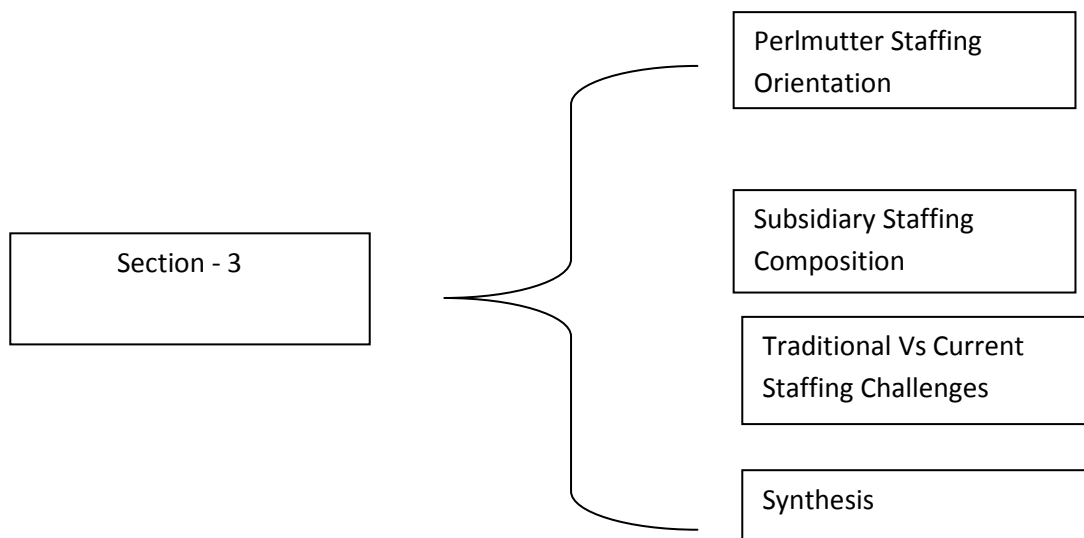


Fig 3: Motives for International Transfers

### Section - 3



Section 3 has been divided into four subsections. In subsection 1, we described Perlmutter (1969), staffing orientation. The three staffing orientation are- ethnocentric (oriented towards home country), polycentric (oriented towards host country) and geocentric (oriented towards the whole world), the multinationals may choose when expanding abroad. In sub section 2, we have provided the subsidiary staffing composition, the distribution of PCNs, HCNs and TCNs in subsidiaries for multinationals (global, multi domestic, transnational or international). In sub section 3, we have described the traditional staffing of MNCs (PCNs) Vs current staffing challenges (HCNs, TCNs), the MNCs selection choices, and their failure rate. In sub section 4, we have identified the gap from the extant literature.

## 1.5. PERLMUTTER STAFFING ORIENTATION (1969)

Any organization that wishes to expand its business operations to a new location/environment, have to choose the strategy of the subsidiary and the way it is going to be managed. After deciding about the strategy, most of the multinational executives face critical dilemma like whom to appoint for a key position abroad. Perlmutter (1969), the pioneer who developed the staffing orientation as ethnocentric (oriented towards home country), polycentric (oriented towards host country) and geocentric (oriented towards the whole world), the multinationals may choose when expanding abroad. Perlmutter was the first researcher who identified the distinctive staffing orientation of international companies. Perlmutter work revolves around the globalization of multinationals. He attempted to make predictions to how the success and legitimacy of multinationals would change over time and how MNCs will potentially evolve. Perlmutter was interested to know about how multinationals mind set would be at the stage when they decide to move abroad for doing business. Considering all these factors in mind, researcher wrapped his views and insights by developing EPG model (ethnocentric, polycentric and geocentric). Perlmutter's EPG model demonstrates that any multinational holds one of the three (ethnocentric, polycentric, geocentric) primary operations when they expand the business operations abroad. He further added that top management in an international organization holds primarily one of these three primary orientations, which will shape the mind set of the company and structure its outlook on how to conduct business.

In 1979, Heenan another researcher joined with Perlmutter and identified the fourth orientation which they called as regiocentric approach in addition to the other three (ethnocentric, polycentric and geocentric) approaches. Regiocentric approach is an extension of polycentric approach and may likely to fall between polycentric and geocentric orientation. Subsidiaries of regiocentric approach get grouped into larger regional entities. Regions are consistent with some natural boundaries, such as Europe, Asia, USA etc. Both polycentric and regiocentric approach allow more local responsiveness with less corporate integration. In other words, MNCs that take regiocentric approach to staffing their subsidiaries utilize employees mainly from the region in which the subsidiary is located. Perlmutter's assumption is that most multinationals start out with an ethnocentric perspective normally when they are moving to a new environment, slowly evolve to polycentricism once they establish their presence in host country and finally adopt geocentricism as the organization establishes and familiarises itself more and more with conducting business on a global playing field. The EPRG (ethnocentric, polycentric, regiocentric and geocentric) model provides insight in how an international organization evolves in time and how the organization staff their

subsidiaries. The EPRG mix can be used to determine how far an organization has globalized. EPRG model helps the organization to identify the staffing requirement in subsidiaries and make staffing decisions. Furthermore, the EPRG model also helps the organization to identify their current and desired approach for managing their international operations. In real practice, these orientations never appear in a pure form. In all organizations, there exists a mix of ethnocentric, polycentric or geocentric staffing approaches. The classification of international employees is better explained in table 4.

EPRG Model

<b>Ethnocentric Orientation</b>	HQ employees are selected to fill the key positions abroad	e.g. an American employee working at China (Subsidiary operation)	<a href="#">Staffing Proportion for Key positions</a> More PCNs Less HCNs/RCNs Less TCNs
<b>Polycentric Orientation</b>	Local employees are selected to fill the key positions in subsidiaries	e.g. Chinese employee working at China (Subsidiary operation)	More HCNs / RCNs Less PCNs Less TCNs
<b>Regiocentric Orientation</b>	Regional employees are selected to fill the key position in that region	e.g. a Chinese employee working at Japan (Asia is considered as one region)	More RCNs/HCNs Less PCNs Less TCNs
<b>Geocentric Orientation</b>	Employees are appointed for key managerial positions regardless of location or country of origin	e.g. a Chinese employee working in Japan for a French organization	More TCNs Less HCNs/RCNs Less PCNs

Table 4: EPRG Model (source from Perlmutter and Heenan, 1979)

Every organization starts its business differently and alters its business operations while moving abroad. As a result, the administrative practices, leadership style, and organization's culture change. Based on the business strategy the organizations adopt, the staffing policy, control of subsidiaries, change in products and services decision will be made by the organization. Perlmutter (1969) was the first researcher who identified and differentiated the staffing orientations. Until today, most of the multinationals follow any of the staffing approach identified by Perlmutter. The organization's characteristics is highlighted and described on table 6.

## MNCs Characteristics Using EPRG Framework

Aspects	Ethnocentric	Polycentric	Regiocentric	Geocentric
Strategy	Global	Multi-domestic	Multi-domestic	Transnational
Centralization Vs Decentralization	Centralized Activities	Decentralized Activities	Decentralized Activities	Partly Centralized & Partly decentralized activities
Culture Adopted	Home country culture	Host country culture	Regional culture	Global culture
Technology	Mass Production	Production according to the local demand	Flexible production	Flexible production
Executives for Key positions	Home country employees for key positions	Local employees for key positions	Regional employees for key positions	Employees from anywhere of the world for key positions
Staffing Composition	High – PCNs Low – HCNs, RCNs & TCNs	High – HCNs Low – PCNs, RCNs & TCNs	High – RCNs & HCNs Low – PCNs, TCNs	High – TCNs Low – PCNs, RCNs & HCNs
Control of Subsidiaries	Control by HQ	Control by local subsidiaries	Mutual negotiation between all subsidiaries in the region	Mutual negotiation at all levels of the multinational globally
Marketing Mix decisions	HQ take decisions	Decisions by each subsidiary location	Decisions by each region	Decisions taken globally

Table 5: MNCs Characteristics using EPRG Framework (source from Perlmutter 1969)

### 1.5.1. Ethnocentric Orientation

In this staffing approach, employees who are selected by the multinational to fill the key positions in subsidiary operation are the nationals of parent country or where the headquarters is located (Perlmutter and Heenan, 1974). When the organization expects to maintain the same policies and procedures in subsidiaries, ethnocentric staffing is being the choice for the organizations'. The multinationals select ethnocentric staffing because the employees from the parent company will have strong knowledge of company's policies and procedures and ensure that the guidelines are followed. When organization moves abroad/ expand its operations, they prefer to adapt ethnocentric staffing because of the unfamiliar culture, different managerial style, difference in the procedures, and skill level of subsidiary employees (Kapoor and Mckay, 1971; Miller, 1972, 1973; Tung, 1981, 1982). In addition, international transfers serve as career development for parent country nationals. The international transfer(s) provide international exposure to the employees and concurrently prepare them to face challenging tasks in future (Baker and Ivancevich, 1971; Tung, 1981). In the initial stage (after moving to new international location), multinationals perceive a strong need for integration of their global strategy to gain a competitive advantage in their various host countries' markets. Thus some parent country nationals (expatriates) are usually selected for the key positions because of the technical and managerial skills they hold (Adler and Ghadar, 1990; Tung, 1988).

The literature has suggested the following unique advantages of utilizing PCNs in subsidiary operations. Many researchers identified the advantage of using parent country nationals in the international subsidiary. The perceived advantages include:

- Parent country nationals are appointed by the headquarters to work in the subsidiary location to fulfil an assignment for a specific period of time. They are appointed due to the technical skill/knowledge that is not available with host country nationals (Kapoor and Mckay, 1971; Miller, 1972, 1973; Tung, 1981, 1982)
- An ingrained practice of most of the multinationals is to recruit the parent country nationals for the key position in subsidiary operation if the employees possess special managerial talent to handle the challenging task in international operation that HCNs lack (Baker and Ivancevich, 1971; Tung, 1981).
- Multinationals that adapt global strategy, prefer to maintain the standardization of policies, procedures, headquarters culture in all the subsidiaries. As a result, parent country nationals are appointed to maintain organization's mission, policies and practices (Holmen, 1980; Tung, 1981; Zeira and Banai, 1985).
- Parent country nationals are more trustworthy and loyal to the parent organization than host country nationals (Adler, 1983; Hayashi, 1978; Ronen, 1986; Shahzad, 1984; Steinmann, Kumar and Wasner, 1979; Zeira, Harari and Izraeli, 1975).
- The knowledge gained by the parent country nationals at headquarters helps them to adapt better in the new environment. They consider themselves to be a better position to persuade headquarters to change its policies – such as obtaining improvement in hygiene factors (salary, better working environment, equipment etc.) for everyone including host country nationals (Zeira, Harari and Izraeli, 1975).
- Parent country nationals gain international experience as a result of their assignment in subsidiaries is considered as a root cause for the career development (Edstrom and Galbraith, 1977; Pascale and Athos, 1981). Therefore, the parent country nationals can expect high challenges in the way of moving up to top positions in headquarters in the near future (Banai, 1992).
- PCNs manage the subsidiaries according to patterns of behaviour endorsed by HQ (Zeira, Harari and Izraeli, 1975) which makes it possible for HQ to maintain standardization of practices worldwide. With the help of standardization, organization can expect similar quality of work from the employees and enhances the organizations image and reputation.
- Appointing parent country nationals is considered as an advantage especially when the subsidiary operation consists of employees from different ethnic backgrounds. The appointment of managers not belonging to any of the local groups decreases the misunderstandings, conflicts and inter-racial or inter religious tensions.

Implementing ethnocentric staffing in overseas location may sometimes encounter problems both at subsidiary and headquarters level. The pitfalls are identified by different researchers which are listed below:

- Appointing parent country nationals for the key positions in subsidiaries indirectly blocking the host country nationals vertical mobility (Zeira, Harari and Izraeli, 1975). As a result, host country nationals are being frustrated and affected their performance as a whole.
- According to headquarters' policy, the terms of employment for PCNs and HCNs are different. Appointing PCNs for key positions limits the promotion opportunities for HCNs (Zeira, Harari and Izraeli, 1975).
- PCNs in subsidiaries enjoy lot of benefits that HCNs do not share. The benefits include subsidies for house rental, covering children's education expenses, car allowances, tax exemptions, insurance payments etc. The unequal benefits creates resentment between PCNs and HCNs ( Zeira and Harari, 1977; Zeira, Harari and Izraeli, 1975).
- Difference in culture, language and skill level cause problem in selling the HQ's ideas to HCNs. This differences/gap between the headquarters and the subsidiary affects the PCNs performance in the subsidiary (Fayerweather, 1982; Hayles, 1982).
- By imposing the headquarters' managerial style in host country (which may be different from host country) may sometime violates HCNs expectations (White and Trevor, 1983; Zeira and Harari, 1977). Due to the difference in culture and managerial style, the communication gap may be inelastic.
- HCNs blame PCNs for making decisions which meets the expectations of headquarters and not meeting the criteria of the host country (Zeira, 1975). The decisions, PCNs make is for short term due to their limited assignment period with the subsidiary (Zeira and Harari, 1977).
- Sending expatriates or home country nationals to work abroad is highly expensive for the multinationals (Edstrom and Galbraith, 1977; Harari and Zeira 1974; Perlmutter and Hennan, 1974; Triandis, 1982/83).
- The key management positions that are reserved for PCNs, restricts promotional opportunities for HCNs (Zeira, Harari and Izraeli, 1975, Daniels and Radebaugh, 1998).
- Hiring parent country nationals in subsidiaries, especially in developing countries claim that foreign managers are taking away jobs of HCNs and thus contributing unemployment in the host country (Banai, 1992).

Additional problems were identified by few researchers for using parent country nationals abroad:



- High failure rate due to cultural differences, less co-ordination, lack of understanding which disrupts the managerial activities both at the headquarters and subsidiary levels. As a result, headquarters loses reputation and clients.
- Appointment of PCNs is costly for the multinationals (Brooke and Remmers, 1978). Additionally, repatriation (expatriates complete the international assignment and re-join in headquarters) interferes with HQ's human resources planning and creates problems in finding alternative assignments for the repatriated PCNs.
- Experienced PCNs capable of leading the subsidiary demand high financial benefits (Watson, 1970).

### **1.5.2. Polycentric Orientation**

In polycentric staffing, the multinational treat the subsidiary as a separate national entity, allow them with some individual decision making authority. As a result, multinationals appoint host country nationals for the key management positions (Perlmutter and Heenan, 1974). HCNs are considered for the top managerial positions due to their familiarity with the culture, working style, environment, skills they possess to handle the position etc. HCNs do not face any language problem when they communicate with their employees. Appointing HCNs are cheaper and less expensive than appointing parent country and third country nationals. In addition, the availability of management positions within the subsidiary provides career advancement opportunities for lower level employees. Multinationals that adopt multi-domestic strategy appoint host country nationals for the subsidiary operation. Once the multinational establishes its business in subsidiary location, they must be more sensitive to the needs of the host country and the human resources policy likely to change from appointing expatriates (first stage) to using host country nationals and regiocentric in the second stage (Adler and Ghadar, 1990).

Researchers have identified the benefits of using polycentric approach. The benefits are listed below:

- Appointing host country nationals for the overseas operation can boost the subsidiary employee morale, create career development opportunities for the local nationals and build a local image for the company (Richards, 2001).
- HCNs stay in the subsidiary operation for longer period unlike parent country nationals who will stay in the subsidiary for temporary period (until the assignment period) (Banai, 1992).

- Multinationals appoint host country nationals for the subsidiaries due to the local government's compulsion to appoint local employees for the key positions (Perlmutter and Heenan, 1974).
- Local employees are familiar with the local policies and procedures, so the communication and coordination between the employees are made easier (Perlmutter and Heenan, 1974).
- Hiring costs are reduced if the organization recruits local employees when compared to hiring the employees from HQ.
- The organization can increase the commitment and motivation of host country nationals by providing opportunities for advancement and promotion (Ronen, 1986).
- Promotional opportunities are not limited for HCNs so the organization can expect high morale of employees (Negandhi, 1987; Phatak, 1989; Dowling, Festing and Engle, 2008).

Utilizing host country nationals for the subsidiaries may sometimes create problem for the organization. The problems identified by many researchers are listed below:

- It is difficult to bridge the gap between HQ and subsidiary policies, procedures, objectives, culture, attitude etc. (Perlmutter and Heenan, 1974).
- In an increasingly competitive international environment, it will be a liability for the multinational if none of its senior HQ managers have overseas experience when they try to implement the firm's strategic plans and allocate its resources across the globe (Dowling and Schuler, 1990). This situation happens when the multinational decide to appoint host country nationals for the key positions which will restrict the parent country nationals to move abroad to gain international experience.
- Subsidiary operations are considered autonomous and decentralized as separate business unit. As a result, the individual subsidiaries dominate and exercise control, thus inhibiting the sharing of information and resources across the units (Bartlett and Ghoshal, 1989).
- Hiring local nationals limits the opportunities or restricts the PCNs to gain international experience. (Negandhi, 1987; Phatak, 1989; Dowling, Festing and Engle, 2008).
- In many host countries, the government reacts with legislation making it difficult to get work permits for parent country nationals. This procedure blocks parent country national to gain international experience (Grosse & Kujawa, 1992).

### **1.5.3. Geocentric Orientation**

In geocentric staffing strategy, potential employees are appointed for key managerial positions regardless of location or country of origin. Multinationals do not regard nationality as a

competitive advantage or disadvantage. The employees are recruited from all over the world, so that the best people are recruited to handle the challenging tasks (Heenan and Perlmutter, 1979; Kobrin, 1988). MNCs prefer to select third country nationals when they move toward an integrated, worldwide approach to operations understand that national borders can no longer serve as defining boundaries for what and where it is done. MNCs at this maturity stage, face increasing global competition and they must have the ability to have both an overall global strategy (integration) and a domestic competitive advantage in each subsidiary (differentiation), trying to balance both integration and local responsiveness at the same time. This may be achieved through the evolvement of a global multicentric cultural perspective (Adler and Ghadar, 1990). Since headquarters and the foreign subsidiaries of any geocentric MNC will view themselves as integrated parts of a global organization, the corporate culture will be highly unified, but necessarily dictated by the headquarters (Caligiuri and Stroh, 1995). Multinationals recognize that staff ability is more critical than staff nationality (Dowling, Welch and Schuler, 1999). Geocentric organization has the most complex organizational structure, which requires continuous communication and integration across national boundaries (Edstrom and Galbraith, 1977). This strategy permits the greatest amount of freedom and the greatest amount of decentralization while maintaining overall integration at the same time (Edstrom and Galbraith, 1977). Multinationals that adapt transnational strategy should appoint third country nationals for the key positions.

The motive for appointing third country nationals is that they consider the opportunity for international assignments as having value not only for themselves but also for their employers' (Dwyer, 1999). Such a strategy recognizes that firms that want to be major global players must have world class managers worldwide. Hence, managers who are multicultural and multilingual, and who have previous international experience, are highly utilized by global employers (Goodwin, 1999; Harvey, 1997; Selmer, 2002). Appointing third country nationals for key positions globally will bring global perspectives and develop international skills for the employees, simultaneously strengthen the MNCs competitive edge (Edstrom and Galbraith, 1977; Kobrin, 1988; Tung and Miller, 1990).

Implementing geocentric strategy is more complex and challenging for the multinational due to the global integration and local responsiveness practiced at the same time. The flaws associated with geocentric staffing identified by researchers are:

- MNCs appoint employees from any part of the world who are open to new experiences and who see the opportunity for international assignments as having value for self and for the employers (Dwyer, 1999).

- Job opportunities are given to those who are multicultural and have multilingual capability, and who have previous international experience (Goodwin, 1999; Harvey, 1997; Selmer, 2002). Organization can build international image by appointing TCNs for their HQ or subsidiary operation (Collings, Scullion and Dowling, 2009).
- By appointing TCNs, the organization can reduce resentment which happens between HCNs and PCNs (Perlmutter and Heenan, 1974).
- From human resource perspective, geocentric multinationals have an increased talent pool given that the employees are selected from worldwide talent to fill the key positions (Edstrom and Galbraith, 1977; Kobrin, 1988; Tung and Miller, 1990).
- More people are willing to accept the key position in geocentric strategy that they experience new cultures and take on new challenges within the organization. Companies can increasingly offer a wider range of location and job options to these individuals (Dwyer, 1999).

Despite the benefits of implementing geocentric strategy, companies may have legal, political or cultural constraints which prevent the organization to practice the strategy (Tung and Punnett, 1993). The ebbs associated with the geocentric strategy are listed below:

- Local nationals are impeded (block their progress) in their efforts to upgrade their own ranks and assume responsible positions in the multinational subsidiaries (Negandhi, 1987; Phatak, 1989; Dowling, Festing and Engle, 2008).
- It is difficult to appoint third country nationals for the key positions due to the immigration and work permit problems in the country where the employee is assigned to work (Caligiuri and Stroh, 1995).
- Organization has to design unique pay structure for the third country nationals who are totally different from the PCNs and HCNs (Perlmutter and Heenan, 1974).

#### **1.5.4. Regiocentric Orientation**

In this approach, employee gets selected from within a region of the world. Perlmutter first identified the three approaches (ethnocentric, polycentric and geocentric). In 1979, Perlmutter and Heenan together identified the fourth approach which is regiocentric approach. This approach closely resembles polycentric approach. Regiocentric approach falls between polycentric and geocentric approach. Organizations move ahead of the borders of host country, but restrict its search for selecting personnel from its operations throughout the world. Regions are consistent with some natural boundary, such as the European Economic Community or the Asian community. The reason

behind this selection process is that the employees who get selected are able to deal with the cultural and language problems easily than managers from outside their territory. In regiocentric approach, the communication and integration systems must be highly sensitive for headquarters to maintain control over the regions. The employees who get selected under this approach will not have the opportunity to work in headquarters. They are bound to work within the specific region.

## **1.6. Subsidiary Staffing Composition**

Subsidiary staffing composition is the distribution of PCNs, HCNs and TCNs in subsidiaries for multinationals (global, multi domestic, transnational or international). Staffing employees for the four strategies of multinationals is a critical and challenging task for human resource managers. To staff the international operations, organizations can use ethnocentric (parent country nationals), polycentric (host country nationals) or geocentric approach (third country nationals) or use the mix of all the three (Dowling et. al.,1999). Before making the staffing decision for the subsidiary operation, organizations has to consider other factors such as bargaining power of the host country, technology and skill transfer, political and economic situation, country of origin effect, market influences on the relative need for local responsiveness versus standardization (Doz, 1986; Rosenzweig and Nohria, 1994). PCN staffing is associated with ethnocentric strategy, HCN staffing is associated with polycentric strategy and finally TCN staffing is associated with geocentric strategy. Regiocentric falls between polycentric and geocentric approach. Hence it is partly associated with HCN and TCN strategy. In general, it is assumed that the multinational which adopts or practice global, multi-domestic, or transnational strategy should concurrently possess appropriate staffing approaches. For any given multinational, the staffing mix comprises of all the three nationals (parent country nationals, host country nationals and third country nationals). The heterogeneous staffing composition facilitates access to and recognition of diverse sources of innovation and organizational learning, improves performance with regard to both the interpretation of information and to integrate learning compared to subsidiaries with a homogenous staffing composition (Gong, 2003). The staffing composition differs in proportions. For example, in ethnocentric staffing, the proportion of PCNs is more than HCNs and TCNs, in polycentric staffing, the proportion of HCNs is more than PCNs and TCNs and finally in geocentric staffing, the staffing composition of TCNs is more than PCNs and HCNs. Since regiocentric staffing falls between polycentric and geocentric staffing, it is assumed that the staffing composition comprises of more HCNs than TCNs and PCNs. There is no staffing approach to reflect the international strategy. Therefore we decided to include only the three strategies (global, multi-domestic and transnational) and exclude the international strategy. The

below mentioned table reflects the same idea explained above. Since the regiocentric approach falls in between HCNs and TCNs, it is included in both the columns of HCNs and TCNs appropriate staffing approaches.

**Strategy with Appropriate Staffing Approaches**

Strategies for Moving Abroad		Appropriate Staffing Approaches
 <p style="text-align: right; color: orange;"><b>Global Strategy</b></p>		<p><b>Ethnocentric Approach (PCNs)</b></p> <p>HCNs TCNs</p>
 <p style="text-align: right; color: magenta;"><b>Multi-Domestic Strategy</b></p>		<p><b>Polycentric Approach (HCNs)</b></p> <p>PCNs TCNs</p> <p style="text-align: right;">(Regiocentric)</p>
 <p style="text-align: right; color: green;"><b>Transnational Strategy</b></p>		<p style="text-align: right;">(Regiocentric)</p> <p><b>Geocentric Approach (TCNs)</b></p> <p>PCNs HCNs</p>

Table 6: Linking strategy with staffing

PCN staffing is associated with Ethnocentric strategy, HCN staffing is associated with Polycentric strategy and finally TCN staffing is associated with Geocentric strategy. RCN staffing is in between HCN and TCN. Therefore RCN is associated partly with HCN staffing because the emphasis is given on local responsiveness and partly with TCN because employees are selected from different countries, but within the same region.

**1.6.1. Parent Country Nationals (PCNs)**

Parent country employees are citizens of the country where the headquarters is located. PCNs are normally selected by the multinational to fulfil a specific task or assignment in overseas location either on long term assignment (more than a year) or on short term assignment (less than a

year). PCNs are referred as expatriates. Appointing PCNs for the international assignment is beneficial for both the organization and the employee. The organization can cut costs on resources of appointing new (host/third country) employees which consumes lot of money and time in selecting and training them for the position. Simultaneously, international assignment(s) help PCNs for their career development and prepare them to face challenging tasks in future. It is predicted by Perlmutter (1969) that multinationals use PCNs at their early state of globalization. Due to the unfamiliarity at the initial stage, multinationals prefer to send PCNs (expatriates) for the international assignment.

In addition to Perlmutter, other researchers such as Dowling et al., 1999; Schuler et al., 1993, Borg and Harzing, 1995, identified other reasons why multinationals prefer to send parent country nationals for the international assignment: (a) PCNs familiarity with corporate culture (b) PCNs effectively communicate the subsidiary business activities to the headquarters (c) ability to maintain and handle the subsidiary operations (d) Organization can trust the home country nationals than other nationals (e) knowledge of firm's culture, product, and procedures. Moreover, overseas assignments are more often now as development experiences for the expatriates than for filling the skill and staffing gaps (Solomon, 1995). Above all, parent country nationals are expected to transfer headquarters' culture and philosophy by working with host country nationals in the new subsidiary location (Edstrom and Galbraith, 1977; Egelhoff, 1988; Torbiorn, 1985. Staffing subsidiaries with parent country nationals for key positions will allow the multinational to have centralized control in decision making more than allowing the subsidiaries to be maintained by the host country nationals (Egelhoff, 1988; Kobrin, 1988).

### **1.6.2. Host Country Nationals (HCNs)**

A host country national is an employee who is a citizen of a country where the multinational's subsidiary is located, but the multinational is headquartered in a different country. In subsidiary operation, local manager manage the location with some co-ordination from headquarters on how to manage and operate the subsidiary. Though the host country manager has the control on the subsidiary, expatriates are rarely used for top positions. Sometimes the multinationals are compelled or forced to appoint host country nationals due to the government regulation or national localization policies that require the organization to appoint/hire local nationals than international employees (expatriates and third country nationals). In the subsidiary operation, expatriates are considered potential compared to HCNs. Due to this comparison, there was not much opportunity for HCNs because of the vast differences between host country nationals and expatriates in their

skills, knowledge, culture, experiences, and the level of positions typically held by HCNs and expatriates in the subsidiary business unit, Toh and Denisi (2003). But the world in which the global businesses operate is changing rapidly. Now-a-days multinationals are hiring local nationals because most of the host countries, specifically developing countries are more advanced economically and socially. HCNs are more social, skilled and better qualified than before to hold higher positions that was earlier filled with expertise from headquarters (Hailey, 1996; Harvey, Novicevic, and Speier, 2000). In addition, host country nationals are less expensive than expatriates, and they are familiar with the culture and business environment, and they easily co-ordinate with the employees in subsidiary operation (Tarique, Schuler and Gong, 2006). HCNs are generally recognized for having two major core competencies: (1) familiarity with the cultural, economic, political and legal environment of the host country and (2) ability to respond effectively to the host country's requirements for the subsidiary operations (Schneider and Barsoux, 2002).

### **1.6.3. Third Country Nationals (TCNs)**

Third country nationals are employees appointed by the multinational to do a specific task either in subsidiary or headquarters. They neither belong to the home country, nor to the host country. TCNs are appointed with an assumption that no qualified employees/high competent employees are available both in home and the host country (Gowan, 2004). TCNs are invited to do a specific task because they have the required expertise and skills to perform a specialized job. When national boundaries cannot restrict and define boundaries for setting up business operations, multinationals grow and expand its operation toward an integrated, worldwide approach. As a result, multinationals appoint TCNs, focusing on finding the best person (immaterial of their nationality) for a key job. Multinationals recognize that the ability of a person to handle a specific job is more vital than the nationality (Dowling, Welch and Schuler, 1999). Most of the TCNs are multilingual, multicultural, have previous international experience which will allow the multinationals to easily acquire them for key positions (Goodwin, 1999; Harvey, 1997; Selmer, 2002). In general when subsidiaries of multinationals mature, they prefer to integrate all their foreign subsidiaries and adopt a worldwide culture (Heenan and Perlmutter, 1979). As a result, multinationals appoint third country nationals worldwide for top positions regardless of their nationality (Heenan and Perlmutter, 1979; Kobrin, 1988). Multinationals usually select TCNs when there is a skill gap between HCNs and PCNs (Tarique, Schuler and Gong, 2006).



### 1.6.4. Regiocentric Nationals (RCNs)

In general, the company's international business is dispersed into international geographic regions. As a result, multinational adapt one of the four staffing approaches. Regiocentric nationals are employees appointed by the multinational to work in a specific geographic region of business (for eg., company's headquarters is located in USA, and subsidiary is located in Germany, Eurozone. Then the multinational can appoint employees (natives of European country) from Italy, France, Spain, or England to fill the position in European subsidiary. The regiocentric managers are normally not transferred to the headquarters. Regiocentric approach closely resembles the HCNs. The reason for selecting employees within a region is that the nationals of the region in which operations actually take place are better able to deal with language and cultural problems than the managers from the outside region. The logic behind this hiring approach may be good but, it ignores the potential growth of manager by restricting in the particular region. The employees selected may move outside the country but only within the particular geographic region (Perlmutter and Hennan, 1979). The classification of international employees is explained with examples in table 7.

**Classification of International Employees**

Parent Country Nationals (PCNs)	Employee's nationality is the same as that of the MNCs headquarters	e.g. a Japanese employee working at the Germany's subsidiary of Toyota
Host Country Nationals (HCNs)	Employee's nationality is the same as that of the local subsidiary	e.g. a German employee working at the Germany's subsidiary of Toyota
Third Country Nationals (TCNs)	Employee's nationality is totally different from that of the headquarters and the subsidiary	e.g. an American employee working at Germany's subsidiary of Toyota
Regio Country Nationals (RCNs)	Employee's nationality is the same as that of the region where the headquarters is located	e.g. a Japanese employee working at Japanese regional office of Toyota at China (Asia)

Table 7: International Employees Classification

## 1.7. Traditional Staffing Vs Current Challenges

In this section, we first explain the executive selection practices by multinationals, the challenges faced by the organization, shift of executives from PCNs to HCNs and TCNs. Historically only parent country nationals (expatriates) were sent abroad to fill the key positions to maintain coordination and control of subsidiaries. This trend is not continuing currently due to the increase in globalization of organizations, the positions are getting filled by the host and third country nationals which was earlier reserved only for parent country nationals (Herrmann and Werbel, 2007; Toh and Denisi, 2007; Tarique, Schuler and Gong, 2006). Earlier studies (Tung, 1982; Dobry, 1983; Nagandhi and Welge, 1984; Kopp, 1994; Wolf, 1994; Harzing, 1999) identified the impact of sending parent country nationals for subsidiary operation. Boyacigiller, 1990; and Wolf, 1994 have identified the cultural distance between home and host country as an important variable for the level of expatriate presence. In addition to the cultural distance, the level of interdependence between headquarters and the subsidiary, the political risk and level of competition in the host country were identified as important reasons to the higher utilization of expatriates in subsidiaries (Boyacigiller, 1990). Harzing (2001) conducted an empirical analysis to test why expatriates were sent out for international assignment in the first place. Her study documented that the cultural distance and uncertain environment in the host country has increased the probability of utilizing PCNs for the key position in subsidiaries. There are various reasons why multinationals prefer to send parent country nationals (expatriates) for their international operation. Here, we list the reasons identified by few researchers for utilizing expatriates for the international assignment. According to Richards (2001), U.S. MNCs more likely to use PCNs especially if the subsidiary unit is bigger in size, huge cultural distance from the headquarters, or if the marketing theme implemented in subsidiary is similar to the parent company. Gong (2003b) conducted research on Japanese multinationals and reported that the cultural distance has forced the Japanese MNCs to employ PCNs for the key position(s) in subsidiaries. Gaur et al., (2005) have identified the institutional distance (variations in international business strategies and operations across countries) as the reason for utilizing PCNs in subsidiaries. The more distant a host country is from the headquarters of a MNC, the more it has to manage cultural, regulatory and cognitive differences. To develop appropriate strategies and internal procedures to accommodate the differences, MNCs appoint PCNs in subsidiaries. Kessapidou and Varsakelis (2003) examined the Greek subsidiaries of foreign multinationals and documented that depending on the subsidiary size (especially big) which has increased the possibility of utilizing PCNs for the key positions. It is surprising to note that their results contradicted with what Boyacigiller

(1990) and Harzing (1997) had reported that cultural distance from Greece has increased the probability of increasing HCNs for the key positions. Thomson and Keating (2004) investigated the staffing practices in Ireland MNCs and documented that power distance, intensity of R&D, subsidiary entry mode and size and degree of internationalization were the reasons listed for using PCNs in subsidiaries. The reasons identified by the authors listed above for utilizing PCNs for the key positions in subsidiaries vary across countries.

As globalization continues to increase, we can predict that expatriates are going to play vital role in multinationals (Mendenhall, 2001; Stahl, Miller, and Tung, 2002).

Factors that influence the Executive Selection:

In most of the multinationals, the executives working for the subsidiary includes PCNs, HCNs and TCNs. If the cultural distance is high, headquarters prefer to appoint PCNs. The reason is that the HQ managers may not trust the information they receive from subsidiary managers. There is another reason highlighted by the HQ managers that they fear about local managers that they are not committed (Reiche, S., Harzing, A (2009). In contrast, if the culture distance is less or the subsidiary is located in the same region, then multinationals prefer to appoint HCNs and thus, there is no need for expatriate in the subsidiary. If the expatriates continue to stay in subsidiary, the role they play may be different. We present the factors that influence the executive selection for the subsidiary in the figure given below:

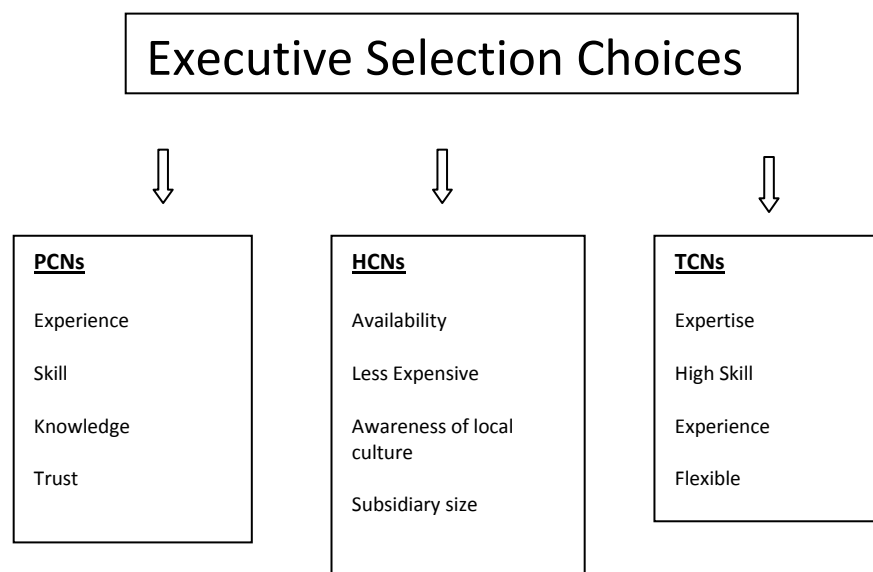


Fig 4: Choices of Executive Selection

In figure 5, we have listed the factors that influence executive selection of multinationals. We now describe about PCNs, HCNs and TCNs selection criteria, and the challenges.

### **1.7.1. PCNs (Expatriates)**

Expatriates are employees of business organization who are sent from headquarters to another country to work on temporary basis to fulfil a specific task or assignment or accomplish an organizational goal (Harrison et al., 2004). The need for expatriate employees both long and short term is growing rapidly. It has become necessary for firms to expand globally in response to the globalization of markets, heavy competition and high technology (Beechler and Woodward, 2009, Smerd, (2007). Research has suggested that use of expatriates in western multinationals is increasing (Harris et al., 2005) or at least remaining stable. In today's high competition, it is critical and at the same time challenging for organization to attract, develop and retain employees with global knowledge and experience. These employees represent the human capital which is a key resource for creating and sustaining a company's worldwide competitive advantage (Cole and McNulty, 2011). Expatriates are used in international operation to successfully implement and attain global business strategy, transfer of knowledge, co-ordination and control of foreign operations and development of human resources (Dowling et al., 2008; Harzing, 2001; Hocking et al., 2004). First, expatriates can be a powerful means to transfer technical expertise and management know-how to foreign ventures. Second expatriates represent the interests of headquarters and improve communication between headquarters and subsidiaries and assist headquarters' staff to understand the local business environment (Boyacigiller, 1990; Nohria and Ghoshal, 1994). Effective control and co-ordination across the companies' international operations has often been mentioned as the principal purpose for expatriate assignments (Beamish and Inkpen, 1998; Black and Gregersen, 1992; Harvey et al., 2001; Harzing, 1999). Third, there is a growing recognition that employees with international expertise do make a difference in contributing to achievement of competitive advantage in the international business environment (Stroh and Caligiuri, 1998; Taylor et al., 1996). Thus, many MNCs are busily developing pools of employees who are capable of working in international business. Organizational competencies are enhanced if employees are given the opportunity to work beyond the home country's borders. Living and working in a foreign environment exposes international assignees to a rigorous learning process in which they are confronted with new aspects of international business and cross cultural management (Webb and Wright, 1996).

*Expatriates in Key positions abroad:*

Many researchers identified distinct reasons for sending expatriates to hold the key position in subsidiary operations. The reasons differ among multinationals and the criteria used for selecting expatriates were significantly different (Tung, 1982). Edstrom and Galbraith (1977), identified three major reasons, Tungli and Peiperl (2009) identified twelve reasons and Peterson, Napier and Shul-Shim (2000) identified nine reasons for sending expatriates for the international assignment. Across these studies, the following are the common set of reasons for using expatriates. (1) Position Filling: (called as skill gap by Tungli and Peiperl, 2009; technical expertise by Peterson, Napier and Shul-Shim, 2000; fill the position by Edstrom and Galbraith, 1977) the expatriates are transferred, where there is a skill gap in the location, especially in the developing countries due to the unavailability of skilled personnel or mismatching skill level of the organization's requirement. (2) Management Development: (called as development in international management skills, providing career development opportunities, finding jobs for surplus managers by Tungli and Peiperl, 2009; interpersonal skills, cross cultural skills, international capability, viewed as potential employee, employee motivation to be an expatriate, increase negotiation abilities, improve language skills are the reasons listed by Peterson, Napier and Shul-Shim, (2000); management development by Edstrom and Galbraith (1977) - an opportunity provided to an employee to develop their personal skill to face challenging tasks in future at both headquarters and subsidiary level. (3) Organizational development: To set up new operation, train and orient staff, control the operation, ensure company's standard worldwide, co-ordinate with headquarters, maintain and establish corporate culture, maintain the image of the operation as "foreign", learn about local business practices are the reasons listed by Tungli and Peiperl, 2009; cost consideration reason by Peterson, Napier and Shul-Shim, 2000; and organizational development by Edstrom and Galbraith, 1977) - is not done for individual development, but for organizational development to ensure homogeneous practices in the company and to maintain coordination and control.

The emphasis may have shifted somewhat from filling a skill gap to organizational development. Though more importance has been placed on organizational development, all the three reasons continue to pertain today. Edstrom and Galbraith's classification is well accepted in the literature on international transfers (Harzing, 2001). According to the empirical analysis conducted by Harzing (2001) to identify why organization's choice was expatriates for their international task, the test results concluded that the knowledge transfer is the most important reason for expatriation. The motives for using expatriates differ among various multinationals. For example, position filling was

considered the major reason for sending expatriates for US, UK, Latin American and Far Eastern multinationals (Harzing, 2001). This statement is similar to what Tung (1981) had identified in her research that "foreign enterprise in start-up phase" considered the reason for sending the expatriates to handle the new environment. Additionally Tungli and Peiperl (2009) also confirmed this statement that most of the multinationals from the countries Germany, Japan, USA and UK's objective of sending the expatriate is "to set up a new operation. Harzing (2001) research further identified Swiss and Dutch MNCs motive was management development and organizational development was considered the reason for German and Japanese MNCs due to the huge cultural difference between the headquarters and subsidiary. This statement is closely matching to what Tungli and Peiperl (2009) had identified that "to train and orient local staff" is done for organizational development. Though researchers identified different reasons for sending expatriates for the international assignment, they could see only two reasons are converging from most of the multinationals from the countries Germany, Japan, USA and UK, which is "to set up a new operation" and "to train and orient local staff". The researchers concluded that the overall reasons for using expatriates are largely still divergent across countries.

Petison and Johri (2008) emphasized the need for expatriates in subsidiaries especially when there is a skill shortage and for knowledge transfer. Researchers identified four roles of expatriate in carrying out their knowledge transfer. The roles identified are: 1. Commander: expatriates guide the local employees. This is a situation where the local employees lack technical skills to perform their jobs. They depend on expatriates for assistance in planning, organizing or working within or across the team. In such case, expatriate will have entire control over subsidiary in order to prevent and minimize risks that may occur in operation. This is similar to "bear" role described by Harzing (2001a). Furthermore, Drucker (1993), and Weick (1969) all agreed to the same view that high centralization and more formalized control is adopted by subsidiaries especially when the companies are in a crisis situation, or when the environment is in hostile or in turbulent situation. 2. Conductor: Expatriate adopts the role as conductor. In this stage, the host country nationals' task related skills are high, but they still lack managerial capabilities which will compel them to depend on expatriates' advice in planning, organizing and coordinating their jobs. 3. Coach: Expatriate takes the responsibility to develop employees' potential to effectively perform the new task. The local employees may have the managerial skill but lack in new technical skill especially when subsidiary implement new technology or processes. Expatriates provide training to manage technical skill and to help them increase their innovative capabilities in performing technical tasks. Expatriate assists local employees by analyzing their performance, instructing them in relevant skills and provide encouragement (Petison and Johri, 2008). 4. Connector: Expatriates takes a role in building and

enhancing the relationship between the headquarters and subsidiary. At this stage, the host country nationals manage their jobs without close supervision of parent country national. Hence the expatriates provide support for long term relationship. This role is similar to what Harzing (2001a) had described as "spider". Petison and Johri (2008) concluded in their statement that the expatriates role must be based on the local employees task readiness and managerial capability rather than sending the expatriates for the assignment in subsidiary operation.

*Selection Criteria of Expatriates(PCNs):*

We include here a discussion of the selection criteria used for expatriates in global staffing again with the objective of better situating our focus on the link between multinational strategy and global staffing orientation. The primary objective in such 'situating' is to identify the appropriate 'control' variables that could also influence the choice of executives in global staffing , in addition to our focus on strategy as the determining factor. Selecting executives for global staffing is a challenging task for human resource managers or for the one who makes the selection decision for international assignment. Of the choices available (PCNs, HCNs, TCNs & RCNs) for the key position in subsidiary operation, the organization have to decide which employee is more suitable to perform the task. Researchers such as Perlmutter and Heenan, 1979; Harzing, 2001; Banai, 2000; Tung, 1981 and others identified that organizations initially utilize expatriates especially when they set up new business operations in an environment. Though there is much risk involved in selecting employees for international assignment, reviews show that selection of employees for foreign assignment is often intuitive and unsystematic (Deller, 1997; Ones and Viswesvaran, 1997; Sinangil and Ones, 2001). Besides workplace factors, family factors, environmental factors and cross cultural competencies are important predictors of expatriate success (Arthur and Bennett, 1995; Harrison, Shaffer and Bhaskar –Shrinivas, 2004; Hechanova, Beehr and Christiansen, 2003; Holopainen and Bjorkman, 2005; Huang, Chi and Lawler, 2005; Kealey and Ruben, 1983; Shaffer, Harrison, Gregersen, Black and Ferzandi, 2006). Brewster's 1988 survey of international personnel executives from European multinational corporations, Barham and Devine, (1991); Flynn (1995) identified top criteria for selecting expatriates for the international position - (a) technical expertise (b) language ability (c) family support (d) potential, knowing company reasons (e) cultural adaptability (f) job knowledge (g) relational skills and (h) extra cultural openness. Flynn further argued that cross cultural ability is more important than technical and management skills for the expatriate selection.

The expatriate selection continues to be the biggest challenge for the Human Resource Management. Earlier, organizations were emphasizing on individual characteristics of a person for the expatriate selection (Caligiuri, 2000; Cunningham et al., 1996; Fish, 1999; Gregersen et al., 1998). Organizations now believe that in addition to individual characteristics, factors such as culture, language, spouse adjustment, adaptability which contributes and plays a major role in making the international assignment success. Stone (1991) documented ten selection criteria for selecting expatriates which are summarized as: (a) Ability to adapt (b) Technical competence (c) Spouse and family adaptability (d) Human relations skill (e) Desire to serve overseas (f) Previous overseas experience (g) Understanding host country culture (h) Academic qualifications (i) Language of host country (j) Understanding home country culture.

Dowling and Welch (2004) have identified six criteria's the organization should consider while selecting executives for the international assignment. They are: (a) technical ability (b) cross cultural suitability (c) family requirements (d) organization specific requirements (e) language (f) country/cultural requirements. All the criteria mentioned above summarized in figure 5.

Expatriate Selection Criteria

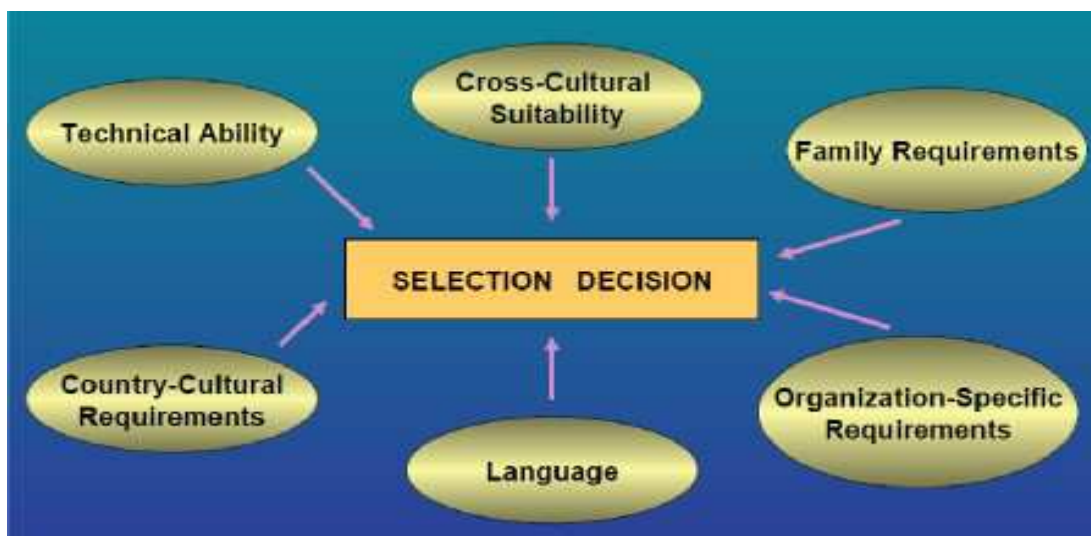


Figure 5: Expatriate selection criteria (modified version of Dowling and Welch, 2004)

Technical Ability: Each employee should possess this skill to demonstrate a good knowledge (technical & managerial) for the accomplishment of a specific task. Technical and managerial skills are important especially when the objective for the organization is to fill the skill gap due to the



unavailability of the skilled personnel or mismatching skill level according to the organization's requirement (Dowling, Festing and Engle, 2008).

Cross Cultural Suitability: Organizations now understand that identifying and understanding the cultural differences in the new environment is important for the success of international assignment. In addition to technical and managerial ability, employees require cross cultural abilities to work in the new environment. Cross cultural suitability includes cultural empathy, adjustment, flexibility, diplomacy, positive attitude, emotional stability and maturity. Organizations has to consider the individual's personality, attitude towards foreigners, and ability to mix with a group in the new culture before selecting the employee for the international assignment because even if a candidate possess a number of cross cultural abilities, the individual's personality might still make him/her uncomfortable to accept the international position (for instance, less tolerant to cultural peculiarities in the new environment (Dowling and Welch, 2004).

Family Requirements: The contribution and support that the family provide (especially spouse) for expatriates reflects directly on success of the international assignment. The more important reason identified for expatriates failure is due to the spouse inability to adjust in the new environment Tung (1982), Tungli and Peiperl (2009). Furthermore, partner's career and disruption in children's education may force the potential employee to reject the international assignment. As a result, the number of companies which routinely interview an employee's spouse or partner as part of the selection process has increased slightly from 9% to 11% (Price water house).

Organization – Specific Requirements: The multinational may consider the proportion of executives (PCNs, HCNs, and TCNs) for the positions abroad. However, according to the country's requirement the staffing proportion may vary. In all organizations, there exists a mix of PCNs, HCNs and TCNs).

Language: Now-a-days even language is considered as a desirable component for international transfers. The expatriates are expected to know the language (especially if it is different from the home country) of the host country to effectively co-ordinate and communicate in the subsidiary operation. The ability to speak the local language can avoid misunderstandings between expatriates and subsidiary employees. There is even probability of employee not getting selected for the international position due to the lack in communicating local language (Dowling, Festing and Engle, 2008).

Country Cultural Requirements: Multinationals face challenges in the form of seeking work permits for the employees (TCNs, Expatriates, not to mention their spouses) which ends up in assignment failure. Some multinationals prefer not to send women expatriates to certain countries (Middle East,

South East Asia) (Dowling & Welch, 2004). Many developed countries are even changing their legislation to facilitate employment related immigration which will make international transfers somewhat easier. Although changes had been made in some countries legislative system, the work permit is offered only to the employee and not to the spouse who is accompanying him/her. The inability of the spouse to work in the host country may cause the selected candidate to reject the international offer. As a result, some multinationals provide assistance in this regard (Dowling, Festing and Engle, 2008)

Organizations' analyze many factors before they choose expatriates for the international position. Although careful selection has been done for international assignment, the expatriates' failure is inevitable and reflects on organization's inefficiency, affects the reputation of the organization. Furthermore, expatriates and their families experience impaired relationships, diminished self-esteem, diminished commitment to the parent firm and interrupted careers (Mendenhall and Oddou, 1985; Naumann 1992; Tung, 1987, Florkowski and Fogel, 1999).

Although there is not much difference between the personal qualities required for international and domestic business, higher level of skills and qualities is expected by the organization for the success of international business. This is because managers working abroad will be involved in wider range of activities, additional roles and responsibilities more than the headquarters (Phillips, 1992). Harris and Brewster (1999) research further deepened to identify the nature of expatriate selection procedure. Their results confirmed that organization obtains both open and closed expatriate selection procedure. In "open" system, the vacancies are announced within the organization, and anyone with appropriate qualifications and experience may apply and candidates are interviewed with greater or lesser degrees of formalized testing. In contrast, "closed" system, employees get selected or nominated for the international position by the line managers. In this situation, there may be only one manager involved in the selection process at the head office.

Multinationals started appointing HCNs and TCNs for their subsidiary operations. Though there is a shift in selection practices (using HCNs and TCNs in subsidiaries) (Tarique, Schuler and Gong, 2006; Toh and Denisi, 2007), research has suggested that use of expatriates in western multinationals is increasing (Harris et al., 2005) or at least remaining stable (Fenwick, 2004). Although the reason identified for sending expatriates to the new venture is to transfer and train technical and management know-how to the subsidiary employees, empirical evidence indicates that knowledge transferred between subsidiaries is not explicit but tacit (Bonache and Brewster, 2001) meaning that knowledge transfer is not properly articulated. Since tacit knowledge cannot be codified in manuals or successfully implement the policies, international assignments may form a

suitable means for the diffusion of such knowledge to the foreign operations. There is an assumption that employees with international expertise do make a difference in contributing more to the achievement of competitive advantage in international business environment (Stroh and Caligiuri, 1998; Taylor et al., 1996). By providing international opportunity to the employees, the organization can enhance its competencies, and for employees living and working in a foreign environment exposes international assignees to a rigorous learning process. As a result, employees not only learn new aspects of international business and cross cultural management, they become more tolerant and flexible enough to adapt to any situation and challenges (Webb and Wright, 1996).

*Expatriate Failure:*

Expatriate failure is defined as the premature return of an expatriate which means the expatriate return to the home country before completion of the assignment period. The international assignment is considered as success only if the expatriates stayed and completed what was intended by the organization. Otherwise the assignment is considered as a failure. However, there is possibility of an expatriate returning home before the scheduled period due to the successful completion of an assignment before the assignment period (Dowling & Welch, 2004).

International assignment involves lot of money especially when expatriates are involved and when expatriates fail to perform, its' even more expensive for the organization (Forster, 1997; Swaak, 1995). Although this failure could be due to the lack of "fit" between multinational strategy of the MNC and the appropriate staffing approach, this issue has not been addressed in extant research. Employees who undertake the position of expatriates may fail to perform which may lead to failure in their international assignment (Harzing 1995, 2002). As a result, they return back to the home country before the assignment period and each premature return translates into substantial organizational costs (Klaff, 2002; Mervosh and McClenahen, 1997). Expatriate failure, either in the form of diminished attitudes and performance is especially costly for organizations because the expense of expatriate assignments is many times that of domestic assignments (Gale, 2003; Joinson, 2002; Klaff, 2002; Krell, 2005). Black and Gregersen (1991a) estimate that about half of all such expatriate assignments are ineffective and leads to failure. Hulin (1991) includes other forms of expatriate failure which includes absenteeism, lateness, inattention, poor performance, low job satisfaction, physical and mental health, psychological withdrawal may also leads to expatriate assignment failure. Above all, it is difficult for the organization to replace the expatriate position if they leave before the assignment period or underperform because it involves lot of money in selecting, training the employee for the position (Ando, 2011). All of the above suggest the increased

importance of examining the alignment of staffing orientations to multinational strategy, within an international SHRM perspective.

Many researchers (Cole, 2011; Lund and Degen, 2010; Yeaton and Hall, 2008; Shen and Lang (2009) attempted to identify reasons for expatriate failures. Though more research was conducted in different periods, Tung (1982) and Tungli and Peiperl (2009) research described expatriate challenges comprehensively. Therefore this section will be utilizing Tung's (1982); Tungli and Peiperl (2009) studies of "the reasons for international assignment failure" as a base and identify if any other reason persists for the international assignment failure for the current situation.

Reasons identified for international assignment failure (Tung, 1982)

Failure for U.S. Multinationals:

- Inability of spouse to adjust
- Manager's inability to adjust
- Family problems
- Inability to cope with overseas assignments

Failure for EU Multinationals:

- Manager's spouse do not adjust to the new environment.

Failure for Japanese Multinationals:

- Difficult to adjust with new responsibilities/new environment
- Lack of technical knowledge
- Spouse inability to adjust to the new environment

Reasons identified by Tungli and Peiperl (2009) for international assignment failure

1. Staffing
2. Selection
3. Training
4. Premature returns

Here, we describe spousal adjustment and general adjustment, two of the main reasons listed above by the researchers for failure of expatriates' international assignment.

Spousal Adjustment: Looking at Tung's results listed above for US, Europe and Japanese multinationals, one of the common reason identified for expatriate failure has to do with the spouse

and family members having difficulties to adjust in a new environment. Therefore we can assume that the family play a major role in making the expatriates to break or make (accept or refuse) decisions in the international assignment. Inability of spouse adjustment may negatively influence expatriate's performance, adjustment in the new environment and ends in premature return. Cole (2011) agreed to Tung's statement of failure reasons that spousal adjustment issue is considered as one of the major reason for expatriate failure.

Despite the shift in global staffing patterns, the organizations face in the form of short term assignments, commuter assignments, international business travel, and virtual assignment, the organizations still transfer expatriates for the international assignment as there is shortage in qualified locals for management development purpose (Collings, Scullion and Morley, 2007). Almost two thirds of the expatriates are accompanied by his/her spouse, children, or both. As a result, expatriates are pushed into the pressure of considering many factors such as spouse's employment opportunity, children's education before accepting the international assignment offer (GMAC, 2008). Traditionally most of the expatriates who were transferred abroad was mostly male employees accompanied by a wife who was not having jobs. Therefore organizations did not pay much attention to spousal adjustment at that time (Smerd, 2007).

Expatriate spousal support has been found to be significantly related to general adjustment in the new environment. Therefore we can assume that, if an expatriates spouse is not willing to relocate due to obstacles of obtaining employment in the new environment, cultural and language barriers, and other related problems, then expatriates may reject the international position (Konopaske & Steve, 2005). As a result, many organizations are facing shortage of skilled and qualified employee to fill the key positions abroad. Another reason identified for expatriates not willing to relocate is due to the increase in number of dual career couples (GMAC, 2008). Spouses who are in professional or managerial position with higher incomes, would more likely to oppose an international transfer unless they receive some assurance that their careers will continue uninterrupted. Job interruptions are clearly a greater loss both financially and psychologically to career oriented spouses (Stephens and Black, 1991). Career oriented spouses who are unsuccessful in finding suitable job in the overseas environment may create negative influence on expatriates job satisfaction and performance. Lower job satisfaction then leads to high turnover of expatriates (premature return) (Stephens and Black, (1991); Porter and Steers, (1973).

Organizations are making efforts to reduce the failure rate causing due to spousal adjustment although the spouse has no contractual relationship with the company, he/she plays a vital role in the success of an international assignment (Cole, 2011). To bring the international failure rate down,

organizations are making efforts to assist the expatriate employees' spouses with employment assistance (Blackhurst and Cummins, 2005) which may convince the expatriates and family to accept the international offer and relocate to the new environment. But, Cole (2011) in her research indicated that there was no difference in adjustment between spouses who received employment assistance and those who did not.

General Adjustment: Adjustment refers to the level of comfort the individual feels in the new role and the degree to which he/she get adjusted to the role requirements. Black (1988) identified three types of adjustment relevant for expatriate to get comfortable in the new environment which is highlighted as (a) General or cultural Adjustment (b) Work Adjustment and (c) Interactional adjustment.

General or Cultural Adjustment : Relates to individual's general adjustment to new work responsibilities during the assignment period. The expatriate assignment may be unsuccessful due to the following adjustment reasons: (1) individual is not comfortable with the new environment such as culture or language (Tung, 1981) (2) Lacking in technical or managerial skills (Tung, 1981) (3) Less tolerant towards ambiguity and not open minded to differences in the new environment (Ratiu, 1983). (4) Not meeting the expectations of the organization

Work Adjustment: Refers to the expatriates adjustment towards the job, performance standards, supervisory responsibility etc. Work adjustment directly relates to the performance of the employee. The stress that is created due to mal adjustment in the work environment will negatively influence the performance of an employee. In addition, the stress that is caused due to the difficulties in adjusting in the foreign country, in terms of basic day to day life activities may bring that stress with them to work resulting in lower work adjustment (Kraimer, Wayne and Jaworski, 2001).

Interactional Adjustment: Relates to interacting with the host country nationals. Interaction adjustment will vary according to their culture of origin. Prior international experience is positively influenced to interaction adjustment. In addition to previous international experience, partner social support, length of time spent in host country and culture of origin are all considered as tool for interaction adjustment (Waxin, 2004). In addition to Black (1988), Liu and Lee, 2008 and Lysgaard, 1955 identified the fourth adjustment which is "mastery". In this stage, the employee will try to identify the differences in new culture and try to function in a way that feels comfortable and normal to them.

Of the three adjustments described above, work adjustment will have direct impact on work performance and interactional adjustment will have positive impact on good relationships not only with employees, but also with host nationals such as suppliers and customers. According to Selmer and Leung (2003), female expatriates have the same general adjustment as male expatriates, but with the higher levels of work adjustment and better interaction adjustment.

As we have already explained about different staffing approaches and the related challenges faced by the organization, we decided not to repeat the staffing issues again here and decided to move on to the other issues such as selection, training and premature returns which was highlighted by Tungli and Peiperl (2009) for failure reasons of an international assignment.

Despite the advantages of utilizing host country nationals and third country nationals for the international assignment, parent country nationals has been the most popular international staffing adopted by multinationals (Bennet, Aston, and Colquhoun 2000; Dowling, Festing and Engle, 2008). Since more attention has been focused on parent country nationals, and not much evidence is available about the host country and third country national's selection criteria and the training methods available to them, this section will illustrate human resource issues pertaining to expatriate selection, training and adjustment.

*Expatriates Selection Issues:*

In today's given environment, most of the multinationals use a wider range of selection criteria than they did few decades before. Using wider range of selection provides opportunity for the companies to identify and select the best choice or preferable employee for the key managerial position in the international operation. Of the three staffing options the organization use to select for the international position, expatriates has been used more than host and third country nationals (Kuhlmann and Hutchings, 2009; Lund and Degen, 2010). The demand for expatriate employees is increasing and growing rapidly as there is increase in globalization of organizations. As a result, it is essential for the organization to stay competitive in the new environment (Cartus, 2007). Organizations' use expatriates as a tool and they are considered as a valuable resource for creating and sustaining a company's competitive advantage. Despite change in staffing practices such as using host country and third country nationals for the international assignment, organizations continue to use expatriate employees because of their technical skill level which is not available in host countries or for organizational development purposes (Collings, Scullion and Morley, 2007). The reasons for using expatriates vary and divergent across countries (Tungli and Peiperl, 2009).

Managing global assignments is the major challenge for companies. Due to the increase in globalization, there are shortages of talented employees for international assignment. Global assignment can be extremely challenging and costly to both the expatriates and the assigning organization. Expatriate failures directly affect the organization. In addition to financial costs associated with setting up and relocating expatriates, failed assignments reduce organization's reputation, productivity, business opportunities, market share, competitive position and damage corporate image. As a result, the domestic business might even get affected (Dowling and Welch, 2004; Shaffer and Harrison, 1998). The failed assignments not only affect the organization, but also the family by impaired relationships, diminished self-esteem, diminished commitment to the parent firm and interrupt the careers (Mendenhall and Oddou, 1985; Nauman, 1992; Tung, 1987).

Many organizations, especially western multinationals (Harris et al., 2005) and Japanese multinationals use more expatriates (Tung, 1981; Tungli and Peiperl, 2009) for successful implementation and attainment of objectives. Majority of MNCs in the U.S. select their expatriates based on managerial or technical excellence. They believe that those who are successful in managing the business in U.S. will be successful in other countries also or they falsely assume that a person who has the ability to solve a technical problem will lead to success in any environment. Technical ability will not alone bring success to the organization (Mendenhall and Oddou, 1988). Mendenhall and Oddou's argument reflects with Tung's (1987) statement that when companies select potential expatriates for international assignment, there is an overemphasis given on technical competence than other important attributes such as relational abilities which is (a) culturally sensitive (b) having empathy for others (c) willing to accept the peculiarities in the new environment (d) Willingness to accept the new task.

*Deficiencies in expatriate assignment:*

Although multinationals rely heavily on expatriates for filling the position in subsidiaries, the success rate of expatriates is very low (Collings et al., 2007; Fenwick et al., 1999). It is recognized that expatriates experience a significant rate of failure due to difficulties in adjusting to, and managing in foreign settings. The reasons identified by Lund and Degen (2010) are: (1) ineffective selection methods for the assignment (2) ineffective training provided on cultural adjustment training (especially for cultural distant countries like China) (3) inadequate information or help provided on day to day activities and finally (4) lack of motivating employees, no career advancement plans made by the organization for the expatriates after completion of the assignment (Stroh et al., 2005).



*Training Issues Pertaining to the International Assignment*

Training is provided with an assumption to enhance the employees' performance and to increase the knowledge, skills, attitudes and behaviors in order to get adjusted fast in the new environment and at the same time help the organization to achieve the goals. Training length and time vary according to the organizations. The content also differs widely. Those firms who understand that working abroad is more than solving a technical problem cover a much wider range of topics such as: values, culture, language, societal beliefs, organizational culture, environmental factors and so forth (Mendenhall and Oddou, 1988). Organizations understand the need and importance of training that it is a requirement for organizational success. During 1980's cross cultural and language training was not given to the employees for the international assignment (Black and Mendenhall, 1990; Mendenhall, Dunbar and Oddou, 1987). Fortunately in recent years, organizations recognized the need for training and providing it for the employees (see e.g., Windham International and National Foreign Trade Council, 1998). Soon after the selection decision, most of the organizations' provide in-depth training to adequately prepare the employee for their overseas assignment. Though training is provided to employees (expatriates) before the international assignment, most of the expatriate failures are blamed due to the inadequate training offered to them at different stages. Organizations provide training (not intense) for employees before they leave for the international assignment and neglect to provide continuous support once they are placed in the new environment (Yeaton and Hall, 2008). Many organizations even neglect to provide training on soft issues such as training for spouse, information about transportation, banking, housing etc. which is essential for the employees to get adjusted fast in the new environment (Yeaton and Hall, 2008; Gates, 1994; Mendenhall et al., 1987).

*Why firms neglect training for international assignees?*

Many researchers emphasize the need for training to increase the success rate of international assignment. Unfortunately, multinationals paid less attention to the training (Davidson and Griffin, 2006; Edwards and Rees, 2006; Hodgetts, Luthans, and Doh, 2006; Littrell et al., 2005, Shen, 2005; Tung 1981, 1982). The organizations that provide training to the employees offer only pre-departure training and not extending to the arrival training which is considered very important for the assignee to get adjusted and prepare themselves for the new assignment. Most expatriate failures are blamed on the poor training offered to expatriate at these stages (Yeaton and Hall, 2008).

Organizations just provide short training before the expatriates leave the country and neglect to provide daily support once abroad. As a result, expatriates face work and interaction adjustment in the new job (Yeaton and Hall, 2008). Unfortunately, many organizations offer assistance about the foreign country in the form of providing information about transportation, banking, and housing during the pre-departure training and there is little evidence found about the cultural, language training, and family support programs which will ease the expatriates in the host country as they encounter obstacles during the assignment (Yeaton and Hall, 2008). The reasons for assignment failures identified by many researchers (Tungli, 1982, Tungli and Peiperl, 2009; Davidson and Griffin, 2006; Edwards and Rees, 2006; Hodgetts, Luthans, and Doh, 2006) are listed below:

- Falsely assume that people don't require training: organizations falsely assume that only knowledgeable, experienced and skilled personnel get selected for the international assignment and they don't require any training (Tung 1981, 1982).
- Lack of time: According to the research conducted by Peiperl and Tungli (2009) in European, American and Japanese multinationals, the reason identified by researchers with the help of information provided by respondents for not providing training to them is due to lack of time.
- Assignments do not warrant budget: In some organization, the budget will be insufficient to support training provided to the employees.
- Insufficient knowledge to conduct training: The training manager may lack the skills to provide training for the employees (Yeaton and Hall, 2008).
- Misconception about training: Most of the organizations believe that training is only an expense and not an investment (Shen, 2005). This statement is true with U.S. multinationals. They do not provide formal training to prepare expatriates for the new assignment. This reluctance is due to two reasons. First training is expensive and second, the organizations fear that employees may leave the company after getting the training aid. U.S. ranked first in high employee turnover rate when compared to Europe and Japanese multinationals (low employee turnover rate) Tung, 1987.

*Adjustment issues pertaining to International Assignment:*

Due to the growing number of expatriates created due to the globalization of companies, they are facing new challenges and difficulties now to find employees willing to accept international assignments (Suder, 2004). Surveys indicate that about two thirds of international expatriates are accompanied by spouse and children and the employees are stressed with relocation problems

(spouse career, children education etc.) (Cartus, 2007; GMAC, 2008). The percentage of dual career couples is increasing and as a result, employees are restricting themselves and refuse not to accept the international offers due to relocation difficulties. Since spouse adjustment is considered as one of the problems for international assignment failure, it would be feasible for organization to consider this factor while selecting employees for the international assignment (Tung, 1982; Harvey, 1985, 1989). Another reason for not accepting international assignment by employees is due to the company's treatment after returning back from international assignment (repatriation) (Suutari and Brewster, 2003; Bossard and Peterson, 2005; Fink, Meierwert and Rohr 2005; Lazarova and Tarique, 2005). According to Caligiuri, Hyland, Joshi and Bross, (1998) expatriates overall adjustment in the new environment entirely depends on spouse and family adjustment. The success rate of international assignment is more if the employees' family and spouse is happy and supportive and on the other hand the success rate is very low due to the spouse inability to adjust in the new environment (Tung, 1982; McNulty, 2005). To increase the success rate of the international assignment, organizations now provide training on cross culture and language training to employees spouses (Cartus, 2007). Despite of the spouse training, the family integration and success of assignment in host country is typically left to the spouse (Mercer Human Resource Consulting, 2006).

This body of research identified many failure reasons for the international assignment which are listed as: (a) Psychological withdrawal (Shaffer and Harrison, 1998) (b) Withdrawal cognitions (Shaffer and Harrison, 1998) (c) Inadequate knowledge of country and culture (Yeaton and Hall, 2008) (d) The pre and post departure training process (Yeaton and Hall, 2008), ineffective training on culture and adjustment (Lund and Degen, 2010), cross cultural training (Shen and Lang, 2009) (e) Poor repatriation efforts (Yeaton and Hall, 2008) (e) Spouse experiences (Shaffer and Harrison, 1998) (f) Family Structure (Shaffer and Harrison, 1998) (g) Ineffective initial selection of employees (Lund and Degen, 2010) (h) Lack of motivation and career advancement plan (Lund and Degen, 2010) (i) Dual career couples, female expatriates and male spouses (Cole, 2011). (j) Age, Race and Ethnicity and sex (Olsen and Martins, 2009).

### **1.7.2. HCNs (Local Nationals)**

Multinationals current challenge is to find out the ways to increase the success rate of managers assigned overseas. International assignment involves lot of money when expatriates are involved and when expatriates fail to perform, its' even more expensive for the organization (Forster, 1997; Swaak, 1995). To avoid the assignment failure and to reduce costs, organizations concentration moved to host country nationals (Fisher, 1985; Louis, 1980; Louis, Posner, and Powell, 1983;

Morrison, 2002). More multinationals are willing to hire host country nationals due to the advancement in economic and social benefits in developing countries. Additionally, host nationals are more social, skilled and better qualified than before to hold higher positions that were filled with expertise from headquarters (Hailey, 1996; Speier, and Novicevic, 2000). In addition, host country nationals are less expensive than expatriates, and they are familiar with the culture and business environment, and they easily co-ordinate with the employees in subsidiary operation (Tarique, Schuler and Gong, 2006). As a result, multinationals appoint more host nationals not only to reduce the negative impact of culture shock experienced by some expatriates but also help the expatriates to adjust and socially integrate with the host employees (Schneider, 1987). To support the statement that HCNs are more utilized in multinationals, we present some examples here:

*Example 1:* ANZ Bank (Australia and New Zealand Banking Group) employs 40,000

People in 41 countries around the globe, predominantly in the Asian Pacific Basin. With a strong base of 28000 employees in Australia and New-Zealand, the bank has only 500-600 expatriates. The rest of the employees local nationals, with large numbers in India and Arab (Marmer, 1995).

*Example 2:* Unilever announced that it would cut its expatriate staff to 20 from 100 and appoint more local nationals in China (Hsieh, Lavoie and Samek, 1999).

*Example 3:* Coca-Cola appoints more local nationals in Brazil. Some have reached the senior position also (Roberto Goizueta, late chairman and CEO). By looking at the number of local employees working for Coca- Cola, Brazilians are considering Coca-Cola as a Latin American company and not as a multinational one.

Organizations now-a-days provide more opportunities for host country nationals by delegating authority to demonstrate that they have the necessary managerial talent to achieve the objective. By doing so, the organization overcome the distrust level on host nationals which was the situation in the past why host nationals were not given enough opportunity in subsidiary level (Dowling et al., 1999; Schuler et al., 1993, Borg and Harzing, 1995). At the same time, it is also important for host nationals to adjust according to the headquarters expectations and prove that they can be trusted to act with culturally appropriate parent country business etiquette when they are delegated authority (Herrmann and Werbel, 2007). As organizational insiders, host country nationals have more experience than the newcomer in the organization, and therefore encounter fewer surprises

(differences) in the course of work compared to the newcomer (Louis, 1980). Even if there is any difference in the work accomplished, host nationals sense the problem and resolve it.

### HCNs in Key positions

Staffing the subsidiaries with suitable employees continue to be the biggest challenge for the organization in order to sustain a competitive advantage in the international marketplace (Briscoe and Schuler, 2004; Gong, 2003). More multinationals utilize host country nationals for the subsidiaries which was not the case few decades before (Tung, 1981). When the culture is similar or when the cultural distance is low in the subsidiary, multinationals prefer to hire local nationals to gain legitimacy in the local environment (Zucker, 1987; Meyer and Scott, 1983). Gaining legitimacy in the local environment is important for subsidiaries survival (Kostava and Zaheer, 1999). Secondly, host country nationals are selected for top management positions due to the knowledge they possess about the local market, business practices and cultural preferences (Banai, 1992; Kobrin, 1988; Tung, 1982). Though expatriates have international experience, it will be difficult and time consuming for them to get adjusted and to know about the local circumstances as host nationals do. Additionally, multinationals prefer to select host country nationals because they are inexpensive when compared to expatriates (Banai, 1992; Kobrin, 1988; Root, 1986). This reason is more important when the cost of living is higher in host country than home country. In such case, expatriate will expect additional compensation to live according to the local lifestyle. Local managers would have probably adjusted to the high cost of living and would not demand additional compensation (Harzing, 2001). Thirdly, a polycentric policy lends continuity to the management of the foreign subsidiary (Dowling et al., 1999). Appointing host country nationals for the subsidiaries is essential especially for countries that insist on relationships for business success (Kramar, McGraw and Schuler, 1997). There is evidence that European and United States multinationals used more host country nationals in their subsidiaries mostly in developed countries than developing countries (Tungli, 1981). We can assume the reason is due to the availability of experts who possess technical and managerial skills to fill the management level positions. Despite the fact that multinationals utilize more host country nationals for the key management position in subsidiaries, inadequacies of staffing still remain. Existing research focused more on expatriates and on issues surrounding around expatriation (Aycaan and Kanungo, 1997). In the past decade, we have seen ample solutions for the expatriate issues in order to maximize the success rate of expatriation (Black, Gregersen, Mendenhall and Stroh, 1998, Tung, 1987). Compared to parent country nationals, not much research has been done on host country nationals. There is relatively little empirical research done on the management

of HCNs. There is no evidence to support the steps taken to maximize the host country nationals' efficiency. Comparatively less is known about the utilization of host country nationals and third country nationals in staffing key positions in MNC. Evidence still lack on the selection criteria of host country nationals, the criteria used for selecting employees for the key position among subsidiaries vary significantly or the same. What are the measures taken by the organization on how to incorporate (person-strategy fit) host nationals into the global operations, and finally the initiatives that the organization take to retain the host nationals with the subsidiaries.

Although most multinationals appoint HCNs today, the research about HCNs in international business is limited. Most of the expatriate assignments are successful depending on the support they get from HCNs, therefore their success is influenced by HCNs (Olsen and Martins, 2009; Toh and DeNisi, 2007) and in general HCNs are an important resource for the organization (Caprar, 2011; Gong, 2003; Tarique and Gong, 2006). We can assume that the information and the social support shared by HCNs help expatriate to adjust in all the three dimensions – general, work and interaction adjustment. HCNs support ease the expatriate overcome cultural shock and any feelings of loneliness or isolation experienced being away from home and make them feel comfortable with local interactions in the new environment (Toh and DeNisi, 2007)

#### Challenges in Staffing HCNs:

Multinationals that operate in different locations carry not only products and services from the home country, but also "culturally loaded practices" to the host countries, and even use these practices as a control mechanism (Edstrom and Galbraith, 1977). Most of the multinationals begin their subsidiary operations with the help of expatriates, followed by local employees, who are acculturated through socializing process and training by which they learn the values, beliefs, social knowledge which is required to perform in their new roles. Although extensive training is provided by the organization to HCNs, multinationals feel that they are not the exact match for the position(s) (Hsieh, Lavoie and Samek, 1999). In countries like Vietnam and China, people are showing more interest to work in multinational corporations. But the local people are facing difficulties in speaking the foreign language and the standard of education is low. As a result, the multinationals that are willing to appoint local nationals spend lot of time providing training on the language and culture, which is causing delay in achieving the task Marmer, 1995). In addition, the multinationals may encounter government controls, cultural, political and legal factors sometimes dictate the behaviors which may be different from the home country or contrary to the organization's requirement.

### 1.7.3. TCNs (Third Country Nationals)

Global staffing is the process of acquiring, deploying and retaining a global workforce in organizations with operations dispersed throughout different countries (Scullion and Collings, 2006). It is assumed that all multinationals at the initial stages of international expansion, use mainly parent country nationals. However with growing globalization, multinationals have to give more space to host and third country nationals (Tungli and Peiperl, 2009). Multinationals may adopt different approaches to staffing at different subsidiaries and at different stages of globalization. Filling TCNs for key positions both in subsidiary and headquarters is becoming more popular than before. They are selected based on their (1) Unique skills - which the organization cannot find with host and parent country nationals. (2) Language ability- most of the third country nationals are bilingual or multilingual which will help the third country nationals to co ordinate well with subsidiary employees and concurrently avoid the language problem in subsidiary. (3) Flexibility – almost all the third country employees are flexible and willing to move to any location and (4) International exposure – most of the third country nationals must have worked at different international locations and the international experience adds value to the organization (Collings, McDonnell, Gunnigle and Lavelle, 2010). Third country nationals are said to have the advantage over parent country nationals of being more familiar with surrounding cultures and often of being less expensive. In addition, TCNs can impact significantly on multinationals ability to achieve learning, innovation and corporate integration (Dowling and DeCieri, 1993). According to Tungli and peiperl (2009), most multinationals located in Germany, UK, Japan and USA had more third country nationals than expatriates.

Existing research indicates that number of TCNs working for multinationals have increased (Tung, 1981, Tungli and Peiperl, 2009). The major reason for appointing TCNs is that they can be socialized effectively into the corporation and generally considered as the lower cost of option in terms of salary and benefits than their expatriate counterparts. Furthermore, they are expected to reduce language barriers when they are transferred from a country that shares a language with the subsidiary (Dowling et al., 2008). In addition, TCNs are more willing to accept an international assignment due to more limited labour market opportunities in their country of origin (Tarique and Schuler, 2008). TCNs are also more likely to be deployed in situations where there is relatively free movement of people from country to country such as the European Union (Briscoe, Schuler and Claus, 2008). Inviting TCNs to work in global workforce capitalize on labour pool by drawing on diverse pools to meet the different needs of the firm and exploiting the cultural synergies of a diverse workforce by drawing on diverse perspectives in managerial decision making. Research indicates that the nature of international staffing has shifted from an ethnocentric home country model to a more global or transnational one (Collings et al., 2007; Harvey et al., 2001; Tarique and

Schuler, 2008). This statement is closely associated with Tung (1981) study that there is a shift in staffing approaches and the reason for using third country nationals by Europe and United states multinationals is due to the technical expertise and they are the best fit for the job. Though some recent conceptual contributions have recognized the significance of TCNs as a staffing option (Gong, 2003; Tarique, Schuler and Gong, 2006) there has been limited research on the actual extent to which multinationals use TCNs in staffing global operations (Collings et al., 2008; Tungli and Peiperl, 2009). The staffing decision for multinational corporations is often defined as the choice between parent country nationals and host country nationals (Lazarova, 2006), an approach which excludes the consideration of TCNs often owing to theoretical or empirical convenience (Gong, 2003; Schuler and Tarique, 2007; Collings, Morley and Gunnigle, 2008). The research still lack about the role of TCN in staffing strategy which remains unexplored regardless of their contribution to the organization which brings value and change in corporate integration (Collings et al., 2008). TCNs can easily be substituted in the place of PCNs and HCNs. TCNs can be socialized at the parent country headquarters to develop familiarity with the multinationals corporate culture and can be socialized at the host country subsidiary to develop cultural, political and legal environment of the host country (Tarique and Schuler, 2008).

#### Challenges in Staffing TCNs:

Due to the increase in cost associated with expatriate staffing, and refusal of international assignment by expatriates due to dual career couple families, multinationals choice of staffing is shifted to TCNs and HCNs for both managerial and non-managerial positions (Tarique and Schuler, 2008). Although multinationals appoint TCNs for key positions, they are having difficulties in deciding which training to provide since a variety of training intervention exists. Additionally, it is the job of the human resource management to describe the extent to which training and socialization interventions differ for each employee type (PCN, HCN and TCN) (Tarique and Schuler, 2008). The most challenging task for the multinational is to plan effectively the right choice of employee for the global position or work which involves international responsibilities because the improper selection of employees may have a major negative impact on the success of overseas operations (Briscoe and Schuler, 2004). Compare to PCNs (Expatriates), existing literature indicates less about the utilization of TCNs in staffing key positions in multinationals.



## 1.8. Synthesis

A number of conclusions can be drawn from the above discussion about the international business strategy and executive selection practices variables. First, although existing studies were made about the business strategy and executive selection approaches separately, so far no attempt has been made to link the business strategy with the staffing approaches. Second most of the researchers conducted research about the expatriation and their adjustment problems. But, there is limited evidence on utilization of host country nationals and third country nationals. Third, while each of the reviewed studies shows that multinationals use different executives for different time periods in general. But, there is no research done about the different roles of executives in subsidiaries. Especially the expatriates are given more attention here because they work in both the headquarters and subsidiary operation during the assignment period. Although there is increase in number of local nationals and third country nationals in multinationals, most of them hold the key position in subsidiary only and not in headquarters. Fourth, there is no existing research done on linking the executives performance related to the cost. Therefore further study is required to fill the gap and provide empirical assessment that will contribute to a better understanding of business strategy and staffing executives for the international assignment. Accordingly the next chapter of this study proposes a comprehensive research framework incorporating what the predictors/researchers has identified with hypothesized path relationships.

### **Chapter 1 Summary**

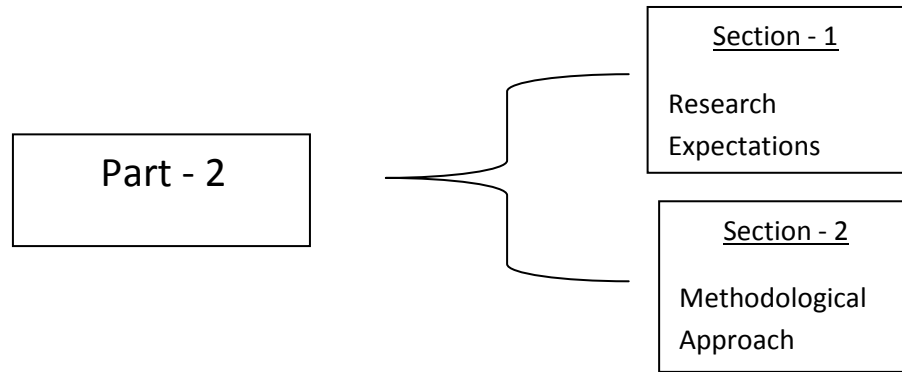
In this chapter, we first described the multinational companies and the international business strategy (Global, Multi-domestic, Transnational, International) identified by Bartlett and Ghoshal (1989). We also included the empirical evidence for the international business strategies. Then we described the motives for the international transfers by Edstrom and Galbraith (1977). After describing the motives for the international transfers, we identified different executives the multinationals utilize for the international operations. Perlmutter (1969) the pioneer who discovered the different staffing orientations, multinational may use to fill their subsidiary operation with parent country nationals (PCNs), host country nationals (HCNs) and third country nationals (TCNs). We also explain the traditional staffing style of MNCs (usually with PCNs) with current practices (HCNs and TCNs) for staffing the subsidiary. We also listed the reasons why there is a shift from ethnocentric to polycentric and geocentric approaches in the international staffing strategies. In the following chapter, we propose research expectations to answer our research questions.

**PART – 2**

**RESEARCH EXPECTATIONS**

**&**

**METHODOLOGICAL APPROACH**

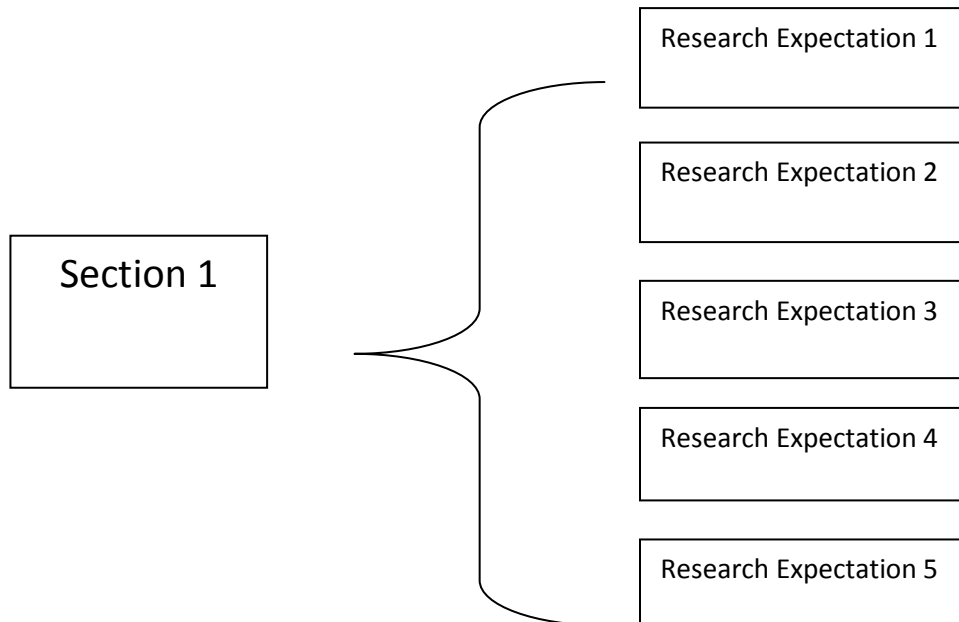


We have divided part 2 into two sections. In section 1, we have proposed 5 research expectations. In section 2, we have described the methods and methodological approach used in our research.

## CHAPTER – 2

### RESEARCH EXPECTATIONS

In the literature review, we reviewed the relevant literature related to business strategy, and executive staffing approaches. We proposed research expectation in this chapter to answer our research questions.



In section 1, we have proposed 5 research expectations. Research expectation 1 – multinationals that practice global strategy utilizes ethnocentric staffing? Research expectation 2 – multinationals that practice multi domestic strategy utilizes polycentric staffing? Research expectation 3 – multinationals that practice transnational strategy utilizes geocentric staffing? Research expectation 4 – how multinationals evaluate the executives performance related to cost? And in Research expectation 5 – The multinationals staffing strategy changes according to different levels of their growth?

## 2.1. Global Strategy and Ethnocentric Staffing

In global strategy, organizations integrate their value chain activities across countries to achieve maximum efficiency globally, synergize the activities to maintain co-operation in order to produce with a combined effect. This way the organization can take maximum advantage of similarities across countries, maintain uniform technology and at the same time monitor competitor on global basis (Bartlett and Ghoshal, 1989, Pucik et al., 1992; Porter, 1986; Roth et al., 1991). All the products are largely standardized and offer the same product around the world because the strategy views the world as single marketplace (Kedia, et al. 2002). MNCs that adopt this strategy expects headquarters culture to be practiced in subsidiaries to maintain the standardization of policies and to have control over subsidiaries (Roth et al., 1991). The parent country or headquarters has the global responsibility for issues that involve activities crossing national boundaries while subsidiary's role is to just implement the strategies. In other words their role is limited to the local/regional operating environment (Bartlett and Ghoshal 1989: 61). Global strategy insists on high standardization and low on local responsiveness.

Ethnocentric staffing is adopted by global multinationals. When the organization expects to maintain the same policies and procedures to be practiced in subsidiaries, ethnocentric staffing is being the choice for the organizations'. The multinationals select ethnocentric staffing because the employees from the parent company will have strong knowledge of company's policies and procedures and ensure that the guidelines are followed in subsidiary. Perlmutter (1969) stated that all multinationals immaterial of their strategy, first use ethnocentric staffing. Other researchers such as Harzing (2001), Banai, (2000) and Tung (1981) identified that organizations' initially utilize expatriates (ethnocentric staffing strategy) especially when they set up new business operation in an environment. Furthermore, expatriates are good at knowledge spreading and synergize the value chain and help the organization to achieve its objective.

In order to examine whether the multinationals that practice global strategy uses more PCNs or other nationals for their subsidiary operation, we proposed research expectation 1 below:

*Research Expectation1: Multinationals that practice global strategy more likely to use ethnocentric staffing approaches in order to maintain standardization of practices and to have control over the subsidiaries and to fill the skill gap especially in developing countries.*

## 2.2. Multi-domestic strategy and Polycentric Staffing

Multi domestic strategy is the opposite of global strategy. The subsidiaries are detached from headquarters and considered as an autonomous business unit (Bartlett and Ghoshal, 1989). This strategy involves products tailored to individual countries. The main focus of these companies is to increase their revenue by differentiating their products and services according to the customers' needs and preferences, industry characteristics and government regulations. To serve best the local customers, the subsidiaries depend on the local research and development for innovation of products to exactly match the needs of the local customers (Pucik et al., 1992; Bartlett and Ghoshal, 2002; Porter, 1986). Multi domestic strategy insists high on local responsiveness and low on standardization of products and services. To match the local needs, it would be better for the organization to fill the key positions with host country nationals (citizens of the country where the subsidiary is located) due to their familiarity with the culture and the business environment (Tarique, Schuler and Gong, 2006). In addition, host country nationals are less expensive than expatriates and they easily coordinate with the employees in subsidiary operation. Perlmutter (1969) stated that after multinationals establish their presence in host country will gradually evolve will move to utilize HCNs for the key positions. Additionally, to increase the success of an international assignment, organizations now use host country nationals because they are not only more social, but also more skilled and better qualified than before to face challenges and to help the organization achieve the objective (Hailey, 1996; Speier, and Novicevic, 2000). HCNs are considered for key positions for having two major core competencies: (1) familiarity with the cultural, economic, political and legal environment of the host country and (2) ability to respond effectively to the host country's requirements for the subsidiary operations (Schneider and Barsoux, 2002).

To know about the multinationals that practice multi domestic strategy uses more HCNs or other nationals in their subsidiary, we proposed research expectation 2 below:

*Research Expectation 2: Organizations that practice multi domestic strategy are more likely to utilize polycentric staffing approaches due to their familiarity in culture and business environment, and to achieve the objective of an organization which is to exactly match the local needs of the customers.*

### 2.3. Transnational Strategy and Geocentric Staffing

Transnational implies a flexible approach – standardize where feasible and adapt to the local needs where appropriate. These organizations give importance to the local responsiveness and at the same time practice global standardization/integration to maintain and control the cost. Transnational organizations are not country specific and their main focus is managing cost & revenues balancing simultaneously with efficiency and innovation (Bartlett and Ghoshal, 1989).

To maintain both the standardization and local responsiveness at the same time, organizations should appoint a potential employee for the key position to handle the challenging and effective task. Therefore, organizations appoint third country nationals regardless of nationality, from all over the world, so that the best people are recruited to handle the challenging tasks (Heenan and Perlmutter, 1979; Kobrin, 1988). Multinationals prefer to select third country nationals when they move toward an integrated, worldwide approach to operations understand that national borders can no longer serve as defining boundaries for what and where it is done. MNCs at this maturity stage, face increasing global competition and they must have the ability to have both an overall global strategy (integration) and a domestic competitive advantage in each subsidiary (differentiation), trying to balance both integration and local responsiveness at the same time. This may be achieved through the evolvement of a global multicentric cultural perspective (Adler and Ghadar, 1990). Since headquarters and the foreign subsidiaries of any geocentric MNC will view themselves as integrated parts of a global organization, the corporate culture will be highly unified, but necessarily dictated by the headquarters (Caligiuri and Stroh, 1995). Perlmutter (1969) argued that multinationals finally adopt geocentric strategy as the organization establishes and familiarises itself more and more with conducting business on a global playing field.

To find out about the multinationals that practice transnational strategy uses more third country nationals or other nationals in their subsidiary operation, we proposed the 3<sup>rd</sup> research expectation below:

*Research Expectation 3: Multinationals that obtains transnational strategy, more likely to use geocentric staffing approaches because third country nationals consider international assignments opportunity as having value not only for themselves but also for their employers' and strengthen the multinationals competitive edge.*



## 2.4. International assignments – Cost Effectiveness

The success or failure of the international assignment depends entirely on the employees who have been assigned by the organization to fulfil particular task during the assignment period. Researchers attempted to study the measurement of expatriate performance have figured out the difficulties and they were less successful in their mission due to the external influences, and local circumstances (Black, Gregersen, and Mendenhall, 1992). The existing research tried to evaluate only expatriate performance associated with the international assignment and there is no trace for the performance measurement done on host and third country nationals. The concept of performance measurement developed for expatriates is extended to HCNs and TCNs. Existing research attempted to operationalize success in expatriate assignments have proven a difficult task, and different researchers have used different elements to measure it. Till date, failure rate are measured by the occurrence of premature return (Tungli and Peiperl, 2009). The rate of premature return, however, shows only one type of failure whereas it does not include the expatriates who complete their international assignment, but did not meet the organization's expectation (low performance) (Zeira and Banai, 1984). More generally, Caligiuri and Tung (1999) defined expatriate failure as a three faceted construct: (a) premature termination of the assignment (b) cross cultural adjustment and (c) actual job performance on the assignment. Shaffer and Harrison (1998) identified one more failure which is psychological withdrawal from international assignment, i.e. employee remains in the assignment but psychologically withdraw. Based on Caligiuri and Tung (1999) three faceted definition, we define executive performance as: (a) completion of assignment (b) cross cultural adjustment (c) actual job performance on the assignment and (d) no or low levels of withdrawal from the international assignment or low employee turnover. We define cost effectiveness as the ratio of performance to cost with the performance as defined above. More generally, Walker (1990) defined cost is a key business objective for many organizations. For these organizations, lower direct product costs, minimized indirect overhead expenses and avoidance of future costs, reducing benefits costs, adopting pay for performance, improving productivity and efficiency are key concerns.

Overseas assignments are expensive and costly when compared to the domestic operations (Shaffer and Harrison, 1998). Therefore it is essential for organizations to identify the success rate of an international assignment due to the costs (direct and indirect costs) associated with it. Copeland and Griggs (1985) estimated that international assignment failure may cost to the organization somewhere around \$55000 to \$ 250,000. Failed assignments however may vary in degree. In some international assignment, the employee will still remain in the contract but may not perform well

(psychological withdrawal) may also incur cost (indirect cost) for their organization in the way of reduced productivity, reduced market share, and competitive position, as well as damaged staff, and discredited corporate images and reputations (Black, Gregersen, and Mendenhall, 1992). Therefore it is essential for organization to select the appropriate employees according to the strategy.

*Research Expectation 4:* The extent to which there is a fit between the staffing approach and strategy is directly related to cost effectiveness of the staffing approach. Such that higher level of fit will be related high ratio of performance to cost.

## **2.5. Shift in Staffing Approaches – From Ethnocentric to Polycentric and Geocentric staffing**

Historically multinationals were using only expatriates for the international assignment. The current situation is different from what we observed few decades before. Multinationals started expanding their staffing to HCNs and TCNs according to their growth level (early stage –maturity stage) in their international business operations. However the literature is silent on this issue. Here, we map the evolution of staffing mix from a more ethnocentric approach in the initial stages to a more geocentric approach in the later stages, as appropriate "fit" with the strategy. We present this in Table 6.

International assignment involves lot of money especially when expatriates are involved and when expatriates fail to perform, its' even more expensive for the organization (Forster, 1997; Swaak, 1995). To avoid the assignment failure and to reduce costs, organizations concentration moved to host country nationals (Fisher, 1985; Louis, 1980; Louis, Posner, and Powell, 1983; Morrison, 2002). More multinationals are willing to hire host country nationals due to the advancement in economic and social benefits in developing countries. Additionally, host nationals are more social, skilled and better qualified than before to hold higher positions that were filled with expertise from headquarters (Hailey, 1996; Speier, and Novicevic, 2000). Organizations provide more opportunities for host country nationals by delegating authority to demonstrate that they have the necessary managerial talent to achieve the objective. By doing so, the organization overcome the distrust level on host nationals which was the situation in the past why host nationals were not given enough opportunity in subsidiary level (Dowling et al., 1999; Schuler et al., 1993, Borg and Harzing,

1995). Multinationals mostly use HCNs when the culture is similar or when the cultural distance is low in the subsidiary (Zucker, 1987; Meyer and Scott, 1983).

Filling TCNs for key positions both in subsidiary and headquarters is becoming more popular than before. They are selected based on their (1) Unique skills (2) Language ability (3) Flexibility and (4) International exposure (Collings, McDonnell, Gunnigle and Lavelle, 2010). Third country nationals are said to have the advantage over parent country nationals of being more familiar with surrounding cultures and often of being less expensive. In addition, TCNs can impact significantly on multinationals ability to achieve learning, innovation and corporate integration (Dowling and DeCieri, 1993). According to Tungli and peiperl (2009), most multinationals located in Germany, UK, Japan and USA have more third country nationals than expatriates.

Multinationals staffing strategy changes according to different levels of their growth

Strategies	Early Level 1	Growth Level 2	Intermediate Level 3	Advanced/ Matured Level 4
Global Strategy	Ethnocentric (PCNs)	Ethnocentric (PCNs)	Ethnocentric (PCNs)	Ethnocentric (PCNs)
Role of Expatriates	Commander	Commander	Commander	Commander
Multi-Domestic	Ethnocentric (PCNs)	Regiocentric (RCNs)	Polycentric (HCNs)	Polycentric (HCNs)
Role of Expatriates	Commander	Conductor	Coach	Connector
Transnational	Ethnocentric (PCNs)	Ethnocentric (PCNs)	Regiocentric (RCNs)	Geocentric (TCNs)
Role of Expatriates	Commander	Commander	Conductor	Connector

Table 8: Different levels of staffing approaches

The table above clearly describes that global strategy use ethnocentric staffing at all the levels and in multi domestic strategy, the multinationals start with ethnocentric staffing and gradually move to regiocentric and polycentric during intermediate and advanced level. In other words, once the multinationals is confident that the subsidiary can be managed alone, they prefer to use HCNs. Finally, in transnational strategy, they begin with ethnocentric staffing and move on to

regiocentric in the intermediate level and finally to geocentric when the organization familiarises itself more with conducting business on a global playing field. We wish to recall here that expatriates form part of each of the three staffing orientations, with the highest proportion of expatriates found in the ethnocentric approach and the least in the polycentric approach. We now turn our attention to how the roles of expatriates change over the different stages shown in table 6 and as a function of the evolving staffing orientation.

All multinationals use expatriates in their subsidiary operations but the proportion may vary in different stages. Petison and Johri (2008) identified four roles the expatriates will carry to subsidiaries to transfer the knowledge. They are (1) Commander – Monitor and control the subsidiary operation. (2) Conductor – Manage the employees, provide advice in planning, organizing and coordinating. (3) Coach – Train and develop local employees to increase potential ability of the employee, less support in monitoring in planning, organizing and working with team and finally (4) Connector – Enhance commitment and long term relationship among the subsidiary, parent company, local suppliers and local community. As per the information provided in the table above, global strategy use PCNs at all four levels (early, growth, intermediate and maturity) therefore the expatriate proportion is more and they play as a commander in all the four levels. Whereas in multi domestic strategy the multinational first use PCNs at the first level (early), so the expatriate role will be commander in the first level. In the second level, the multinationals shift from PCNs to RCNs, so the expatriate provide help to RCNs to run their assigned task effectively and ensure collaboration among all involved parties in performing tasks. In the third and fourth stage, multinationals use HCNs once they get confidence that the subsidiary operation can be managed with HCNs. In that situation, expatriate role will be coach in the third stage, i.e., train and develop local employees to increase their potential ability and finally in the advanced stage, expatriates role will be connector which is to promote and enhance commitment and long term relationship with subsidiary, local suppliers and local community. In transnational strategy, multinationals use PCNs at the first and second level. So the expatriates will play the role of commander at both levels. Moving on the third stage, multinationals use RCNs. RCNs may have been transferred from other locations within the same region. Here the expatriate will play a conductor role, help the RCNs to work in their assigned task effectively and help them to achieve the task. Finally, in the matured stage, multinationals use TCNs. They are considered as highly skilled and potential employee than others. Therefore the expatriates play the role – connector, who builds and maintain good relationship between subsidiary and parent company, local suppliers and local community.

*Research Expectation 5a: Multinationals, in different time periods, use different staffing approaches (shift) in later period.*

*Research Expectation 5aa: Multinationals practicing Multi domestic strategy, staffing begin with PCNs in the first stage and move on to RCNs in the second stage and finally use HCNs in their subsidiaries.*

*Research Expectation 5ab: Transnational strategy uses PCNs in the first and second stage and move on to RCNs and TCNs in the intermediate and advanced stage.*

*Research Expectation 5b: Multinationals use expatriates for their international assignment in all strategy (global, multi domestic and transnational), but the proportion of expatriates will be less when they use HCNs, RCNs and TCNs. Accordingly the role they hold differ from commander in early stage to conductor in growth stage, coach in intermediate stage and connector in maturity stage.*

## Chapter 2 Summary

In this chapter, we proposed 5 research expectations to answer our research questions. We want to identify the multinational that practice global strategy use more ethnocentric staffing, multi-domestic strategy use more polycentric staffing, transnational strategy use more geocentric staffing. Furthermore, we have a research expectation to compare the performance of the international executive related to the cost to identify the executives the multinational selected is efficient or not. We have a research question to find out the different roles of expatriates played during different time periods of organization cycle. In order to meet the research expectations and to answer the research questions, in the subsequent chapter, we provide the methods and methodologies we use to analyse our research expectations.

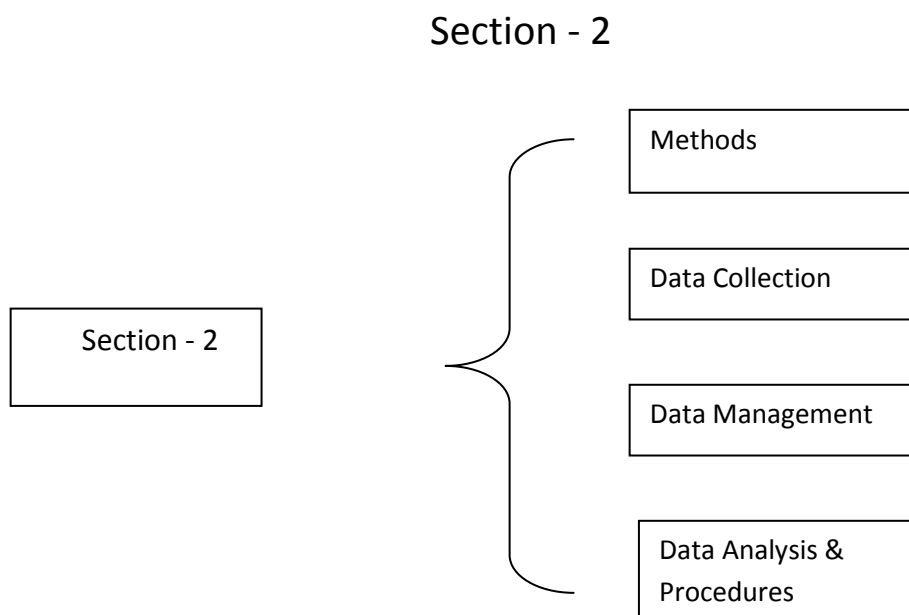
## CHAPTER- 3

# METHODOLOGY AND RESEARCH DESIGN

### 3. OVERVIEW

This chapter provides description of the methodology used in this research. This research examines if there is any link/alignment between the business strategy and executive staffing approaches for the international assignment. Therefore the goals of this chapter are to:

1. Justify the combination of both qualitative and quantitative methods within a research approach and to explore the strengths and issues of both approaches (section 3.1).
2. Justify that qualitative research methodology to be used in this research.



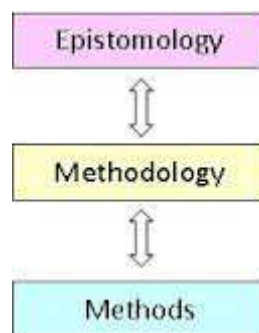
Section 2, has been divided into 4 sub sections. Sub section 1 describes the methods available for conducting the research. We have justified why qualitative research is relevant for our research. Sub section 2 describes how we collected the data, our research participants, methods of collecting the data, and the executives (who participated in our research) profile. Sub section 3 describes how we manage the data that was collected by us. Sub section 4 explains how we analyze the data and the procedures involved in conducting the research.



### 3.1. METHODOLOGICAL APPROACH

The three fundamental aspects of research are (a) Epistemology – planning (b) Methodology – Implementing and (c) Methods – evaluate the qualitative research.

Epistemology provides a connection between research practice and formal theories of knowledge. Methodology justifies method, produces data and analysis. Epistemology modifies methodology and justifies the knowledge produced.



(a). Epistemology: is the study of nature of knowledge and justification (Schwandt, 2001). Epistemology refers to how we know and the relationship between the knower and known (Maxwell, 1995). Epistemology is concerned about what we know about the world and how we can know it. The epistemological method with qualitative or quantitative research is different. Quantitative methods are mostly employed by positivists. Quantitative methods involve in numbers which are then analyzed for proper result. The main advantage of this approach is that the data is easy to replicate and researcher can generalize the results. Typical methods of quantitative research are surveys and statistics. Qualitative researchers are employed by relativists. The knowledge is constructed subject to interpretation. Relativists use in depth interviews, focus groups or other qualitative methods to get an in-depth sight into a field for providing richness in their description which cannot be obtained by quantitative research. The aim of qualitative research is to find out the meaning of social behavior. The qualitative research may provide richness in the results, but they have to prove their work in terms of reliability, validity and generalizability.

Epistemology influences the relationship between the researcher and the participant: Epistemology helps the researcher to conceptualize in data collection and analysis. The interview respondents are considered as active contributors for the research. Therefore, we observed and interacted with participants to create a meaning for our research. Through observation, we wanted to bring the respondents beliefs, understandings, knowledge to provide better and rich result. There are three general categories of epistemology categorized by Crotty, (2003). The three categories are (a) Objectivism – epistemology lies in the belief that meaning exists independent of the consciousness of any individual. (b) Constructionism – individuals working within a constructionist epistemology know the characteristics of something based on his/her experiences. The view differs from one individual to another. (c) Subjectivism – Knowledge in this category is based on individual's perception of an object or event, regardless of the attributes of the object or event itself.

Our research approach is linked with subjectivism in opposition with objectivism and constructionism. In subjectivism, knowledge can be gathered in multiple areas and it results directly on the perception of one's own experience. Multiple truths can be gathered from the respondents that are participated in the research who provide their own unique perspectives regarding their experience. Research conducted in this approach seeks to build an awareness of our research expectation by examining the perspectives of the people (interview respondents) that hold understanding about it and building some tentative truths from them.

Epistemology is a key to assess the quality of data and analysis (Angen, 2000). Epistemology enabled us to determine the way to communicate our findings to the audience. In our research, we decided to evaluate the knowledge generated by comparing the values of respondents. Epistemology supports researchers to regard knowledge (how it was gained and how it is useful) to establish the truth or truth will impact the way the researcher conducts the interview. The interview schedule which was used in our research to ask the respondents, the methods we used to collect data and the meaning we have described for the findings are all dependent on the epistemology through which we gained our knowledge. Researchers from different discipline work on different epistemological viewpoint depending on the topic and context of their research.

(b). Methodology: Research is often described and characterized as qualitative or quantitative. Both qualitative and quantitative methods play important role in research. The purpose of doing research is to add new knowledge or develop new results. Quantitative research adopts the scientific method and focuses on random sample, control the variables, gather measurable evidence and generalize the conclusion to a larger population or provide new explanations. Different researchers give different definitions to quantitative research. For example, Cohen (1980) & Myers (2009), defined quantitative research as social research that employs empirical methods and empirical statements. Empirical statements are expressed in numerical terms. There are different types of quantitative research. It can be classified as (1) Survey research (2) Correlational research (3) Experimental research and (4) Causal comparative research. Of the four research methods, survey research is more popular. It involves gathering information from the respondents by way of sampling, questionnaires for the purpose of understanding and/or predicting some aspects of the behavior. Quantitative method employs empirical methods and empirical statements (Cohen and Manion, 1980). Empirical evaluations are defined as a form that seeks to determine the degree to which a specific program or policy empirically fulfills or does not fill a particular standard or norm. To summarize, quantitative research focuses on measuring social reality. Quantitative researcher use mathematically based methods, in particular statistics, to analyze the data. This is because quantitative research is essentially about collecting numerical data to explain a particular phenomenon, questions seem immediately suited to being answered using quantitative methods.

c). Methods: Methods are techniques for gathering evidence. Methods can be thought of as research action. Methods describe how the researcher collects the data, how it will be handled, and the participants of the research. The data collection method and the participants of our research is explained detail in this chapter at 3.2.

### **3.1.1. Quantitative Vs Qualitative Methods**

Qualitative research methods were developed in the social sciences to study social and cultural phenomena. Qualitative research includes interviews, documents and texts and observations. The qualitative research method emphasizes real interest in natural setting

which cannot be easily quantified (Miles & Huberman, 1994). This is a subjective approach to answer the research questions. The data are collected in close proximity to a specific situation, rather than using other sources such as phone, mail etc. Furthermore, this approach can provide complicated information that is sometimes difficult to derive through quantitative methods (Strauss & Corbin, 1990). The aim of pursuing qualitative research is to gain or derive fruitful explanations which can be directly linked to the events and consequences.

During 1980's most researchers from different disciplines utilized quantitative research, but, the situation changed in 1990's. More researchers opted for qualitative research method in almost every discipline (Myers, 2009). Both quantitative and qualitative research approaches are useful in their own way and fulfill the needs of the researchers. In general, quantitative research is more suitable for researchers seeking a large sample size and wanting to generalize the research to a large population. For instance, if a researcher wants to study smoking habits across many people living in particular place. Qualitative research is more suitable for the researcher who wants to study a particular subject. For instance if a researcher wants to identify the orientation or training methods for employees in companies, the researcher has to adopt qualitative and should conduct interview or observe because the training methods may differ from one company to another and the same cannot be generalized for a large population or to all companies. Although qualitative and quantitative research are by far, the most common, there are other distinctions which can be made. Research methods have variously been classified as Objective Vs subjective (Burrell & Morgan, 1979). Lastly, quantitative research is based on positivism while the qualitative approach is based on phenomenology (Benz & Newman, 1998; Denzin & Lincoln, 1984). Positivism: reality is stable, observable and therefore it can be measured. Knowledge is obtained using the scientific method which is objective and measurable. Data must be collected by way of surveys, questionnaires to support the statement. Phenomenology: Focuses on the processes and experience, the individual goes through. Data can be collected by interviews or observation, feedback forms, artifacts etc.

### **3.1.2. Justifying Qualitative Method for our Research**

In recent years, the value for qualitative research has increased in some fields. Although there is a rise in number of researchers opting for qualitative research, the researcher may have to develop a justification for qualitative methods in general (Marshall and Rossman, 2011). The critical part found in qualitative research is the respondents' involvement of thoughts, beliefs, feelings, values and assumptions during interactions. Therefore the researcher needs to understand the deeper perspectives that can be captured through face to face interaction and observation in the natural setting (Marshall & Rossman, 2011). A qualitative approach is considered appropriate when the research sets out to investigate phenomena that cannot be easily quantified or measured accurately. Qualitative research commonly measures: personal experiences and personal values, beliefs, and understanding. The objective of our research is to generate theory on the relationship between strategy type (Bartlett and Ghoshal, 1989) and staffing orientation (Perlmutter, 1969) rather than theory testing. Through our research, we wanted to identify the executive selection practices for a subsidiary operation of a multinational company. It is rational to have the live experiences demonstrated by human resource (HR) executive that makes the selection decision. Therefore we decided to conduct in depth interviews and adapted to qualitative research method to understand the executive selection practices. Qualitative research has three distinct strategies – (1) In- depth Interviews: A study focusing on individual lived experiences typically relies on an in depth interview strategy. It is the primary data collection method. The objective of this strategy is to capture the meaning of participants experience provided by their own words. (2) Case Study: A study focusing on society, culture or an organization, typically adapt case study strategy. (3) Discourse Textual analysis: Research that focuses on identifying language and communication chooses this strategy. Researchers record the speech events and interactions (often through videotape) and then analyze the same at later stage. These broad strategies are distinct from each other in the design and the interaction method between the researcher and respondents. Of the three distinct strategies available, our research focused on conducting interviews to capture the deep meaning of experience in the participants own words. In other words, the interview strategy seeks to explore, describe and analyze the meaning of individual lived

experience upon how they perceive it, describe, judge, make sense of and feel about it (Patton, 2002).

## **3.2. METHODS – DATA COLLECTION**

Methods are techniques for gathering evidence. Methods can be thought of as research action. In this section we will explain how the data was collected, who the participants are for our research, and how they were selected, how the data will be managed, and how we conduct the analysis. This section is further sub-divided into data collection and analysis.

In this section, we will explain in detail how the data was collected by us, the respondents for our research, the type of interview we used for our research, the source we used to select the respondents, time taken to conduct our research etc.

### **3.2.1. Pre Testing of Interview Schedules**

When interview schedules was the approach decided by us for collecting data, initially we prepared questions and the same was given to group of experts to provide feedback to us for the clarity and understanding. Based on the feedback and recommendations provided by the experts, we made the necessary amendments in the interview schedule. Although the research was conducted in different countries such as USA, France, Belgium, Singapore, India and Dubai, we prepared the interview schedules in English since English is the common language used to communicate in most of the multinationals. After making necessary modifications according to the experts' advice, the interview schedules was tested with some researchers for better quality and understanding before using the same with interview respondents (Marshall & Rossman, 2011, pp.95).

### **3.2.2. Data collection Techniques/Methods**

In general, qualitative researchers typically depend on four primary methods for collecting data. The methods are (1) Participating in the setting (2) Observing directly (3) Interviewing in depth & (4) Analyzing documents and material culture with varying emphases (Marshall & Rossman, 2011). We briefly describe the methods.

1. **Participating in the Setting:** In this method, the researcher plays a dual role such as participant and observer. This method permits the researcher to hear, see and experience the reality as the participants do (Marshall & Rossman, 2011).
2. **Observing directly:** In this method, the data will be gathered through direct contact with a person or group of persons. During the direct observation, the researcher observes and records the events, behaviors, artifacts of respondents in the social setting. This record is referred as field notes. The critical part in this data collection method is the level of difficulty faced by the researcher in interpreting the actions of the participants. Observation is considered as an important method in all qualitative methods and especially in in-depth interviews because the researcher observe and note the respondents’ body language, facial expressions, tone of voice in addition to the interview responses provided by him/her (Marshall & Rossman, 2011).
3. **In-depth Interviews:** It is a method of collecting data directly by asking questions to the respondents. During the interview, the researcher and the respondent discuss a “theme of mutual/ common interest” (Kvale & Brikmann, 2009). There are different ways to conduct interviews: (a) Structured interviews (b) Semi structured interviews (c) Unstructured interview. Semi structured and unstructured interviews consists list of open ended questions based on the areas the researcher intends to study. By adopting this method, both the researcher and respondent can discuss the topic which the researcher would like to explore in detail (Marshall & Rossman, 2011).
4. **Analyzing documents and material culture with varying emphasis:** In this method, the researcher gather, analyze, interpret and record the stories people tell about their lives (Marshall & Rossman, 2011). The researcher works closely with the respondent explores a story and record it (Riessman, 1991).

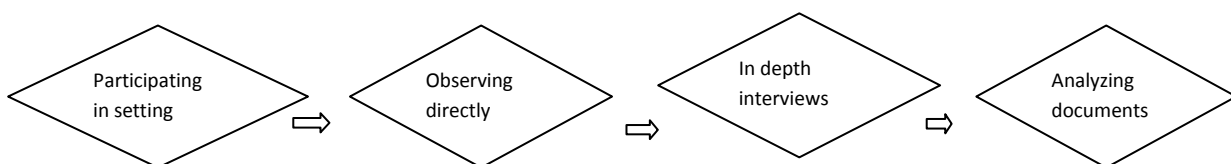


Fig 6: Methods of data collection

Of the four primary methods available for qualitative data collection, we decided to conduct in-depth interviews to collect data for our research. The reasons for the same can be found below.

- a. Data was collected directly from the respondent in a natural setting.
- b. If the information provided by the respondent was not sufficient or unclear, then we explained the question again clearly and made him/her to clarify the response(s).
- c. Interview provided an opportunity for us to gather participants' experiences and viewpoints of a particular topic.
- d. We prepared our interview schedule with sub questions for the key questions. We decided to ask the sub questions if the responses did not address specific issues.

### **3.2.3. Interview**

Interview is considered as good when the connection has been established and the communication flows between two ways. Qualitative interviews differ from interrogations or detective style investigations. During the interview process, we communicated clearly to the respondents about what we are aiming to achieve through this interview and why that information is important for us to conduct the research. Interview involves interaction between two persons (Interviewer and Respondents). According to Kvale, (1996) suggestions, during the interview, we maintained awareness of how the interview was flowing, how the respondents reacted to the questions and what kind of feedback are appropriate to maintain the flow of communication.

Interview Process: The interviews took place at respondent's place (Singapore). Most of the multinationals are French subsidiaries located in Singapore as regional headquarters (HQ). With the help of French Chamber of Commerce Singapore and Hong Kong directory, we selected the multinationals. To conduct interviews, we decided to seek permission first from the executives who can participate and provide information. Therefore at the initial stage, we decided to explain about our research objective clearly in the letter head and fax it to the respective multinationals. We faxed the letter to thirty six (36) French multinationals



located at Singapore and fifteen (15) French multinationals located at Hong Kong. The first phase of faxing letters started first week of October 2012. We waited for a week to receive any response. Since we did not hear good response from the respondents, we decided to send the second reminder, which was also sent by fax during the second week of October. After waiting for a week, the response rate was less than what we expected for. So, we decided to call the multinationals. Calling multinationals continued for two weeks due to the time difference (8 hours) between France and Singapore and unavailability of key executives during the time the call was made. So we had to follow up to speak to the key executives for the appointments. With the help of phone calls, we managed to receive seven confirmed appointments. Hence, we confirmed our travel to leave for Singapore and stay there for conducting interviews from 19<sup>th</sup> to 29<sup>th</sup> November 2012. During our stay in Singapore, we contacted the multinationals that were in our list who did not respond our call when the calls were made from France. Due to this effort, we managed to receive four more appointments. Some executives were not able to participate in our research due to the proximity of the year end and some were on business trip. Out of ten days we stayed in Singapore, we managed to conduct twelve (12) interviews. We decided not to focus on French multinationals located in Hong Kong due to two reasons. First, the response rate was very low and Second, the unavailability of some executives during our plan to stay in Hong Kong. We managed to conduct ten (10) more interviews (telephone interviews) with some Indian, USA, Belgium, Dubai multinationals which brings up to twenty two (22) interviews totally. The telephonic interviews were conducted from France.

The interview was scheduled according to the convenience and availability of the executives at their workplace. The total interview lasted for about 60-90 minutes. For few executives, the interview schedule was sent by mail in advance based on their request for them to get some idea about the questions and to save their time.

During the time of interview, we tape recorded the respondents' conversation after seeking the permission from them. Simultaneously, raw/field notes were taken. During each interview, we took abbreviated notes in the interview schedule. The raw notes taken during the interview was later converted into "fair" copy. The same day as the interview, these raw notes were rewritten by us. The expanded field notes were written in full sentences and

includes anything relevant which we remembered but did not have time to write it down during the interview (Silverman, 2006).

Enhancing the quality of responses: Time was considered precious, and counted during the interview. We conducted interviews with top executives of multinationals. So we made sure not to deviate from the main subject and focused on critical questions. These problems exacerbate when the researcher fails to maintain control over the process. By keeping this in mind, control was maintained in our research because we knew what we wanted to obtain from the respondents. Therefore, we asked focused questions to get relevant responses and listened carefully to assess the quality and relevance of responses. After completing each interview, we provided an opportunity to the respondents to add if they desire to include in addition to the questions been asked to them.

Responsibilities as an Interviewer: Like other researchers, we have certain responsibilities as an interviewer (Kvale, 1996). We considered those responsibilities is essential to conduct good interviews. Our responsibilities include:

- a. Prepare for the Interview: As an interviewer, we were well prepared for the interview. We were both mentally and psychologically prepared to conduct the interviews. We addressed all the questions listed in the interview schedule. Follow up questions were asked where ever required in order to get potential response and complete knowledge and experience from the respondents for the related research topic.
- b. Thorough knowledge about our research: We were thoroughly aware of our research topic and were prepared to answer any anticipated questions the respondents may ask during the interview.
- c. Reliable: By identifying and understanding the busy schedule of the executives, we reached the interview destination at least 20 minutes before the appointment time and made all the necessary arrangements by keeping the tape recorder ready to record the conversation, and the interview schedule to take field notes during the interview. By doing so, the interview were started and ended on time.

#### Completed Interviews:

All 22 interviews were totally completed. We addressed all the opening questions and fifteen (15) core questions from our interview schedule including sub questions wherever we did not get complete information for the research topic. None of our interviews were left incomplete.

#### **3.2.4. Standardized Open ended Questions for the Interview**

We adopted the standardized open ended interview method as referred by (Gall, Gall and Borg, 2003) for our interviews. We decided to use open ended questions which allow the respondents to provide narration of experience. Primary questions guiding the interview were supplemented with sub questions that served as prompts in order to allow participants' to relate their responses in their own words. Respondents were asked identical questions, but the responses were open ended which allowed the participants to provide detailed information and at the same time, it allowed us to pose follow up questions. The open ended questions helped the participants to fully express their responses. We asked the questions to the respondents in a non-leading /depersonalized manner to make sure that we are getting the rich and true information and beliefs of respondents regarding our research and we tried to set aside what we already know about linking business strategy with executive staffing approaches to avoid influencing the study. Sometimes the participants provided unwanted and personal information during the interview process. Therefore, we sifted through the information and utilized what we exactly require from the interview (Silverman, 2006).

Preparation for the Interview: When we decided that face to face interviews would help us to answer our research questions, we drafted a plan to follow during the interview process. The same is detailed here. (a) Explain to the respondents about the purpose of interview – what we are aiming to achieve with the respondents detailed information. We explained the purpose in the fax letter which was used initially to fix appointments and later we made calls to fix appointments. We explained clearly to the respondents the reason for contacting them and how their responses would be used in the data analysis. We promised to provide them with a detailed report of the results. (b) Address terms of confidentiality: we promised the

informants that their identity will be kept confidential. We decided not to leak the information without their approval/consent. (c) Explain the format of the interview: In the fax letter which was addressed to the respondents, we mentioned that the interview will be face to face open ended interview between the researcher and the respondent. (d) Indicate how long the interview usually takes: Before the interview started, we clearly described about the interview process and the duration of the interview. In advance, we even communicated about the duration of the interview in the fax correspondence for the respondents' to be aware of and help them to prepare during the interview. (e) Tell the respondents how to get in touch with us in future: We provided our contact information to all the interview respondents for them to contact us in future for any queries or if they would like to leave any information (Silverman, 2006; Myers, 2009).

Interview schedule contains opening questions that contains general questions to know about the respondents' roles and responsibilities, how the human resource (HR) is structured in the organization, who is involved in selecting executives for the international assignment etc. Then the second part contains important questions such as the pressures for local responsiveness, pressures for standardization to identify which international strategy the multinational adopt based on the response provided by them. The questions are supported by sub questions. To identify which staffing the multinational adopt which executive (PCN, HCN or TCN). We included the questions such as how they staff their subsidiary operation, the pressures they face while selecting executives etc. To identify the success rate of multinational's international assignment, we developed and asked questions such as how the multinational evaluate the success and failure of an international assignment, how they estimate the performance of international executives with respect to cost. To know what role has been played by expatriates during different levels of growth/life cycle of an organization, we prepared questions and included in the interview schedule to know if there is any role change of expatriates during the organization's growth cycle. There is limited evidence in the literature about the consumption of Host and Third country nationals. We want to explore the truth of extant practices with the help of respondents' actual information. Therefore we included questions relating to the same such as what executives the multinationals use for subsidiary operation and which executives is working most or least in their organization. Finally the interview schedule ends with questions

related to increase or decrease in Parent, Host and Third country nationals (The interview schedule is attached in appendix...).

Effective Research Questions: Designing research questions for the interview schedule was the biggest challenge for us. As per McNamara (2009) suggested, we created the research questions according to the following elements: (a) Wording is open ended (respondents are allowed to choose their own words and terms while answering questions. (b) The interview schedule was carefully designed by us that avoid questions that might influence answers. (c) The same interview schedule was used for all respondents located at different countries. Therefore, we confirmed that the words/sentences in the interview schedule are clear.

Follow up sub questions: When we designed the interview schedule, the sub questions were added to the main questions. We planned to ask the sub questions if the respondents did not exactly answer for the questions and at the same time to obtain optimal responses from participants (Creswell, 2007).

### **3.2.5. In depth Interview of Multinational Companies and Executive's Profile**

We emphasized on key executives who are knowledgeable and experienced in their position to answer our research questions. More specifically, one respondent per organization was selected to provide interview for us. Most of the interviews were recorded with respondent's permission. Otherwise all interviews were both recorded and written notes were taken in the interview schedule. Each interview took somewhere between 60 minutes to 90 minutes. According to the size of the company and French Chamber of Commerce Directory (FCCS), the companies' we interviewed were classified as multinational companies (MNCs). But the level of organizations' growth identified by us as early, intermediate, growth or maturity stage. The explanation of how we identified the organizations' growth level, can be found in the next (findings) chapter. The MNCs and interviewed respondents are summarized in table 9. Since we informed the respondents that the company's name will not be revealed anywhere in our research, we created a unique name for each MNC. The details of the same can be found in table 9.

**Interviewed MNCs size (Level of growth), No. of years of International Presence and Positions held by Key executive**

MNCs	Growth Level	Years of International Presence	Executive's position in MNC
AA1	Advanced	50 Years	HR Org. & Diversity Manager
BB2	Intermediate	9 years	VP. Training services
CC3	Advanced	89 Years	President
DD4	Advanced	30 Years	Sr. HR Manager
EE5	Advanced	45 Years	Head VP HR
FF6	Advanced	15 Years	VP HR
GG7	Advanced	44 Years	Sr. HR Director
HH8	Advanced	20 Years	Sr. HR Manager
II9	Advanced	25 Years	HR Manager
JJ10	Advanced	28 Years	VP
KK11	Advanced	63 Years	Country HR Director
LL12	Advanced	43 Years	Director
MM13	Growth	13 Years	CEO
NN14	Advanced	20 Years	HR Manager for SEA
OO15	Early	4 Years	CEO Asia
PP16	Advanced	40 Years	HR Manager
QQ17	Advanced	34 Years	HR Manager 22 countries
RR18	Intermediate	10 Years	VP HR
SS19	Advanced	20 Years	Director
TT20	Advanced	22 Years	HR Manager
UU21	Advanced	20 Years	Head HR
VV22	Advanced	53 Years	HR Director

Table 9: MNCs International Existence and Executives Profile

HR = Human Resources VP = Vice President Sr = Senior CEO = Chief Executive Officer

### 3.2.6. Interview Bias

Interviews may sometimes involve bias where the process of conducting an interview might influence the responses given. This view is different for in depth interviews because it is done to derive from a social constructionist perspective. Open ended question may avoid

bias, but they are not always the best way of obtaining the information one may wish to know. To avoid any kind of bias that may arise, we preferred to have open ended questions for our interview schedule and the words in the same is carefully used by not providing any ideas or suggestions for the respondents (Idea taken from Marshall and Rossman, 2011, pp. 155-157).

How we avoided bias in our research: We managed to avoid bias during the interview process. We describe the same below.

1. Biased Questions: In order to avoid bias in the questions asked to the respondents, we framed the questions that did not influence respondent's answers. The questions in the interview schedule were carefully designed to avoid any misunderstanding that may arise due to the context or difference in culture. Further, we started the interviews by asking general questions before focusing on asking specific research questions (Turner, 2010).
2. Biased Answers: To avoid any bias that may happen during the time of recording the conversation of respondents, we asked them to repeat if the answer was not clear to our questions (Turner, 2010).
3. Biased Sample: In our research, we carefully selected the respondents who are suitable for our research objective and research questions. We did not select respondents who do not represent the interest of our research objective(s) (Creswell (2007).
4. Biased Reporting: Bias cannot be avoided in any research. This statement is true particularly while reporting the results of qualitative research. This may possibly be due to the difference in perception, experience, belief, understanding and culture between the researcher and respondent. To avoid bias in our report, our research was analyzed by other researchers also (Myers, 2009).

### **3.3. SAMPLING**

Sampling approach is more appropriate for quantitative research method. Group of person from a population will be selected. The information obtained through that population will be generalized to the population. In qualitative research, sampling is managed in different way. Qualitative research involves different steps if the interview mode is considered as a method for collecting data. The first and foremost step is to seek the permission to meet the respondent to gather the data. In qualitative research, the major reason for selecting sample is that the researcher might select person/persons to investigate not only because of efficiency and convenience but also for the information person(s) provide that may answer our research questions (Potter, 1996).

Lincoln and Guba (1985) emphasize that qualitative researchers' use sampling for convenience. The researchers use sampling only if the people are available to provide information for the research. Since we could obtain people available for providing information for our research, we used interviews for collecting data. The people available for our research are key executives (Vice Presidents (VP) of Human Resources, Country Head) who can only provide information that answers our research questions. The general problem faced by qualitative researchers regarding sampling is to convince the readers to trust the findings. The readers will trust the findings only if the researcher provides detail description about the process of gaining access and selection of the persons interviewed. We will describe clearly why certain respondents are selected and how we got the access later in this chapter. In order to convince the readers to trust our findings, all efforts will be taken by us to provide sufficient information about how the respondents' was selected, on what basis and how we got the access. Based on the objective of our research study, and the time available for our research, we targeted on a particular group (key executives of multinationals) to involve in our study.

#### **3.3.1. Sampling Techniques:**

Sampling techniques involves three types: (1) Purposive Sampling (2) Quota Sampling and (3) Snowball Sampling (Lincoln and Guba, 1985).



1. **Purposive Sampling:** is one of the most common methods of sampling. The respondents will be selected according to the researcher's objective and research question. The number and size of the respondents may/may not be decided prior to data collection. The size of the respondents entirely depends on the resources and time available to conduct the research and the objective of the study.
2. **Quota Sampling:** This method is similar to quota sampling. In this method, the selection of respondents is based on a group of people with same characteristics such as age, place of residence, gender, class, profession etc.
3. **Snow ball sampling:** In this method, the researchers through their social networking or chain of referrals select participants for the research or study.

With the available sampling techniques, we chose purposive sampling for our research. The purpose of our research is to identify the link between international business strategy and executive staffing approaches. Therefore, we decided to target the top executive of each multinational who makes the executive selection decision. We did not decide the number of executives to be interviewed for our research. But due to the availability of participants who agreed to participate in our research, we were able to able to conduct total of twenty two (22) interviews out of which twelve (12) were face to face interviews which held at executive's work place, mostly in Singapore and ten (10) were telephonic interviews.

### **3.3.2. Participants Selection**

Creswell (2007) discusses the importance of selecting the appropriate candidates for interviews. The respondents of our research were selected from French Chamber of Commerce by choosing organization of large size with significant global spread and having more than thousand employees globally. In addition, respondents of multinationals were selected through social networking also. We selected Vice Presidents of human resources, HR heads' or the Country Heads' as the qualified respondents who can provide the most credible information for our research. According to the respondent's convenience and availability, the interview was conducted with respondents in their work premises, mostly face to face interviews and some telephonic interviews.

**Time Spent for Collecting Data:** Normally for qualitative research, substantial amount of time is spent for collecting the data. The time spent for collecting data differs from one researcher to other.

**Span of time:** Totally, we spent three weeks to conduct interviews and collected data for our research.

**Degree of Contact:** We spent approximately 15-20 hours totally to contact the respondents to seek permission for them to participate in our research and fix appointments based on their confirmation or agreeing to participate in the research. Sometimes the person who we want to contact may not be available for the first time. So, we decided to call them many times until we get the opportunity to talk to that person.

### **3.3.3. Triangulation of Data Sources**

Triangulation is the process of strengthening the findings obtained from a qualitative enquiry by cross checking the information. Triangulation is used in bringing together different sources of information we gathered during the process of collecting data for our research and interpret the results. With the information we gathered from other sources such as annual report and website of the respective multinationals, we would like to make a powerful argument that the interpretation we are going to make will be more credible and richer (Potter, 1996).

## **3.4. DATA MANAGEMENT**

Data management and analysis were designed to preserve as much of the informant's conversation as possible, and to permit ongoing analysis. Interviews are considered as one of the best methods of data collection in almost all disciplines. Most of the interviews record the conversation of the participants involved in the research. Generally, the researchers face an important challenge after the interview process is managing the interview transcripts. Transcription refers to the process of reproducing spoken words or transferring the audiotaped interviews into the written text. In addition to the audiotaped conversation, non-verbal gestures such as body language, signs and voice

should be incorporated into transcribed text (Maclean, Meyer and Stable, 2004; Wellard & McKenna, 2001). Although interviews are considered as traditional method for collecting data for qualitative research, data collection strategies are not always linked solely to a single research paradigm (Tashakkori and Teddlie, 2003). The interview involves in collecting data, but the richness and depth of the data will vary according to the specific research design, the research question which is used to investigate to address some issues. As we had explained earlier, qualitative research focuses on values, beliefs, meanings, experiences, feelings of the respondents and the same will be evaluated for the research.

### 3.4.1. Reflexive Iterative process of data management

We would like to explain here how we managed the data collected by us. This involves six steps as emphasized by Halcomb & Davidson (2006). The six steps and the explanation can be found below:

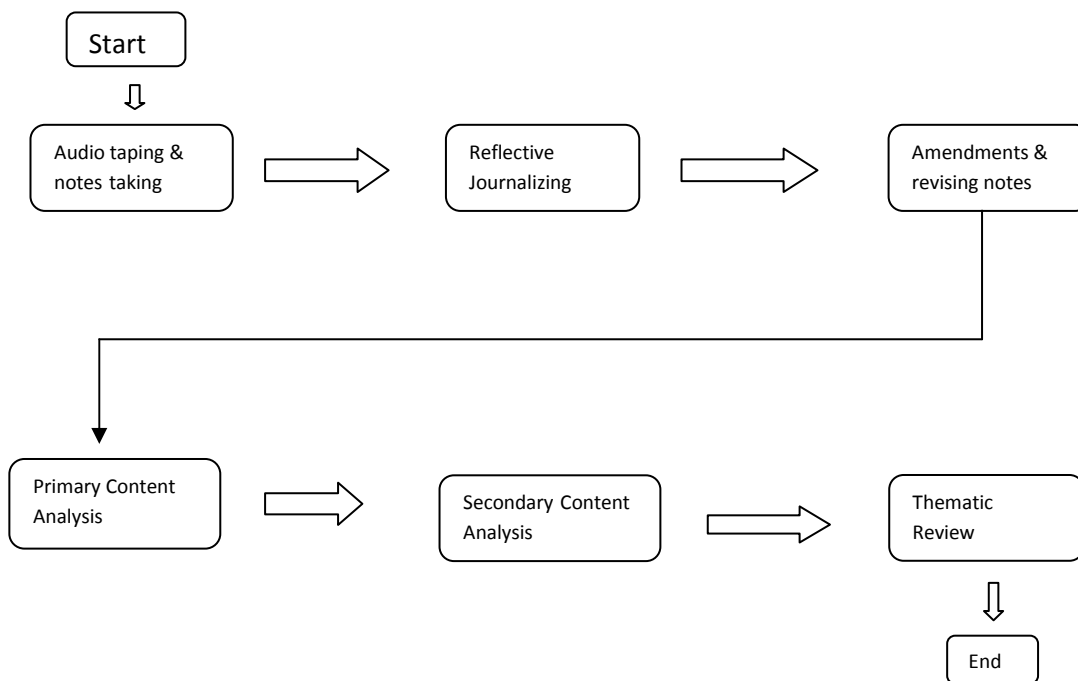


Fig 7: Steps in data management

1. Audiotaping of Interview and Concurrent Note taking: During interviews, audiotaping the conversation and making field notes is a normal process. For our research, we recorded the conversation in a belief that while taking notes during

interviews, there may be possibility to leave any important information. Therefore subsequent presence of the audio recording allowed us to complete the participant's response in greater detail following the interview process.

2. Reflective Journalizing immediately after an Interview: During the interviews, field notes were taken. We reviewed the field notes and expanded the field notes and are written in full sentences. Subsequently, any additional commentary as well as anything relevant which we remembered but did not have time to write down at the time of interview is documented. We did not forget to include the ideas, beliefs, understandings raised by participants during the interview.
3. Listening to the audiotape and amending/revising field notes and observations: After completing field notes and reflecting journalizing, the audiotape was reviewed in consultation with the notes taken by us. The purpose of this phase is to ensure that the notes provide an accurate reflection of the interaction. We listened to the audio version many times, and the same was compared with the field notes and necessary amendments were made until they provide a thorough and descriptive representation of the interaction.
4. Preliminary Content Analysis: Once we became confident that the field notes accurately represent the interactions that occurred in each interview, the process of content analysis will be used to identify the common themes between interactions. In addition to manual analysis done by us (coding), we may use software method to document the findings.
5. Secondary Content Analysis: The preliminary analysis of our research was reviewed by a second researcher who was not actually involved in data collection, has reviewed both the audiotapes and field notes. This task facilitates testing of the audit trail and validation of the development of themes from the data. The second researcher actually reviewed our analysis findings and we commonly agree to the findings result.
6. Thematic Review: This is the final stage in the data management process. After reviewing the secondary content analysis, we made necessary changes by listening to audio recordings many times to identify the interviews demonstrated the meaning of the themes from the participant's perspective.

### 3.5. DATA ANALYSIS AND PROCEDURES

In this stage, we examined the data we had collected. Therefore our goals are (a) to make some type of sense or interpretation (b) look for patterns and relationship of data (c) make general interpretations about the phenomena we are researching. During the analysis procedure, we accessed the original coded transcript and the tape recorded message from which the code was transmitted (Seidel, 1998). We organized our data into seven phases as recommended by Marshall and Rossman, (2011). The seven phases are given and explained below:

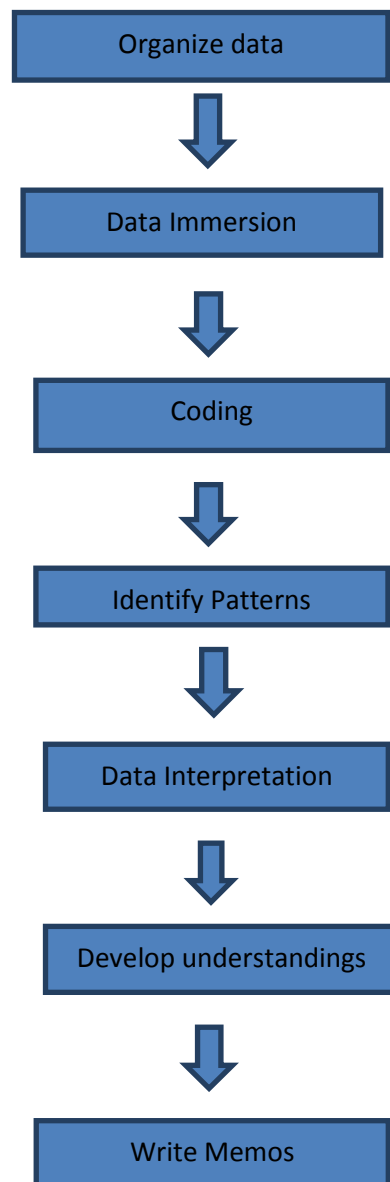


Fig 8: Seven phases of data analysis

1. Organizing data: During the analysis stage, we tried to organize the data that we had collected. We managed to edit the respondents' raw notes and expanded the abbreviated notes. We recorded and documented (a) The date and time of interview (b) Name of the respondent (c) Position of the respondent (d) name of the organization in the interview schedule (Marshall and Rossman, 2011).
2. Immersion in the data: This phase is important for any researchers to understand what the respondents had said and link the same to the research objective. We read the respondent's information in order to completely understand the same before we started our analysis (Marshall and Rossman, 2011).
3. Coding the data: Coding is an analysis and it is one of the simplest ways to analyze qualitative data. A code can be a word or numbers that is used to describe or summarize a sentence, a paragraph or even a whole piece of text such as an interview (Myers, 2009). We explain the coding later in this chapter.
4. Generating categories, themes, typologies, matrices and clusters: The process of category generation involves noting patterns which is expressed by participants. Here the researcher identifies the salient, grounded categories of meaning held by participants in the setting (Marshall and Rossman, 2011).
5. Offering interpretations: At this level, the researcher begins to interpret the results based on the data available. Interpretation brings meaning and coherence to the themes, patterns and categories, developing linkages that make sense to the readers (Marshall and Rossman, 2011).
6. Search for Alternative Understandings: With the help of coding (chunks, labels, tags), we will try to evaluate the plausibility of developing the understandings. By comparing the themes and explanations with the data, we decided not to use additional data sources. However we obtained the following information from annual reports (a) Global annual turnover (b) Asia annual turnover (c) Total employees globally (d) Total employees in Asia, for complimenting information obtained from interviews and sometimes for cross checking and verification (Marshall and Rossman, 2011).

7. Writing Memos: This is the final stage of any research. We will write our findings report based on the perception/understanding based on the analysis we have conducted. We considered language as important while writing memo as the writing brings codes to a conceptual level in data analysis (Marshall and Rossman, 2011).

### **3.5.1. Coding**

Codes are tags or labels for assigning units of meaning to the descriptive or inferential information compiled during the study. Codes are usually attached to “chunks” of varying size of words, phrases, sentences or whole paragraphs connected or unconnected to specific setting (Miles & Huberman, 1994).

Codes in our research: We decided to code the interviews soon after completing the data collection process. We created an excel table with the questions in the rows and the exact responses of the respondents in the column before we coded them further. Coding process involves two steps in our research. At first level, we decided to code the interviews “just” as it is like the interview transcripts. This is done to preserve the original responses as they were for future references. In the second step, we actually created the codes from the actual data and assigned the numbers or labels or tags associated to that particular word or sentence. We have created a separate column for the codes that we have constructed and a short definition/description written for the same in another column. The codes are then reapplied to form a new segment of data (Strauss, Anselm & Corbin, 1990).

In coding, words are fatter than numbers and have multiple meanings as described by Miles and Huberman, 1994. Numbers are unambiguous and can be processed more economically. Therefore we created numbers as an alternate for words (For ex: to identify the strategy adopted by the organization, we assigned the numbers 1 = Global, 2 = Multi Domestic and 3 = Transnational). We decided to keep words and associated numbers together throughout the analysis. Coding is an analysis. First we reviewed the set of raw data collected by us to understand them while keeping the relations between the parts intact. This part of analysis helped us to identify how to differentiate and combine the data

that we have collected and the findings we are going to make with the collected information. Codes take several forms – words, numbers, and abbreviation of key words. Coding process helped us to recognize whether there is a cluster between the knowledge, experience, method for selecting executives between the multinationals. Codes are normally used to retrieve and organize the chunks. By doing so, we related the clusters to our research objective and research question. Finally we will write our report by relating to associations, links and implications.

Definition of code: Coding brings different meanings for different analysis. Since codes are used to analyze the data, we decided to precise the labels/chunks that can be shared with others.

Naming Codes: In our research, we mostly used numbers to substitute the words. But for certain reasons, if we cannot assign numbers for words, we created a name that is close to the concept it is describing. For example, if the company's turnover is in millions of dollars, then we created m = million. Therefore in our coding sheet, we entered letter m after dollar amount (Miles & Huberman, 1994).

Check Coding: After completing the coding, two other researchers coded the same data set and discussed about similarities and differences. Double coding is done not only for clarity but also for a good reliability check (Miles and Huberman, 1994).

### **3.5.2. Data Reduction**

After coding the data, we decided to reduce the data to be considered for analysis purpose. According to Miles & Huberman, 1994, data reduction is not something different from analysis. It is part of analysis. Data reduction refers to the process of selecting, focusing, simplifying, abstracting and transforming the data that appear in the raw field notes that was taken during the time of interview. By data reduction, we do not want to eliminate any information provided by the respondents, but to sort, focus and organize the data in such a way that can be useful to draw conclusions on the responses. Data reduction helped us to decide which data chunks to code, which information to eliminate, which patterns best summarize a number of chunks, which evolving story to tell are all included in



analytical choices. We followed this method and coded all the interviews. In the first coding process, we coded the interview responses as it was given by the respondents. Later, we filtered the information by discarding any unwanted or personal information which was considered irrelevant to include for analysis purpose(s). Finally in the next step, we prepared data chunks to code which evolves a story/information to convey that are considered for our analysis.

### **3.5.3. Data Display**

Based on the data that was collected by us, we have organized, reduced the data size and eliminated unwanted information and assembled the data in a way that we can draw conclusions preceded by plan of action. Data displays helps readers to understand what is happening, how we analyzed the data and what future action plan is required. Data displays include any form of structure such as graphs, charts and networks. All are designed to assemble organized information into an immediately accessible format so that the analyst can identify what is happening, whether to draw conclusions based on the data set or continue to do more research. Like data reduction, data display is also a part of analysis. As we had mentioned earlier in coding section, we had arranged the interview schedule questions in the rows and the exact responses of the respondents in the column after reducing the data in coding process (Miles and Huberman, 1994).

### **3.5.4. Hermeneutics**

Hermeneutics provides a set of concepts to help qualitative researchers analyze their data. The hermeneutics concepts are particularly useful in situations where there are contradictory interpretations of organizational issues and events (Myers, 2009). The main purpose of hermeneutics is human understanding and understand what people say and do and why. The hermeneutic task consists in understanding what a particular text means. When we decided to gather data from multinationals to identify the connection between the strategy and staffing, we conducted interviews with key executives. Later we compared the information provided by the executives with the other data. These data include public documents such as annual reports to verify the interview responses. We realized that the information provided by most of the respondents match with the information given in the annual reports. Hermeneutics helped us to interpret the text that it makes sense. Furthermore, it will help us to produce the final results that will be true and believable.

### **3.5.5. Content Analysis**

Content analysis is a widely used qualitative research technique. In content analysis, evaluators classify the key ideas in a written communication such as report. It is a systematic research method for analyzing textual information in a standardized way that allowed us to make inferences about the information (Weber, 1990 pp. 9-12; Krippendorff, 1980, pp.21-27). Content analysis depends on coding. We established a set of categories and then count the number of instances that fall into each category. Content analysis is structured for different coders to arrive at the same results for the same set of data in our research (Silverman, 2001).

### **3.6. Inductive Approach**

In research, we often refer to the two broad methods of reasoning – inductive or deductive approach. Deductive approach is called as top down approach. This works from general to more specific reasoning whereas inductive approach is called as bottom up approach. Inductive reasoning begin to detect patterns and regularities, formulate some research expectations that we can explore and finally end up developing general theories and conclusions. Inductive approach, by its very nature is more open ended and exploratory at the beginning whereas deductive reasoning is more narrow and concerned with testing or confirming hypotheses (Denzin & Lincoln, 1984).

The purposes for using inductive approach are to (a) Condense raw data into a brief summary format (b) Establish clear links between the research objectives and the summary findings derived from the data (c) Develop a model or theory but the underlying structure of experiences or processes which are evident in the data ( Thomas, 2003). Inductive approach method will be used by qualitative researchers because it provides a convenience and efficient way of analyzing the data. The purpose of inductive approach is to allow research findings to emerge from the frequent, dominant or significant themes exist in raw data without the restraints imposed by structured methodologies.

## Deductive Approach

Theory



Observations/Findings

## Inductive Approach

Observations/Findings



Theory

Fig 9: Deductive Vs Inductive approach

Inductive approach reasoning for our research: First we read the transcripts of the respondents to identify themes and categories. Then we developed a coding frame and the transcripts were coded by us. When new codes emerged, the coding frame was amended and the transcripts were reread according to new structure. This process was used to develop categories which are then conceptualized into broad themes. Emerging themes/categories were developed by studying the transcripts many times and identified possible meanings to see where it can be fitted with developing themes. We use tables and diagrams to focus on the alignment between strategy and staffing approaches. Towards end of the study, we would suggest the major theme that has been identified by us (Marshall, 1999, pp.419). By reading the codes of the transcripts, it allowed us to identify the major themes that emerged. We coded the interviews which helped us to do analysis of interview segments on a particular theme, the documentation of relationships (preexisting themes/ constructs strategy typology identified by Bartlett and Ghoshal, 1989 and staffing approaches identified by Perlmutter, 1969) between themes and the identification of themes important to participants. This process was used to develop categories such as global, multi domestic transnational and international for strategy and ethnocentric, polycentric, regiocentric and geocentric for staffing approaches which were then

conceptualized into broad themes (Jain and Ogden, 1999). We identified the similarities and differences across respondents of multinationals (Thomas, 2003).

General Inductive approach and analytic strategy:

1. Data analysis: identifies the domain and topics to be investigated. The analysis is conducted after reading the raw data several times. The analysis was guided by research questions.
2. The primary mode of analysis is to develop categories from raw data and create a framework. The framework contains key themes and processes developed or constructed by us during the coding process. We explain the details of the same in our next chapter analysis and findings.
3. We interpreted our finding results based on the raw data. To identify what information is more important and what was not, we followed Miles and Huberman, (1994) data reduction technique. In data reduction, we eliminated the words or phrases which is not relevant for our research and considered the important ones and coded the same for our analysis purposes.
4. We were careful in developing the findings that are not identical with other researchers.
5. We used inductive analysis to evaluate the data for the richness and trustworthiness. Furthermore, the findings can be assessed with other types of qualitative analysis such as grounded theory, discourse analysis, phenomenology etc. (Lincoln & Guba, 1985).

### **3.7. Quality Measures in Qualitative Analysis**

In this section, with the help of reliability, validity and generalizability, we will try to justify our research is rich and credible.

### 3.7.1. Reliability

Traditionally, researchers used the reliability concept for testing or evaluating especially when quantitative research method was adopted. However, currently all research methods use the reliability concept for evaluating their research. Qualitative researchers consider both reliability and validity for analyzing and justifying the quality of the study. The qualitative research is considered rich and good if reliability is involved in evaluating the research. Reliability determines how consistently a measurement of skill and knowledge yields similar results under varying conditions. If a measure has high reliability which means it yields consistent results. The basic idea of using the reliability concept is to measure the experiments/tests and it should yield the same results whenever done or on repeated trials. Silverman (2006) emphasizes that reliability can be improved by comparing the same set of data by more than one observer/researcher. In our research, to improve the reliability we followed Silverman's (2006) suggestion and our data set was compared and analyzed by other researchers. There are four ways to estimate the reliability – (1) Inter Observer (2) Test Retest (3) Parallel Forms and (4) Split Half Reliability (Patton, 2002).

1. Inter Observer: is determined by the extent to which different evaluators examine one's work/performance and agree on overall rating on one or more dimensions. To emphasize this statement, our research analysis has been evaluated by another researcher and we came to a consensus on our analysis results (Buelow and Hinkle, 2008).
2. Test-Retest: is determined by the extent to which the same test items/performance evaluated at two different times yields similar results. To make this statement true, we first analyzed the respondents' interview data. To confirm our findings, we re-evaluated and analyzed the data and both times, the findings yields same result. The second analysis report is no way different from the first analysis report findings.
3. Parallel Forms: is determined by examining the extent to which two different measurements of knowledge or skill yield comparable results. In addition to data collected through interviews, we compared the information provided by the respondents' with the respective company's annual reports before we arrive at

the findings of the data. By comparing the information with another instrument such as annual report, company's website, we derived rich findings of the data.

4. Split Half Reliability: is determined by comparing half a set of test items with the other half and determine whether they yield similar results. We were not able to follow this method by splitting the number of multinationals into half because the nature, size, culture, and strategy differ from one multinational to another. Therefore, even if we split according to the same size, strategy, the product may be different. So the results may not be similar and it is difficult to generalize that all multinationals nature is the same in something (for example, it is difficult to generalize that all multinational selection practices is the same or the human resources policies are same etc...)

Reliability is an important tool in qualitative research to check how and what methods are used. The data that is collected through interview transcripts and tape recorded information which is considered as evidence which can be referred both by us and the reader/audience to compare the information. As Silverman (2006) suggested, we documented the procedure used to collect the data due to which it increases the possibility of our research being properly reliable.

### **3.7.2. Validity**

The data we collect for our research should be reliable and valid. This terminology applies for both quantitative and qualitative researchers. But the way we collect data differs from quantitative to qualitative researchers. Quantitative researchers collect data through surveys and questionnaires, whereas qualitative researchers' collects data through interviews, focus groups etc. Validity and reliability are interdependent on each other. If an instrument/data is not reliable, then it cannot be valid. Therefore a data or instrument must be reliable in order to be valid. In the validation process of qualitative research, there are two forms of validity namely internal validity and external validity. Internal validity relates between researcher's observation and the theoretical ideas they develop and external refers to the amount of generalizability of findings (Le Compte and Goets, 1982). There are three approaches to test validity (Patton, 2002).

(1). Content Validity: It guarantees that this validity includes all the contents (collected during the data) is thus considered and the same is measured and represented. After the analysis has been made, we discussed our results with other researchers/experts who are familiar with our contents. The experts measured the contents and their answers are compared to establish the level of agreement.

(2). Criterion Validity: Focuses on the accuracy of a measure itself. Examining criterion validity is demonstrated by comparing the selected measure with another valid measure.

a. Predictive Validity: Predicts a recognized association between the identical construct and something else. Typically one measure occurs at an earlier time and is used to predict a later measure.

b. Concurrent validity: Exists when the identified measure positively correlates with a measure that has been previously found to be valid. The two measures could be for the same or different constructs that are related.

(3). Construct Validity: can be determined by demonstration of comparative test Performance results or pre and post testing of implementation of the construct (Intervention study). This type of validity can show how the measure relates to other measures as defined in the construct. Factor analysis is a statistical process which is used to establish how individual items cluster around a given dimension.

The criterion validity and construct validity is more suitable for quantitative analysis. Hence we did not adopt that for our research. Lemnek (1998), argues that qualitative studies achieve higher validity because the data are closer to research field than in quantitative research. Furthermore, validity in qualitative research helps to minimize the gap between the reality and representation. To enrich the validity of our research, we tried to collect as much data as possible to prove our qualitative research as valid. We tried to achieve validity not through manipulation of variables but through the study of empirical testing (Bulmer, 1979).

### **3.7.3. Generalizability**

In our qualitative research, we selected the cases based on uniqueness. Therefore we cannot generalize our results to all multinational companies that adapt a particular strategy. Actually generalization is a co-operative venture of researcher and reader. Unlike quantitative research, we cannot generalize our findings (Silverman, 2006, pp.303-306).

## **3.8. ETHICS**

For qualitative research, ethical practice is usually defined as a moral stance that involves respect and protection for the people actively consenting to be studied (Payne and Payne, 2004, pp.66). Honesty is fundamental and base for any type of research. The nature of ethics in qualitative research is delicate and different when compared to quantitative research. In general, qualitative researchers focus their research to explore, examine and describe about the people and their natural environments. Qualitative researchers involve people to participate in their research such as interviews (Kvale, 1996). Therefore any research that includes people requires an awareness of the ethical issues that may be obtained during the conversation between the researcher and respondent. Ethical dilemmas that may arise during interviews are difficult to predict but the researcher needs to be aware of sensitive issues and potential conflicts of interest.

Plagiarism: Plagiarism is considered as one of the worst problems in academia. It is considered as copying somebody's work and present as one's self. According to our university's requirement and personal ethics, we have referenced and quoted all documents and has properly been acknowledged.

Research Findings: We followed Maylor and Blackman (2005) suggestions for writing our research report.

- a. Maintaining Privacy: As we have promised our interview respondents, we will make sure that confidentiality is maintained by not revealing the company's and respondent's name.



- b. Representation of data: We analyze the data and prepare the research findings honestly without any bias.
- c. Taking responsibility for our findings: We do not make any changes or adjust the findings to suit our research expectations. We provide the correct statements of our findings as it is even if it may be unfavorable for our research expectations.

Ethics in Interviews: When qualitative researchers decides to conduct interviews or observe participants or fieldwork, the ethical principle requires the researchers to inform the respondents about what research they are performing, why they are doing it and what the researchers will do with the findings. It would be unethical to say something and do something different. According to Myers (2009), we informed the participants about our research objective.

Ethics in Research design and Research Question: As suggested by Zelditch, (1962) efforts were taken by us before choosing the research design whether:

- a. The research design is not harming people or significantly disrupting the setting
- b. The research design which we have selected likely to foster responses to the research questions.
- c. In depth interview strategy enabled us to get the information on what we are exactly looking for.

In addition to the above three reasons, we also confirmed that the proposed strategy does not violate the participants privacy or unduly disturb their daily routines, not putting the respondents in danger or at risk by participating in the research and finally we made sure that we did not violate the respondents' human right in some way.

### **3.9. EXCLUSION CRITERIA**

In this section, we will describe which sample group is included and which sample group is excluded followed by our justification for the same.

Sampling in general is usually purposeful and criterion based, chosen specifically for the study. Normally the sample included in qualitative research is small when compared to

quantitative research. The individuals who participate in the sample study are usually called participants or respondents or informants. We utilized respondents or participants interchangeably throughout our research.

Sample Inclusion: Inclusion at this level states what particular people or organization is included in this research. We aim to see if there is any link between the international business strategy and the executive selection decision the organization makes to fill the key position in the subsidiary or international operation. In addition, we want to explore whether the multinationals are appointing host or third country nationals for the executive positions. The expatriate is the key person who works in all type of multinational companies. We identified from the extant literature that there are different roles of expatriates (the details can be found in literature review). We would like to identify whether the expatriates role change during the growth level of the organization. To answer the above questions, we decided to include all multinational companies that adopts an international business strategy, use different executives for filling the position in subsidiary operation and the role played by expatriates during the growth level of the organization. We believe that the information provided by the executives of multinationals meets our research objective.

Sample Exclusion: For our research, we decided to exclude born global companies and small and medium enterprises. First we will explain about born global companies and small and medium enterprises separately and then we will justify why these companies are excluded in our research. Most of the born global firms rely on exporting as their main method of foreign market entry. Most of the born global firms involves in offering specialized and customized products to a small group which may be difficult for large firms to do so. Born global firms are entirely unique from other international organizations because they are born doing business abroad. (Tanev, 2012). Small and Medium enterprises (SMEs) covers a wide range of definition and it varies from one country to another (Ayyagari, Beck & Kunt, 2003). In general any firm from small office home office to a large corporation may be called SMEs. SMEs are always involved in innovation and competition in high economic sectors.

Reasons for excluding SMEs & Born Global Companies' in our research: Born global companies from their beginning have their business globally. Customized products are made to focus small group of people. Although the company has a global focus, they do not adopt

any strategy when they move abroad. Furthermore, they do not use different kind of executives such as (PCN, HCN or TCN). Since our objective is to find out if there is any alignment between strategy and staffing approaches, we decided not to include born global companies.

SMEs concept varies across countries. Considering that they have fewer employees and the size of the business is small, we assumed that they may not adopt a strategy when they move abroad and not use mixture of executives. Hence we decided not to include SMEs as they are not going to provide information that meets our research objective.

### **3.10. SAMPLE DESCRIPTION OF MNCs**

In this section, we would like to give brief description for the twenty two multinationals (22) that we have contacted for our research.

AA1: Involves in electric components. The company established its business fifty years ago. They cater to almost 180 countries in the world. The subsidiaries in some countries produce only for local market. Other subsidiaries produce for world market. There are almost 33512 employees working for the organization throughout the world.

BB2: Company provides training services for Airline technicians and professionals. In addition, they provide aircraft maintenance service to the airline industry. The company was established nine years before. In the second year of its inception, they moved to world market to the place where euro is used principally. The company sells training services for 80 countries and the 5000 total number of employees work for this organization.

CC3: This company deals with oil, gas and exploration and produce gas, deliver to the market. Company started the business ninety years before and the same year they move to international market. They cater 120 countries. Almost 100000 employees work for this organization.

DD4: Considered as one of the three largest aerospace groups in the world. The company was created thirteen years before with the merger between France and Germany. They

serve almost 14 countries. The production is done only at headquarters and subsidiaries involve only in selling and not in manufacturing or producing. 20000 employees work for this organization globally.

EE5: It is the world's leader in providing eyeglass lenses. Company involves in designing to manufacturing wide range of lenses to correct and protect eyesight. The company strives to create the most beautiful comfortable and durable corrective lenses designs in the world. They serve international market for 45 years and their products are sold in 30 countries. 48700 employees work for this organization.

FF6: This organization is known and respected for its technology leadership and innovative connector and cable assembly solutions. Their products include backplane, cable I/O, power storage interface, Miniature commercial connectors as well as optical solutions to enable cost effective electronic equipment and devices for various markets such as data, communications, consumer and industrial. 12500 employees work for this organization.

GG7: Is a leading manufacturer in semi- conductors for wafer fabrication design, technical application, support marketing. The organization entered international market 44 years ago. They serve 40 countries and 49500 employees work for this organization.

HH8: Company provides water treatment and technologies for many industries such as municipalities, industries, pharmaceutical industry. Its world leading operator in water services provides water and waste water services or public authorities and industrial companies. They entered international market 20 years ago and serve business in 77 countries. 331,226 employees work for this organization.

II9: Is a world leader in the market for civil and Para public helicopters and holds a predominant position in the market for military helicopters. The company also provides a World Wide quality service for 2350 operators in 155 countries. The organization also design, develops and produces engines in co-operation with partner manufacturers. The company is in business for 25 years and 5178 employees work for this organization.

JJ10: Is a leading supplier, manufacturer and solution provider of satellite communication equipment and provides products and services worldwide. The company products include

data processors, demodulators, modulators, redundancy switches. The company entered international market 28 years ago and 312 employees work for this organization.

KK11: Is a world leader in integrated power plants for the production of electricity and air quality control systems. The company is pioneer in transport infrastructure, power generation and electrical grid. They are present in 100 countries and 18000 employees work for this organization.

LL12: Is a leading European space company in launchers, satellites, satellite equipment and space industry together pioneering excellence. The organization's presence happened 13 years ago and they have business operations in 100 countries and 18000 employees work for this organization.

MM13: Is a leading global manufacturer of the most innovative commercial and military aircraft with Airbus military covering tanker, transport and mission aircraft. This company is the leader in Europe for space program and third biggest space provider worldwide and they are active in all space activities from large scale space systems to satellite services. The company entered international market 13 years ago and serve 180 countries. 133,115 employees work for this organization.

NN14: Organization manufactures and specializes in the distribution control and availability of the power supply to low voltage energy systems. The company first entered international market 20 years ago. They serve almost 50 countries and 2269 employees work for this organization.

OO15: Organization starts producing electronic information boards for cities. Then launched its transport activities and engages in discussions on information systems for public transport with the EU. They moved to international market four years ago and 140 employees work for this organization.

PP16: Supplies industrial gases and services to various industries including medical, chemical and electronic manufacturers. The organization was founded in 1902 and they are the world's largest supplier of industrial gases by revenues and have operations in over 80 countries. They entered international market 40 years ago and 43600 employees work for this organization.

QQ17: is the largest company in the Middle East with over 4200 employees and an unrivalled reputation for innovation and quality workmanship. They are leaders in the world of elevators, escalators and moving walks. The company first went to international market 34 years ago and they serve 220 countries.

RR18: is an Indian company. The company operates in three segments: petrochemicals, refining & oil & gas. Its other segments include textile, retail business, special economic zone development and telecom and broadband business. The company serves international market from the headquarters. 30000 employees work for this organization.

SS19: The organization operates under two business groups – mobility and technology. They transformed itself from one stop service provider for voice, data and communication to a global company focused on promoting a digitally connected through its innovative mobile phones and mobile internet solutions. They serve international market for 20 years.

TT20: Is an Indian provider of information technology services. It is primarily engaged in providing a range of outsourcing services, business process, and outsourcing and infrastructure services. This company is the 4<sup>th</sup> largest IT Company in India and ranked 48 in the global list of IT services providers. They entered international market 22 years ago and 85195 employees work for this company.

UU21: is an independent investment consultancy providing innovative, clear, cutting edge advice to institutional investors. It is the top supply chain solution providers worldwide to over 100 leading manufacturers of IT telecom, lifestyle and consumer electronic products. Company entered international market 20 years ago and they serve 20 countries and 1000 employees work for this organization.

VV22: is a consumer goods company. Their products include foods, beverages, cleaning agents and personal care products. The company founded in 1930 by the merger of British soap maker and the Dutch margarine producer. The company entered international market 53 years ago and serve almost 150 countries. 174,000 employees work for the organization.

### **Chapter 3 Summary**

In this chapter, we described the research methodology, research design and method for analyzing qualitative data. We adopted qualitative method to conduct our research. As a result, we conducted interviews. Research design explains how we designed our questions, the participants' selection and how we managed the data that were collected by us for our research. To analyze the qualitative data, we first coded all the interviews and we followed Miles and Huberman (1994) for analyzing the data. We have justified our data is reliable and valid and the same has been reported in this chapter. Furthermore, we have justified that we have included only MNCs in our sample and excluded SMEs. Finally we have included the MNCs description based on the information available on the annual reports and the MNCs website in addition to the information provided by the respondents during the interviews.

In the subsequent chapter, we will provide the details on how we dealt with the interview data that were collected by us.

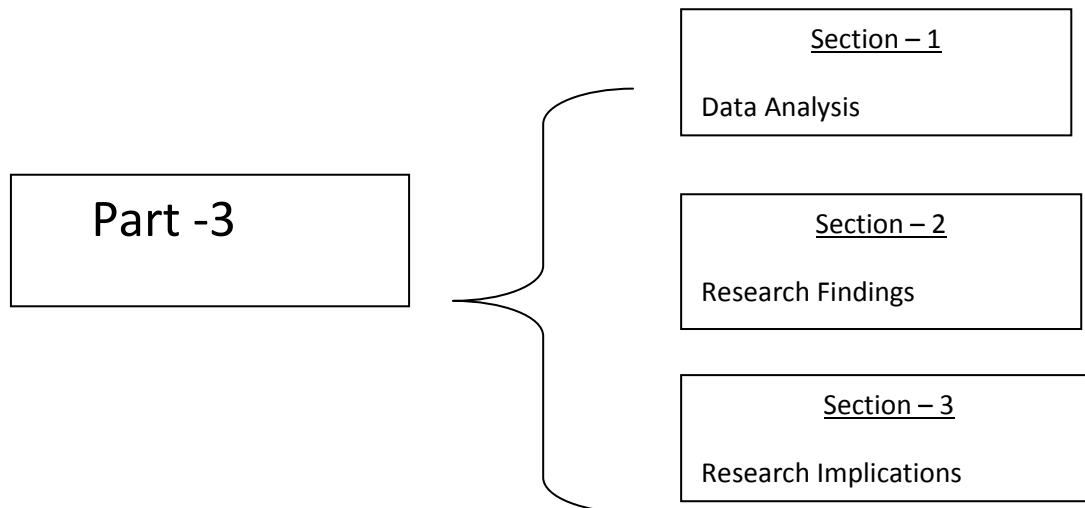
**PART – 3**

**EMPIRICAL ANALYSIS**

**&**

**RESEARCH FINDINGS**





Part 3 has been divided into three sections. In section 1, we have discussed how we examined the data that was collected for our research. Section 2 provides the results of our research. Research implication and limitations is described in section 3.

## **CHAPTER – 4**

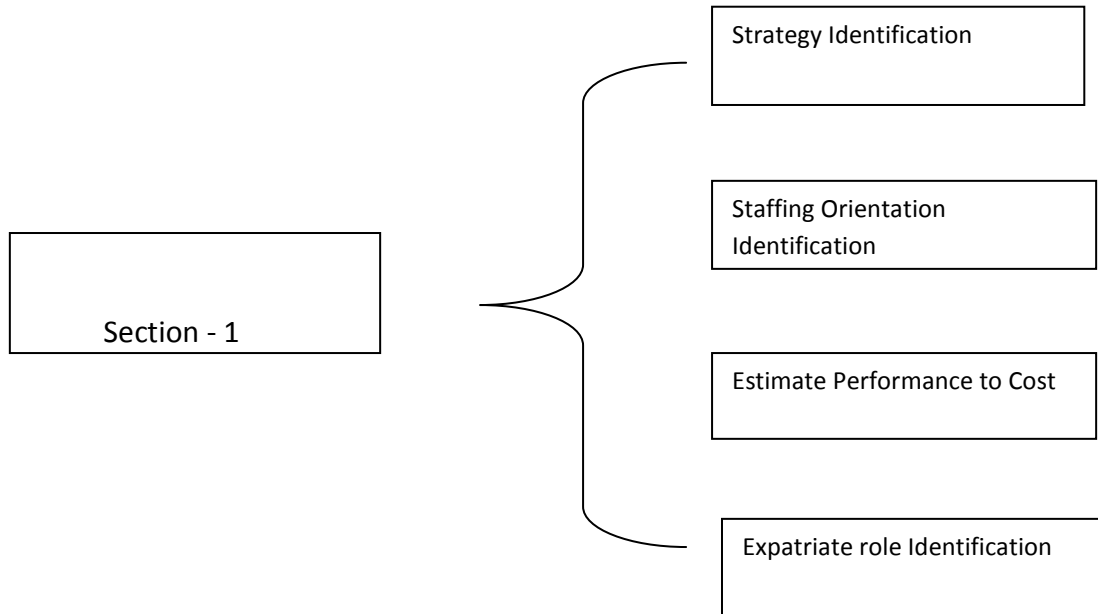
### **DATA ANALYSIS**

In chapter 3, research methodology and research design were discussed in detail. Further, we justified that qualitative research method is more suitable and relevant for our research. In this chapter, we discussed about how we treated the data that we had collected.

The goals of this chapter are to:

- ✚ Analyze the data that were collected
- ✚ Provide an explanation, understanding or interpretation of the people and situation we are investigating for our research.

The data analysis is based on an interpretative philosophy. The idea is to examine the meaning and symbolic content of qualitative data. Further, we explain how we have identified the MNCs business strategy, staffing orientation, and roles of expatriates in detail.



Section 1 in part 3 has been divided into four sub sections. In sub section 1, we have described how we have identified the strategy adopted by the multinational with the help of score table created by us based on the interview responses. Moving on to sub section 2, we have identified the staffing orientation utilized by multinationals with the help of score table created by us based on the interview responses. In sub section 3, we have examined how multinationals evaluate the executives' performance related to the cost that has been spent on sending the executive for the international assignment. In sub section 4, we have examined the roles played by expatriates during different periods of organization life cycle based on the score table created by us with the help of responses provided by respondents' during the interview.

## 4.1. STRATEGY IDENTIFICATION

First, we identified the strategy adopted by the multinational. The multinationals involved in our research are registered in more than one country and have operations in different locations. Most of the multinationals both produce and sell goods or services in various countries. Each multinational has its headquarters located in home country and produces its intermediate inputs and conducts assembly operations in one or more subsidiary locations. The multinationals involved in our research have foreign affiliates to perform activities ranging from research and development (R&D) to after sales service, and including production of parts and components, assembly, wholesale and distribution. In our research sample, except two multinationals, rest of the multinationals entered international market at least before 20 years and most of the multinationals operate (subsidiary presence) in more than 20 countries. We present below a table that describes the multinationals' nature of business, years of experience and their presence in international market.

MNC	Nature of Business	International Experience	No of Subsidiaries	Country of HQ
AA1	Electrical Engineering	50 Years	70	France
BB2	Training Services	9 Years	80	France
CC3	Oil & Gas	89 Years	120	France
DD4	Aircraft Industry	30 Years	40	France
EE5	Optical Products	50 Years	50	France
FF6	Electronic Products	15 Years	20	France
GG7	Semi Conductors	44 Years	40	France
HH8	Water Solutions & Technologies	25 Years	20	France
II9	Aviation Industry	25 Years	10	France
JJ10	Space & Satellite	28 Years	12	Belgium
KK11	Locomotive Industry	63 Years	70	France
LL12	Aviation Industry	43 Years	100	France
MM13	Aeronautic Defence & Space Company	50 Years	Worldwide	Netherlands
NN14	Electric Power, UPS, Switchgear	90 Years	Worldwide	France
OO15	Gamme Transport	40 Years	Asia	France
PP16	Oxygen & Gas	40 Years	80	France
QQ17	Elevator Industry	39 Years	17	Dubai
RR18	Telecommunications	9 Years	Asia	India
SS19	Technology	20 Years	5	Singapore
TT20	IT Services	22 Years	30	India
UU21	Supply Chain Management	20 Years	20	India
VV22	Consumer Products	83 Years	150	Netherlands

Table 10: MNC's Nature of Business

To identify the strategy adopted by the multinational, we posed questions on two broad dimensions to respondents: the pressures for local responsiveness and pressures for standardization. In addition, there were six sub questions for local responsiveness (Product adaptation, Marketing mix, Subsidiary adaptation, Role of subsidiaries, Knowledge transfer and R&D) and two sub questions for standardization (Economies of scale and R&D) to obtain optimal responses from the participants.

We first coded the interview responses. Based on the coded responses, we developed the number for each category in pressure for local responsiveness. For the first category in local responsiveness – product adaptation, we assigned number 1 if the subsidiaries totally depends on the product and services offered by headquarters, number 2 was assigned if the subsidiary partially adopts the products and services offered by headquarters and finally number 3 was assigned if their subsidiaries do not depend on headquarters for the products and services (subsidiaries make the products for the local market). For the second category in local responsiveness – Marketing mix, we assigned number 1 if the subsidiaries do not make any changes in the price, products, promotion, language of the products that they are selling in the local market (sell the products in local market that are provided by headquarters without any changes), number 2 was assigned to the subsidiaries that make changes to some extent of the products that they are selling in local market (make changes either in language or price of the products etc. and number 3 was assigned to the subsidiaries that makes all effort to change everything ranging from products, price to promotion language etc. in the local market according to the local needs, product range and scope of market. For the third category in local responsiveness- Subsidiary adaptation, we assigned 1 for subsidiaries that adapt to products and services offered by headquarters without changes and number 2 was assigned for the subsidiaries that make little changes such as change in technology or equipment but not make any changes in the total product and number 3 was assigned for the subsidiaries that do not adopt to products and services offered by headquarters because in some subsidiaries, the products are produced locally due to the difference in needs. For the fourth category in local responsiveness – Role of subsidiaries, to identify whether the subsidiaries are interdependent on other subsidiaries, we assigned number 1 for subsidiaries that are both dependent on headquarters and inter dependent on other subsidiaries, number 2 was assigned to the subsidiaries that are neither dependent on headquarters, nor interdependent on other subsidiaries (subsidiaries are totally autonomous and detached from headquarters and subsidiaries). For the fifth category in local responsiveness - Knowledge transfer, we assigned number 1 for subsidiaries that depend on headquarters for transferring the knowledge, i.e. the knowledge is developed and shared by headquarters to subsidiaries, number 2 was assigned for the subsidiaries that do not rely on headquarters for transferring the knowledge. Subsidiaries sell tailor made products to the local

market and R&D is conducted locally. So the subsidiaries do not depend on headquarters for any kind of knowledge transfer. For the sixth category in local responsiveness – R&D, We assigned number 1 for R&D which is centralized, i.e. all R&D activities takes place at HQ (headquarters) and not at subsidiary location, number 2 was assigned for subsidiaries that conducts R&D partially at HQ and partially at subsidiary location, number 3 was assigned to the subsidiaries that conducts R&D at their location and not dependent on HQ for any research activities. We finally added all the numbers of each category and developed a score table. The details of the same can be found below.

Category in Local Responsiveness	Total Score for Each Category
Product Adaptation	3
Marketing Mix	3
Subsidiary Adaptation	3
Role of Subsidiaries	2
Knowledge Transfer	2
R&D	3
Total Score	16

Table 11: Score table of Local Responsiveness

Based on the interview responses, we assigned the number for each category of local responsiveness sub questions (product adaptation, marketing mix, and subsidiary adaptation, role of subsidiaries, knowledge transfer, and R&D). We added all the categories in pressure for local responsiveness. If the total score was between 6 –11, then we considered that multinational’s pressure for local responsiveness is low (largely depends on headquarters for everything) for the following reasons: the subsidiaries do not make changes in the product they are selling in the local market (the products are not adopted to local tastes and preferences), the subsidiaries do not make changes/very little change in price, products and promotion, the subsidiaries partially/totally depend on HQ for everything, the knowledge is transferred from HQ which means no innovation done on subsidiary units which signals to decide that there is no pressure for local responsiveness. The role of subsidiaries is dependent and interdependent on HQ and other subsidiaries. Finally the subsidiaries depend on HQ for all R&D activities. All research will be conducted at HQ and the role of subsidiaries is to sell the product in local market. If the total score was between 12-16, we considered that the pressure for local responsiveness is high for the following reasons: the subsidiaries change the product to local tastes and preferences, make changes in the product, price and promotion, products are produced locally to cater the local needs without depending on HQ, subsidiaries are totally detached from HQ, the

knowledge that is developed is retained by subsidiaries and not shared with HQ and finally the R&D is conducted at subsidiary location.

Similarly, we assigned numbers for each category in pressures for standardization. For the first category in pressures for standardization - Economies of scale, we assigned number 1 for multinationals that are not concerned about the economies of scale, the cost advantages that organizations obtain due to size, with cost per unit of output generally decreasing with increasing scale as fixed costs are spread out over more units of output. We assigned number 2 for multinationals that are concerned about the economies of scale. The second category in pressure for standardization is R&D. We assigned number 1 for subsidiaries that do not depend on HQ for R&D activities. The R&D activity is entirely decentralized, i.e. the research activities takes place at subsidiary location, number 2 was assigned for subsidiaries that partially conducts R&D activities at their place and partially depend on HQ for research activities and number 3 was assigned for subsidiaries that entirely depends on HQ for R&D activities, i.e. the total research activities takes place at HQ and the HQ does not allow the subsidiaries to conduct the research at their location. Finally, we added all the numbers in two categories of pressures for standardization and developed a score table. The details of the same can be found below:

Category in Standardization	Total Score
Economies of Scale	2
R&D	3
Total	5

Table 12: Standardization score table

We added all the categories in pressure for standardization and based on the total score, we identified that the multinationals that scored between 1 to 2, the pressure for standardization is low for the following reasons: multinationals are not concerned about economies of scale, and R&D is conducted at subsidiary location and multinationals that scored between 3-5, we considered the pressure for standardization is high because economies of scale is important for multinationals and R&D is done at HQ and not shared with subsidiaries.

By comparing the pressures for local responsiveness and standardization score table, we derived that if the pressure for local responsiveness is low (6-11) and the pressure for

standardization is high (3-5), then we considered that MNC practice **Global Strategy**. Whereas the pressure for local responsiveness is high (12-16) and the pressure for standardization is low (1-2), then we classified that multinationals adopt **Multi Domestic Strategy**. If pressure for standardization is high (3-5) and pressure for local responsiveness is also high (12-16), then we categorized that multinationals adopt **Transnational Strategy**.

## 4.2. STAFFING ORIENTATION IDENTIFICATION

After identifying the business strategy of the multinational, we moved on to examine the staffing approaches by the multinational. MNCs when expanding overseas, determine the staffing configuration in their international operations. According to the extant literature, more multinationals utilize PCNs in the subsidiary operation typically at the initial period (Roztwitalska, M. 2012) and then move on to HCNs and TCNs. For filling executive positions overseas, multinationals may decide between PCNs, HCNs or TCNs. The major challenge faced by MNC is to identify who is the best choice for the top management position(s) in a subsidiary. Based on the interview responses in our research, we noticed that multinationals utilize all the three staffing approaches identified by (Perlmutter, 1969). We now present how we have identified the staffing orientation practiced by each MNC based on the responses provided by the participants in our research.

To identify the staffing composition in MNC, we posed 3 vital questions to the respondents such as how the multinationals staff their subsidiary operations, the number of executives (PCNs, HCNs & TCNs) working in each subsidiary, the most/least executives in each subsidiary. In addition to the main questions, there were sub questions such as what are the criteria for selecting executives, the systems and procedures and culture (the reason for selecting HCNs) in order to retrieve accurate and optimal response(s) from the participants. Based on the interview responses, we first created an excel sheet with three columns (PCNs in the first column, HCNs in second column and TCNs in third column) to derive which executives the multinationals utilized more in subsidiaries. We then assigned the word “more” for the multinationals that utilizes more executives (for instance PCNs) than the other two. Similarly, we assigned the word “less” for the multinationals that utilizes less executives of a particular category (for instance TCNs) than the other two. The details of the same can be found in the mini table created below:



PCNs	HCNs	TCNs
Less	More	Less
More	Less	Less
More	Less	More
Less	Less	More

Table 13: Executive score table

If the MNCs utilized more HCNs and less PCNs and TCNs, then we considered that multinational practice polycentric staffing, i.e. the proportion for local nationals is more than parent country and third country nationals. If the MNCs utilized more PCNs and less HCNs and TCNs, then we believed that MNCs follow ethnocentric staffing, i.e. the proportion for parent country nationals is more than host and third country nationals. If the MNCs utilized more TCNs and less HCNs and PCNs, then we trusted that multinational follows geocentric staffing, i.e. the proportion for third country nationals is more than parent and host country nationals. Sometimes the respondents conveyed that there are more PCNs and HCNs for in their subsidiaries. In such case, to identify the exact staffing orientation, we looked at the number of top management positions in that subsidiary that are occupied by executives. Based on the executives' background and origin, we decided the exact staffing orientation of that multinational. Most of the multinationals participated in our research utilize all the three types of executives, but the proportion varies.

### **4.3. ESTIMATE PERFORMANCE TO COST**

The success or failure of international assignment depends entirely on the executives' who has been assigned to perform the task in subsidiary operation. There was a little attempt made in the past about evaluating the performance related to cost which is proven a difficult task. Therefore, we decided to analyze how multinationals estimate the performance with the costs. We posed a question about how multinationals estimate executive performance related to costs. Based on the interview responses, we observed that 11 multinationals does not follow any method to estimate the

performance to costs and the other 11 multinationals follow some informal method (not specific) to estimate the performance to costs.

#### **4.4. EXPATRIATE ROLE IDENTIFICATION**

Historically MNCs use only expatriates for top management position in international operations. The current situation is different from the traditional method. Normally multinationals start with expatriates (PCNs) to fill the management position in subsidiaries. They then move to HCNs and TCNs once the business is established well in international location. We wanted to examine whether the role played by expatriates such as commander, conductor, coach and connector is constant or do they change according to the growth level of the organization. First, we examined the roles played by expatriates and second we identified the life/growth cycle of an organization. Then we analyzed the same for our research. To identify the roles played by expatriates, we posed a question to the respondents about what role the expatriates play in their organization, and if there is any increase or decrease in PCNs, HCNs and TCNs. We first developed a table with four columns such as commander, conductor, coach and connector to enter the responses. Based on the interview responses, we entered the columns with the word “yes” across each column if the expatriate play that specific role. Similarly we entered the column with the word “no” across each column if the expatriate does not play that specific role. By examining the table, we observed the multinationals that utilizes more expatriates who controls the entire subsidiary operation, then we categorized the expatriates play “commander role” in subsidiary. If the respondent’s response was different, i.e. the subsidiaries utilize expatriates not to control the subsidiaries but to assist the middle management in planning, coordinating or organizing. We classified that expatriates’ play “conductor role” in subsidiary operation. If the respondents mentioned that they utilize expatriates to provide training for the local employees, we categorized the role played by expatriates as “coach role” in the subsidiary. Furthermore if the respondents conveyed that the expatriates in their organization stay as a mediator between the headquarters and subsidiaries. We categorized that expatriates’ ‘play “connector role” in the organization. In few multinationals, the respondents conveyed that there are many level of expatriates available in their subsidiary that provides training, assist in making decisions. In such situations, to identify the exact role played by expatriates, we looked into number of expatriates who provides training and who helps the middle management in making decisions. For instance, if there are 2 expatriates available in the multinational that provide advice for middle

management and 2 expatriates who train the local employees, then we considered the expatriate in that multinational play both conductor and coach role.

### Growth/Life Cycle of an Organization

To identify the organization's stage in life cycle, we developed a table with the names of the organization, their first international presence. With this available information and based on the years of international experience, we divided the expansion into 4 phases. To retrieve the information about the international presence, we looked into the annual report of the respective MNCs. If that information is not available in annual report of the respective MNCs, then we looked into their website. We were able to find the information either in annual report or in their respective websites for all the MNCs that participated in our research. Based on this research, we categorized the multinationals presence in international market between 0-5 years as early stage of business, 6-10 years as intermediate stage of business, 11-15 years as growth stage of business, 16 years and above is considered as advanced and maturity stage of business.

Between 1-5 years = Growth stage

Between 6-10 years = Intermediate stage

Between 11-15 Years = Growth stage

16 years and above = Advanced stage

MNC	Years of International expansion	Stage of growth	Role of Expatriates	Responsibility of that position
AA1	50 years	Advanced	Commander	Control
BB2	9 Years	Intermediate	Connector	Linking HQ & Subsidiary
CC3	89 Years	Advanced	Commander	Control
DD4	30 Years	Advanced	Commander	Control
EE5	50 years	Advanced	Commander	Control
FF6	15 years	Growth	Commander	Control
GG7	44Years	Advanced	Coach	Train
HH8	25 Years	Advanced	Commander, Coach	Control & Train
II9	25 Years	Advanced	Commander, Coach	Control & Train

JJ10	28 Years	Advanced	Commander	Control
KK11	63 Years	Advanced	Commander, Coach, Connector	Control, train, mediate between HQ& Subsidiary
LL12	43 Years	Advanced	Connector	Mediate
MM13	75 Years	Advanced	Commander	Control
NN14	90 Years	Advanced	Coach	Train
OO15	40Years	Advanced	Commander	Control
PP16	40 Years	Advanced	Commander	Control
QQ17	39 Years	Advanced	Commander, conductor, coach, connector	Control, Advice to middle management, train, mediate
RR18	9 Years	Intermediate	Commander, Coach	Control, Train
SS19	20 Years	Advanced	Coach	Train
TT20	22 Years	Advanced	Coach	Train
UU21	20 Years	Advanced	Commander, Conductor, Coach, Connector	Control, advice, train, mediate
VV22	80 Years	Advanced	Coach, Connector	Train, Mediate

Table 14: MNCs stage of business and roles of expatriates

The above table describes the multinationals international presence, the life stage identified by us in the third column and the role played by the expatriates and their responsibilities in the last column.

## Chapter 4 Summary

In this chapter, we described how we have identified the business strategy, staffing orientation, and different role played by expatriates based on the data (interviews) we have collected. To identify the strategy practiced by the organization and the executives the multinationals select for the subsidiaries, we have developed a score table with two dimensions local responsiveness and standardization. We decided that the multinationals that scored high for local responsiveness and low for standardization are classified into multi domestic strategy. The multinationals that scored high on standardization and low on local responsiveness is categorized as global strategy. Similarly the multinationals that scored high on local responsiveness and high on standardization are classified as transnational strategy. We have developed a score table for identifying the international executive selection practices of multinationals. Most of the multinationals utilize all the three executives for the subsidiary. But to know the exact staffing orientation, we have developed the score table. For instance if the proportion for PCN is higher than HCN and TCN, then we classified the multinationals practice ethnocentric staffing. We have also identified the roles played by expatriates vary. Based on the score tables we have created to answer our research questions and to meet the research expectations, in the subsequent chapter we report our analysis and findings result.

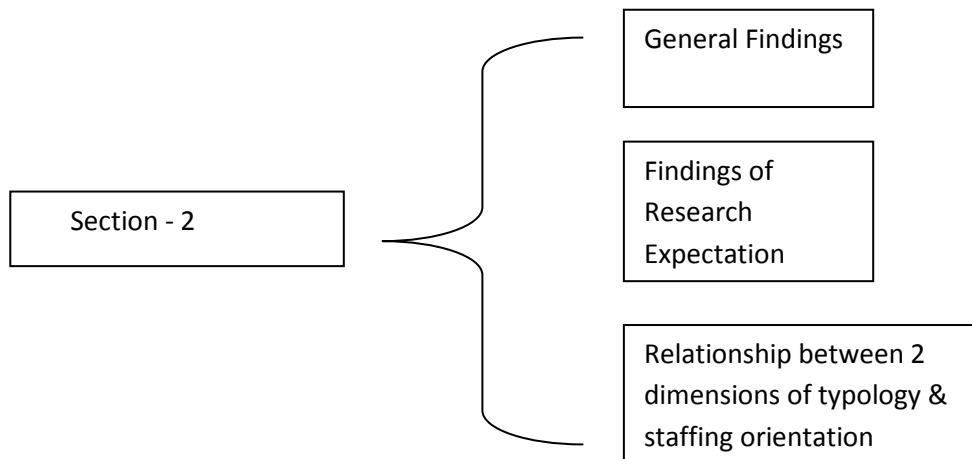
## CHAPTER – 5

### DATA FINDINGS & DISCUSSIONS

In chapter 4, we discussed how we dealt with the data that was collected by us. In this chapter, we would like to bring the research expectations (chapter 2) and the methods used to collect the data (chapter 3) together into a coherent discussion on linking international business strategy with executive staffing approaches which is the main research question for our study. To answer the research questions, in depth interview was conducted with top management / key executives of 22 multinationals which are discussed and interpreted in this chapter. To answer the research question posed in chapter (Introduction) 1, we proposed a framework and a set of research expectations that were developed in chapter 3, which are now being tested in this section by using the interview responses. The results of the research expectations are reported in this section.

The goals of this chapter are to:

- Discuss and explore the findings of the qualitative data
- Summarize the findings
- Justify that the results/findings is valid
- Identify the similarities/differences in the multinationals selection practices



Section 2 in part 3 has been divided into three parts. This section deals with data findings and results. The first sub section deals with general findings. We have identified 6 multinationals that practice global strategy, 9 multinationals that practice multi domestic strategy and 7 multinationals that practice transnational strategy. Similarly, we have identified 12 multinationals that utilizes ethnocentric staffing, 8 multinationals that utilize polycentric staffing and 2 multinationals that utilize geocentric staffing. Furthermore, we have examined that most of the multinationals do not evaluate the performance related to the cost and the MNCs that evaluates does not follow any specific method to compare the performance to cost. Finally we have identified the roles played by expatriates in the multinational vary according to the organization life cycle. We found that most of the expatriates play commander role (control the entire subsidiary). In sub section 2, we have reported our findings/results of our research expectations. In sub section 3, we have examined the relationship between business strategy with executive staffing using two dimensions and reported the results of the same.

This chapter presents the findings from the interviews as they are directly related to the research questions. To answer our research expectations, we first present the interview characteristics, the country where the interview took place and participants of our research, and second, we present our data analysis and findings report to conclude this chapter.

The table below shows that most of the participants are working in multinationals as top executives. This may indicate that the respondents are experienced and knowledgeable in the field of international business. In terms of designation of the respondents, most of them held key decision making positions either as CEOs, Directors, Country heads, Presidents or Vice Presidents. Furthermore, a significant number of HR Diversity Manager, Sr. HR Manager and HR Manager work in multinationals as a key person in charge for making important HR related decision. The respondent's overall position within the organization signifies that the information provided by them adds value to data quality (Kim & Frazier, 1997).

**Key Executives:** We interviewed key executives for our research. Therefore, we describe here who are considered as key executives in the multinational and what they are responsible for. Key positions can be defined as those positions that are crucial for the operations of an organization and because of skill, seniority and or experience, the employees are considered as key executives. Those executives are mostly in top management positions and they are responsible for strategic decision making and planning day to day management of the business and review of corporate performance

in the multinational. Both the executives at the top level and HR executive have pivotal roles to play in making business strategy and executive selection decision.

MNC	Country	Interview type	Executive	HQ/Reg.HQ
AA1	France	D.I	HR Diversity Mgr	HQ
BB2	France	D.I	VP	HQ
CC3	Singapore	D.I	President	Reg.HQ
DD4	Singapore	T.I	Sr.HR Mgr	Reg.HQ
EE5	Singapore	D.I	Head VP HR	Reg.HQ
FF6	Singapore	D.I	VP.HR	Reg.HQ
GG7	Singapore	D.I	Sr.HR Dir	Reg.HQ
HH8	Singapore	D.I	Sr. HR Mgr	Reg.HQ
II9	Singapore	D.I	HR Mgr	Reg.HQ
JJ10	Singapore	D.I	VP	Reg.HQ
KK11	Singapore	D.I	Country HR Dir	Reg.HQ
LL12	Singapore	D.I	Director	Reg.HQ
MM13	Singapore	D.I	CEO	Reg.HQ
NN14	Singapore	D.I	HR Mgr-SEA	Reg.HQ
OO15	Singapore	T.I	CEO	Reg.HQ
PP16	Singapore	D.I	HR Mgr	Reg.HQ
QQ17	Dubai	T.I	HR Mgr	Reg.HQ
RR18	India	T.I	VP HR	HQ
SS19	Singapore	D.I	Director	Reg.HQ
TT20	India	T.I	HR Mgr	HQ
UU21	India	T.I	Head HR	HQ
VV22	USA	T.I	HR Director	HQ

Table 15: Interview characteristics of MNCs

HR = Human Resources DI = Direct Interview TI = Telephonic Interview VP = Vice President MGR = Manager CEO = Chief Executive Officer  
SR = Senior SEA = South East Asia HQ = Headquarters REG HQ = Regional headquarters

## 5.1. GENERAL FINDINGS

Based on the interviews we conducted with the top executives of 22 multinationals, we identified the strategy practiced by the organization, the executive staffing styles, the roles of executives and alignment between business strategy and staffing approaches. We briefly explain the general findings followed by the findings of research expectations in detail.



#### Strategy Identification:

We observed 6 multinationals (CC3, FF6, II9, LL12, MM13, UU21) practice global strategy. With the help of two dimensions – local responsiveness and standardization, we observed that all the multinationals score low in local responsiveness and score high in standardization (refer to the score table 15 GS).

We analyzed 9 multinationals (BB2, EE5, OO15, Pp16, QQ17, RR18, SS19, TT20, VV22) practice multi domestic strategy. We used the same two dimensions – local responsiveness and standardization to identify multi domestic strategy. With the interview responses, we noticed that all the 9 multinationals score high on local responsiveness and low in standardization of practices (refer to the score table 19 MDS).

We identified 7 multinationals (AA1, DD4, GG7, HH8, JJ10, Kk11, NN14) practice transnational strategy. Upon two dimensions – local responsiveness and standardization, we figured the transnational strategy of multinationals that scored high on local responsiveness and high on standardization (refer to the score table 23 TNS).

#### Staffing Orientation:

Most of the multinationals in our research utilized all the three type of executives (PCNs, HCNs, TCNs). 12 multinationals (CC3, DD4, EE5, HH8, KK11, LL12, MM13, NN14, OO15, QQ17, RR18, UU21) in our research utilize PCNs for top management positions in subsidiary operation. All these multinationals utilize all the three type of nationals, but the proportion for particular executive (PCN) is more when compared to the other two (HCN, TCN). We classified these multinationals adapt ethnocentric staffing orientation based on the proportion of the executives who get selected for filling the key position in international operation.

With the help of interview responses in our research, we identified the MNCs that utilize HCNs for top management positions in subsidiaries. 8 multinationals that utilize HCNs are (AA1, BB2, FF6, II9, JJ10, PP16, SS19, TT20, VV22). All the 8 multinationals utilize all the three types of executives. But the proportion for HCN is more than the other two (PCN, TCN) which convinced us to decide that these multinationals utilizes polycentric staffing orientation.

In our research, only two multinationals (GG7, VV22) utilizes third country national to fill the key position in subsidiary operation. We observed these multinationals utilizes more TCNs, HCNs were relatively less than TCNs and less number of PCNs for the key positions. Therefore we categorized these multinationals as geocentric staffing orientation.

#### Performance to Cost:

Out of 22 respondents involved in our research, half of that (11 respondents) neither estimate nor compare performance with cost. They do not have such pressures in their organization. Rest of the multinationals (11 respondents) conveyed that they compare the performance not through specific method. But they use some Key Performance Indicator (KPI) to estimate the performance to cost. Sometimes increase in productivity, success of international assignment are also used to evaluate the same.

#### Role Identification:

We wanted to examine the different roles played by expatriates in the organization during different time periods starting from early state to maturity stage of the multinational. To find out this information, we posed two major questions during the interview. Based on the interview responses, we observed that 16 multinationals use expatriate to control the entire subsidiary. Therefore we classified the role of expatriates as “commander role”. 3 multinationals utilized expatriates to provide advice on planning, coordinating and controlling. We categorized the role of expats as “conductor role”. 10 multinationals utilized expatriates to provide training for local employees. We named the role of expatriates as “coach role”. 6 multinationals in our research utilized expatriates in their organization to maintain relationship between headquarters and subsidiary. We recognized the role of expatriates as “connector role”. 6 multinationals utilized expatriates to do dual roles for controlling the subsidiaries and training the employees. 1 multinational utilized expatriate for triple roles – controlling the subsidiaries, train the employees and connects headquarters and subsidiary. 2 multinationals utilize expatriates to do all 4 roles – control, advice, train and connect headquarters and subsidiary (refer to tables 33, 35, 37).

## 5.2. FINDINGS OF RESEARCH EXPECTATIONS

This section integrates the findings with the interview responses based on the points the key executives stressed and affirmed. The responses provided by each participant during the interview, provides a strong basis for understanding the values, procedures, executive selection criteria etc. We begin by explaining the findings of each research expectations.

### 5.2.1. GLOBAL STRATEGY = ETHNOCENTRIC STAFFING

Our first research expectation is the multinationals that adopt global strategy are likely to use ethnocentric staffing approaches in order to maintain standardization of practices and to have the control over the subsidiary. To provide the results, we integrated the research questions brought from chapter 1 with our research expectations from chapter 3. The same set of research questions is used to report the findings for research expectations (1 to 3). The research questions that are used for reporting our findings are given below:

1. Examine the relationship between international strategy typology and international staffing approaches.
2. What are the different procedures used in international executive selection?
3. To identify if there is any shift from ethnocentric to other approaches
4. Examine the nature of this shift and its speed

Our research objective is to identify if there is any alignment between the international business strategy and international staffing. In order to identify the same, we conducted interviews with top executives of multinationals. Based on the interview responses, we identified that 6 multinationals practice global strategy. The details of the same can be found in the table below.

MNCs	Pressure for Local Responsiveness						Pressure for Standardization			
	Pd.Ad	Mk.Mx	Su.Ad	Ro.Su	Kn.Tr	R&D	Score	Ec.Sc	R&D	Score
CC3	2	2	1	1	2	1	9	2	3	5
FF6	2	1	3	2	2	1	11	2	2	4
II9	1	1	3	2	1	1	9	2	3	5
LL12	2	2	2	1	1	2	10	2	3	5
MM13	1	1	1	1	1	1	6	2	3	5
UU21	1	1	1	2	1	1	7	2	3	5

Table 16: GS

Pd.Ad = Product Adaptation Mk.Mx = Marketing Mix Su.Ad = Subsidiary Adaptation Ro.Su = Role of Subsidiaries Kn.Tr = Knowledge Transfer  
R&D = Research Development Ec. Sc = Economies of Scale R&D = Research & Development

Based on the score table GS, we have created a table of multinationals that adopts global strategy which utilizes different staffing approaches (PCNs, HCNs) for the key position in subsidiaries.

GLOBAL STRATEGY= 6	<b><u>Ethnocentric Staffing = 4</u></b>
	CC3
	LL12
	MM13
	UU21
	<b><u>Polycentric Staffing = 2</u></b>
	FF6
	II9
	<b><u>Geocentric Staffing = 0</u></b>

Table 17: Global strategy with different staffing approach

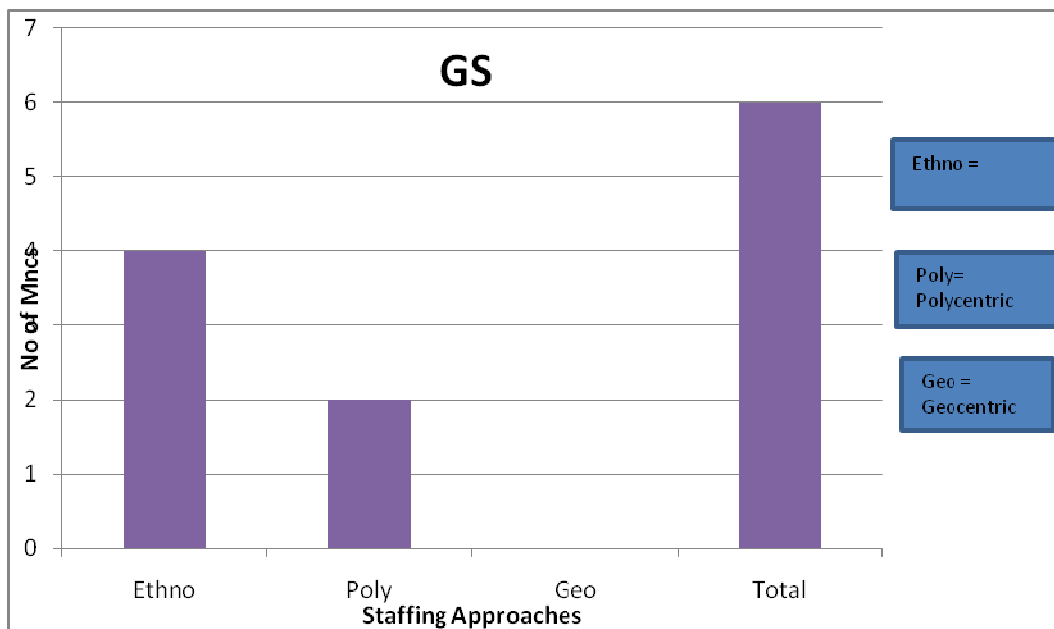


Fig 10: Global Strategy with different staffing approaches

To identify the actual strategy adopted by the organization, we first asked the respondents' questions on two important dimensions such as pressures for standardization and pressures for local

responsiveness. We also asked sub questions to the respondents to obtain potential and optimal responses from them. In particular, looking at the above table, all the 6 multinationals that scores low on local responsiveness (less than 12 out of a total score of 16) and high on standardization (3 and above out of total score of 5). Therefore we classified these multinationals that practice global strategy. As summarized in the above table, the interviewed multinationals (CC3, FF6, II9, LL12, MM13, UU21) are affiliated with a group “GS” where the multinationals products comply with global standardization which means developing standardization products marketed worldwide with a standardized marketing mix. By using standardized products, the multinationals helps generate economies of scale. The cost that the MNCs make may help them to offer low prices to consumers. The table we present below describes the multinationals that practice global strategy that utilizes different staffing for the subsidiary operation(s).

We hereby give the brief description of the 6 MNCs that discussed about their practices during the interview.

<i>MNCs</i>	<i>Responses Provided during the interview</i>
<i>CC3</i>	<i>Need to adapt to global market due to government pressure. Our organization considers it as an opportunity. Our company’s culture is to adapt to the local environment change in technology. Extremely standardized, but the execution is decentralized</i>
<i>FF6</i>	<i>There is no pressure for local responsiveness. Products are serving global market. Subsidiaries adapt to product and services offered by HQ. Standardization in the products manufactured. Same practices, systems followed in subsidiaries</i>
<i>II9</i>	<i>Subsidiaries are totally dependent on HQ. R&amp;D is done at HQ. There is no participation by subsidiary. Decisions are made at HQ only.</i>
<i>LL12</i>	<i>Drive to be more global. Sales force is centrally based. Adapt product according to local needs, but price is not adapted to local market. R&amp;D is centralized</i>
<i>MM13</i>	<i>Products are 99% the same worldwide – no customization is done. Change in colors and interiors. Subsidiaries are not interdependent on other subsidiary. Knowledge is not shared. Achieve economies of scale, reduce fixed costs and increase revenue.</i>
<i>UU21</i>	<i>No change in the product offered to local market, change only in customer service. Subsidiaries depend on HQ for products and services. Knowledge is retained at HQ and not shared with subsidiaries. Subsidiaries just implement the strategy.</i>

### Staffing Approaches – Parent Country Nationals (PCNs)

After recognizing the strategy practiced by the organization, we decided to discover the executive staffing practices of the multinationals in order to identify if there is any alignment between the strategy and the staffing approaches. We wanted to identify how many multinationals use ethnocentric staffing, polycentric staffing and geocentric staffing.

To meet the challenges of competition in international operations, it is necessary for the organization to have adequate international staffing approach. According to our research, we found that 12 multinationals use ethnocentric staffing – they fill the key positions abroad with home country nationals because the multinationals believe that home country managers are more competent and trustworthy than foreign nationals. Furthermore, when the multinational require the control of entire subsidiary operation, then home country nationals is the headquarters choice because the PCNs have a strong knowledge of company policies and can ensure the company's guidelines are followed in the international operation(s). Multinationals especially use PCNs when they are in the growth stage of international operation. Company can achieve continuity by putting home country national in host country that have a working knowledge of the parent country's long range goals. We identified the staffing strategies based on the research questions such as how the company staff their subsidiary operation, what are the pressures faced by the organization, the number of executives working in the subsidiaries. Based on the interview responses, we identified that 12 multinationals practice ethnocentric staffing orientation. In fact all the 12 multinationals use all the three types of executives (PCNs, HCNs, TCNs). But the proportion for the PCNs is more. Therefore we classified those multinationals that utilize ethnocentric staffing approaches. We present the same in the table below:

<b>MNC</b>	<b>PCN</b>	<b>HCN</b>	<b>TCN</b>	<b>Staffing Orientation</b>
CC3	M	M (MM)	L	Ethnocentric
DD4	M	M (MM)	M(MM)	Ethnocentric
EE5	M	M	L	Ethnocentric
HH8	M	M(MM)	M(MM)	Ethnocentric
KK11	M	L	V.L	Ethnocentric
LL12	M	L	----	Ethnocentric
MM13	M	L	L	Ethnocentric

LL14	M	M(MM)	----	Ethnocentric
OO15	M	L	----	Ethnocentric
QQ17	M	L	L	Ethnocentric
RR18	M	M	L	Ethnocentric
UU21	M	L	M(MM)	Ethnocentric

Table18: MNCs with Ethnocentric Staffing Orientation

M = More L = Less V.L = Very Less MM = Middle Management

If we look at the table above, except three, all the other multinationals utilized all three types of executives. In some MNCs for instance DD4, HH8 during the interviews, specified that all the three types of executives (PCNs, HCNs, TCNs) are available more in their organizations. But we want to examine which type of executive are available more in the executive or top management position. Therefore, in addition to the interview responses, we gathered information from annual report of the respective MNCs and found the executives who are in top management positions. Although the respondents conveyed that the HCNs and TCNs are more in their subsidiaries, we found out that most of them are in middle management level.

We hereby present the individual multinationals brief description of why the multinationals choose that particular staffing approaches for the subsidiary operation. The details of the same can be found below:

<i>MNCs</i>	<i>Responses Provided during the Interview</i>
<i>CC3</i>	<i>No good education system in countries like Angola, Indonesia, Vietnam. Hence more expatriates in these countries. Rest of the countries, if it is impossible to find suitable employees, expatriates will be brought from HQ to start the operation, they train the local nationals to take the new position. It is easy to find HCNs in India, Singapore to fill the key positions. More PCNs and HCNs and less TCNs. But expatriates are used to start an operation.</i>
<i>DD4</i>	<i>Expatriates for key positions. CEO is from HQ. They stay in subsidiary for 5years, then go back to HQ. The position is filled by another person from HQ. MNC use all three staffing approaches PCNs, HCNs, &amp; TCNs. There are more HCNs working in Singapore for management position.</i>
<i>EE5</i>	<i>More expatriates in all subsidiaries. Expatriates are expected to bring intellectual capacity. In addition to the expatriates who hold key positions in subsidiaries, there are also expatriates in analysts position. There are HCNs, TCNs available for middle management positions. Earlier</i>

	<i>it was biased to use HCNs and TCNs, now open to locals and TCNs also. But TCNs are less in all subsidiaries.</i>
<i>HH8</i>	<i>Most of the key positions are by expatriates. There are few HCNs for the key positions in Singapore. Utilize all PCNs, HCNs and TCNs. But TCNs are considered as locals. Regional Heads are locals. No pressure to appoint HCN, TCN as long as the skill is available with them.</i>
<i>KK11</i>	<i>Utilize all the 3 staffing approaches. Expatriates for key positions. TCNs are less. HCNs are less in key positions.</i>
<i>LL12</i>	<i>Expatriates for key positions. Very few locals available in subsidiaries. No TCNs are available. High level of experience is required to do the job. Hence use expatriates for key positions.</i>
<i>MM13</i>	<i>Expatriates are used for key positions because they bring the knowledge of expertise. Experience is a key. HCNs are available for middle management level. TCNs are very low.</i>
<i>NN14</i>	<i>Expatriate as Managing Director, Financial Controller, Technical Manager, Sales Manager. Local nationals are available, but there are no TCNs. HCNs are given opportunity if he/she has experience background, career development.</i>
<i>OO15</i>	<i>Mostly expatriates in all subsidiaries. HCN in key position only in Malaysia. No TCNs available. Expatriates are selected for their experience.</i>
<i>QQ17</i>	<i>Expatriates in all subsidiaries. HCNs head the operation in India. TCNs are available from Philippines, Sri Lanka, Bangladesh, Syria, Indonesia to work in Qatar, Oman, Kuwait and UAE. But the TCNs are not at middle or top management position. HCNs are very less.</i>
<i>RR18</i>	<i>Use all three staffing approaches. Expatriates are for key positions. HCNs are more in number TCNs are available, but very less in number.</i>
<i>UU21</i>	<i>All 3 staffing available. More PCNs and TCNs. HCNs are very less.</i>

Summary: To report the findings for our research expectation global strategy = ethnocentric staffing, we have identified that out of 6 multinationals that practice global strategy, 4 multinationals use PCNs and 2 multinationals use HCNs for key positions and no multinationals utilize TCNs for key positions. In addition to the multinationals that practice global strategy, there are other multinationals whose strategy is different from global strategy also utilized PCNs for filling the key positions in subsidiaries. The details of the multinationals that use ethnocentric staffing, polycentric staffing is given in the table below: The table shows the multinationals that use PCNs, HCNs, TCNs staffing, MNCs stage of business, different role played by expatriates in subsidiaries and the reasons for multinationals to use HCNs.



	<u>Ethnocentric Staffing = 4</u>	<u>MNC's Stage in Business</u>	<u>Role of Expatriates</u>	<u>Reasons for shift in Staffing (if any)</u>
GLOBAL STRATEGY	CC3	Growth	Commander	HCNs more in Asia – more talent pool.  Demand & supply should mix well. Sometimes HCNs are expensive like foreigners  In Asia – qualified nationals are available. So use more HCNs
	LL12	Advanced	Connector	
	MM13	Advanced	All 4 Roles	
	UU21	Advanced	Commander & Coach	
			Commander	
		Advanced	Commander coach & control	
		Advanced		
	<u>Polycentric Staffing =2</u>			
	FF6			
	II9			
	<u>Geocentric Staffing = 0</u>			

Table 19: Global strategy with roles, stages and reasons for shift

**5.2.2. MULTI DOMESTIC STRATEGY = POLYCENTRIC STAFFING**

Our second research expectation is to find out the multinationals that practice multi domestic strategy use polycentric approach. To identify the answer, we asked the respondents questions related to the pressures for local responsiveness and standardization. Based on the interview responses, we figured out that 9 multinationals (BB2, EE5, OO15, PP16, QQ17, RR18, SS19, TT20, VV22) adopts multi domestic strategy. These multinationals are affiliated to a group called “MDS”. The multinationals that adopts multi domestic strategy try to achieve maximum local responsiveness by customizing both their product offering and marketing strategy to match according to the local/national needs. R&D, marketing is established in each major national market where business is done. We developed a score table for pressures for standardization and pressures for local responsiveness based on the interview responses. The total score for local responsiveness is 16 (pd.ad = 3 mk.mx = 3 sub. adp = 3 ro.sub = 2 kn.tr =2 R&D =3) and total score for standardization is 5 (ec.sc = 2 R&D = 3). The multinationals that scored between 12 and above is considered to be more receptive to local trends, adapt products and services to local customers, tastes and preferences. The drivers of local responsiveness come from a mix of market, organizational and political considerations. Simultaneously these multinationals scored less than 3 out of total score 5

(3 and above is considered more pressure for standardization). The details of the multinationals that adopts multi domestic strategy and their scores are given in the table below:

MNC	Pressure for Local Responsiveness							Pressure for Standardization		
	Pd.Ad	Mk.Mx	Su.Ad	Ro.Su	Kn.Tr	R&D	Score	Ec.Sc	R&D	Score
BB2	3	3	3	1	2	2	14	1	1	2
EE5	3	2	3	1	2	1	12	1	1	2
OO15	3	3	2	2	2	2	14	1	1	2
PP16	3	3	2	2	2	2	14	1	1	2
QQ17	3	3	3	1	2	3	15	1	1	2
RR18	3	3	3	1	2	3	15	1	1	2
SS19	3	3	3	1	1	1	12	1	1	2
TT20	3	3	3	1	2	2	14	1	1	2
VV22	3	3	3	1	2	3	15	1	1	2

Table 20: MDS

Pd.Ad = Product Adaptation Mk.Mx = Marketing Mix Su.Ad = Subsidiary Adaptation Ro.Su = Role of Subsidiaries Kn.Tr = Knowledge Transfer  
 R&D = Research Development Ec. Sc = Economies of Scale R&D = Research & Development

Based on the score table MDS, we have created a table that contains the multinationals that practice different staffing approaches for their subsidiary operation.

<b>MULTI DOMESTIC STRATEGY</b>  = 9	<b><u>Ethnocentric Staffing = 4</u></b>
	EE5
	OO15
	QQ17
	RR18
	<b><u>Polycentric Staffing = 4</u></b>
	BB2
	PP16
	SS19
	TT20
<b><u>Gecentric Staffing = 1</u></b>	
VV22	

Table 21: Multi Domestic Strategy with different staffing approaches

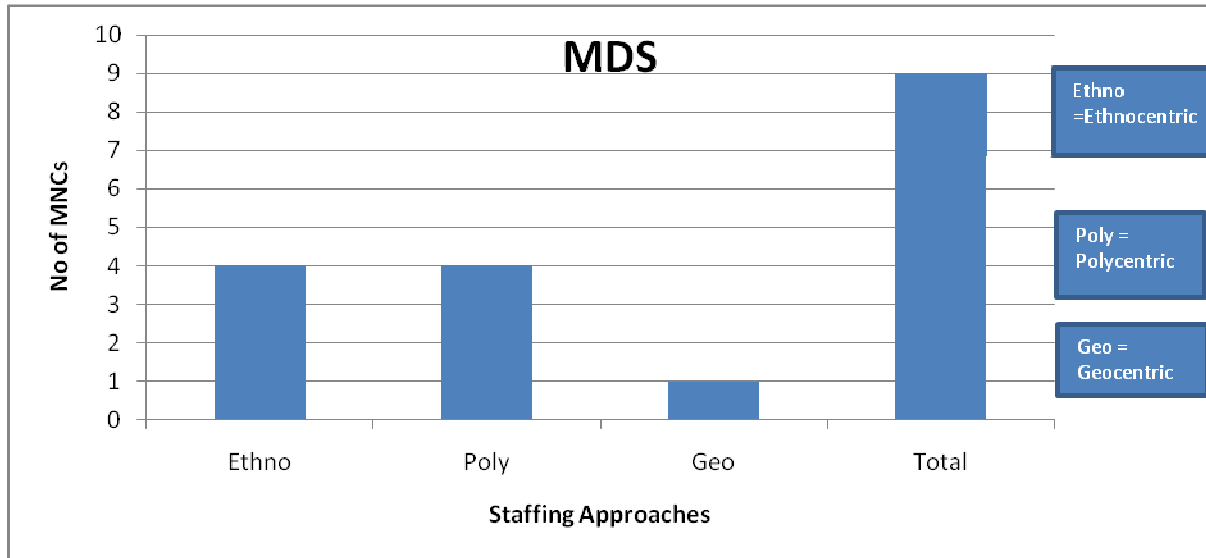


Fig 11: Multi domestic strategy with different staffing approaches

We hereby give the individual multinationals brief description provided by the participant’s during the interview. The details of the same can be found below:

MNCs	Responses received during the interview
BB2	Products are adapted to local tastes and preferences and there is a change in the promotion and Price.
EE5	Market driven in some countries like Australia and New Zealand. Subsidiaries are interdependent, they are not dependent on HQ. Products are not standardized, it is extremely customized because the demands are different.
OO15	Market pressures exist. Market is competitive, so company has to adapt according to the market. Change in products according to the needs. Each country has pressure to adapt local tastes and preferences – no standard practices.
PP16	Competition is more in the business. New initiative is done to make our products valuable to customers. Small team in subsidiaries trying to identify uniqueness for local market to serve better. Most products are produced locally and provide to the local market.
QQ17	Customized product according to the specification of the customers, change in size, interior design, according to the local needs. No standardization of products. Individual is happy to pay more for the customized products.
RR18	Adaptation is done customization done according to region and not according to the global environment. Each unit has different R&D.

SS19	<i>Adaptation is done. Market vary according to the local need, distributor, product range and scope of market.</i>
TT20	<i>Change in marketing mix. Factor costs differ in country, so take advantage of local opportunities. Customer needs are not standardized worldwide, no standardized purchasing practices.</i>
VV22	<i>Factor costs differ, take advantage of opportunities within the countries in which they operate. Change in market according to the local needs and preferences. Subsidiaries do not adapt HQ for products and services. No standardization of practices because needs and preferences vary.</i>

### **Staffing Approaches – Host Country Nationals (HCNs)**

Based on the interview responses, 8 multinationals use polycentric staffing orientation. To classify the multinationals that utilizes HCNs to staff their subsidiary operation, we used the questions – how multinationals staff their subsidiary operation, which executives play key role in their organization, the number of executives working for the subsidiaries. Multinationals involved in our research use HCNs who are citizens of the country where the subsidiary is located. The reasons to use HCNs is to keep the hiring cost low, the local employees do not face any problem in adjusting to the new environment and culture and minimize the dangers of cultural myopia.

Filling executive positions is a challenging task for any organization. Multinationals with new subsidiaries opened abroad prefers to appoint PCNs as they might not have sufficient knowledge about the local labor market. When subsidiaries become more established, it will become easier for multinationals to utilize HCNs or train the local managers for the top level management positions. There are three major reasons to utilize HCNs for top management positions. The first reason is familiarity with local market which puts MNCs to depend on HCNs for the direct interaction with local employees and deep knowledge about local rules and practices. The second reason for preferring HCNs is they are less expensive to employ than PCNs especially in the country where the cost of living is higher than the home country. Final reason to employ HCNs is to avoid any adjustment problems that PCNs might have. If the cultural distance between home and host country is high, the adjustment problems are high too (Harzing, 2001).

MNC	PCN	HCN	TCN	Staffing Orientation
AA1	L	M	L	Polycentric
BB2	L	M	----	Polycentric
FF6	L	M	M	Polycentric
II9	L	M	L	Polycentric
JJ10	L	M	V.L	Polycentric
PP16	L	M	M(MM)	Polycentric
SS19	L	M	L	Polycentric
TT20	L	M	M(MM)	Polycentric

Table 22: MNCs with Polycentric Staffing Orientation

M = More L = Less V.L = Very Less MM = Middle Management

Looking at the above table, it is clear that all the multinationals predominantly used HCNs for key positions in their subsidiaries and the availability of PCNs and TCNs are less. Although the availability of TCNs in some multinationals (FF6, PP16, TT20) is more, either they are treated as local nationals or considered for middle management positions only.

In addition to the above reasons highlighted above, there are other reasons which were shared with us by our respondents during the interview which is presented below:

MNCs	Responses Provided During the Interview
AA1	<i>High skilled HCNs are available. Sales are only done in some countries. Therefore use only HCNs. HCNs are selected, trained at HQ and then place them at subsidiaries. More HCNs in India because of the skill set and economical to appoint HCNs.</i>
BB2	<i>HCNs are more in middle management. Expatriates control the subsidiaries. HCNs are cheaper, easily adopted, explain things easily with other individuals.</i>
FF6	<i>More HCNs in Asia because of the availability of local nationals, more talent pool. HCNs in key positions. Sometimes they are expensive like foreigners, but the demand and supply should mix well. HCNs are available in almost all subsidiaries.</i>
II9	<i>Mostly HCNs are in middle management positions. More local nationals in Singapore due to the availability of skill.</i>
JJ10	<i>Key positions by HCNs due to the expertise and capability.</i>

PP16	<i>Tailor made products in Singapore. Hence HCNs for key positions due to capability</i>
SS19	<i>Product is sold only for local market. Hence HCNs appointed for key positions.</i>
TT20	<i>More HCNs are in middle management positions. There is government pressure to appoint HCNs. Currently expatriates are in top management positions.</i>

Summary: As mentioned in extant literature, we observed that multinationals have started using more HCNs for the subsidiary operation. Although there is increase in the utilization of HCNs, they are holding key positions mostly in countries like Singapore, India, and Malaysia. In other countries, mostly HCNs are in middle management positions due to the non-availability of qualified and skilled nationals for the key position(s). Based on our research responses, out of 9 multinationals that practice multi domestic strategy, 4 multinationals utilized HCNs. We have highlighted the reasons (based on the interview responses) why multinationals use PCNs and TCNs which can be found in the table. Additionally, we have included the organization's stage of business, the role played by expatriates in the multinationals that practice multi domestic strategy.

MNC	Staffing Orientation	Organization's stage in Business	Role played by Expatriates	Change in Utilizing the Executives
EE5	Ethnocentric	Advanced	Connector	Expats for key positions in all subsidiaries – bring intellectual capacity, in addition, expatriates in the place of analysts.
OO15	Ethnocentric	Early	Commander	Expats in key position for their number of years of experience in their relative field
QQ17	Ethnocentric	Advanced	Commander, Conductor, Coach & Connector	Skill gap, experience, knowledge which is lacking with HCNs
RR18	Ethnocentric	Intermediate	Commander, Coach	Skill, experience, leadership capabilities, culture etc.
BB2	Polycentric	Intermediate	Connector	
PP16	Polycentric	Advanced	Commander	
SS19	Polycentric	Advanced	Coach	

TT20	Polycentric	Advanced	Coach, Connector	
VV22	Polycentric	Advanced	Conductor, Coach & Connector	

Table 23: Multi-domestic strategy with roles, stages and reasons for shift

### 5.2.3. TRANSNATIONAL STRATEGY = GEOCENTRIC STAFFING

Our third research expectation is to find out whether the multinationals that practice transnational strategy utilize geocentric staffing approach. To identify the same, we analyzed the questions related to pressure for standardization and pressure for local responsiveness that we used to ask the respondents during the interview. Based on the interview responses, we created a score table. From the score table, we identified 7 multinationals (AA1, DD4, GG7, HH8, JJ10, KK11, NN14) practice transnational strategy. These MNCs are affiliated with a group called “TNS”. Transnational strategy offers the centralization on benefits provided by a global strategy along with the local responsiveness characteristic of domestic strategies. A transnational strategy combines global reach, co-ordination of operations and leveraging unique advantages of local markets. The foundation of a transnational strategy is a global vision, but with customized implementations for local markets and regions. Based on the score table we created, we categorized the multinationals that scored 12 and above out of total score 16 in local responsiveness (high pressure for localization) and between 3-5 in standardization (high pressure for standardization) as transnational strategy as they combine and balance the global co-ordination and local uniqueness at the same time. We present the score table below for multinationals that adopts transnational strategy.

MNC	Pressure for Local Responsiveness						Pressure for Standardization			
	Pd.Ad	Mk.Mx	Su.Ad	Ro.Su	Kn.Tr	R&D	Score	Ec.Sc	R&D	Score
AA1	3	3	1	2	2	3	14	1	2	3
DD4	3	3	2	1	2	1	12	2	1	3
GG7	2	3	3	2	2	1	13	2	2	4
HH8	3	3	3	1	2	2	14	1	2	3
JJ10	2	3	3	1	2	1	12	2	2	4
KK11	3	3	3	1	2	3	15	2	2	4
NN14	3	3	3	1	2	1	13	2	3	5

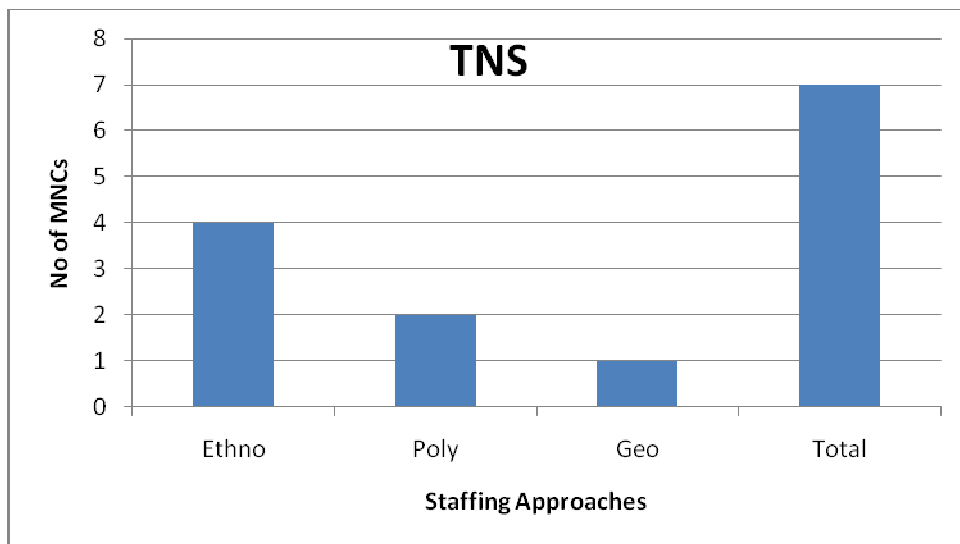
Table 24: TNS

Pd.Ad = Product Adaptation Mk.Mx = Marketing Mix Su.Ad = Subsidiary Adaptation Ro.Su = Role of Subsidiaries Kn.Tr = Knowledge Transfer  
 R&D = Research Development Ec. Sc = Economies of Scale R&D = Research & Development

Based on the score table TNS, we have created a table that contains the 7 multinationals that practice transnational strategy with different staffing approaches they use in their subsidiary operation(s).

<b>TRANSNATIONAL STRATEGY = 7</b>	<b><u>Ethnocentric Staffing = 4</u></b>
	DD4 HH8 KK11 NN14
	<b><u>Polycentric Staffing = 2</u></b>
	AA1 JJ10
	<b><u>Geocentric Staffing = 1</u></b>
	GG7

Table 25: Transnational Strategy with different staffing approaches



Ethno = Ethnocentric Poly = Polycentric Geo = Geocentric

Fig 12: Transnational strategy with different staffing approaches



If we look at the score table TNS, it is obvious that all the 7 MNCs scored more in local responsiveness and more in standardization which leads to global integration and maintain uniqueness in local markets at the same time. We now present the 7 multinationals individual brief description provided during our interview with them.

<i>MNC</i>	<i>Responses provided during the interview</i>
<i>AA1</i>	<i>Products are adapted to local taste and preferences make changes in the price, product and promotion. Subsidiaries are adapted to the products and services offered by HQ and dependent on HQ. R&amp;D is both centralized and decentralized.</i>
<i>DD4</i>	<i>Products are adapted to local tastes and preferences, but the modification has to be mandated by HQ. The role of subsidiaries is autonomous, economies of scale is important and R&amp;D is Centralized.</i>
<i>GG7</i>	<i>Needs of people are different. Customize the needs if the customer has special requirements. Change is possible only if the customer orders maximum products because the cost involved in Changing or designing is expensive. Customization is done for generic products. Subsidiaries are adapted to products and services offered by HQ. Standardization – comply with global standards. Economies of scale is important, R&amp;D is centralized.</i>
<i>HH8</i>	<i>We look at the market, decide on what changes to be made. Tough competition exists in subsidiaries. To survive and satisfy customers, products need to be changed according to the local needs. Change in marketing mix. Subsidiaries are adapted to product and services offered by HQ. Subsidiaries are autonomous but interdependent on other subsidiaries. Drive standardization for efficiency .Economies of scale is important and R&amp;D is partly centralized.</i>
<i>JJ10</i>	<i>Mostly world standards, but change in software. Products and services are offered by HQ. Subsidiaries are not dependent on HQ. Economies of scale is important. R&amp;D is partly Decentralized.</i>
<i>KK11</i>	<i>Focus overall company’s perspective to build more local capability, localize manpower. Products are adapted to local tastes and preferences, but do not mind spending money for efficiency, but certain technology cannot be changed. Subsidiaries are independent but dependent on HQ for certain technology. Economies of scale is important plus create one culture. R&amp;D is partly decentralized.</i>
<i>NN14</i>	<i>Customize the products – flexible. Customize the products according to country and customer needs. The HQ make 2 different products – standard products and specific products. Products are adapted to local tastes and preferences. Change in marketing mix. Subsidiaries are autonomous, but interdependent on other subsidiaries. Economies of scale is important and handled at HQ. R&amp;D is centralized.</i>

**Staffing Approaches– Third Country Nationals**

From the interview responses, we found out 2 multinationals (GG7 and VV22) practice geocentric staffing. We used the research questions – the number of executives working in subsidiaries and how MNCs staff their subsidiaries in order to identify the geocentric staffing orientation. The two multinationals appoint more TCNs than HCNs and PCNs. These TCNs are neither from home country nor from the host country. The reason for appointing TCNs is their expertise, knowledge which may be lacking with PCNs and HCNs. TCNs sometimes accept lower remuneration and benefits than employees from HQs.

MNC	PCN	HCN	TCN	Staffing Orientation
GG7	L	M	M	Geocentric
VV22	L	Avg	M	Geocentric

Table 26: TNS with geocentric staffing

M = More L = Low Avg = Average

By looking at the above table, it is obvious that the multinationals used more TCNs for key positions. We examined on what situations the multinationals use TCNs and we found especially in manufacturing sector where they cannot find someone in the country where they are operating and in HQs, they get the permission from the government to appoint third country nationals. We also heard from our respondents that once they bring TCNs for key positions in subsidiaries, they are considered and treated as local nationals. There are other reasons listed by our participants and the same information is given below:

MNCs	Responses provided during the interview
GG7	<i>TCNs are selected because they are passionate, they can quickly start the work. TCNs are more in Singapore due to competition. Manufacturing sector require skilled employees. If they cannot find, then bring people from India and China, convince the government that there is no suitable employees' available in Singapore. But TCNs are considered as locals.</i>
VV22	<i>More TCNs = knowledge, and expertise</i>

Summary: We acknowledge the fact that was expressed in extant literature about TCNs utilization has increased in multinationals. When we looked into our sample, it is partly true that the TCNs working in multinationals have increased. But, we observed that except two multinationals, other multinationals that utilize TCNs (in our sample) are not working in top management positions. Very few of them are in middle management positions and most of them are in the level below the middle management positions. Furthermore, the multinationals that are utilizing TCNs for their subsidiaries are considering or treating them as local nationals once they recruit them. So that the multinational do not have to design a different pay structure, different benefits for the TCNs. We present a table below that contains the multinationals with transnational strategy, their staffing orientation, stage of business, different role played by expatriates and the reasons why the multinationals utilize other staffing approaches.

MNC	Staffing Orientation	Organization's stage in business	Role played by Expatriates	Change in Utilizing the Executives
DD4	Ethnocentric	Advanced	Commander, Coach	Transfer knowledge, Train the next management level
HH8	Ethnocentric	Advanced	Commander, Coach	Increase the reputation of the organization, Career growth & personal business perspective
KK11	Ethnocentric	Advanced	Commander	Technical Skills, Long term assignment
NN14	Polycentric	Advanced	Commander	Local employees are selected for country manager position & sent for training in France – Expats are expensive
AA1	Polycentric	Advanced	Commander	HCNs trained at HQ or training through phone or other communication network – retain the HCNs. Expats are expensive
JJ10	Ethnocentric	Advanced	Commander	Expertise. Skilled employee for job – open to HCNs& TCNs
GG7	Geocentric	Advanced	Coach	

Table 27: Transnational strategy with roles, stages and reasons for shift

## Discussion

We hereby describe what we have observed about our participants selection practices in their organization and we examined if there is any alignment between the business strategy and staffing approaches. Based on the interview responses, we identified the multinationals that participated in our research use more PCNs for key positions. Utilization of HCNs and TCNs has increased than before (extant literature) in their subsidiaries. But in most of the multinationals, HCNs and TCNs are predominantly used for middle management positions. Only in few countries such as Singapore, and India, HCNs play key position. Subsidiaries in Asia use more HCNs for key position due to the skill availability, and talent pool. MNCs use HCNs (according to our sample) in the following situations:

- a. The subsidiary is involved only in selling products. In such situations, the HCNs can handle the subsidiary without any assistance from HQ.
- b. If there is availability of HCNs with necessary skills and capable to meet the HQs requirements, then assign HCNs.
- c. Sometimes, there are government pressures for the multinationals to appoint HCNs for key position(s).
- d. If tailor made products or products are sold only for local market, then appoint only HCNs for key positions because they know the market conditions and co-ordinate better with employees and distributors than a person from HQs.
- e. Sometimes HCNs are expensive than PCNs. The multinationals in country like Singapore face heavy competition with American, European, Japanese, Chinese and Indian firms. Therefore the compensation they are paying to HCNs should match with their competitors.

By seeing our research sample, we observed few multinationals use TCNs in their subsidiaries. Utilization of TCNs has considerably increased when compared to the past. But most of the MNCs in our sample considered TCNs as local nationals. The MNCs that utilized TCNs in their subsidiaries considered them for middle management positions or lower level positions. TCNs are particularly used in manufacturing sector where it is difficult for the organization to fill the position with PCNs and HCNs. In such situations, they convince the local government. But once they are selected for the position, they are considered as local employees and not as third country nationals.

Some MNCs enter new markets with successfully greater psychic distance. Psychic distance can be defined by factors such as difference in language, culture and political systems which disturb the flow of information between HQ and subsidiaries. If the psychic distance is high, then MNCs

prefer to appoint HCNs for key positions if they could find skilled employee in the subsidiary location. Few of our participants also mentioned that they select HCNs who has the required qualities, train them in HQ and sent back to the subsidiary to take the key position. On the other hand, if the knowledge can be transferred easily from one country to another, then MNCs with international experiences likely to perceive the psychic distance in the new country is less than companies with international experience. In such situation, MNCs appoint any (PCN, HCN or TCN) as long as the skill is matching with the requirement. Not only the external factors in the business environment has changed, but it has major impact on internal factors such as management attitude, motivation, knowledge creation in subsidiaries which force the organization sometimes to use PCNs for key position.

To summarize, we observed the organizations are facing high competition in a rapidly changing environment. Creativity and innovation is given as important as literacy in order to meet the challenges of future. As globalization has changed the basic parameters in business environment, the biggest challenge for any organization is to play safe in the international location. MNCs has understood this and changed and adapted their behavior in order to achieve competitive advantage (Johanson, J and Vahlne, 1977).

### **Alignment of Business Strategy and Staffing Approaches**

Organizations must align their business strategy with executive staffing in order to ensure the desired outcomes are realized. After making decision to move the business to a new international location, there are number of staffing options available to MNCs.

International business strategies in MNCs differ in processes, practice, systems and structures. Developing international strategies can be difficult depending on the demands in the subsidiary operation. The major challenge or pressure for MNC is when they attempt to maximize their abilities to respond to the needs of the host country (local responsiveness) while trying to maintain the global integration. The two theoretical dimensions that MNCs evaluate are pressures for local responsiveness and pressures for standardization (Bartlett and Ghoshal, 1989). With the help of two dimensions, we developed the research questions and based on the interview responses, we identified the strategy practiced by the MNC. Similarly we used the staffing orientation identified by (Perlmutter, 1969) to identify the staffing orientation – Ethnocentric, Polycentric or Geocentric. These correspond to the Ethnocentric = Domestic, Polycentric = International and Multinational and Geocentric = Global. We developed research questions based on the three staffing orientation and

the same was asked to the respondents. Based on the interview responses, we identified the exact staffing strategy adopted by the organization. Then we observed if there is any link between the business strategy and staffing orientation. Out of the 22 respondents participated in our research, we observed that 9 MNCs strategy is aligned with staffing approaches and 13 MNCs strategy is not aligned with staffing approaches. The table presented below reflects the same idea that was discussed above.

Research Expectation	Strategy Identification	Staffing Orientation	Responses Received			Findings	
			PCNs	HCNs	TCNs	Alignment & Consequences	Results
Global Strategy = Ethnocentric Staffing	GS –CC3	Ethnocentric	M	M(MM)	L	Str=Sta	Alignment
	GS – FF6	Polycentric	L	M	M	Str*Sta	No Alignment
	GS- Ii9	Polycentric	L	M	L	Str*Sta	No Alignment
	GS – LL12	Ethnocentric	M	L	--	Str=Sta	Alignment
	GS- MM13	Ethnocentric	M	L	L	Str=Sta	Alignment
	GS-UU21	Ethnocentric	M	L	M	Str=Sta	Alignment
Multi Domestic Strategy = Polycentric Staffing	MDS - BB2	Polycentric	L	M	--	Str = Sta	Alignment
	MDS-EE5	Ethnocentric	M	M	L	Str*Sta	No Alignment
	MDS-OO15	Ethnocentric	M	L	--	Str*Sta	No Alignment
	MDS-PP16	Polycentric	L	M	M (MM)	Str=Sta	Alignment
	MDS- QQ17	Ethnocentric	M	L	L	Str*Sta	No Alignment
	MDS-RR18	Ethnocentric	M	M	L	Str*Sta	No Alignment
	MDS-SS19	Polycentric	L	M	L	Str=Sta	Alignment
	MDS-TT20	Polycentric	L	M	M(MM)	Str=Sta	Alignment
	MDS-VV22	Polycentric	L	Avg	M(MM)	Str*Sta	No Alignment
Transnational Strategy = Geocentric Staffing	TNS – AA1	Polycentric	L	M	L	Str* Sta	No Alignment
	TNS – DD4	Ethnocentric	M	M (MM)	M	Str*Sta	No Alignment
	TNS- GG7	Geocentric	L	M	M	Str=Sta	Alignment
	TNS- HH8	Ethnocentric	M	M(MM)	M	Str*Sta	No Alignment
	TNS – JJ10	Polycentric	L	M	V.L	Str*Sta	No Alignment
	TNS – KK11	Ethnocentric	M	L	V.L	Str*Sta	No Alignment
	TNS – NN14	Ethnocentric	M	M (MM)	----	Str*Sta	No Alignment

Table 28: Strategy Staffing Alignment

GS = Global Strategy MDS = Multi Domestic Strategy TNS = Transnational Strategy M = More L = Less VL = Very Low Avg = Average MM = Middle Management Str = Strategy Sta = Staffing

Based on the interview responses, we identified the strategy first and then the staffing approaches. We then combined both (strategy & staffing) to see if there is any alignment between

these two. If we look into the above table, we have clearly presented that if strategy = staffing , then there is alignment between these two. If strategy\* staffing, then there is no alignment between these two.

### **5.3. PERFORMANCE TO COST IDENTIFICATION**

Our fourth research expectation is to identify if there is any performance related to cost, we asked the respondents how they evaluate the international executives' performance related to the cost (the amount spent for sending the executives for the international assignment). We hereby bring the research question (see chapter 1) "Explain how all these executive selection practices affect cost or effectiveness of the organizations" to report our findings. The reason for identifying the performance related to cost is to know the efficiency of international assignment. The success of international assignment entirely depends on the executive who has been assigned by the HQ for the subsidiaries. For instance, if the organization selects an expatriate for the key position in Russia, the expatriate may face adjustment or language problem or any other problem. In such situation, he or she may return to the home country before the assignment period or he or she may not meet the organization's desired outcome. In such circumstances, the cost spent on sending the expatriates for the subsidiary operation is not equal to the performance of the executives/not meeting the required outcome of the organization. Therefore it is essential for every organization to evaluate the performance of the executives with the cost. In our research sample, 6 MNCs (AA1, HH8, II9, KK11, LL12, OO15) do not follow any specific method to evaluate the performance related to costs. The other 16 MNCs (BB2, CC3, DD4, EE5, FF6, GG7, JJ10, MM13, NN14, PP16, QQ17, RR18, SS19, TT20, UU21, VV22) compare the performance to costs such by checking if there is any increase in productivity or sales, time taken to perform the task, how fast the executives has acquired the job, checking P&L account, assessing through business results, leadership capabilities, performance report etc. But we observed that none of these MNCs follow any standard procedures or specific method to evaluate the performance with costs.

### **5.4. EXPATRIATE ROLE IDENTIFICATION**

Our fifth research expectation is to find the different roles played by expatriates during the different periods of organization life cycle. To report our findings, we clubbed the research question (see chapter 1) "Examine the expatriate roles differ during the organization's life cycle?" with

research expectations (see chapter 3). Staffing executives for subsidiaries is a biggest challenge for any multinationals. Traditionally multinationals have a policy to employ PCNs as top managers in subsidiaries. According to our research sample, we observed that few HCNs in some countries replacing the PCNs for top management positions in subsidiaries. When HCNs replace the key positions, we want to know whether the PCNs stay in subsidiaries or move to HQ. If the PCNs stay in subsidiary, what are their roles and responsibilities'. The level of expatriate presence in subsidiaries was measured by two questions: role played by expatriates in subsidiaries, whether there is increase or decrease in expatriates. To explore the conditions under which the different role played by expatriates, we looked at subsidiary characteristics such as product manufactured for domestic or international market, selling product for domestic , international market or both, role of subsidiaries, HQ dependency etc. Product manufactured, sales were measured by asking the respondents whether the product manufactured for world or local market, selling products only for local market or for international market also.

Different role of expatriates during different stages of organization's life cycle: Expatriate play key role in any multinational. Expatriate not only play a role in knowledge diffusion and management development, but also influence and perform direct and indirect control. Based on the number of years of existence, we first categorized the multinationals into four stages – early, intermediate, growth, and maturity. Based on the research sample, we observed that one multinational (OO15) fall into early stage, two multinationals (BB2, RR18) are in intermediate stage and one multinational (FF6) is in growth stage and eighteen multinationals (AA1, CC3, DD4, EE5, GG7, HH8, II9, JJ10, KK11, LL12, MM13, NN14, PP16, QQ19, SS19, TT20, UU21, VV22) are in maturity stage. Similarly, we then categorized the role played by expatriates. We categorized the role played by expatriates that controls the entire subsidiary into commander role. The expatriates that provides advice in planning, and co-ordination are grouped into conductor role. The expatriates that train the local employees are grouped into coach role and the expatriates that bridges or mediate between HQ and subsidiary are grouped into connector role.

Multinational OO15 which is in early stage of business (less than 5 years in business) utilizes expatriates for controlling the entire subsidiary. The subsidiary that are quite dependent on HQ at this stage of business because they are typically in the initial period of subsidiary operation. Therefore, expatriate facilitate direct control over subsidiaries. One of the main reasons for this multinational to use expatriates is because it may be difficult for them to easily substitute by alternatives. In addition, the flow of information falls from HQ to subsidiary, hence it is highly



important for multinational to appoint expatriate to receive the information and implement according to the HQ's requirement.

BB2, RR18 multinationals are in intermediate stage (between 6 to 10 years) of business. In Although BB2 multinational is in intermediate stage of business, the expatriates play a connector role (link between HQ and subsidiary) only. We examined whether the reason may be due to the nature of their business. The multinational provides professional training services to the aviation industry. Therefore the expatriates working in subsidiary need to identify the local training needs and inform the HQ about the same. Expatriate in multinational RR18 play two roles such as control the entire subsidiary and train the local employees. We identified that the expatriate skill is higher than the local national to perform the job. As a result the expatriate should train the local employees until they are ready to take the challenging position in future.

Multinational FF6 is in growth stage of business (11-15 years). Expatriate in this multinational control the entire subsidiary in regional headquarters. Rest of the subsidiaries, are controlled by third country nationals. We identified the reason why expatriate control the subsidiary once the business is established well in subsidiary. We noted that regional headquarters is responsible for the entire region (for instance Asia is considered as one region, Europe is considered as one region). Therefore the regional head is in charge for the entire region. Hence expatriate control the regional HQ and rest of the subsidiaries are managed by third country nationals.

18 multinationals (AA1, CC3, DD4, EE5, GG7, HH8, II9, JJ10, KK11, LL12, MM13, NN14, PP16, QQ17, SS19, TT20, UU21, VV22) are in advanced stage of business (more than 16 years). In our sample the multinationals that are in advanced stage exist more than 25 years in international operation. Out of total 18 multinationals, in 12 multinationals (AA1, CC3, DD4, EE5, HH8, II9, JJ10, KK11, MM13, PP16, QQ17, UU21) expatriates control the entire subsidiary because of the nature of business (defense, airline, oil & gas), the skill level required to handle the business and sometimes the business is involved not with the individuals but with governments. In QQ17 and UU21, expatriate play all four roles. There is different level of expatriate available in these organizations. Traditionally expatriates are sent to subsidiary only to diffuse knowledge. In current situation expatriates are sent to advice the middle management in making decision, train the local employees and sometimes they connects the HQ and subsidiary. Multinationals GG7, HH8, II9, KK11, NN14, QQ17, SS19, TT20, UU21, VV22 – expatriates are available in these organizations to train the local employees – preparing them to take challenging roles in future. In multinationals KK11, LL12, QQ17, UU21, VV22, expatriates are utilized to enhance relationship between HQ and subsidiary. Below, we provide the figures for each stage of business separately with their appropriate utilization of expatriates in subsidiaries.

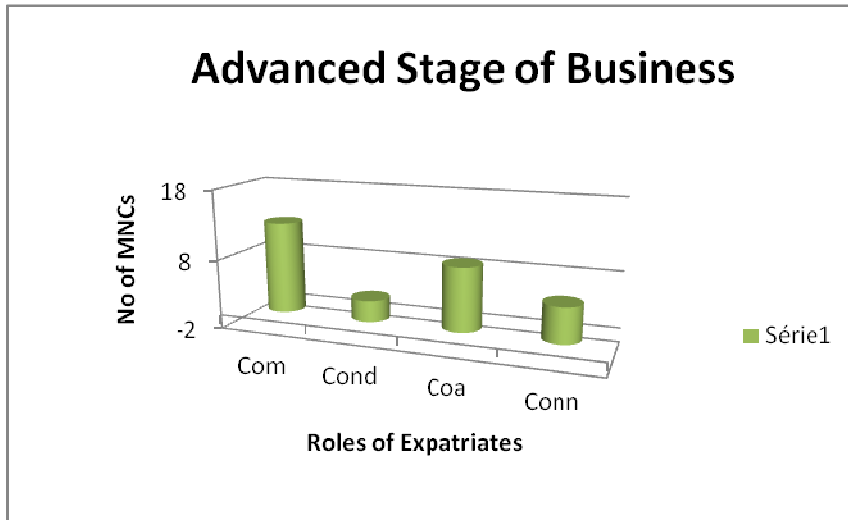


Fig 13: Advanced Stage of Business & Roles of Expatriates

If we look at the table: “advanced stage of business and roles of expatriates”, it can be identified easily that out of 18 multinationals that are in advanced stage of business (international existence more than 25 years), 13 multinationals mostly used the expatriates for commander role (control the entire subsidiary). Next to commander role, 9 multinationals used expatriates for coach role (train the local nationals and prepare them for the management positions in future). Followed by coach role, 5 multinationals use expatriates for connector role (liaison between headquarters and subsidiary). The least number of expatriates used by 3 multinationals for conductor role (assist the local nationals in planning, decision making).

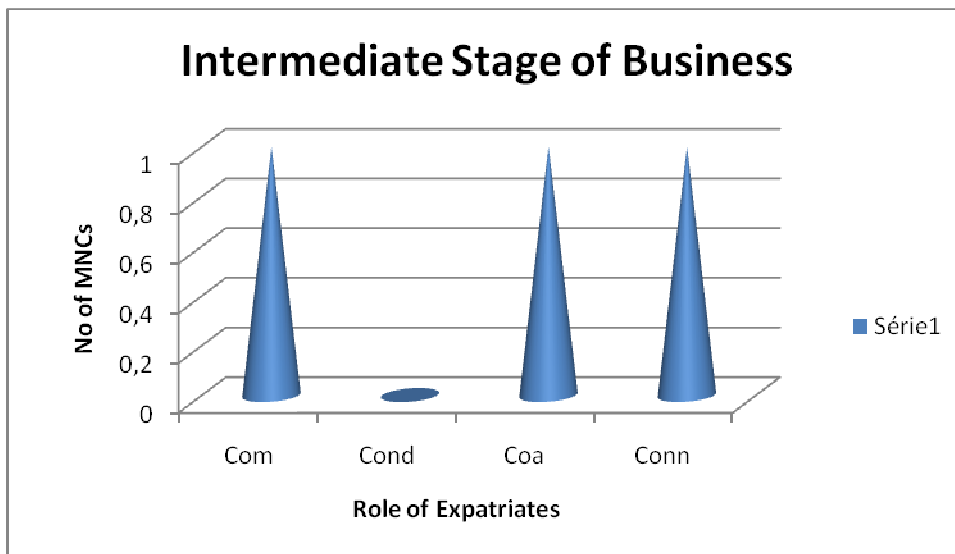


Fig 14: Intermediate stage of business and expatriate roles

The above table “intermediate stage of business and expatriate roles”, clearly provides the information on utilization of different expatriates during different stages of business. 1 multinational use expatriates for commander role (control the subsidiary) and 1 multinational use expatriates for both coach (train the local nationals) and connector role (liaison between headquarters and subsidiary). Out of 2 multinationals that are in intermediate stage of business, no multinationals used expatriates for conductor role.

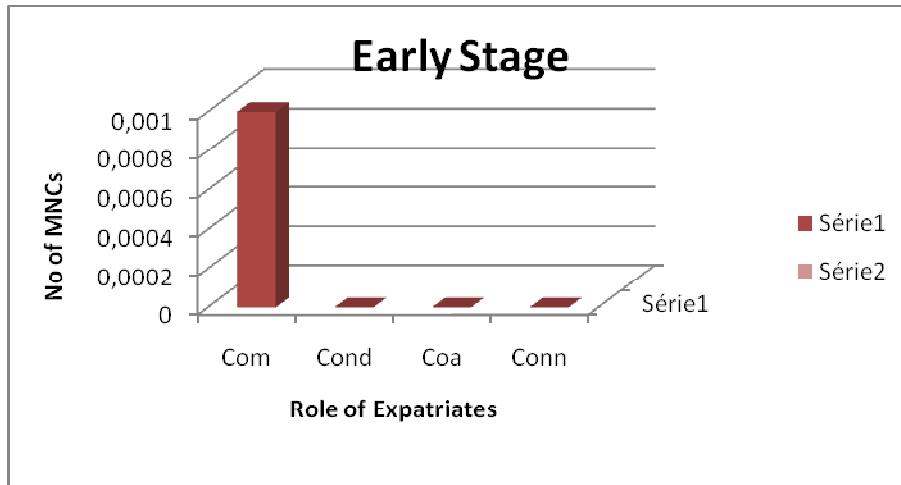


Fig 15: Early stage of business and role of expatriates

From the table “early stage of business and role of expatriates”, we can understand that out of 1 multinational that is in growth stage of business use expatriates for commander role (control the subsidiary). This multinational never used conductor, coach and connector role for subsidiaries. It is obvious that this multinational is new to the international market and they may not be aware of the new culture which is why they use expatriates only to control over the entire subsidiary. Once they establish their business, they may use expatriates for assisting the employees, train the local employees or to liaise between HQ and subsidiary.

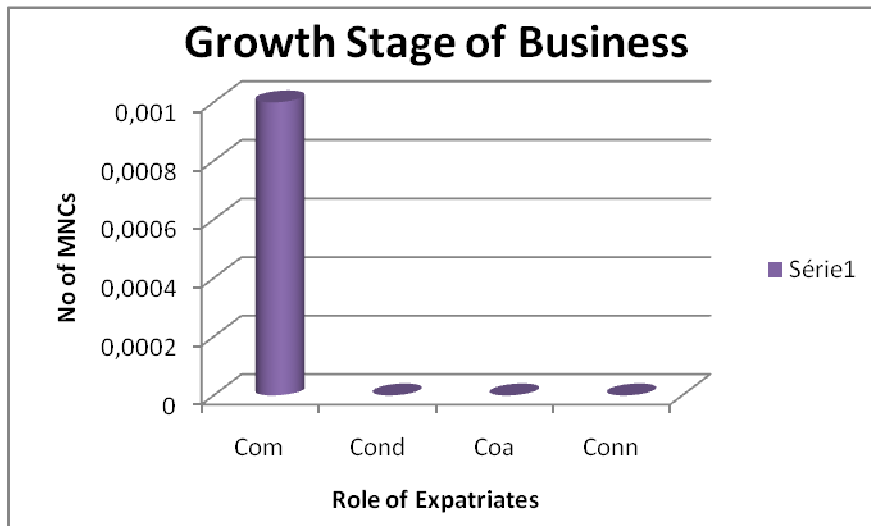


Fig 16: Growth stage of business and expatriate roles

From the table “growth stage of business and expatriate roles”, we can identify that only one multinational is in growth stage of business. They used expatriate for commander role (control over the entire subsidiary). This multinational does not utilize expatriate to assist the employees, train the employees or to liaise between HQ and subsidiary.

Expatriate Roles and Organization Life Cycle

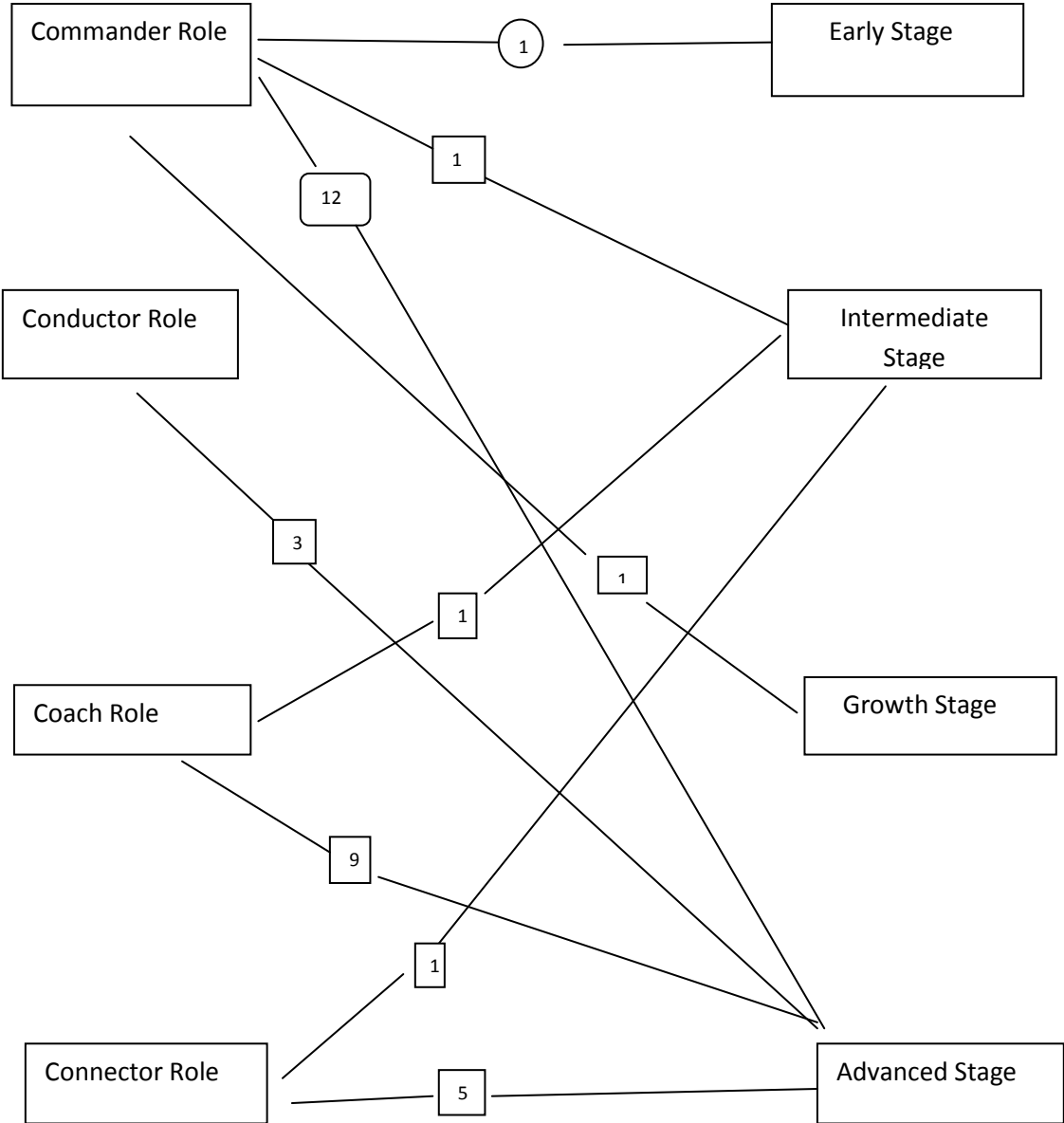


Fig 17: Expatriate roles and Organization Cycle

If we look at figure 17, the multinationals that are in different stages of business utilized expatriates for various role. We describe the different stages of organization stage of life cycle with different roles of expatriates.

The multinationals that are in early stage of business utilized expatriates for their subsidiary operations. The details of the same are given below:

Commander role – 1, Conductor role – 0, Coach role – 0, and Connector role – 0.

The multinationals that are in intermediate stage of business utilized expatriates for different roles. The details of the same are given below:

Commander role – 1, Conductor role – 0, Coach role – 1, Connector role – 1.

The multinationals that are in growth stage of business utilized expatriates for its subsidiaries and the details of the same are given below:

Commander role – 1, Conductor role – 0, Coach role – 0, and Connector role – 0.

The multinationals that are in advanced stage of business (more than 25 years of experience in international business) utilized expatriates for different roles. The details are given below:

Commander role – 12, Conductor role – 3, Coach role – 9, and Connector role – 5.

To summarize, we observed that the multinationals utilize expatriates for various roles in the subsidiary operation. But most of the expatriates in the subsidiaries play commander role (control of the entire subsidiary) followed by coach role (train the local employees). The multinationals that use expatriates for connector role (liaison between headquarters and subsidiary) and conductor role (assist the middle management in decision making) is less.

## **5.5. RELATIONSHIP BETWEEN THE TWO DIMENSIONS OF TYPOLOGY AND STAFFING ORIENTATION**

We compared the two dimensions of Bartlett and Ghoshal (1989) typology with Perlmutter (1969) staffing orientation and present the results below.

MNC	Standardization (Total Score 5)	Staffing Orientation
CC3	5	Ethnocentric
II9	5	Polycentric
LL12	5	Ethnocentric
MM13	5	Ethnocentric
NN14	5	Ethnocentric
UU21	5	Ethnocentric
KK11	4	Ethnocentric
JJ10	4	Polycentric
GG7	4	Geocentric
FF6	4	Polycentric
AA1	3	Polycentric
DD4	3	Ethnocentric
HH8	3	Ethnocentric
BB2	2	Polycentric
EE5	2	Ethnocentric
OO15	2	Ethnocentric
PP16	2	Polycentric
QQ17	2	Ethnocentric
RR18	2	Ethnocentric
SS19	2	Polycentric
TT20	2	Polycentric
VV22	2	Polycentric

Table 29: MNCs standardization scores

The pattern of result is consistent with research expectations. The higher the pressure for standardization, utilization of ethnocentric staffing (PCNs) is more. Whereas the pressure for standardization is low, then multinationals used other staffing approaches - polycentric staffing (HCNs). Sometimes when the pressure for standardization is high also, few multinationals (FF6, JJ10, II9, AA1) use HCNs for key positions. The reasons highlighted by our respondents: more talent pool in Asia, experienced person is available in Asia, local nationals are trained at HQ and sent back to

subsidiary to take care of the key position. We have arranged the table “standardization scores for MNCs” with the highest score on the top which is 5 out of the total score (5) and the lowest on the bottom which is 2 out of the total score 5. The highest score in the standardization is 5 and the lowest score is 2.

MNC	Local Responsiveness (Total Score 16)	Staffing Orientation
VV22	15	Polycentric
RR18	15	Ethnocentric
QQ17	15	Ethnocentric
PP16	15	Polycentric
KK11	15	Ethnocentric
TT20	14	Polycentric
OO15	14	Ethnocentric
HH8	14	Ethnocentric
BB2	14	Polycentric
AA1	14	Polycentric
NN14	13	Ethnocentric
GG7	13	Geocentric
SS19	12	Polycentric
JJ10	12	Polycentric
EE5	12	Ethnocentric
DD4	12	Ethnocentric
FF6	11	Polycentric
LL12	10	Ethnocentric
CC3	9	Ethnocentric
II9	9	Polycentric
UU21	7	Ethnocentric
MM13	6	Ethnocentric

Table 30: MNCs Local responsiveness scores

The pattern of result is partially consistent with research expectations. The higher the local responsiveness then the utilization of polycentric staffing should be more. But in the given situation,



ethnocentric staffing is slightly more than polycentric even when the local responsiveness is high. The reason for using other executives for key position is the situation where the multinational could not find the suitable local national to fill the position due to the educational level, skill, knowledge, availability of locals etc. We have arranged the local responsiveness table with the highest score on the top which is 15 out of the total score 16, and the lowest score in the bottom of the table which is 6 out of the total score 16. The highest score in the table is 15 and the lowest score is 6.

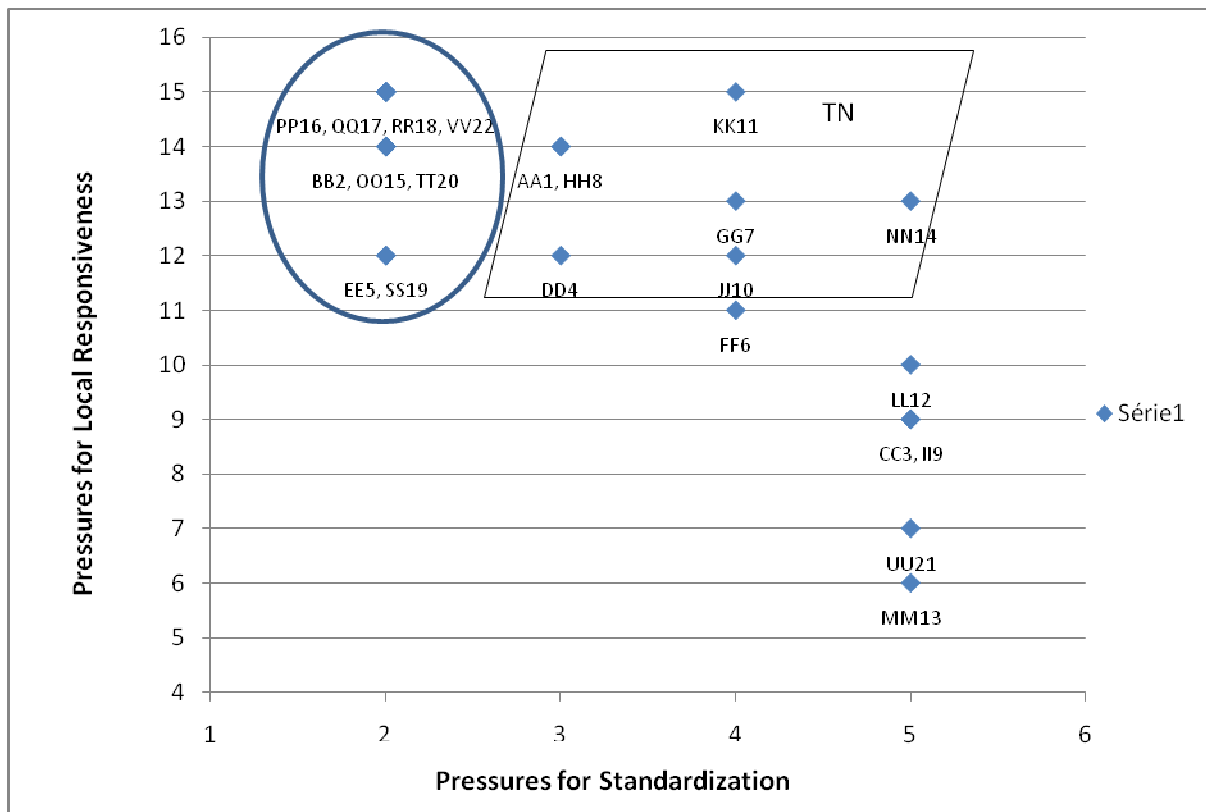


Fig 18: Strategies of MNCs in the sample

From the figure “strategies of MNCs in the sample”, we can easily understand that the multinationals that are enclosed in circle, practice multi domestic strategy. All the 9 multinationals that are practicing this strategy scores 12-16, i.e. high pressures for local responsiveness and scores 2 and below, i.e. low pressures for standardization.

In the same figure, the multinationals that are enclosed in parallelogram practice transnational strategy. All the 7 multinationals that practice this strategy scores 12-16 i.e. high pressures for local responsiveness and scores 3 and above, i.e. high pressures for standardization. For transnational strategy both the standardization and local responsiveness score is high.

In the figure “strategies of MNCs in the sample”, the multinationals that are not enclosed in any shape are practicing global strategy. All the 6 multinationals that practice this strategy, scores 3 and above i.e. high on pressures for standardization and scores below 12, i.e. low pressures for local responsiveness. If we look at the table, one multinational (FF6) although practice global strategy, their local responsiveness score is almost close to the high i.e. 11 (12 and above is considered as high score). The multinational may move to transnational strategy in future.

If we can look at the figure “strategies of MNCs in the sample”, there is no multinational that scores less in standardization and less in standardization. Therefore we declare that there is no multinational that practice the international strategy in our sample.

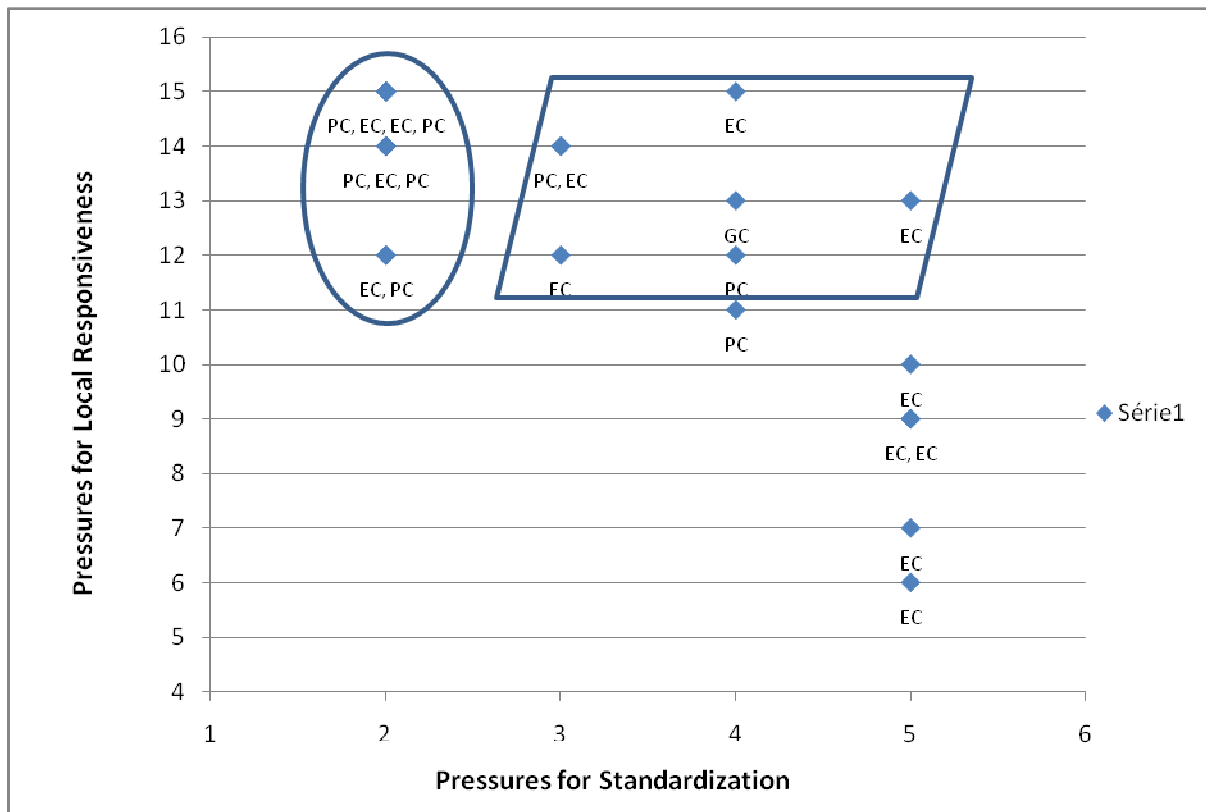


Fig 19: Staffing orientation of MNCs in Sample

EC = Ethnocentric PC = Polycentric GC = Geocentric

From figure 19, we can understand that the multinationals that practice global strategy utilized Ethnocentric staffing orientation, i.e. PCNs for key positions in subsidiaries. The results are consistent with our research expectation 1 – global strategy = ethnocentric staffing.

From the figure 19, we can observe that the 5 multinationals that practice multi domestic strategy utilized polycentric staffing orientation and 4 multinationals utilize ethnocentric staffing orientation for the key positions in subsidiaries. The reason for utilizing PCNs for the key positions is due to the unavailability of local nationals. Therefore, the results is partly consistent with our research expectation 2, i.e. multi domestic strategy = polycentric staffing.

From the figure 19, we also observe that out of 7 multinationals that practice transnational strategy, 2 multinationals utilizes polycentric staffing, i.e. HCNs, which are partially consistent. 1 multinational that utilizes geocentric staffing, i.e. TCNs for key positions which are consistent, and 4 multinationals utilizes ethnocentric staffing, i.e. PCNs for key positions which are not consistent with our research expectation 3 – transnational strategy = geocentric staffing.

#### Global Strategy

MNC	Standardization (Score 5)	Local Responsiveness (Score 16)	Staffing Orientation
CC3	5	9	Ethnocentric
FF6	4	11	Polycentric
II9	5	9	Polycentric
LL12	5	10	Ethnocentric
MM13	5	6	Ethnocentric
UU21	5	7	Ethnocentric

Table 31: GS two dimensions and staffing orientation

As expected, the multinationals that practice global strategy mostly used ethnocentric staffing approaches. Occasionally local nationals were replaced for key positions in countries such as Singapore, India because of the availability of skilled nationals, education and skill level matched with organization's requirement.

Global Strategy

Staffing Orientation			Organization’s Life Cycle				Roles of Executives			
Ethno	Poly	Geo	Ear	Inter	Grow	Adva	Com	Cond	Coa	Conn
CC3						X	X			
LL12						X				X
MM13					X		X			
UU21						X	X	X	X	X
	FF6					X	X			
	II9					X	X		X	

Table 32: GS- Expatriate roles at different periods of organization life cycle

Ethno = Ethnocentric Poly = Polycentric Geo = Geocentric Ear = Early Inter = Intermediate Grow = Growth Adva = Advanced Com = Commander Cond = Conductor Coa = Coach Conn = Connector

In the table GS- expatriate roles at different period of organization cycle, we presented the multinationals that adopted global strategy which utilized PCNs and HCNs for the key position. In addition we also provided the organization’s life cycle and the roles of executives during the assignment period. The table gives clear picture of 4 multinationals utilize PCNs for key position during their growth and maturity stage of their business and the executive play different roles during the assignment period.

Multi Domestic Strategy

MNC	Standardization (Score 5)	Local Responsiveness (Score 16)	Staffing Orientation
BB2	2	14	Polycentric
EE5	2	12	Ethnocentric
OO15	2	14	Ethnocentric
PP16	2	15	Polycentric
QQ17	2	15	Ethnocentric
RR18	2	15	Ethnocentric
SS19	2	12	Polycentric
TT20	2	14	Polycentric
VV22	2	15	Polycentric

Table 33: MDS two dimensions and staffing orientation

As expected, multinationals that practice multi domestic strategy, utilized polycentric staffing. It is surprising to note that out of 9 multinationals that practice multi domestic strategy, 4 multinationals’ used ethnocentric staffing (PCNs) for key positions. We observed why there is a change in the staffing practices. We found from our participants’ responses that they use PCNs where they could not find qualified nationals to handle the task in subsidiary. For instance countries like Angola, Philippines, Oman, Qatar, it was difficult for multinationals to find qualified skilled nationals. Therefore PCNs hold key positions in such subsidiaries.

Multi Domestic Strategy

Staffing Orientation			Organization’s Life Cycle				Roles of Executives			
Ethno	Poly	Geo	Ear	Inter	Grow	Adva	Com	Con	Coa	Conn
	BB2			X						X
	PP16					X	X			
	SS19					X			X	
	TT20					X			X	X
	VV22					X		X	X	X
EE5						X	X			
OO15						X	X			
QQ17						X	X	X	X	X
RR18				X			X		X	

Table 34: MDS Expatriate roles at different periods of organization life cycle

Ethno = Ethnocentric Poly = Polycentric Geo = Geocentric Ear = Early Inter = Intermediate Grow = Growth Adva = Advanced Com = Commander Con = Conductor Coa = Coach Conn = Connector

In the table MDS – expatriate roles at different periods of organization life cycle, 7 multinationals that adopts multi domestic strategy are in advanced stage of business and 2 multinationals are in intermediate stage of business that utilized PCNs and HCNs for key positions in subsidiaries. The multinationals that utilizes PCNs mostly are in commander role – control the entire subsidiary. The multinationals that utilizes HCNs play different roles in subsidiary.

Transnational Strategy

MNC	Standardization (Total Score 5)	Local Responsiveness (Total Score 16)	Staffing Orientation
AA1	3	14	Polycentric
DD4	3	12	Ethnocentric
GG7	4	13	Geocentric
HH8	3	14	Ethnocentric
JJ10	4	12	Polycentric
KK11	4	15	Ethnocentric
NN14	5	13	Ethnocentric

Table 35: TNS two dimensions and staffing orientation

The multinationals that practice transnational strategy utilized more ethnocentric staffing (PCNs) for key positions. According to their strategy, they should use more third country nationals than other nationals. But our findings prove that there is only one MNC that use more third country nationals and two multinationals use HCNs. We identified that the multinationals hire third country nationals for subsidiaries. Once they are brought, they are considered as local nationals. Therefore if the multinationals specifies as polycentric staffing (HCNs) for key positions, there may be possibility of utilizing third country nationals otherwise treated as HCNs. 4 multinationals that practice transnational strategy uses PCNs for key positions because of the nature of business which requires high skilled, knowledgeable and experienced person to handle the position. Therefore PCNs are used.

Transnational Strategy

Staffing Orientation			Organization’s Life Cycle				Role of Executives			
Ethno	Poly	Geo	Ear	Inter	Grow	Adva	Com	Cond	Coa	Conn
						X	X			
						X	X		X	
						X	X			
						X	X			
	AA1					X	X			
	JJ10					X	X			
		GG7				X			X	

Table 36: TNS – Expatriate roles in different periods of organization’s life cycle

Ethno = Ethnocentric Poly = Polycentric Geo = Geocentric Ear = Early Inter = Intermediate Grow = Growth Adva = Advanced Com = Commander Cond = Conductor Coa = Coach Conn = Connector

In the table TNS – expatriate roles during different periods of organization's life cycle, we presented the multinationals that adopted transnational strategy. 4 multinationals utilized PCNs for key positions, 2 multinationals used HCNs for key positions and 1 multinational that utilized TCN for key position. All the 7 multinationals that practice transnational strategy in our sample are in advanced stage of the organization's life cycle. It is very clear from our sample that most of the executives PCNs and HCNs were controlling the entire subsidiary operation.

## Chapter 5 Summary

In this chapter, first we described the general findings. In our research, we tried to analyze the alignment or relationship between the business strategy and the international executive staffing approaches using Bartlett and Ghoshal's two dimensions (standardization and local responsiveness) and Perlmutter three staffing orientation. In addition, we want to examine the multinationals pattern in executive selection for subsidiaries. Based on the empirical results, we identified that the pattern of result is consistent when (the higher the pressure for standardization, utilization of ethnocentric staffing (PCNs) is more. Whereas the pressure for standardization is low, then multinationals used other staffing approaches - polycentric staffing (HCNs). The pattern of result is partly consistent with our research expectations when (the higher the local responsiveness then the utilization of polycentric staffing should be more. But in the given situation, ethnocentric staffing is slightly more than polycentric even when the local responsiveness is high. In addition, we have identified the roles played by expatriates does not change much during organization's life cycle. We confirm that the utilization of HCNs and TCNs has increased in multinationals.

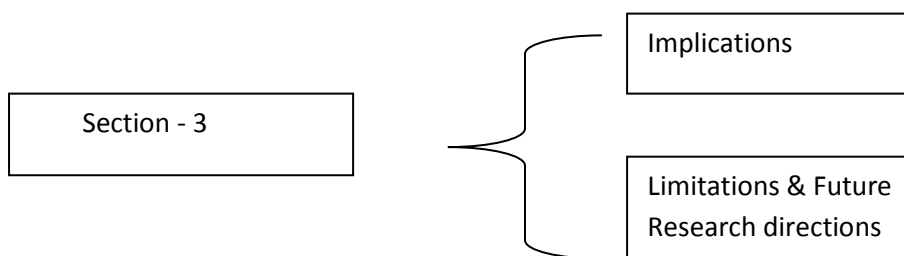
In the subsequent chapter, we have provided research, theoretical, organizational and managerial implications based on the results we have reported in this chapter which is followed by conclusion.



## CHAPTER – 6

### RESEARCH IMPLICATIONS

In this chapter, we discuss organizational, theoretical, and managerial implications based on the findings we made which were discussed in chapter 6. We also identified some limitations in this research and based on that, we recommended the future research implications.



Section 3 of part 3 has been divided into two sub sections. In sub section1, we have provided organizational, managerial, theoretical, and research implications. In sub section 2, we have reported the limitations of our research and draw directions for future research.

## 6.1. IMPLICATIONS AND LIMITATIONS

This thesis has involved an empirical investigation on multinationals international business and executive staffing alignment mostly on developed countries and few developing countries. The main research question for this thesis was: to examine the relationship between international business strategy and international executive staffing approaches. To address this research question and to meet the research objective, we used the primary data. Direct interview was conducted with top executives of multinationals. Qualitative research was conducted to analyze the data that were collected by us. The qualitative model were tested and compared. The results were discussed in findings chapter.

The goal of this research was to use executives from top management who makes majority of decisions in multinationals to identify the staffing strategy alignment. Direct interviews were conducted with 22 executives (one executive per multinational). All the interviews were conducted under the same protocol (same code of behaviour). The interview schedule was designed with 15 main questions with multiple sub questions. The interview schedule consisted of specific questions relating to identify strategy, utilization of executives, different roles of expatriates as well as few general questions about the HR structure, the responsibility of the person who provided the interview.

The interviews were transcribed and coded. Raw notes were taken during the interview. In addition to the field notes, most of the interview conversation was tape recorded. Each interview was broken into codes to identify if there is any convergence (alignment) or divergent (non alignment) in multinationals practices. Each interview reflected the multinationals business practices, executive selection business, the factors that influences the decision of selecting executives and different roles played by expatriates. Out of 22 multinationals, 9 multinationals strategy staffing is aligned and 13 multinationals' strategy staffing was not aligned. We observed from our findings that if there is alignment between strategy and staffing alignment then the satisfactory level is higher than the multinationals without the strategy staffing alignment. We argue theoretically that if there is strategy staffing alignment, then the organization is likely to be better performing and cost effective in international assignments. In contrast, if there is non-alignment between strategy and staffing, the decisions they make may contain some mistakes and errors. These refinements can be used to help the researchers to better understand how and what situations good decisions are made. We strongly believe that the convergence (alignment) will bridge the gap that currently exists in multinationals for executive performance.

### 6.1.1. ORGANIZATIONAL IMPLICATIONS:

#### Linking the Strategies for global business with the Staffing Policies is the Key

In our increasingly global market, many companies cannot afford to live with the illusion that their domestic markets will always be strong. For this reason, many companies take the opportunity to move overseas. This opportunity is creating heavy competition in the global arena and the growth of organization's participation in global business is increasing. The goal for all new entrants in global business is to successfully compete in the business with others and to make profit fast. Due to the fast growing international business, most of the organizations are not identifying the importance of linking the strategy for moving abroad with the staffing options which sometimes lead to underperformance of employees, increase in job turnover, failure of assignment, spoiling the reputation in international market etc.

Our research is aiming to advise and help the organization to identify the importance of linking the strategy with staffing options that act as the starting key ingredient for the reduction of mistakes happening due to the organization's poor decision making, increase the success rate in subsidiary operation and to increase the performance of employees in their international assignment. Our study findings indicate that the 13 multinational's strategy is divergent from international staffing. Although the participants' in our research indicate that their international staffing decision is parallel to the business strategy, we identified that only 9 multinationals' strategy is convergent with the strategy staffing practices. Multinationals should understand the importance of aligning the international business strategy and international staffing for the desired outcome. We also propose the organization can achieve the desired objective in the figure strategy staffing alignment given below:

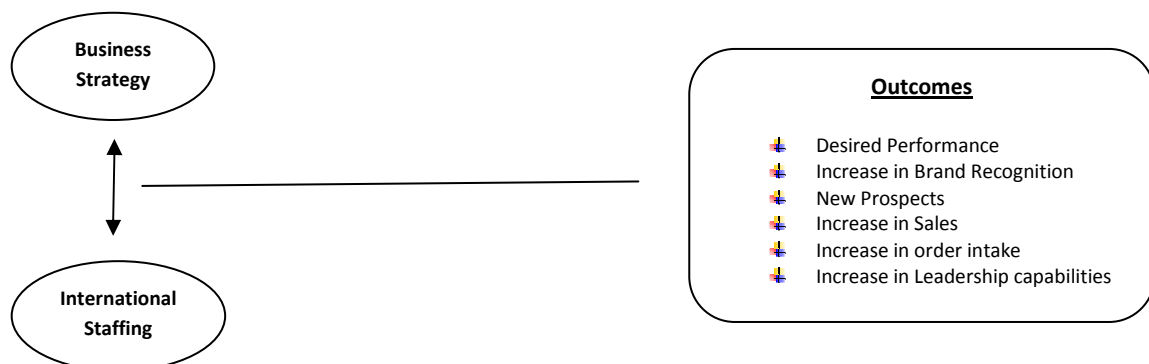


Fig 20: Strategy Staffing Outcomes

We propose the multinationals' often should have to determine not only how well the executive fit for the international position, but also to see whether the selected person is a right fit for the strategy. Likewise the executives often assess to how well they match with the specific job requirement and also check their flexibility, family adjustment to the international position in new environment.

As argued in the existing literature, the number of HCNs and TCNs working in subsidiaries has increased when compared to the past (Salgado and Sanchez, 2011). Our research findings which are discussed in chapter 6, show some support for the increase in utilization of HCNs and TCNs. Our respondents also indicated that the multinationals are using more HCNs in few countries like Singapore, India and few ASEAN countries. When we analysed the participant's responses, we observed that most of the HCNs are mostly in middle management positions and not in top management positions except few. We also examined that the TCNs utilization has not increased a lot as said by the interview respondents. The multinationals' that are using TCNs are considering them as HCNs soon as they get hired for the position. The respondents also confirmed that it is difficult to design the pay structure and other benefits for the third country nationals as they are neither from the home country, nor from the host country. Therefore, the multinationals are bringing third country nationals from different countries and the status get changed as local nationals or HCNs once they take a position in the international subsidiary. We also noticed that most of the TCNs working in subsidiaries mostly are in middle management position or even below in few multinationals. Organizations should identify the environment and need and based on that, the executive selection should be made.

There is evidence available for expatriates' selection criteria, (Dowling and Welch, 2004) the criteria organization use to select expatriates for international subsidiary operation. In contrast there is no support or evidence about how multinationals' select the HCNs and TCNs for subsidiaries. Therefore the organizations' should understand the importance of HCNs and TCNs and focus on their selection criteria for subsidiary operation. Concerning the staffing composition: a. the international staffing options, b. the motives for selection, c. the effects of staffing choices, d. the staffing trends and patterns, e. the human resource policy applied, focused primarily on PCNs and less attention has been paid so far to HCNs and TCNs in international subsidiaries. Additionally, a considerable amount of studies applied quantitative approach to identify the staffing composition in multinationals' (Rozkwitalska, 2012). Therefore, it is essential for organizations to decide why a particular staffing

option chosen and identify the effects (both advantages and disadvantages) of the staffing choices and select the appropriate executive based on the circumstances.

More organizations' are conducting their business in other countries. As a result, the number of executives (PCNs, HCNs, TCNs) working in subsidiary has increased. The success of international assignment entirely depends on the executives of that subsidiary. Therefore it is essential for multinational to compare executive's performance with the cost spent on sending the executives for the subsidiary. There is some support of comparing the expatriate's performance with the international assignment and there is no trace of comparing the HCNs and TCNs performance with the international assignment (Black, Gregersen, and Mendenhall, 1992; Tungli & Peiperl, 2009). Our research finding is also silent in this issue. Most of the multinationals compare the executive's performance not through formal procedure. Increase in productivity, sales, efficiency in investment decisions, return on investment is observed for performance against cost. In some multinationals, they do not have any procedure or ways to measure the performance with cost.

Multinationals that participated in our research are measuring the performance of expatriates in a informal way. There is no information provided by the respondents whether the procedure/category they use for comparing expatriates' performance is applied for HCNs and TCNs also. Executives' performance has vital importance on cost spent on the assignment. Therefore multinationals should implement the strategy to evaluate the performance with cost to decide whether the executive is efficient or not for the subsidiary.

When multinationals' expand their business operation, they have to decide the suitable executive and the staffing composition for the subsidiary operation. The practice of any multinationals is to select expatriates during the initial period of a subsidiary operation. The headquarters' delegate their power to the people they can trust. Hence PCNs is their first choice although skilled local nationals are available. When expatriates are selected for the international assignment, they are expected to play different roles in subsidiaries. The roles of expatriates have been identified in literature by Rozkwitalska (2012) as controller, co-ordinator and developer. Harzing (2001) identified three roles of expatriates as Bears – direct control of subsidiary, Bumble bees – socialization and spiders – Informal communication. Other researcher Petison and Johri (2008) identified four roles played by expatriates in subsidiaries – commander – control the subsidiary, conductor – assist the local nationals, coach – train the local nationals and connector – liaison between headquarters and subsidiary. Moreover, an expatriate to be effective in his/her role, they need to adjust the enacted role to specific local personnel's traits. Although different roles played by expatriates in subsidiaries has been identified by researchers, so far no research have examined the international exposure of

multinationals during different stages (early, intermediate, growth and advanced) with the roles played by expatriates. In our research, we attempted to link the organization's life cycle with the expatriate roles. We identified from our research sample that most of the multinationals even at their advanced stage predominantly used expatriates for controlling the entire subsidiary followed by coach role which is to train the employees. Multinationals' utilized less expatriates who are in conductor and connector role which is assisting the employees and liaison role. Therefore organizations' should examine the best mode of utilization of expatriates and use them in the most appropriate roles.

### **6.1.2. MANAGERIAL IMPLICATIONS**

The managerial implications largely emerged from the qualitative findings in terms of what factors are significant in business strategy and executive staffing to maximize the business performance. We posed questions to identify the strategy and staffing alignment. Most of the respondents conveyed that there is a match between the business strategy and the staffing they choose for the subsidiary. When we analyzed the responses, we observed that there is lack in the alignment. Although the multinationals believed that their strategy is aligned to the executive selection, the size of the subsidiary matters for the executive selection. If the subsidiary is small, then it may be difficult for strategy and staffing alignment. Therefore, multinationals should consider this fact and pay attention in future to match these practices.

It is a known fact that there is an increase in host country and third country nationals in subsidiaries. Most of the developed countries use host country nationals for top management positions in subsidiaries. Existing literature indicates that host country nationals are selected for top management positions due to the knowledge they possess about the local market, business practices and cultural preferences (Banai, 1992; Kobrin, 1988; Tung, 1982). We agree that this statement is true to some extent because from our research sample, we identified that HCNs are used for top management positions only in few countries and not in the entire globe. Furthermore, in most of the multinationals, more HCNs stay in the middle management position rather than in top management positions. We also observed that there is no selection criteria maintained by multinationals for selecting HCNs. Although the respondents' in our research confirmed that there is increase in TCNs, most of the multinationals mostly utilize PCNs and few HCNs for top management positions. We didn't observe any TCNs holding key positions in multinationals. Furthermore, the TCNs that are obtained by multinationals are considered as HCNs once they are hired. There is no indication of situations the multinationals use TCNs for key positions in subsidiaries. Therefore it is vital for

managers who make the selection decision to create a framework and decide on which executive (PCN, HCN, TCN) is appropriate for the given situation and environment.

The success of the international assignment is evaluated based on the performance of the executives who is selected for the assignment. With the help of our research, we want to identify the success of an international assignment. Most of the participants in our research revealed that they do not evaluate the performance of the international executive and the multinationals that evaluate the performance do not follow any specific method to analyze the same. If there is increase in productivity, or increase in sales is sometimes considered as success of the assignment. Therefore it is important for every multinationals to understand the success of the international assignment entirely depends on the executive who gets selected for and try to impose specific method or procedure to analyze the same.

Multinationals that cross borders use different executives for its subsidiary. Multinationals during their early stage of business mostly use PCNs due to their unfamiliarity in the new environment. Once the business is established well in subsidiary, it is expected to utilize the HCNs or TCNs based on the situation. When opportunity is given to HCNs or TCNs, the expatriates role may differ. Through our research, we found some support, that there is different role played by expatriates. But there is no support or evidence for the role change during different period of organization's life cycle. Managers should consider the multinationals existence in subsidiary and based on the years of experience, change the role of expatriates, for instance during organization's maturity stage, utilize expatriates either to train and coach the local nationals or mediate between headquarters and subsidiary.

We have no doubt that our research result will be of direct value to the HR manager in many ways. First it will provide support for the importance of adopting "selection of employees according to the nature of the assignment and strategy fit" rather than just "selecting employees to fill the skill gap in the international operation". Second it will allow the manager to identify the domains of high employee commitment and high interference so that the policies, practices that can be tailored to the most common areas needing to be addressed, as well as to provide a more comprehensive picture of what these policies and procedures they cover. Finally the research can assist in enhancing the effectiveness of the organization through demonstrating that the success rate of the international assignment may be obtained through careful selection decision aligned with strategy for moving abroad.

### 6.1.3. THEORETICAL IMPLICATIONS

International strategy is designed and developed by the organization for them to effectively compete internationally (Griffin and Pustay, 2005). Organization that operates in global market have to adopt a strategy that suits their business, size and industry. Different types of industries translate into different strategic roles for subsidiaries depending on the subsidiary environment – culture, economic, legal and political situation (Gupta and Govindarajan, 2001). During 1980s few researchers to name a few Porter, 1986, Kogut, 1985, Prahalad and Doz, 1987 attempted to identify the strategy that a multinational should adopt and they were not successful. Bartlett and Ghoshal in the year 1989 identified four strategies that multinationals use for their international operation. Various researchers in the later period Harzing (2001), Roth and Morrison (1987) empirically tested the strategy typology. Therefore there are evidences available for the strategy definition and identification. Similarly studies have been conducted about the international executives, and their selection practices. Although studies about strategy and international executive have been conducted separately, so far, no attempts have been theoretically done on linking the business strategy with the international executives. In our research, we tried to identify the link between the business strategy and executive staffing practices.

Our studies findings discussed in chapter 6, show some support for the role of strategy in international staffing decisions. Therefore the most important theoretical implications is to pay more theoretical attention to identify the role of strategy with international staffing decisions. Tarique; Schuler and Gong (2006) focused on cultural value dimensions and the associated staffing choices appropriate for those cultural dimensions, pointing to the need for including a broader range of variables in our theorizing on international staffing decisions.

The current challenge faced by multinationals' development in subsidiaries is substituting HCNs/TCNs in the place of PCNs. Multinationals utilization of HCNs and TCNs depends not only on their strategy towards host market but also on the availability of local managers. One of our research objectives is to identify the shift of executive selection practices in multinationals. From the extant literature, we identified that the number of HCNs and TCNs working in multinationals has increased (Salgado and Sanchez, 2011). Although the literature confirms the increase of HCNs and TCNs, little research has been done on the roles played by HCNs and TCNs in subsidiaries. Most of the existing literature focused on expatriate roles in subsidiaries. Researchers such as Harzing (2001), Petison and Johri (2008) and Rozkwitalska (2012) focused on roles played by expatriates. Salgado and Sanchez (2011) focused on HCN role in subsidiaries. But the study focused only subsidiaries in Latin America.



Therefore the studies need to focus more on HCNs and TCNs as there is a reasonable increase in the subsidiary.

In our research, we identified the roles played by executives. It is surprising to note that most of our participants utilized PCNs for top management positions and few HCNs in countries like Singapore, and India. There is no sign of TCNs in key positions. Literature clearly specifies that once the multinational establishes their market in subsidiary, then they start using HCNs (Bartlett and Ghoshal, 1989) and the late researchers Harzing, (2001) agreed to the statement. But we observed that our participants (multinationals) who exist in international business for more than 50 years also use PCNs for key positions rather than using HCNs. We observed the reasons why the multinationals who are in maturity stage use PCNs and we identified that the nature of business which requires expertise and experience people to handle the position which may be the reason to for the multinationals to utilize PCNs for key positions. Since there is no literature available on which situations the multinationals use the appropriate executives, the theory need to focus more on these dimensions.

#### **6.1.4. RESEARCH IMPLICATIONS**

In international business management, there is ample literature available on business strategy that broadly explains the different strategies multinationals practice when expand their business overseas. Similarly, there is abundant literature available on executive selection that explains predominantly about expatriates (PCNs) than HCNs and TCNs. So far, no effort has been to link the business strategy and international staffing. The success of the entire international assignment depends solely on the executives that are selected for the subsidiary. Therefore it is vital for the researchers to discern the importance of aligning strategy and staffing and focus in the future.

Research on HCNs and TCNs is still in its infancy. We track the patterns of executive staffing in multinationals especially about the HCNs and TCNs. Due to the sample size we have for our research, it is difficult for us to predict the pattern of executive selection. Therefore the future research should include more sample(s) to identify the executive selection patterns.

Research has already provided evidence of positive and negative effects of the three staffing approaches (eg., Collings, Scullion, Morley, 2007, Zeira, 1976, Banai, 2000, Gowan, 2004). But there is no evidence to confront on how the decisions are made by the organization for staffing the international operation. More future research should be conducted in order to help the organizations for increasing the success rate in their international venture.

Multinationals that expands overseas utilizes different range of executives for the subsidiary operation. Organization invests lot of money on the executive who is taking the responsibility for the international assignment. In such case, it is important for the organization to evaluate the performance of the executive with the cost (total amount spent on the executive) to identify the assignment is success or failure. If the amount spent on executive is more and the organization did not achieve the desired outcome in the subsidiary, then the assignment is a failure and the executive selected for the assignment is not the appropriate choice by the organization. But so far no research has been done to examine the cost effectiveness in international assignments and the researchers need to focus on this area.

### **6.1.5. LIMITATIONS AND FUTURE RESEARCH DIRECTIONS**

This study examined the business strategy and international executive staffing alignment and the shift in executive selection from PCNs to HCNs and TCNs in multinationals. The findings of this study cautioned us some limitations and signalled the future research. This study has focused on small group (22 participants) of multinationals. Therefore the limitations we encountered may not be suitable for other situations.

- ✚ This research involves direct interviews with top management executives in each multinational. The interview result might reflect individual opinions of the participants than the organizational point of view.
- ✚ The sample size was relatively small and the results cannot be generalized to other multinationals.
- ✚ The sample consists of mostly French multinationals and very few other multinationals. Therefore the findings result may be more relevant to the French multinationals.
- ✚ This research is done at on the spur of the moment with executives of multinationals. A longitudinal study that follows with the same multinational could provide additional information about the changes in the executive selection practices over time.
- ✚ This study involved mostly developed countries and few developing countries. The study could be further strengthened by including the emerging and developing countries to gain understanding of the business practices and executive selection practices in those countries.
- ✚ Due to the time and financial constraint, the data we collected from our French participants are from regional headquarters rather than from headquarters. This might not provide the

total picture of business practices in all respects because the decision taken by the regional headquarters may be suitable for the respective region and not applicable for the entire globe.

While acknowledging the limitations, this research exhibits the importance of the appropriate executives for the international strategy. The limitations we encountered during our research leads to future direction to overcome the situation.

#### RESEARCH DIRECTIONS:

As this research focused more on developed countries, the research findings provides some insights and route for the international business academics for future research. We provide some suggestions for future research based on our research findings.

- ✚ Most of the existing research conducted so far on developed countries, predominantly American and European multinationals. Due to trade liberalization, there are new players in the global market. These new players from emerging market have attracted the researchers to investigate multinationals from developing countries.
- ✚ The study about the alignment of business strategy and executive selection practices could be more appropriate if the study is done on both the HQ and subsidiary operation. Therefore in future research, it may be more appealing to compare and contrast the findings.
- ✚ Extant literature has focused more on PCNs and less attention has been paid so far to the effective utilization of HCNs and TCNs in subsidiary. This could be included in any future research and the sample should include not only developed countries but also developing countries and emerging markets. The theoretical findings might be useful and interesting for other researchers and academics.
- ✚ More research was done on executive selection practices. Considerable amount of quantitative studies has been conducted in identifying the staffing composition of multinationals. It could be more interesting if the future researchers involve more qualitative studies to identify the staffing proportion of multinationals.

- ✚ Although some studies have been done on multinationals in Asia, particularly Japanese firms, recently researchers focus have turned to Chinese multinationals. Very little research has been done on countries like India, Brazil and Russia. It could be more interesting if future research include these countries to identify the business practices and challenges.

Our research findings have identified some patterns of multinational practices. But the research results need to be verified and refined in future with different dimensions. Specifically, attempting to align the business strategy and appropriate executive for the subsidiary was the challenge because existing research was silent on this issue. Furthermore, utilization of executives during the exact business cycle requires future research. Any similar future research, needs to measure reliability and validity.



## **CONCLUSION**

In our research, we want to examine the alignment between the international business strategy with international executive staffing approaches. Therefore, we utilized Bartlett and Ghoshal two dimensions global integration and local responsiveness to identify the strategy practiced by the multinational. Similarly we utilized Perlmutter's staffing orientation to identify the staffing approaches of the multinationals. We found that multinationals in our sample use all three executives (PCNs, HCNs and TCNs) for the subsidiary operations. Although the extant literature discussed about the shift in staffing approaches, very little research has been done on the effectiveness of the three staffing approaches. We confirm our statement (discussed in research issue of general introduction) that most of the research focused on ethnocentric approach, i.e., PCNs or expatriates. There is little evidence found on HCNs and TCNs. Since there is no research done in the past about linking strategy to the staffing approaches, one of the primary objectives of this research is to identify the links, if any, between these international expansion strategies and the staffing approaches.

To answer the research question and to achieve the research objective, this study involved interviews with top executives of multinational companies. From the findings, we identified some patterns of multinationals. The identified results are almost consistent with our research expectations. The overall research focused on three theories: International business strategy, Executive staffing, and Roles of expatriates.

As we have stated before, little research has been done on the link between the international business strategy with staffing approaches. Our study is the first effort in this direction. Future research should continue to examine this link: a. broader sample, b. include emerging markets, c. focus more countries, d. combine both quantitative and qualitative study, e. include both headquarters and subsidiary, and f. include top management (decision makers) and middle management (implementers).

As we had mentioned earlier, there is no evidence found for analysing the executive's performance to the cost (the amount spent for sending the executives for subsidiary operation). Future research should examine the international executive's performance to identify the cost effectiveness in international assignments.

The respondents in this study demonstrated that they utilize mixture of all executives (PCN, HCN, TCN). Since existing study is limited, more research is needed on the factors that influence the organization's selection decision. PCNs are deployed to subsidiary operation not only to control the

subsidiary and to disseminate the knowledge, but also to facilitate entry into new markets and to develop international management competencies. In contrast, multinationals are replacing the PCNs with HCNs in some locations due to the availability of HCNs in subsidiary environment. As a result the roles play by expatriates change. Extant literature demonstrated different role played by expatriates. But our research results indicate that most of the PCNs are still controlling the subsidiary and very few HCNs are in key positions and there is no sign of TCNs in the top management positions.

While noting the importance of this study, it is worth to highlight the recent article by Rozkwitalska (2012) that demonstrated the international staffing options, the motives for selection, the effects of staffing choices, the staffing trends and patterns, and the human resource policy applied, focused primarily on PCNs and less attention has been paid so far to HCNs and TCNs in international subsidiaries. This statement affirmed that multinationals focus on PCNs than other two executives (HCNs and TCNs). The situation has not changed from the last decade. The researcher's statement provides tacit evidence in this topic acknowledging the gap in the literature which needs to be addressed in future.



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## **ANNEXURES**

## ANNEXURE – 1

### COPY OF FAX LETTER



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**Objet : Demande de RV dans le cadre d'une recherche doctorale en management international**

*Bordeaux, le 4 Octobre 2012*

Monsieur Philippe,

Sangeetha Lakshman prépare à BEM-Bordeaux Ecole de Management, sous ma direction, une thèse de Doctorat en Sciences de Gestion. Sa recherche porte sur le lien entre les modes de sélection des managers internationaux et les stratégies d'internationalisation des firmes multinationales françaises.

Dans le cadre de sa recherche doctorale, elle sera à Hong Kong pendant la semaine du lundi 19 au samedi 24 Novembre, pour y conduire des entretiens en face à face avec des responsables de filiales françaises. Nous avons élaboré un questionnaire comportant une quinzaine de questions ouvertes.

Je sais combien votre tâche est lourde. Je serais cependant ravi que vous acceptiez de lui accorder un entretien, avec vous ou avec votre responsable GRH, d'une durée d'une heure environ, dans vos bureaux, à l'heure qui vous convient.

Bien entendu, vos réponses demeureront anonymes. Ni votre nom ni celui de votre entreprise n'apparaîtront dans les documents écrits relatifs à cette recherche.

Si vous êtes d'accord, pourriez-vous lui fixer une date par email ou par fax de retour. Par la même occasion, elle peut vous envoyer une description plus détaillée de son projet de recherche, en anglais.

Dans l'espoir que vous puissiez donner une suite favorable à notre demande

Je vous adresse, Monsieur, mes salutations les plus sincères.

**Christophe Estay**  
Directeur de thèse  
Directeur de la recherche et des accréditations

## ANNEXURE - 2

### ANALYSIS REPORT

MNCs	Pressures for Local responsiveness							Pressures for Standardization				Strategy	Utilization of Executives			Staffing Approach	Alignment	MNC growth	Roles of Expatriates				PCNs Increase		HCNs Increase		TCNs Increase	
	Pdt. Ad	Mkt Mix	Sub Adp	Rol. Sub	Kno Trf	R&D	Score (16)	Eco. Sca	R&D	Score (5)	PCNs		HCNs	TCNs	Com				Cond	Coach	Conn	Y/N/C	Yes/No	Y/N/C	Yes/No	Y/N/C		
AA1	3	3	1	2	2	3	14	1	2	3	Transnational	Less	More	Less	Polycentric	No alignment	Advanced	Yes	No	No	NA	No	Yes	Yes	Constant			
BB2	3	3	3	1	2	2	14	1	1	2	Multi Domestic	Less	More	No	Polycentric	Alignment	Intermediate	No	No	No	Yes	Yes	Yes	No				
CC3	2	2	1	1	2	1	9	2	3	5	Global	More	More (MM)	Less	Ethnocentric	Alignment	Advanced	Yes	No	Yes	No	No	Yes	Yes				
DD4	3	3	2	1	2	1	12	2	1	3	Transnational	More	More(MM)	More(MM)	Ethnocentric	No alignment	Advanced	Yes	No	No	No	Yes	Yes	Yes				
EE5	3	2	3	1	2	1	12	1	1	2	Multi Domestic	More	More	Less	Ethnocentric	No alignment	Advanced	Yes	No	No	No	No	Yes	Constant				
FF6	2	1	3	2	2	1	11	2	2	4	Global	Less	More	More	Polycentric	No alignment	Advanced	Yes	No	No	No	No	Yes	Yes				
GG7	2	3	3	2	2	1	13	2	2	4	Transnational	Less	More	More	Geocentric	Alignment	Advanced	No	No	Yes	No	No	Yes	Yes				
HH8	3	3	3	1	2	2	14	1	2	3	Transnational	More	More(MM)	More(MM)	Ethnocentric	No alignment	Advanced	Yes	No	Yes	No	No	No	Yes				
II9	1	1	3	2	1	1	9	2	3	5	Global	Less	More	Less	Polycentric	No alignment	Advanced	Yes	No	Yes	No	Constant	Yes	Constant				
JJ10	2	3	3	1	2	1	12	2	2	4	Transnational	Less	More	Very Less	Polycentric	No alignment	Advanced	Yes	No	No	No	Constant	Yes	No				
KK11	3	3	3	1	2	3	15	2	2	4	Transnational	More	Low	Very Less	Ethnocentric	No alignment	Advanced	Yes	No	No	No	Yes	Yes	Constant				
LL12	2	2	2	1	1	2	10	2	3	5	Global	More	Low	No	Ethnocentric	Alignment	Advanced	No	No	No	Yes	Yes	Yes	No				
MM13	1	1	1	1	1	1	6	2	3	5	Global	More	Less	Less	Ethnocentric	Alignment	Growth	Yes	No	No	No	Yes	Yes	Yes				
NN14	3	3	3	1	2	1	13	2	3	5	Transnational	More	More (MM)	No	Ethnocentric	No alignment	Advanced	Yes	No	No	No	No	Yes	No				
OO15	3	3	2	2	2	2	14	1	1	2	Multi Domestic	More	Less	No	Ethnocentric	No alignment	Early	Yes	No	No	No	Yes	Yes	No				
PP16	3	3	3	1	2	3	15	1	1	2	Multi Domestic	Less	More	More(MM)	Polycentric	Alignment	Advanced	Yes	No	No	No	Yes	Yes	Yes				
QQ17	3	3	3	2	2	2	15	1	1	2	Multi Domestic	More	Less	Less	Ethnocentric	No alignment	Advanced	Yes	Yes	Yes	Yes	Yes	Yes	Yes				
RR18	3	3	3	1	2	3	15	1	1	2	Multi Domestic	More	More	Less	Ethnocentric	Alignment	Intermediate	Yes	No	Yes	No	Yes	Yes	No				
SS19	3	3	3	1	1	1	12	1	1	2	Multi Domestic	Less	More	Less	Polycentric	Alignment	Advanced	No	No	Yes	No	No	Yes	No				
TT20	3	3	3	1	2	2	14	1	1	2	Multi Domestic	Less	More	More (MM)	Polycentric	Alignment	Advanced	No	No	Yes	Yes	No	Yes	Yes				
UU21	1	1	1	2	1	1	7	2	3	5	Global	More	Less	More (MM)	Ethnocentric	Alignment	Advanced	Yes	Yes	Yes	Yes	Yes	No	Yes				
VV22	3	3	3	1	2	3	15	1	1	2	Multi Domestic	Less	More	More (MM)	Polycentric	Alignment	Advanced	No	Yes	Yes	Yes	No	Yes	Yes				

## ANNEXURE – 3

### INTERVIEW SCHEDULE

#### Opening Questions

Could you please explain about your position?

Could you describe about your roles and responsibilities?

Just to get some background information, could you please explain the scope of global presence:

When did you first enter international market (s)?

How many countries you operate in?

Does your subsidiaries involve in selling or production?

The production is done for the world market or local market?

I am interested to know how your HR is structured. Could you please describe:

Who is involved in selecting executives for the international assignment

What procedures are used?

1. Could you please explain the pressures for local responsiveness? How does your company respond to these pressures?

- Products adapted to local tastes & preferences \* change in marketing mix \* subsidiaries adapt to product & services offered by HQ
- Role of subsidiaries – receptive, active autonomous \* dependant on HQ \* independent \* interdependent
- Knowledge transfer – retained \* shared
- R&D –conducted locally \* jointly with HQ \* jointly with subsidiaries
- Inform subsidiary managers about the business strategy

2. Could you describe the pressures for standardization in international operations? How does

your company respond to these pressures?

- Economies of scale important
- R&D \* Centralized \* Decentralized \* Partly centralized, partly decentralized

3. Please explain how do you staff your subsidiary operations? Can you explain why?

\* Expatriates \* Local Nationals \* Third country nationals

\* Criteria for selection \* skill \* knowledge \* Experience

\*Systems & procedures – person incharge of making decision \* which employee PCN, HCN or TCN

\*Cultural distance

4. Do you transfer executives internationally? Could you please explain the motives for such transfer?

\* Skill gap \* Management Development \* Organizational development

5. To identify which staffing orientation is used more in your organization, Please allow me to ask you the number of executives working in your subsidiary. Can you inform me the number of expatriates, local nationals and third country nationals in each subsidiary unit

If they have too many subsidiaries, then ask general patterns of utilizing executives

6. Could you explain in which subsidiary:

a. you have most number of expatriates and in which subsidiary do you have least number of expatriates? Can you describe it why?

b. In which subsidiary do you have the most number of HCNs and in which subsidiary do you have the least number of HCNs? Why?

c. In which subsidiary do you have the most number of TCNs and in which subsidiary do you have the least number of TCNs? Why?

7. Could you please explain the pressures you face while selecting executives from:

a. Parent country

b. Host country

c. Third country

8. Could you describe to what extent do you believe that the staffing approaches are aligned with business strategy? (International context)

9. Could you explain how do you evaluate the success of an international assignment?

10. According to your experience, on what circumstances, do you consider that an international assignment is a failure or not working. What are the causes for such failure?

11. Could you explain in detail if you have any way of estimating the performance of international executives with respect to cost?

\* Increase in productivity \* Efficiency in investment decisions \* Calculate return on investment

12. Could you explain what role has been played by expatriates in all countries where you have operations?

\* Commander – control \* Conductor – manage employees \* Coach – train & develop connector – build relationship

13. Are the roles played by expatriates are different or same across all countries where you have operations? Why?

\* Most & least in control role \* Most & least in connecting role

14. Do you have more expatriates today when compared to a decade before? Could you please explain how this has evolved over time.

15. Do you believe that more HCNs & TCNs are into subsidiaries than before? Could you Please explain how this has evolved over time.

**ANNEXURE – 4**

**CODING SHEET 1 & 2**

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## **Les pratiques de sélection des exécutifs dans les entreprises multinationales: les défis de la gestion des ressources humaines dans la gestion des affaires internationales**

### **Résumé**

Mots clés: Les entreprises multinationales, International Business, Filiale, Principaux, dirigeants, Stratégie, Stratégie mondiale, Stratégie multi – domestique, Stratégie transnationale, Recrutement Ethnocentrique, Recrutement polycentrique, Recrutement géocentrique.

### **APERÇU**

Dans un monde de croissance rapide d'aujourd'hui, l'un des thèmes les plus importants et dominant (s) est la croissance rapide de la globalisation de l'économie mondiale. Parallèlement à l'augmentation de la mondialisation, le nombre d'employés mobiles vers des destinations internationales dans le but (s) de prendre de nouvelles affectations d'emploi étrangers est également en hausse (Collings, McDonnell, Gunnigle et Lavelle, 2010). Au cours des dernières décennies, les forces politiques, économique, technologique et en particulier les forces du marché sont considérées comme les raisons de la croissance de la mondialisation accrue des organisations. La diversité globale des opérations est conceptualisée comme l'expansion de l'entreprise et de l'organisation à travers les frontières dans de nouveaux marchés géographiques (Waxin, 1987). Cette croissance rapide a été alimentée par des facteurs tels que la saturation des marchés domestiques, la libéralisation du commerce et des stratégies soucieux de l'exportation des pays développés comme le Japon et les nouveaux pays industrialisés d'Asie ( Corée du Sud, Taiwan et Singapour ) et les organisations font face à de nombreux défis sous la forme d'investissement direct venant d'étranger (IDE) par le Japon, les pays d'Europe occidentale, et États-Unis et Fusions & Acquisitions , joint-venture avec les pays étrangers ( Peterson , Napier et Shim, 1996).

Au début du vingt et unième siècle, le développement le plus important qui s'est produit est la mondialisation des activités des entreprises. Depuis lors, le processus de mondialisation a été considéré comme le facteur le plus important pour le développement des affaires internationales de l'organisation (Machková, 2006). Les processus les plus importants influençant actuellement l'économie mondiale, sont dans le processus de mondialisation (Ubreziova , I, Bujnakova , M, Kapsdorferova , Z, Majorova , M, 2009). Les auteurs ont

également identifié la façon dont la mondialisation a profité de l'organisation. D'abord, il a contribué aux organisations en offrant de nouvelles opportunités (à savoir, de nouveaux produits, nouveaux clients, nouveaux marchés). Deuxièmement, il a permis aux organisations d'augmenter leurs revenus /bénéfices du à l'augmentation de la productivité. Les organisations ont également apprécié la mondialisation en utilisant les possibilités dans l'arène mondiale et en même temps d'optimiser les ressources à leur disposition (Ubreziova, I, Bujnakova, M, Kapsdorferova, Z, Majorova, M, 2009). Une autre raison de la mondialisation a été identifiée comme la libre circulation des marchés a forcé l'organisation à être compétitif dans l'environnement afin qu'ils puissent répondre rapidement aux besoins et aux problèmes pour lesquels ils ont besoin d'avoir suffisamment de connaissances du client. C'est le motif supplémentaire de la mondialisation, en plus de ceux énumérés ci-dessus Hron (2006).

## **INTRODUCTION**

Selon Peterson, Napier et Shim (1996), aujourd'hui plusieurs organisations participent à la course de la mondialisation que lorsque les États- Unis et dans relativement peu de pays d'Europe occidentale ont été les principaux acteurs dans les années 1950 et 1960. Peterson, Napier et Shim (1996), ont également identifié les raisons ce qui différencie les pratiques actuelles de ces dernières décennies. Premièrement, il ya plus d'organisations participantes dans les affaires mondiales, même dans les pays en développement qui était auparavant dominé par quelques concurrents mondiaux tels que le Japon, les USA et les pays européens. Deuxièmement nombreuses entreprises sont confrontées à une forte concurrence et de la demande dans les affaires internationales. Troisièmement la réputation des entreprises multinationales (EMN) est en augmentation car ils jouent un rôle majeur dans les affaires internationales. Quatrièmement, la mondialisation offre de nouvelles possibilités pour l'organisation d'augmenter le produit (s) ou service (s) qui leur permet d'augmenter leurs bénéfices ou des revenus. Cinquièmement, la rentabilité est souvent supérieure à l'étranger que des opérations commerciales domestiques des multinationales. Sixièmement, les organisations peuvent optimiser leurs ressources. Enfin, dans de nombreuses organisations, il y a plus de ressortissants étrangers (personne qui n'est pas citoyen du pays d'accueil dans lequel il/elle réside ou séjourne temporairement) de différentes cultures et de différents pays que par le passé. Il est donc plus difficile pour les entreprises de développer une culture commune qui peut les aider à retenir et motiver les employés de différentes cultures.

L'efficacité des affectations à l'internationale (ou l'employé est transféré à un emploi à l'étranger pendant une certaine période de temps qui pourrait être une année ou plus, ou tel que décidé par l'employeur) est devenu une importante source d'avantage concurrentiel pour de nombreuses organisations (Zhang et Dodgson, 2007). C'est à cause de la mondialisation et de la libéralisation du commerce et des services dans de nombreuses parties du monde, qui a créé une opportunité pour les multinationales (EMN) pour fonctionner dans des environnements géographiques diverses. Parmi les avantages concurrentiels que les entreprises peuvent tirer d'envoyer leurs employés à l'étranger figure entrer des nouveaux marchés internationaux, de répandre et pérenniser la culture d'entreprise, en facilitant la coordination et le contrôle organisationnel échange, le transfert de technologie, de connaissances et de compétences, et sa réputation dans le pays d'origine (Huang, Chi et Lawler 2005, Shay et Tracey, 2009). Quant une société fabrique dans plusieurs endroits à l'étranger, elle commence à utiliser de plus en plus la main-d'œuvre multinationale diversifiée (Adler et Ghadar 1990; Kelly 2001). Les organisations qui souhaitent réussir dans cette ère de mondialisation se rendent compte qu'ils doivent se tourner vers les marchés internationaux pour rester compétitifs dans leur entreprise. Une partie intégrante de la création d'une filiale à l'étranger, l'acquisition d'une organisation étrangère, ou en participant à une coentreprise internationale est un expatrié réussi (une personne temporairement ou définitivement résidant dans un pays et une culture autre que celle de l'éducation de la personne) ou d'un programme d'affectation internationale. Bien que la sélection rigoureuse est effectuée et la formation est donnée aux expatriés pour leur affectation à l'étranger, la plupart d'entre eux finissent leur travaux et font retour prématurément (GMAC, 2007), et certains expatriés expérience retrait psychologique même s'ils continuent dans leur affectation internationale (Black & Gregersen, 1991; Shaffer & Harrison, 1998; Tung, 1981).

Nous avons d'abord commencé à discuter les typologies les entreprises utilisent pour l'expansion mondiale. Des termes tels que Global Multi nationale, transnationale et internationale sont souvent utilisés pour désigner les différents types de multinationales. Toutes les quatre typologies sont expliquées séparément avec de nombreux exemples, ainsi que leurs avantages et inconvénients. Conformément à la stratégie de l'entreprise, nous cherchons à discuter la composition des effectifs des organisations utilisés pour la dotation de leur filiale à savoir les approches de recrutement. Les ressortissants d'entreprise mères du pays (PCN), les ressortissants du pays d'accueil suivant (HCNs) et les ressortissants de pays tiers (TCN). Après avoir décrit les compositions de recrutement, nous expliquons les effectifs

des organisations et les stratégies utilisées pour décider des méthodes de dotation pour leurs activités internationales (à savoir ethnocentrique, polycentrique, et géocentrique). Toutes les méthodes recrutement sont discutés en détail avec leurs avantages et inconvénients. Ensuite, nous décrivons les raisons du décalage (des pays d'origine vers les pays d'accueil et les pays du tiers monde) dans les effectifs de la multinationale sont décrits. Enfin, le succès et l'échec de l'utilisation des méthodes de dotation sont discutés. Elle est suivie par l'énoncé du problème dans lequel le principal problème est discuté de questions portant sur l'écart. Nous avons également expliqué la méthodologie, comment nous avons analysé les données recueillies, les résultats de la recherche, les implications et les orientations futures de la recherche sont recommandés.

## **CONTEXTE de l' ETUDE**

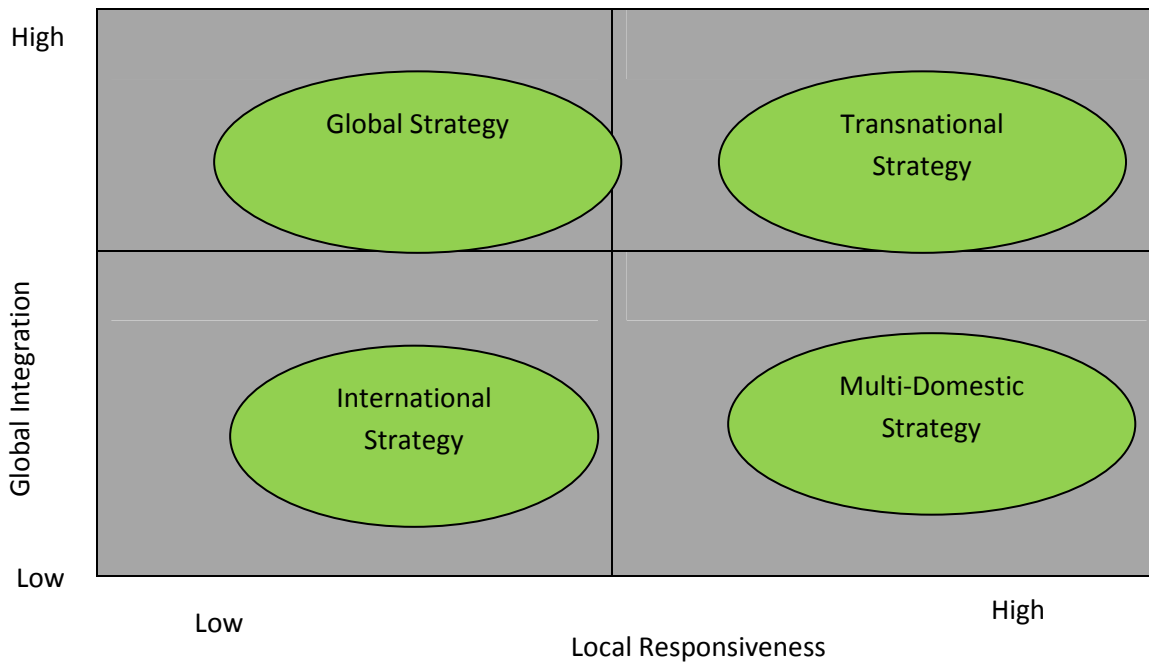
L'expansion mondiale, l'organisation se déplace à l'étranger pour ses activités à travers d'une filiale de son entreprise familiale. Bien que l'expansion est un défi et une occasion de soutenir la concurrence mondiale, l'accès à de nouveaux marchés, ce qui expose à des compétences spécialisées, les entrepreneurs considèrent que cette expansion est un élément essentiel de leur stratégie globale de croissance. La mondialisation est possible et facile pour les organisations de pays développés comme les USA, le Japon et l'Europe et c'était un rêve pour les organisations de pays en développement et les petites entreprises quelques décennies auparavant. Mais la situation n'est plus la même chose maintenant. En raison de la libéralisation du commerce, les petites et les jeunes entreprises des pays en développement, s'ouvrent même sur les marchés étrangers (Oviatt et McDougall, 1994). Selon Bartlett et Ghoshal (1989), Adler et Bartholomew (1992), les entreprises multinationales peuvent utiliser l'un des typologies afin de maintenir et de gérer leurs entreprises l'étranger. Les chercheurs évoquent ces typologies suivantes :

(1) Global (2) Multi- domestique (3) Transnationale et (4) Internationale

Bartlett et Ghoshal identifié deux dimensions théoriques que les multinationales doivent d'abord évaluer les forces qui sont les pressions pour l'intégration globale et de réactivité locale de conduite. Les dimensions sont: (1) Pression de l'intégration globale - signaux des économies d'échelle, les offres de produits uniformes etc. et (2) la pression de la réactivité des signaux gouvernement local d'accueil exige etc. La figure ci-dessous décrit que la stratégie



globale, l'intégration mondiale est élevée et la réactivité locale est faible. Pour la stratégie transnationale, l'intégration globale est élevée et la réactivité locale est également élevée. Pour la stratégie nationale multi, la réactivité locale est élevée et l'intégration mondiale est faible et, enfin, de la stratégie internationale, à la fois l'intégration globale et de réactivité locale est faible.



### **Stratégie commerciale internationale**

Stratégies Globales : Les organisations qui adoptent cette stratégie utilise la standardisation des produits en supposant que la préférence des clients, c'est la qualité, la fonctionnalité le faible coût. Dans la stratégie globale, les organisations intègrent leurs activités de la chaîne de valeur dans les pays pour atteindre une efficacité maximale dans le monde, et la synergie des activités visant à maintenir la coopération en vue de produire un effet combiné. De cette façon, l'organisation peut tirer profit au maximum de similitudes entre les pays, de maintenir une technologie uniforme et en même temps contrôler les concurrents (Bartlett et Ghoshal, 1989 Pucik et al, 2002; Porter, 1986; Roth et al, 1991).

Stratégies Multidomestiques : L'objectif principal des entreprises qui se basent sur cette stratégie est d'augmenter leur chiffre d'affaires en différenciant leurs produits et services selon

les besoins et les préférences des clients, les caractéristiques de l'industrie et les règlements gouvernementaux.

Les entreprises qui adoptent la stratégie multidomestique recueillent des informations sur le marché local et les analyse, afin qu'ils puissent mieux servir les clients locaux. L'Innovation se fait par la recherche locale et le développement (R & D). Les unités subsidiaires ne sont pas liés les uns aux autres et les filiales ont un contrôle décentralisé (Bartlett et Ghoshal, 1989). Il est supposé que l'adaptation des produits et les stratégies à différents marchés en adaptant va compenser le coût plus élevé qui peut en résulter. Les filiales dépendent de l'innovation locale pour les produits locaux correspondre qui exactement aux besoins locaux et utilisent leurs propres ressources pour répondre à ces besoins (Pucik et al, 2002; Bartlett et Ghoshal, 2002; Porter, 1986). Les organisations qui n'ont pas ou peu d'expérience internationale à adopter cette stratégie, car ils peuvent déléguer de nombreuses tâches à leurs dirigeants de pays (franchisés, licenciés, etc.) La difficulté de cette stratégie est due à la philosophie autonome. Il ya possibilité de fertilisation croisée de l'apprentissage et de l'innovation. La plupart des multinationales européennes suit cette stratégie.

Stratégies Transnationales : Les organisations qui pratiquent cette stratégie ne sont pas des pays spécifiques et leur objectif principal est la gestion des coûts et des revenus en conciliant l'efficacité et l'innovation. La stratégie transnationale implique une approche flexible. Il est bien connu que les clients ont des besoins différents mais ils veulent la même bonne qualité et à faible coût comme c'est le cas pour les produits globaux standard. Ces organisations accordent de l'importance à la réactivité locale et en même temps à la pratique mondiale de normalisation / intégration pour maintenir et contrôler les coûts. Le problème majeur de la pratique de cette stratégie est la mise en œuvre difficile en raison des réseaux de communication complexes, et les questions organisationnelles complexes. Cette stratégie pose des défis de leadership pour une bonne gestion (Bartlett et Ghoshal, 1989).

Stratégies Internationales : Les grandes entreprises suivent cette stratégie. Leur multinationales peut être basée dans un pays technologiquement développé comme les USA pour exploiter les innovations du pays d'origine dans la nouvelle zone d'implantation. Dans la stratégie internationale, une entreprise vend ses produits et services en dehors de son marché domestique. La raison de la mise en œuvre de la stratégie internationale par rapport à la stratégie du marché intérieur est que les marchés internationaux offrent de nouvelles opportunités. L'Organisation internationale permet aux opérations locales des choisir parmi

un gamme produits et de procédés, de les modifier en fonction des conditions locales, des goûts et des préférences des clients sur le marché local. (Bartlett et Ghoshal (1989). Cette stratégie peut ne pas fonctionner dans les pays où la demande de la réactivité locale est élevée. La plupart des entreprises américaines suivent cette stratégie.

Le tableau ci-dessous permet de mieux expliquer les différences entre les quatre stratégies pratiquées par la plupart des organisations.

<p><b><u>Global Strategy</u></b></p> <ul style="list-style-type: none"> <li>- Traiter, considérer le monde entier comme un seul marché</li> <li>- Peut fonctionner avec un mix de deux ou plusieurs structures organisationnelles simultanément</li> <li>- La prise de décision est la Stratégie internationale entièrement centralisée</li> </ul>	<p><b><u>International Strategy</u></b></p> <ul style="list-style-type: none"> <li>- Relation entre deux nations ou plus</li> <li>- Transporte ses affaires en dehors du pays d'origine</li> <li>- Chaque opération (s) est une réplique de domestiques affaires des produits / services de l'entreprise</li> <li>- Implique directeurs généraux des filiales</li> </ul>
<p><b><u>Multi-Domestic Strategy</u></b></p> <ul style="list-style-type: none"> <li>- Lorsque les gens de différents pays ont sensiblement différents goûts, une multi-nationale sera souvent le meilleur choix</li> <li>- Les filiales des multinationales sont gérées différemment</li> <li>- La prise de décision est décentralisée</li> </ul>	<p><b><u>Transnational Strategy</u></b></p> <p>Utiliser des installations spécialisées pour permettre la réactivité locale</p> <ul style="list-style-type: none"> <li>- Grand décentralisation de la prise de décision</li> <li>- Chaque unité d'affaires à travers le monde a la liberté de faire et d'appliquer ses propres politiques et pratiques de GRH</li> </ul>

Table 1: Stratégies de la multinationale

## Les POLITIQUES de RECRUTEMENT des CADRES

Le recrutement dotation est un élément essentiel de la mise en œuvre des quatre stratégies (global, international, transnational, multi-domestique) pour faire des affaires dans le monde. Perlmutter (1969) a identifié trois approches de recrutement différentes (ethnocentrique, polycentrique et géocentrique). En 1974, Heenan et Perlmutter ont développé le quatrième approche de recrutement qui est l'approche regiocentric qui est devenu le moyen standard pour décrire les politiques de dotation MNC. Le recrutement dans mes opérations internationales, l'organisation peut suivre l'une des trois méthodes de recrutement ou une combinaison des trois approches en fonction des circonstances nationales et le cycle de vie du MNC (Franco, 1973). Avant de prendre la décision de recrutement pour le fonctionnement de la filiale, les organisations doivent tenir compte d'autres facteurs tels que le pouvoir de négociation des pays d'accueil, la technologie et le transfert de compétences, de la situation politique et économique, le pays d'origine, les influences du marché sur le besoin relatif de réactivité locale par rapport à la normalisation (Doz, 1986; Rosenzweig et Nohria, 1994).

La composition de la recrutement les filiales comprend les ressortissants mères du pays (PCN), les ressortissants du pays d'accueil (HCNs) et les ressortissants de pays tiers (TCN).

1. Les ressortissants de pays d'origine (PCNs) : ce sont les salariés des sociétés multinationales qui sont généralement les citoyens du pays où les multinationales du siège social sont situés.

2. Les ressortissants de pays d'accueil (HCNs) : définis comme les employés qui travaillent pour la filiale de l'entreprise multinationale (EMN), ils sont les citoyens du pays subsidiaire.

3. Les Ressortissants de pays tiers (TCN : les employés qui ne font partie du siège, ni du pays d'accueil où l'opération de filiale est située. TCN sont généralement considérées comme un compromis entre HCNs et PCN des multinationales choisissent généralement TCN quand il ya un écart de compétences entre les deux. HCNs et PCN (Tarique, Schuler et Gong, 2006).

Le recrutent est associé à la stratégie ethnocentrique, HCN le recrutent est associés la stratégie polycentrique et enfin la recrutent TCN est associé à la stratégie géocentrique.

1. Ethnocentrique : remplir des postes de direction dans les opérations des filiales avec des fonctionnaires du Siège qui sont ressortissants de pays de parents (PCN).

2. Polycentrique : les multinationales nommerait principalement HCNs pour les opérations des filiales. En d'autres termes, en remplir des postes de direction dans les filiales locales avec les employés locaux qui sont ressortissants du pays d'accueil (HCNs). L'approche de dotation polycentrique est adapté pour les organisations qui pratiquent la stratégie nationale multiples.

3. Géocentrique : remplir des postes de direction à la fois dans les filiales et le siège avec des ressortissants étrangers choisis sur la base du mérite et sans distinction de nationalité (Heenan et Perlmutter, 1979; Perlmutter et Heenan,1994 qui sont des ressortissants de pays tiers (TCN)

Dans ce qui précède, il faut souligner que dans les trois approches de dotation, PCN, HCNs et TCN seront utilisés. Mais ils diffèrent dans des proportions relatives. Par exemple, en matière de dotation polycentrique, la proportion de HCNs sera plus élevé que les deux autres.

### **Changement dans le personnel international**

Aux stades initiaux de développement à l'international, les entreprises ont tendance à utiliser des expatriés pour leur fonctionnement subsidiaire. Cependant, avec l'internationalisation

croissante, les multinationales (EMN) doivent donner plus d'espace aux ressortissants de pays non - parents (HCNs et TCN). Cela semble être un sujet critique pour les chercheurs. Sur les deux ressortissants de pays non - parents, les ressortissants de pays tiers ont l'avantage de remplacer les ressortissants de pays de parents en raison de leur familiarité avec les cultures environnantes et souvent d'être moins cher (Tungli et Peiperl (2009). Les Multinationales préfèrent employer HCNs et TCN ou PCN qui ont un ajustement plus complémentaire avec l'environnement local.

### **Les Pratiques de recrutement extérieurs - HCNs**

Les multinationales recrute pour leurs filiales avec les ressortissants du pays d'accueil pour les raisons suivantes : (a) la pratique des ressources humaines a imposé par les gouvernements locaux (Briscoe et Schuler, 2004; Dowling et al, 1999). (b) Lorsque la distance culturelle est quelque peu similaire à la culture d'origine (c) Lorsque des filiales sont sous pression institutionnelle forte pour acquérir HCNs et se conformer aux attentes juridiques et culturelles issues des milieux d'accueil (Meyer et Scott, 1983).

### **Les pratiques de dotation extérieurs - TCN**

Les études existantes sur le recrutement globale se concentrent fortement sur les flux des ressortissants de pays d'origine (PCN) du siège pour les opérations des filiales (Edstrom & Galbraith, 1977; Harzing, 2001; Scullion, 1994; Tan et Mahoney, 2006). Mais récemment, il Ya quelques preuves de l'utilisation de ressortissants de pays tiers par les multinationales pour leur fonctionnement international (Gong, 2003; Tarique, Schuler, et Gong, 2006). L'organisation utilise de pays tiers il n'y a aucune preuve pour montrer à quel point et les multinationales utilisent des ressortissants de pays tiers dans les opérations globales de dotation (Collings et al, 2008 ; Tungli et Peiperl, 2009). Les organisations préfèrent TCN du personnel de leurs opérations mondiales pour les raisons suivantes : (a) les ressortissants de pays tiers peuvent être socialement efficaces (b) C'est une option moins chère en termes de salaire et des avantages que leurs homologues du PCN (c) Beaucoup de ressortissants de pays tiers sont prêts à accepter une affectation internationale de PCN en raison des possibilités limitées dans leur pays d'origine (Briscoe, Schuler, et Claus, 2008; Tarique et Schuler, 2008).

## **COÛT ou L'EFFICACITE des ACTIVITES d'UNE FILIALE**

Le succès ou l'échec des opérations internationales dépend de la personne / employé qui entreprennent la mission internationale et la personne qui prend la décision de recrutement , la même chose peut être mesurée (Bartlett et Ghoshal , 1992; Black & Gregersen , 1999; Hiltrop , 2002) et la contribution des ressources humaines et de la fonction de ce succès est une partie critique (Jaw et Liu, 2004; Rodriguez et Depablos , 2002; Rowden , 2002; Tung , 1998). À moins que les pratiques de recrutement sont bien alignés avec la stratégie d'entreprise et la culture, le taux de réussite est faible dans les affaires internationales et ils ne peuvent pas rivaliser avec le marché mondial (Henderson , 2002; Hiltrop , 2002; Laursen , 2002; Mendenhall , Kulmann et Stahl , 2001; Porter et Tansky , 1999). En outre, l'organisation qui font de mauvais choix en matière de dotation internationales peuvent faire face à des dépenses supplémentaires telles que des dommages aux relations avec les clients, les fournisseurs et la perte de réputation perdre dans les opérations des filiales (Patra , Khatik et Kodwani , 2002). Certaines recherches ont discuté la dotation globale (Henderson, 2002; Hiltrop, 2002; Laursen, 2002) et mis en évidence les avantages et les inconvénients des ressortissants du pays hôte et les responsables des expatriés (Petrovic et Kakabadse, 2003), mais les comparaisons directes entre les ressortissants du pays hôte et les expatriés ont été rarement faites.

### **ÉNONCE du PROBLEME**

Aux stades initiaux de développement à l'international, les entreprises ont tendance à utiliser des ressortissants de pays d'origine pour l'affectation internationale afin de maintenir la normalisation des services à l'étranger (Perlmutter, 1969a). Cependant, avec la croissance de l'internationalisation, les multinationales doivent donner plus d'espace et la possibilité pour accueillir les pays et les ressortissants de pays tiers. Aujourd'hui, les entreprises semblent utiliser un large éventail de critères de sélection que deux décennies auparavant. De nombreuses organisations sont adopte ce changement afin qu'ils puissent choisir la meilleure personne pour le poste. Bien que les multinationales ont commencé à embaucher des ressortissants des pays d'accueil de pays tiers à leurs filiales, nous avons observé quelques problèmes qui sont décrits ci-dessous.

### **Question de recherche:**

- Peu de recherches ont été menées sur le lien entre la stratégie commerciale internationale avec des approches de recrutement.
- Très peu de recherches ont été menées sur l'efficacité des trois approches de dotation. Il n'y a pas de recherche qui démontre quelle est la meilleure approche.
- La plupart des recherches axées sur l'approche ethnocentrique et les expatriés que les ressortissants du pays d'accueil (approche polycentrique) et les ressortissants de pays tiers approche géocentrique.
- Il n'y a pas beaucoup de preuves sur le passage de l'ethnocentrisme à d'autres méthodes de recrutement.
- Aucune preuve n'a été trouvée pour analyser la performance de l'exécutif au coût (le montant dépensé pour l'envoi des cadres pour le fonctionnement de filiale).
- Jusqu'à présent, aucune recherche n'a été effectuée pour identifier les rôles joués par les expatriés au cours de différentes périodes du cycle de vie de l'organisation.

### **IMPORTANCE de l'ETUDE**

La littérature existante offre et discute La stratégie commerciale de l'organisation pour le développement à l'international. De même, dans la littérature existante, la sélection des pratiques internationales exécutives peut être trouvée. Mais, jusqu'à présent, aucune recherche n'a été faite pour relier la stratégie commerciale internationale et les pratique de recrutement de l'exécutive internationale. Plusieurs de recherches ont été effectuées sur les expatriés, leurs critères de sélection, le succès ou l'échec de la cession, etc. expatriés Mais, très peu de recherches ont été faites jusqu'à présent sur le pays d'accueil et les pratiques de sélection du ressortissant de pays tiers. Par conséquent, il s'agit d'un contexte de recherche important parce que davantage d'organisations même de pays en développement, étendent leurs activités à international et ils doivent savoir quels dirigeants peuvent s'adapter à la gestion des filiales. Parallèlement à la sélection des cadres, l'identification de la stratégie est importante pour toutes les multinationales.

## **OBJECTIF de la RECHERCHE**

1. Comme il n'y a pas de recherche fait dans le passé sur la des approches de stratégie pour le personne, l'un des principaux objectifs de cette recherche est d'identifier les liens, le cas échéant, entre ces stratégies d'expansion internationale et les approches du recrutement en personnel.
2. La recherche existante a également n'a identifié ni l'efficacité des trois méthodes de dotation, ni le changement, le cas échéant, des approches de dotation ethnocentriques à d'autres méthodes de dotation.
3. Puisque l'efficacité des méthodes de dotation pourrait coïncider avec les stratégies d'expansion internationale, cette étude examine une telle efficacité en examinant le match des méthodes de dotation aux stratégies internationales.
4. À ce jour, il n'existe aucune preuve à l'appui que les méthodes de dotation sont liées aux stratégies pour aller à l'étranger. En affaires aujourd'hui en pleine en croissance, l'objectif de toute organisation est d'internationaliser leurs activités commerciales. Les organisations ont confrontées à des problèmes sur la scène mondiale en raison des obstacles de la culture locale, et l'accélération du rythme des changements environnementaux. En raison du changement élevé de l'environnement, l'économie et le marché, parfois même les organisations ne parviennent pas à élaborer des stratégies appropriées aux nouveaux défis (Adler & Bartholomew, 1992).
5. Les études existantes montrent que la recherche a été menée sur les trois approches de dotation qui est ethnocentrique (Banai, 1992) polycentrique (Richards, 2001 Banai et Sama, 2000) et géocentrique (Gowan, 2004). La recherche indique même que certaines organisations utilisent la combinaison des PCN (en utilisant expatriés), HCNs et TCNs en fonction de la stratégie et de la taille de l'entreprise (par exemple, Banai 1992, Gowan 2004, Richards, 2001 Banai et Sama, 2000, Isidor et. al. 2011). Mais il n'y a aucune preuve indiquant quelles politiques de dotation sont supérieures (en termes de coût-efficacité) par rapport aux autres approches.
6. Les études existantes ont discuté les différents rôles joués par les expatriés. Jusqu'à présent, aucune étude n'a été menée pour déterminer si le rôle des expatriâtes change expatriés au cours du cycle de vie l'organisation.



7. La croissance rapide de la participation de l'organisation dans les affaires mondiales, même dans les pays en développement qui était auparavant dominé et ont participé seulement par les pays développés comme les USA, le Japon et l'UE, l'augmentation de la concurrence mondiale, la pénurie d'employés qualifiés ont forcé les organisations principalement à utiliser la stratégie de dotation ethnocentrique (à l'aide expatriés) contrairement aux deux stratégies. Mais la perception sur l'utilisation expatriée dans les filiales a été jugée négative par des ressortissants du pays d'accueil. Les HCNs affirment que les PCN sont moins compétents qu'eux-mêmes (Harari et Zeira 1974). Bien que les organisations utilisent ces trois stratégies de dotation comme un mélange ou uniquement dans des situations différentes plusieurs recherches se sont axées sur l'approche de dotation ethnocentrique que les deux autres méthodes de recrutement.

**Par conséquent, les questions de recherche sont les suivants:**

1. Examiner la relation entre la typologie de la stratégie internationale et méthodes de dotation Internationales.
2. Quelles sont les différentes procédures utilisées dans la sélection des cadres internationaux?
3. Identifier s'il y a un changement d'ethnocentrique à d'autres approches
4. Examiner la nature de ce changement et sa vitesse
5. Expliquer comment toutes ces pratiques de sélection influent sur le coût ou l'efficacité des organisations.
6. Examiner le rôle des expatriés qui diffère durant le cycle de vie de l'organisation?

**ATTENTES de recherche proposés**

De la littérature existante, nous avons identifié les problèmes de la recherche, tels que l'alignement entre la stratégie d'entreprise et du personnel de direction, les différents rôles des expatriés au cours du cycle de vie différent de l'organisation, de l'efficacité de la performance de la direction. L'écart dans ces domaines a suggéré la nécessité de développer /

proposer un modèle qu'une méthode qualitative pour tester empiriquement et vérifier l'alignement (stratégie et du recrutement).

Stratégie globale et de la dotation Ethnocentrique :

Le recrutement ethnocentrique est adoptée par les multinationales mondiales. Lorsque l'organisation prévoit de maintenir les mêmes politiques et procédures d' pratiques dans des filiales, la dotation ethnocentrique est le choix pour les organisations. Les multinationales sélectionnent effectifs ethnocentrique parce que les employés de la société mère auront une solide connaissance des politiques et procédures de l'entreprise et s'assurent que les directives sont suivies dans la filiale. Perlmutter (1969) a déclaré que toutes les multinationales immatérielles de leur stratégie, utilisent d'abord la dotation ethnocentrique. D'autres chercheurs comme Harzing (2001), Banai, (2000) et Tung (1981) ont identifié que les organisations initialement utilisent les expatriés (stratégie de dotation ethnocentrique), surtout quand ils mettent en place de nouvelles activités de l'entreprise dans un environnement. En outre, les expatriés sont bons dans la diffusion des connaissances et la synergie de la chaîne de valeur et d'aider l'organisation à atteindre son objectif. Afin d'examiner si les multinationales que pratiquent la stratégie globale utilisant plus PCN ou d'autres ressortissants pour leur opération de filiale, nous avons proposé l'espérance de recherche 1 ci-dessous :

Présente la Proposition de recherche : Les multinationales que la stratégie globale de la pratique plus susceptibles d'utiliser approches de dotation ethnocentriques en vue de maintenir la normalisation des pratiques et à avoir le contrôle sur les filiales et pour combler le déficit de compétences en particulier dans les pays en développement.

Stratégie nationale et multi domestique polycentrique

Stratégie nationale multi est à l'opposé de la stratégie globale. Les filiales sont détachées du siège et considérés comme une unité commerciale autonome (Bartlett et Ghoshal, 1989). Cette stratégie implique des produits adaptés à chaque pays. Le principal objectif de ces entreprises est d'augmenter leurs chiffres d'affaires en différenciant leurs produits et services selon les besoins et les préférences des clients, les caractéristiques de l'industrie et les règlements gouvernementaux. Pour mieux servir les clients locaux, les filiales dépendent de la recherche et du développement local pour l'innovation de produits pour correspondre exactement aux besoins des clients locaux (Pucik et al, 1992; Bartlett et Ghoshal, 2002; Porter, 1986). La stratégie multi nationale insiste beaucoup sur la réactivité locale et moins

sur la standardisation des produits et services. Pour connaître les multinationales qui pratiquent la stratégie nationale à plusieurs usages plus HCNs ou d'autres ressortissants de leur filiale, énonçons la proposition de recherche 2 :

Espérance de recherche 2: Les organisations qui pratiquent la stratégie multinationale sont plus susceptibles d'utiliser la dotation polycentrique en raison de leur familiarité dans la culture et l'environnement des affaires, et d'atteindre l'objectif d'une organisation qui est de faire correspondre exactement aux besoins locaux des clients.

#### Stratégie transnationale et de la dotation géocentrique

Transnationale implique une approche flexible - normaliser lorsque cela est possible et s'adapter aux besoins locaux le cas échéant. Ces organisations accordent de l'importance à la réactivité locale et en même temps à la pratique mondiale de normalisation / intégration à maintenir et contrôler les coûts. Les organisations transnationales ne sont pas spécifiques des pays et leur objectif principal est la gestion des coûts et des revenus en conciliant l'efficacité et de l'innovation (Bartlett et Ghoshal, 1989). Pour en savoir plus sur les multinationales qui pratiquent la stratégie transnationale utilise des ressortissants de pays tiers ou plus d'autres ressortissants dans leurs activités d'une filiale, nous avons présentée la 3ème proposition de recherche : Proposition de recherche 3: Les multinationales qui obtiennent des stratégies transnationales, plus susceptibles d'utiliser des approches de dotation géocentriques parce que les ressortissants de pays tiers, considèrent les missions internationales comme ayant une valeur non seulement pour eux mais aussi pour leurs employeurs et renforce l'avantage concurrentiel des multinationales.

#### Affectations internationales - Rentabilité

Le succès ou l'échec de la mission internationale dépend entièrement des employés qui ont été attribués par l'organisation pour remplir une tâche particulière au cours de la période d'affectation. Les chercheurs ont tenté d'étudier la mesure de la performance des expatriés et ont compris les difficultés et ils ont moins bien réussi dans leur mission en raison des influences extérieures, et des circonstances locales (noir, Gregersen et Mendenhall, 1992). La recherche actuelle a tenté d'évaluer la performance des expatriés seulement associé à l'affectation internationale et il n'y a aucune recherche de la mesure du rendement réalisé sur l'hôte et les ressortissants de pays tiers. Le concept de mesure de la performance développé pour les expatriés est étendue à HCNs et TCN. L'affectat des étrangers cher et coûteux par

rapport aux opérations nationales (Shaffer et Harrison, 1998). Il est donc essentiel pour les organisations d'identifier le taux de réussite d'une mission internationale en raison des coûts (coûts directs et indirects) qui lui sont associés. Il est donc essentiel pour l'organisation de sélectionner les employés appropriés en fonction de la stratégie.

Proposition de la recherche 4: Dans la mesure où il y a une adéquation entre l'approche de la dotation et de la stratégie est directement liée à l'efficacité de l'approche de dotation des coûts. Un niveau élevé de l'ajustement sera lié à un ratio élevé de la performance aux coûts.

Changement dans les approches de dotation - De Ethnocentrique à polycentrique et Géocentrique

Historiquement les multinationales utilisaient seulement les expatriés pour l'affectation internationale. La situation actuelle est différente de ce que nous avons observé quelques décennies auparavant. Les multinationales ont commencé à étendre leur dotation pour HCNs et TCN en fonction de leur niveau de croissance (stade maturité précoce) dans leurs opérations commerciales internationales. Mais la littérature est muette sur cette question. Ici, nous traçons l'évolution de la composition des effectifs d'une approche plus ethnocentrique dans les premières étapes vers une approche plus géocentrique dans les étapes ultérieures, le cas échéant "fit" avec la stratégie

Proposition de recherche 5a: Les multinationales, dans des périodes différentes, utilisent des approches différentes en matière de dotation (shift) en période ultérieure.

Proposition de recherche 5aa : Les multinationales qui pratiquent la stratégie nationale multi, le personnel commence avec les PCN dans la première étape et de passer à RCNS dans la deuxième étape et finalement utiliser HCNs dans leurs filiales.

Proposition de recherche 5ab : stratégie transnationale utilise PCN dans la première et deuxième étape et passer à RCNS et TCN au stade intermédiaire et avancé.

Proposition de recherche 5b: Les multinationales utilisent les expatriés pour leur affectation à l'étranger dans toutes la stratégie (globale, multi nationale et transnationale), mais la proportion d'expatriés sera faible quand ils utilisent HCNs, RCNS et TCN. En conséquence, le rôle qu'ils détiennent diffère de commandant en stade précoce à conducteur en phase de croissance, l'entraîneur dans l'étape intermédiaire et le connecteur dans le stade de maturité.

## **METHODOLOGIE**

Nous expliquons comment nous avons recueilli les données, les participants à notre recherche, et la façon dont l'analyse est faite dans le détail, etc .

### a) Conception de la recherche

Afin de tester empiriquement les attentes de nos recherches, nous avons utilisé la méthode qualitative. Les données primaires ont été recueillies - des entretiens en profondeur ont été menés avec un haut dirigeant des chaque multinationale. Nous avons effectué 22 entretiens en face à face des entretiens téléphoniques avec les principaux dirigeants de multinationales implantées en France, à Singapour, en Inde, à Dubaï, en Belgique, au Pays-Bas et Aux Etats-Unis. Les entretiens directs sont considérés comme l'une des meilleures méthodes de collecte de données afin de réduire la non -réponse et d'augmenter la qualité des données. Les Entretiens directs nous a permis d'obtenir les réponses spontanées sans délai. Les entrevues ont été cassette enregistrée en plus la prise de note qui a été prise au cours de l'interview nous permettent de fournir des conclusions du rapport précis et fiables.

### (b) L'échantillonnage et taille des échantillons

L'échantillon utilisé dans l'étude est les cadres travaillant dans la haute direction qui prennent la décision de recrutement internationale située au siège. L'idée d'une participation des salariés dans la haute direction de cette recherche est d'identifier et d'évaluer la façon dont les décisions de sélection sont prises, sur quelles situations, la gestion préfère les expatriés du personnel, les ressortissants du pays d'accueil et les ressortissants de pays tiers et, enfin, d'identifier s'il ya un lien entre la stratégie d'expansion internationale et la décision de sélection de dotation qu'ils font. Cela permettra de s'assurer des données recueillies sont plus fiable et précis. Nos participants sont expérimentés, qualifiés, travaillant dans multinationales somme dirigeants clés qui prennent une décision de gestion importantes. Leurs réponses non seulement répondent à notre question de recherche (s) mais aussi ajoutent de la richesse et de la fiabilité de notre recherche.

### (c) Outils de recherche

La recherche a impliqué la méthode qualitative pour analyser les données nécessitant à vérification, la validation et enregistrement avant l'analyse. Nous avons testé nos prépositions de recherche les échantillons d'entrevue et présenté nos conclusions dans différentes tableaux.

#### (d) Collecte de données

Pour notre objectif de recherche, nous avons ciblé toutes les multinationales (hors sociétés mondiales nées en raison de leur taille dans les affaires et la méconnaissance dans le commerce international et sur le marché intérieur) dispersées géographiquement. Pour recevoir la liste de multinationales, nous avons utilisé la FCCS (Chambre de Commerce française) annuaire, Singapour Chambre de commerce et réseaux sociaux pour communiquer avec les multinationales. Tout d'abord, nous avons envoyé des fax aux cadres supérieurs des multinationales expliquant notre domaine de recherche. Le taux de réponse n'était pas comme nous l'avions prévu. Par conséquent, nous avons décidé de les contacter par téléphone. Les contacts téléphoniques nous ont apporté des réponses favorables. Ensuite, la date et l'heure de l'entrevue ont été fixées pour l'entrevue directe fondée sur la disponibilité des participants. La plupart des entrevues qui ont été menées au siège régional de multinationales françaises situées à Singapour. Certaines entrevues ont été menées au siège situé en France. Les entrevues téléphoniques ont été menées auprès des cadres supérieurs de quelques multinationales en raison de leur dispersion géographique. Il nous a fallu un total d'un mois et demi pour mener l'ensemble des 22 entretiens.

#### (e) Fiabilité des données

Nous visons à obtenir une qualité de réponse de la part des cadres supérieurs de multinationales. Par conséquent, nous avons soigné langue, le ton, les mots utilisés dans le protocole d'entretien qui communique clairement ce que l'on veut exactement savoir auprès des répondants. Après avoir préparé le calendrier des entrevues, nous avons testé le protocole d'entretien avec quelques chercheurs à savoir la clarté des questions. Nous avons confirmé avec les chercheurs de savoir si les mots utilisés dans le protocole d'entretien sont simples et clairs au niveau de la lecture de tous les participants.

### CONCLUSIONS / RÉSULTATS

Nous avons d'abord intégré les résultats avec les réponses d'entrevue basées sur les points principaux dirigeants soulignés et confirmés. Les réponses fournies par chaque participant lors de l'entrevue, fournit une base solide pour comprendre les valeurs, les procédures, les critères de sélection des cadres, etc. Notre objectif de recherche est de déterminer s'il ya un

alignement entre la stratégie commerciale internationale du personnel international. Nous avons mené des entrevues avec des cadres supérieurs de multinationales. Sur la base des réponses aux entrevues, nous avons constaté que 6 multinationales la pratiquent stratégie globale. Pour identifier la stratégie actuelle adoptée par l'organisation, nous avons d'abord interrogé des répondants sur deux dimensions importantes telles que les pressions de la normalisation et des pressions de réactivité locale. Nous avons également posé des sous-questions aux répondants pour obtenir des réponses possibles et optimales de leur part. En particulier, en voir le tableau ci-dessus, tous les 6 multinationales qui scores faibles sur la réactivité locale (moins de 12 sur un score total de 16) et important sur la normalisation (3 et au-dessus de score total de 5). C'est pourquoi nous avons classé ces multinationales tant que pratiquante que la stratégie globale. Après prise en compte de la stratégie pratiquée par l'organisation, nous avons décidé de découvrir les pratiques de recrutement des exécutifs des multinationales afin d'identifier s'il y a un alignement entre la stratégie et les méthodes de dotation. Nous voulions identifier combien de multinationales utilisent la dotation ethnocentrique, la dotation polycentrique et la dotation géocentrique. Selon nos recherches, nous avons constaté que 12 multinationales utilisent la dotation ethnocentrique - ils combler les postes clés à l'étranger avec les ressortissants du pays d'origine parce que les multinationales croient que les gestionnaires du pays d'origine sont plus compétents et dignes de confiance que les ressortissants étrangers.

Sur la base des réponses à l'entrevue, nous avons compris que 9 multinationales (BB2, EE5, OO15, PP16, QQ17, RR18, SS19, TT20, VV22) adopte une stratégie multinationale. Ces multinationales sont affiliés à un groupe appelé MDS. Les multinationales qui adopte une stratégie nationale multiples essayer d'atteindre la réactivité maximum local en adaptant à la fois leur offre de produits et de la stratégie de marketing pour correspondre en fonction des besoins locaux / nationaux. R & D, le marketing est établi dans chaque marché national majeur où on fait des affaires. Nous avons élaboré un tableau des meilleurs scores pour la pression de la normalisation et des pressions de réactivité locale basée sur les réponses de l'entrevue. Le score total pour la réactivité locale est de 16 (= 3 pd.ad mk.mx = 3 sous. Adp = 3 ro.sub = 2 kn.tr = 2 R & D = 3) et score total de la normalisation est de 5 (ec.sc = 2 R & D = 3). Les multinationales qui ont obtenu entre 12 et ci-dessus est considérée comme plus réceptifs aux tendances locales, adapter les produits et services aux clients, aux goûts et aux préférences locales. Les pilotes de réactivité locale proviennent d'une combinaison de marché, les considérations organisationnelles et politiques. Simultanément, ces multinationales ont

obtenu moins de 3 sur 5 score total (3 ou plus est considéré comme plus de pression pour la normalisation). Sur la base des réponses à l'entrevue, 8 multinationales utilisent la dotation polycentrique. Pour classer les multinationales qui utilisent HCNs pour doter leur opération de filiale, nous avons utilisé des questions - comment le personnel des multinationales leur opération de filiale, dont les dirigeants jouent un rôle clé dans l'organisation, le nombre de cadres travaillant pour des filiales. Les multinationales impliquées dans notre recherche utilisent HCNs qui sont les citoyens du pays où la filiale est située. Les raisons d'utiliser HCNs est de maintenir le faible coût de l'embauche, les employés locaux ne sont pas confrontés à aucun problème à s'adapter au nouvel environnement et minimiser les dangers de la myopie culturelle.

Nous avons identifié 7 multinationales (AA1, DD4, GG7, HH8, JJ10, KK11, NN14) qui pratiquent la stratégie transnationale. Ces multinationales sont affiliés à un groupe appelé TNS. La stratégie transnationale offre la centralisation des prestations fournies par une stratégie globale avec la caractéristique de réactivité locale des stratégies nationales. Une stratégie transnationale allie les portée mondiale, la coordination des opérations et de permet de parti des avantages uniques des marchés locaux. La fondation d'une stratégie transnationale est une vision globale, mais avec des implémentations personnalisées pour les marchés et les régions. Sur la base du tableau des meilleurs scores que nous avons créé, nous avons classé les multinationales qui ont obtenu 12 et au-dessus de score total 16 de la réactivité locale (haute pression pour la localisation) et entre 3-5 dans la normalisation (haute pression pour la normalisation) comme stratégie transnationale car ils combinent équilibrent de la coordination globale et l'unicité locale en même temps. Nous avons trouvé 2 multinationales pratiques géocentriques dotations. Ces ressortissants de pays tiers ne sont ni du pays d'origine, ni du pays d'accueil. La raison de TCN nomination est leur expertise, des connaissances qui peuvent faire défaut avec les PCN et HCNs.

Sur la base des réponses à l'entrevue, nous avons identifié la stratégie de dotation exacte adoptée par l'organisation. Ensuite, nous avons observé s'il ya un lien entre la stratégie de l'entreprise et l'orientation du personnel. Sur les 22 répondants qui ont participé à notre recherche, nous avons observé que 9 stratégies des multinationales est alignées avec les approches de dotation et 13 multinationales stratégies n'est pas alignées sur les approches en matière de dotation.



Dans notre échantillon de recherche, 6 multinationales ne suivent pas de méthode spécifique pour évaluer la performance liée aux coûts. Les 16 autres multinationales comparent les performances à des coûts tels en vérifiant s'il y a une augmentation de la productivité ou de ventes, le temps nécessaire pour effectuer la tâche, à quelle vitesse les dirigeants ont acquis le travail, en vérifiant compte P & L, l'évaluation par les résultats d'entreprises, les capacités de leadership, rapport sur le rendement, etc. Mais nous avons constaté qu'aucune de ces multinationales ne suit les procédures standard ou de la méthode spécifique pour évaluer la performance des coûts.

Les multinationales qui sont à différents stades d'affaires expatriés utilisent des expatriés pour différents rôles.

Les multinationales qui sont à un stade précoce de gestion utilisent des expatriés pour leurs opérations subsidiaires. Rôle de commandant - 1, le rôle du conducteur - 0, le rôle de l'entraîneur - 0, et le rôle de connecteur - 0.

Les multinationales qui sont en phase intermédiaire utilisent des expatriés pour des rôles différents. Rôle de commandant - 1, le rôle du conducteur - 0, le rôle de l'entraîneur - 1, rôle Connecter - 1.

Les multinationales qui sont en phase de croissance des affaires utilisent des expatriés utilisés pour son rôle de filiales de commandant - 1, le rôle du conducteur - 0, le rôle de l'entraîneur - 0, et le rôle de connecteur - 0.

Les multinationales qui sont à un stade avancé de l'entreprise (plus de 25 ans d'expérience dans les affaires internationales) utilisent des expatriés pour des rôles différents.

Rôle de commandant - 12, le rôle du conducteur - 3, le rôle de l'entraîneur - 9, et le rôle de connecteur - 5.

Relation entre deux dimensions de la typologie de la stratégie et l'orientation de dotation

Le résultat est conforme aux attentes de la recherche. Plus la pression de la normalisation, augmente plus l'utilisation de la dotation ethnocentrique (PCN) est importante. Lorsque la pression de la normalisation est faible, alors les multinationales ont utilisé d'autres méthodes de dotation - Dotation polycentrique (HCNs). Parfois, quand la pression de la normalisation est élevée aussi, quelques multinationales utilisent HCNs pour les postes clés.

Le résultat est partiellement conforme aux attentes de la recherche. Plus la réactivité locale, est élevée plus l'utilisation de la dotation devrait être polycentrique. Mais dans une situation donnée, la dotation ethnocentrique est légèrement plus polycentrique, même si la réactivité locale est élevée. La raison de l'utilisation d'autres dirigeants pour le poste clé est la situation où la multinationale n'a pas pu trouver le local national approprié pour combler le poste en raison du niveau d'éducation, les compétences, les connaissances, la disponibilité des locaux, etc.

## **IMPLICATIONS POUR la RECHERCHE**

### Implications organisationnelles

Notre recherche a pour objectif de conseiller et d'aider l'organisation à identifier l'importance de lier la stratégie avec des options de dotation qui agissent comme l'ingrédient clé de départ pour la réduction des erreurs causées par de mauvaises décisions de l'organisation, augmenter le taux de succès des filiales et d'augmenter le rendement des employés dans leur affectation internationale. Les résultats de notre étude indiquent que la stratégie 13 multinationaux divergente. Bien que les participants dans notre recherche indiquent que leur décision de dotation internationale est parallèle à la stratégie d'entreprise, nous avons constaté que seulement 9 des multinationales de la stratégie est convergente avec les pratiques de dotation de la stratégie. Les multinationales doivent comprendre l'importance d'aligner la stratégie commerciale internationale et le recrutement international.

### Implications managériales

Les multinationales qui traversent les frontières utilisent différents cadres de sa filiale. Les multinationales au cours de leur stade précoce de l'entreprise utilisent principalement PCN en raison de leur manque de connaissance dans le nouvel environnement. Une fois que l'entreprise est bien établie dans la filiale, il est prévu d'utiliser les HCNs ou TCN sur la base de la situation. Lorsque l'occasion est donnée aux HCNs ou TCN, le rôle des expatriés peut différer. Grâce à nos recherches, nous avons trouvé un certain appui, qu'il y a autre rôle joué par les expatriés. Mais il n'y a pas de soutien ou de preuves pour le changement de rôle au cours de différentes périodes du cycle de vie de l'organisation. Les gestionnaires doivent considérer l'existence des multinationales dans les filiales et sur la base des années d'expérience, changer le rôle des expatriés, par exemple pendant la phase de maturité de

l'organisation, utiliser des expatriés, soit pour former et encadrer les ressortissants locaux ou servir de médiateur entre le siège et filiales.

### Les implications théoriques

Dans notre recherche, nous avons identifié les rôles joués par les dirigeants. Il est surprenant de constater que la plupart de nos participants utilisent PCN pour les postes supérieurs de gestion et quelques HCNs dans des pays comme Singapour et l'Inde. Il n'Ya aucun signe de ressortissants de pays tiers à des postes clés. Les littératures spécifie clairement que, une fois la multinationale établit leur filiales, puis ils commencent à utiliser HCNs (Bartlett et Ghoshal, 1989) et tels que fin des chercheurs Harzing, (2001) ont confirmé ce résultant. Mais nous avons constaté que nos participants (multinationales) qui existent dans les affaires internationales depuis plus de 50 ans utilisent également des PCN pour les postes clés plutôt que d'utiliser HCNs. Nous avons observé les raisons pour lesquelles les multinationales qui sont en maturité utilisent des PCN et nous avons constaté que la nature de l'activité qui nécessite des compétences et de l'expérience des gens à manipuler la position qui peut être la raison. Comme il n'existe pas de littérature disponible sur les situations les multinationales utilisent les cadres appropriés, la théorie doit se concentrer davantage sur ces dimensions.

### Implications pour la recherche

Les multinationales qui s'installent l'étranger utilisaient différentes gammes de cadres pour leur filiale. L'organisation investit beaucoup d'argent sur le pouvoir exécutif qui prend la responsabilité de la mission internationale. Dans un tel cas, il est important pour l'organisation d'évaluer la performance de l'exécutif et le coût (montant total consacré à l'exécutif) pour identifier si l'affectation est la réussite ou l'échec. Si le montant dépensé en direction est plus ainsi que l'organisation n'a pas atteint le résultat souhaité dans la filiale, puis la mission est un échec et la direction choisie pour l'affectation n'est pas le choix approprié de l'organisation. Mais jusqu'à présent, aucune recherche n'a été faite pour examiner le rapport coût-efficacité dans des missions internationales et les chercheurs ont besoin de se concentrer sur ce domaine.

## LIMITES et les SUPPOSITIONS

Il existe différentes supposition qui ont été faites au cours de la recherche et il y a également certains nombres de limitâtes que nous avons rencontré tout en effectuant la recherche.

1. Nous avons recueilli des données sur un total de 22 entreprises multinationales. Les conclusions du résultat des 22 multinationales ne peuvent pas être généralisées à une population plus large.
2. En raison de contraintes de temps et de ressources, l'étude a été réalisée principalement sur les pays développés. La plupart des entretiens avec les multinationales françaises sont effectuées au siège régional.
3. Une étude longitudinale sur la même multinationale pourrait fournir des informations supplémentaires sur les changements dans les pratiques de sélection de direction au fil du temps.
4. L'étude pourrait être renforcée en incluant les pays émergents et en développement permettant ainsi d'acquérir une compréhension des pratiques commerciales et des pratiques de sélection des cadres dans ces pays.
5. En raison du temps et des contraintes financières, les données que nous avons recueillies auprès de nos participants français sont de siège régional plutôt que du siège. Cela pourrait ne pas fournir le tableau d'ensemble des pratiques commerciales, à toute égards parce que la décision prise par le siège régional peut être adapté à la région concernée et n'est pas valable pour le monde entier.

## VOIES FUTURES de RECHERCHE

- ✚ Ces nouveaux acteurs de marchés émergents ont attiré les chercheurs à étudier les multinationales des pays en développement.
- ✚ Les recherches futures devraient inclure à la fois le siège et filiales.
- ✚ Littérature existante a porté davantage sur les PCN et moins d'attention a été accordée jusqu'ici à l'utilisation efficace des HCNs et TCN d'une filiale et à l'avenir

de la recherche devrait inclure HCNs et TCN à la fois dans les pays développés et en développement.

- ✚ Une Quantité considérable d'études quantitatives ont été menées pour identifier la composition des effectifs des multinationales. Il pourrait être plus intéressant si les futurs chercheurs impliquent des études plus qualitatives pour déterminer la proportion des effectifs des multinationales.
- ✚ Très peu de recherches ont été effectuées sur des pays comme l'Inde, le Brésil et la Russie. Il pourrait être plus intéressant si les recherches futures inclure ces pays afin d'identifier les pratiques commerciales et les défis.

## CONCLUSION

Dans notre recherche, nous voulons examiner l'alignement entre la stratégie commerciale internationale et les approches internationales en matière de dotation de l'exécutif. Par conséquent, nous avons utilisé Bartlett et Ghoshal deux dimensions intégration globale et de réactivité locale pour identifier la stratégie pratiquée par les multinationales. De même, nous avons utilisé l'orientation de dotation de Perlmutter d'identifier les méthodes de dotation des multinationales. Nous avons constaté que les multinationales de notre échantillon utilisent tous les trois cadres (PCNs, HCNs et TCNs) pour les opérations subsidiaires. Bien que la littérature existante a discuté l'évolution des approches de recrutement, très peu de recherches ont été menées sur l'efficacité des trois approches de dotation. Nous confirmons notre déclaration (voir en cause de la recherche de l'introduction générale) que la plupart des recherches ont porté sur l'approche ethnocentrique, c'est-à-dire PCN ou expatriés. Il ya peu de preuves trouvées sur HCNs et TCN. Comme il n'y a pas de recherche fait dans le passé au sujet de relier la stratégie aux méthodes de dotation, l'un des principaux objectifs de cette recherche est d'identifier les liens éventuels entre ces stratégies d'expansion internationale et les approches en matière de dotation.

Pour répondre à la question de recherche et d'atteindre l'objectif de la recherche, cette étude a porté sur des entrevues avec des cadres supérieurs d'entreprises multinationales. D'après les résultats, nous avons identifié certaines tendances des multinationales. Les résultats identifiés sont presque conformes à nos attentes en matière de recherche. L'ensemble de la recherche a porté sur trois théories : la stratégie internationale de l'entreprise, le personnel exécutif, et les rôles des expatriés.

Comme nous l'avons indiqué précédemment, peu de recherches ont été menées sur le lien entre la stratégie commerciale internationale avec des approches de dotation. Notre étude est la première tentative dans ce sens. Les recherches futures devraient continuer à examiner ce lien : a. échantillon plus large, b. inclure les marchés émergents, c. concentrer davantage de pays, d. combiner à la fois quantitative et l'étude qualitative, e. inclure à la fois le siège et ses filiales et f. inclure la haute direction (les décideurs) et de la gestion du milieu (les exécutants).

Comme nous l'avons mentionné précédemment, il n'existe aucune preuve trouvée pour analyser la performance de l'exécutif au coût (le montant dépensé pour l'envoi des cadres pour le fonctionnement de la filiale). Les recherches futures devraient examiner la performance de l'exécutif international pour identifier le rapport coût-efficacité dans des missions internationales.

Les répondants à cette étude ont démontré qu'ils utilisent un mélange de tous les cadres (PCN, HCN, TCN). Des études existantes sont limitées, plus de recherches sont nécessaires sur les facteurs qui influencent la décision de sélection de l'organisation. PCN sont déployés à l'exploitation des filiales non seulement de contrôler la filiale et de diffuser les connaissances, mais aussi pour faciliter l'entrée dans de nouveaux marchés et de développer des compétences de gestion internationales. En revanche, les multinationales remplacent les PCN avec HCNs dans certains endroits en raison de la disponibilité des HCNs dans l'environnement de filiale. En conséquence, les rôles joués par les expatriés changent. Littérature existante a démontré les différents rôles joués. Mais nos résultats de recherche indiquent que la plupart des PCN contrôlent toujours la filiale et très peu HCNs sont à des postes clés et il n'y a aucun signe de ressortissants de pays tiers dans les postes de direction.

**MULTINATIONAL COMPANIES EXECUTIVE SELECTION PRACTICES – CHALLENGES OF HUMAN RESOURCE MANAGEMENT IN INTERNATIONAL BUSINESS MANAGEMENT**

**Abstract and Key Words**

Multinationals that are moving abroad for its subsidiary operation may use any one of the typology such as Global, Multi-domestic, Transnational, and International strategy in order to manage and maintain their business abroad. International staffing is a critical element of the implementation of the four strategies for doing business globally. In staffing the international operation, the organization may follow one of the three staffing approaches or a combination of three approaches (PCN, HCN, TCN) depending on their domestic circumstances and the life cycle of the MNC. In all the three staffing approaches (Ethnocentric, Polycentric, Geocentric) PCNs, HCNs and TCNs are used. But they will differ in relative proportions. There is little evidence in support of the utilization of HCNs and TCNs. Most of the research focused on expatriates (PCNs) than HCNs and TCNs. Therefore we want to explore on what situations multinationals use HCNs and TCNs. Further the study investigates the alignment between international business strategy and executive staffing. Theoretical foundations are drawn basically from existing literature.

Primary data were collected from top executives of 22 multinationals. In depth interviews were conducted and open ended questions were used to examine the alignment between international business strategy and executive staffing for subsidiary operation, expatriate roles during organization's different life cycle. The multinationals participated in our sample are from Singapore, Dubai, India, France, Netherlands, and Belgium. The data analysis is based on interpretative philosophy. The analysis of the proposed research expectation revealed that the pattern of result is consistent when higher the pressure for standardization, utilization of ethnocentric staffing (PCNs) is more. Whereas the pressure for standardization is low, then multinationals used other staffing approaches - polycentric staffing (HCNs). The pattern is partially consistent with strategy staffing alignment when the higher the local responsiveness then the utilization of polycentric staffing should be more. But in the given situation, ethnocentric staffing is slightly more than polycentric even when the local responsiveness is high. The findings extend the application of the underpinned theories and their beliefs in explaining the business strategy and executive staffing relationship and contribute to the body of knowledge. Implications of the results and direction for future research are recommended.

**Key Words:** Multinational Companies, International Business, Subsidiary, Key Executives, Strategy, Global Strategy, Multi – domestic strategy, Transnational strategy, Ethnocentric Staffing, Polycentric Staffing, Geocentric Staffing.

**Résumé et mots clés**

Les multinationales qui s'implantent à l'étranger en créant des filiales peuvent recourir à la stratégie globale, multi-nationale, transnationale et internationale afin de gérer leurs entreprises à l'étranger. Le recrutement international est un élément essentiel de la mise en œuvre des quatre stratégies d'implémentation à l'étranger. Pour le recrutement, l'organisation peut suivre l'une des trois méthodes de dotation ou combiner les trois approches (PCN, HCN, TCN) en fonction des circonstances nationales et du cycle de vie du MNC. Dans les trois approches de recrutement (ethnocentrique, polycentrique, géocentrique) PCN, HCNs et TCN sont utilisés. Toutefois, ils diffèrent dans des proportions relatives. Il y a peu de preuves à l'appui de l'utilisation des HCNs et TCNs. La plupart des recherches ont porté sur les expatriés (PCN) de HCN et TCN. Pour cette raison, nous voulons étudier, dans notre travail, dans quelles situations les multinationales utilisent les approches HCNs et TCN. Notre étude examine l'alignement entre la stratégie commerciale internationale et le recrutement des dirigeants. Les fondements théoriques sont tirés essentiellement de la littérature existante.

Les données primaires ont été recueillies auprès des cadres supérieurs de 22 multinationales. Des entretiens approfondis ont été menés et des questions ouvertes ont été utilisés pour examiner l'alignement entre la stratégie commerciale internationale et le recrutement des dirigeants dans une filiale, le rôle joué par les expatriés au cours des différents cycles de vie de l'organisation. Les multinationales participant à notre échantillon proviennent de Singapour, Dubai, Inde, France, Pays-Bas et Belgique. L'analyse des données est basée sur la philosophie interprétative. L'analyse des propositions de recherche révèle que le modèle de résultat est cohérent lorsque la pression de la normalisation est plus élevée et l'utilisation de la dotation ethnocentrique (PCN) est plus importante. Plus la pression de la normalisation est faible, plus les multinationales ont recouru à d'autres méthodes de recrutement- recrutement polycentrique (HCNs). La structure est partiellement cohérente avec l'alignement de la stratégie de recrutement lorsque plus la réactivité locale est plus élevée que le recrutement polycentrique ne devrait être. Mais dans une situation donnée, le recrutement ethnocentrique est légèrement plus polycentrique, même si la réactivité locale est élevée. Les résultats étendent l'application des théories soutenues pour expliquer la stratégie de l'entreprise et le recrutement des dirigeants et cadres et contribuent au développement des connaissances. L'implication des résultats et des recherches futures sont recommandés.

**Mots clés:** Les entreprises multinationales, International Business, Filiale, Principaux, dirigeants, Stratégie, Stratégie mondiale, Stratégie multi – domestique, Stratégie transnationale, Recrutement Ethnocentrique, Recrutement polycentrique, Recrutement géocentrique.