

**Stream 6. Human Resource Management**

**Interactive session**

**Developing Global Performance Management Processes**

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##### *Abstract*

*This manuscript seeks to understand the formation of human resource (HR) management climate in multinational organizations as it is impacted by the introduction of a particular type of global assignee, the global manager. We herein raise the question of and how existing global performance management processes must be modified to effectively influence global managers' perceptions of HR effectiveness. We claim that the utilization of global managers creates a new, unique "climate" within multinational corporations which requires attention from HR management in terms of attracting, developing, and retaining qualified global managers. Using attribution theory as a theoretical cornerstone, we analyse the performance management process by focusing on the attributions global managers make and how these might specifically influence global HR management effectiveness. This conceptual paper has highlighted an important theme and we hope that it will incite empirical investigation in this under researched area.*

**Keywords:** *Global manager, HRM climate strength, HRM effectiveness, performance management*

## Developing Global Performance Management Processes

### Introduction

One manner in which human resource management (HRM) effectiveness may be assessed is by contemplating the effectiveness of the performance management (PM) process. An effective PM is widely recognized as a management tool to specifically help evaluate and improve individual performance and corporate performance (Chiang & Birtch, 2010; Claus & Briscoe, 2009). In this manuscript, our efforts serve to understand how HRM effectiveness influences HRM climate and thus individual and multinational corporation (MNC) performance. While the link between these concepts is not new, we observe that there is a gap in the current literature, namely that of contextualizing these relationships to fit the global employee (see Reiche, 2012).

HRM climate has been suggested to impact MNC performance greatly (Nishii, Lepak & Schneider, 2008) and we claim that attention to managing this new, unique “climate” within MNCs will continue to attract, develop and retain (see Farndale, Scullion & Sparrow, 2010; Schuler, Jackson & Tarique, 2011) an amalgam of qualified global managers. It is our claim that the perception a global manager has of the PM process and thus HRM climate must be managed differently compared to non-global managers. Only then can HRM be effective. Studying or uncovering global assignees’ PM perceptions may help organizations identify the means by which PM measures should be modified to fit global needs. Enhancing our understanding of how global managers might perceive existing PM processes would help to build a bridge such that modified global assignees PM can contribute to a stronger HRM climate and thus MNC performance. Global managers consist of four particular categories: host-country nationals of MNCs, expatriates, inpatriates and third- country nationals. An expatriate manager is anyone who works outside of his or her home country, with a planned return to that or a third country. An inpatriate manager is usually sent from the subsidiary and is relocated to headquarters (HQ) (Harvey et al., 2005). A third country national manager is an expatriate who has transferred to an additional country while working abroad and host country nationals are managers who work in the subsidiaries of the MNC. We note that the term non-global manager refers to all employees, at all hierarchical levels, who do not match the definition of global employee as defined above.

To gauge PM in the light of global managers, we utilize Bowen and Ostroff's (2004) HRM effectiveness framework to analyse the attribution process, noting that one may make internal (i.e. dispositional) and external (i.e. situational) attributions. We specifically link global assignment characteristics to Bowen and Ostroff's (2004) proposed HRM effectiveness dimensions of distinctiveness, consensus, and consistency. Bowen and Ostroff (2004) argue that in order for the MNCs' HRM strategy to be effective, employees should perceive HRM as distinctive (i.e. both the event and outcome are highly observable), consistent (i.e. both the event and outcome are the same across modalities and time), and consensual (i.e. the idea that there is agreement between entities as to the relationship between the event and its outcome). Bowen and Ostroff (2004) suggest a link between: 'practices' and 'processes' and that HRM practices (herein, global practices) must be delivered such that employees may empathize with these. We therefore argue that the use of global assignees requires a unique set of PM principles, which must be conveyed to the global manager. The objectives of this conceptual study are threefold, in that we set out to (1) refine our understanding of the formation of "climate" in a global HRM setting; (2) examine how HRM climate creation is correlated to MNC performance; and (3) explore modes to interpret and improve the global managers' perceptions of HRM and its effectiveness.

The gap identified in extant literature indicates that the global assignees' PM process has been neglected to reflect the unique nature of global managers' assignment experiences. The manuscript will shed light on this issue by progressing as follows: First, we describe the PM process and the impact it has on HRM climate creation. In this section, we introduce attributional theories in the context of the global manager's PM. Secondly, we adopt Bowen and Ostroff's (2004) HRM framework to help us bring to surface potential attributions made by global managers and to shed light on what aspects of PM would enable the creation of an HRM climate encompassing demands imposed by a variety of staffing methods. Thirdly, we offer propositions relative to the HRM effectiveness that can influence the climate creation process. **This conceptual paper draws from an extensive literature search of the PM issues pertinent to the global manager. See Table 1.**

### **The Global Manager's Performance Management and HRM Climate Creation**

Management scholars examining the mediating mechanism through which HRM can make a difference in MNC's performance outcomes have defined HRM as either content- or process-specific

(Combs, Yongmei, Hall & Ketchen, 2006). The *content-based approach* focuses on the intrinsic qualities attached to the content of HRM practices (Wood & Wall 2005). The *processes based approach* emphasizes the importance of the psychological processes through which employees attach meanings to HRM practices (Bowen & Ostroff, 2004). The content of PM focuses on the virtues and vices attached to the PM, which involves planning, execution, assessment, review, and performance renewal (Aguinis & Pierce, 2008). While there is no shortage of evidence illustrating the issues associated with the PM *content* or “best practices approach” (Bradley & Ashkanashy, 2001; Clauss & Briscoe, 2009), it is nevertheless the *process* of PM that remains largely unexplored by scholars and has not been applicable to the all types of global assignees. The premise on which this manuscript sits is that global assignees require a unique set of PM processes.

An effective PM is widely recognized as a management tool to specifically help evaluate and improve individual performance and corporate performance (Chiang & Birtch, 2010; Claus & Briscoe, 2009). The PM processes can be viewed as a symbolic or signalling function by sending messages that employees use to make sense of and define the psychological meaning of their work situation (e.g. Rousseau 1995). All HRM practices and policies constantly communicate messages and often in unintended ways. For example, messages can be understood idiosyncratically, whereby two employees interpret the same practices differently (Guzzo & Noonan, 1994).

In the case of the global manager, the PM system may not elicit appropriate collective behaviours and attitudes needed for effectiveness, because the global manager may interpret the PM process uniquely, leading to variability in perceptions compared to the non-global manager. We consider that an enhanced understanding of the mechanisms at play in the process of the global manager’s PM would enable the construction of a stronger HRM climate. Based on Bowen and Ostroff (2004), a strong organizational climate exists only when perceptions are *shared* across people. We further note that the HRM climate is simultaneously dependent upon ‘HRM content’, ‘HRM context,’ and the ‘HRM process’ (see Figure 1).

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HRM climate is an important indicator to MNC performance and is defined as the way in which individuals share a common interpretation of what behaviors are expected and rewarded (Bowen &

Ostroff, 2004). A strong HRM climate, according to Bowen and Ostroff (2004), requires HRM decision-makers to send messages that are distinctive, consistent, and have consensus. The features of distinctiveness, consistency and consensus (first identified in Kelley's 1967 covariation principle) serve as a communication mechanisms that signal to employees to engage in certain behaviors and that may impede or facilitate the communication process. According to Bowen and Ostroff (2004, 207), 'the more HRM practices send strong signals about what MNCs' objectives are most important and what employee behaviors are expected, supported and rewarded relative to those objectives, the more likely it is those objectives will be achieved.' From that we take that it is crucial for organizations to set up global-specific principles that allow global assignees to identify with organization's objectives. As stated above, the more likely global managers identify with the MNC's objectives, the more likely these objectives are achieved. In attribution terms, a strong HRM climate is implied as a situation in which employees share a common psychological interpretation of what is important (Schneider et al., 2002).

#### **Attributions in the context of global assignees' performance management**

In recent years, social psychological research has produced a body of knowledge termed attribution theory, which describes the processes involved in making causal inferences (Divitto & McArthur, 1978). Later enhancements to the early attribution work include 'attributional theories' (i.e. Bowen & Ostroff, 2004) and in addition to causal features, incorporates the consequences of the antecedents and the recognition of the significance of HRM climate. According to Harvey Speier and Novicevic (1999) these processes include assessing the global managers' individual cognitive and learning styles, such as their attributional and explanatory style differences. Kehoe and Wright (2010) concur with this argument by stating that few studies have considered the important role of employees' perceptions of HRM practice. The literature in relation to the global manager's PM process has been summarised in table 1.

The HRM *process-based approach* highlights the importance of the psychological processes through which employees attach meaning to HRM management practices. According to this view, the same HRM practices may result in different individual or organizational outcomes if employees find it difficult to attach only one kind of meaning. Along this line of reasoning, Bowen and Ostroff (2004), argue that any inherent virtue attached to the content of PM cannot be fully realized unless the PM is

delivered in a way that the MNC intended and, in order for the PM to be effective it must be perceived in the environment of a ‘strong HRM climate,’ that has been established earlier as achieving the qualities of distinctiveness, consistency and consensus.

Research suggests that attributional styles may vary with cultural orientation (Crittenden & Lammung, 1988). Differences in cultural orientations result in biases. Biases are most obvious when they have to “fill in the gaps” or make judgments based on ambiguous information. In such a situation, their beliefs or schemata are often used to make inferences about what they have observed (Ehrenhaus, 1983). Translating these ideas in the global context, it is presupposed that global compared to non-global assignments may experience fluctuation in terms of biases that are experienced while on assignment and particularly during the appraisal process of PM. Attribution theory would suggest that the amendment of HRM practices and policies to fit the global model is imperative to generate acceptance of global assignees throughout the organization. Harvey Speier and Novicevic (1999) suggest that global assignees may tend to make attributions about events and behavior far differently than their domestic counterparts, resulting in potential misunderstandings, frustration, or inefficiency (Martinko & Douglas, 1999). According to Bress, McKay and Martinko (2013) these attributions may well result in high levels of aggression in some international employees. It is as such expected that global managers experience PM differently than other employees. Figure 2 showcases the process of the interrelated elements of PM, HRM effectiveness, HRM climate, and firm performance, with the underlying argument that the process unfolds differently for global managers.

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### **Global Manager’s Perspective to Bowen and Ostroff’s HRM Effectiveness Framework**

Kelley (1967) first identified three major antecedents that will affect the perceiver (or, in this case the global and non-global managers): the perceiver’s information, beliefs and motivation (Jones & Davies, 1965). ‘Distinctiveness’ of information suggests the extent to which a given response is unique to a particular event or person. ‘Consistency’ of information refers to the extent to which an event or action is consistent across a similar context or time. ‘Consensus’ of information indicates the extent to which the behavior or event is widely shared. Causal factors for beliefs will be based on: (1) locus of control;

(2) pervasiveness; and (3) permanence, and these factors will vary according to the force of the home culture (Mendenhall & Oddou, 1986). For example, the global and non-global manager typically has different cultural origins and, as a consequence the chances of misattribution are increased (Harvey & Miceli, 1999). The misattribution may deny the global manager the opportunity to get social support from collaborations with other non-global staff, making their transfer environment more stressful and less likely to succeed (Harvey, 1993). Motivational factors will determine when the global manager makes attributions and, whether she/ he seek causal understanding in an open-ended way or are preoccupied with a particular causal question.

In sum, the information that global and non-global collect, their beliefs as well as their motives are the principal causal effects on the attributions they make in regards to the behaviors that are central, expected and rewarded in a certain relevant environment. As we have maintained previously, the case of attribution is also vital to consider for the non-global. How the non-global perceives the global manager will have substantial impact on the global manager's prospect of acceptability in her/his new environment (McGraw, 2002; Moeller, Harvey & Griffith, 2013).

#### **Performance management process**

According to the rationality of HRM process (Bowen & Ostroff, 2004), the PM may result in different individual or organizational outcomes if global and non-global managers find it difficult to attach only one kind of meaning from the messages conveyed by HRM decision-makers in relation to the PM. Along this line of reasoning, when the PM process fulfils these criteria (i.e. distinctiveness, consistency, and consensus), the PM will be delivered in a strong HRM climate and both global and non-global managers will understand the behaviors that are expected and awarded by the MNC (Lopez-Cabrales, Vale & Herrero, 2006; Sanders, Dorenbosch & de Reuver, 2008).

#### **Distinctiveness in the performance management process**

Bowen and Ostroff (2004) posit that HRM management must be distinctive such that the global HRM practices and policies must be different to and/or adapted from existing HRM practices and policies. Put differently, distinctiveness refers to elements of visibility, understandability, and legitimacy of authority. Accordingly, to the theory of HRM process, the PM will be distinctive when the MNC's purpose for their PM system is understood by both global and non-global managers. Nonetheless, the extant literature indicates that the MNC's purpose for conducting the PM is poorly communicated and



not easily understood within the MNC (Chiang & Birtch, 2010; Milliman et al., 2002; Nankervis & Compton 2006; Shen, 2004). Additionally, the supervisor and employee's perceptions of the purpose of the PM are often incongruent (Maley & Kramar, 2007; Milliman et al., 2002; Ostroff & Schmitt, 1993), which results in information asymmetry and goal incongruence between the MNC and the employee (Shen, 2004).

Evidence is clear that senior management and employees do not always experience a shared understanding about the purpose of the MNC's PM (Maley & Moeller, 2014; Nankervis & Compton 2006). The concern here is that employees do not discern the PM as the MNC intended (Cropanzano, Bowen & Gillard, 2007). The purpose of the PM is misinterpreted because it is not adequately communicated from the echelons of senior management and HRM decision-makers to the global and non-global manager. Senior management within the MNC are habitually caught up with quantitative objectives and financial goal setting (Chiang & Birtch, 2012; Chung, Gibbons & Schoch, 2006; Faulkner, Pitkethly, & Child, 2002; Kaplan & Norton, 1996; Maley & Moeller, 2014; Shibata, 2000), while, neglecting attention to individual employee performance and motivation (Maley & Kramar, 2014). This may manifest itself by the supervisor: 1) allowing insufficient time for the PM, thereby giving inadequate feedback (Atwater, Waldman & Ostroff, 2005; Maley & Kramar, 2007; Milliman et al., 2002; Sully De Luque & Sommer, 2000); 2) not allowing time for employee expression (Milliman et al., 2002; Cropanzano, et al., 2007); 3) enforcing goals on the employee without discussion (Brown and Benson 2003); 4) not following up the performance appraisal interview (Maley & Moeller, 2014); and 5) not discussing future career or promotional opportunity (Brown & Benson, 2003). As a result, many employees feel that the PM lacks procedural justice and is unfair (Heslin & Vande Walle, 2011). Evidence is overwhelming; the purpose of the PM for both the global and the non-global manager needs to be distinctive. We therefore propose the following:

***Proposition 1:** If the purpose of the global manager's performance management is poorly communicated, it will negate the performance management process' distinctiveness.*

### **Consistency in the performance management process**

Bowen and Ostroff (2004) posit that HRM management must be consistent such that global managers perceive a sense of instrumentality, validity, and consistency across HRM management messages. PM consistency is particularly challenging to achieve when large cultural distance and language

differences exist, as they frequently do between the global and non-global managers. The cultural gap and language differences that may exist between the global and the non-global manager will have an influence on global manager's reaction to PM process (Chiang & Birtch, 2010; Claus & Briscoe, 2009). In addition to the perception of PM process inconsistency, there exists three additional dimensions of PM process where cultural and language inconsistencies will have an immense effect on the global manager's attribution of the PM process. The first dimension, concerns reward. The global manager may perceive that her/his new reward system as inconsistent. Chiang and Birtch (2012) maintain that the emergence of "pay for performance" paradigms necessitates that the US-centric economic and behavioural theories (e.g. exchange theory) that underpin reward-performance be revisited and extended if they are to be applicable to all global employees. The second dimension refers to learning styles (Harvey & Miceli, 1999; Harvey et al., 2005; Hofstede & Bond, 1988). While the global manager's previous limited exposure to HQ style educational methods may influence their ability to learn, they still have a preferred learning style in which they are more effective learners (Booth & Winzar, 1993). Consequently, MNCs need to consider learner diversity and the differing attributes of the global manager. The third dimension refers to the influence of cultural and language differences on the global manager's attribution of her/his ability to form beneficial interpersonal relationships at work (Lee, Reiche & Song, 2009). According to Harvey et al., (2005) the global manager's interpersonal skills and culturally-driven behaviors may not fit the new context or environment, leading to misperception of her/his behavior. Language contrasts, are likely to aggravate the situation (Brannen, 2004; Harzing & Freely, 2008). In effect, until the global manager can acclimatize her/his attributes, tolerate ambiguity, learn the appropriate social cues and appropriate behaviour, she/he may be perceived as asocial or handicapped regarding the ability to perform effectively in the new HQ environment (Harvey & Miceli, 1999). Consequently, If a large cultural gap exists, it will almost certainly adversely influence consistency in the PM process for both the global and non-global manager. As a result, we propose the following:

***Proposition 2:** If global manager's cultural and language differences are persistently not managed, they will negate the performance management process' consistency.*

### **Consensus in the performance management process**

Bowen and Ostroff (2004) speak of HRM management to be consensual in the sense that agreement

among principal HRM decision-makers must exist for the implementation of HRM practices and policies to work. Fairness is noted as the global manager's perception of whether HRM practices and policies pursue extents of distributive, procedural, and interactional justice. According to the foundation of attribution theory, the global manager's past experiences and future expectations will influence their perception of the PM consensus. Past experiences will influence the global manager's functioning (Harvey, Reiche & Moeller, 2011) and they will perceive the PM differently from their non-global colleagues, e.g. there will be a lack of consistency in the attributions of global and non-global managers.

If the expectations of the global manager are not realized, there may be dissension in what the global manager anticipates should happen and what actually does occur as a result of the PM. She/he will feel compromised, and may perceive that the PM process has not been consensual (Maley & Kramar, 2007). Ultimately, the outcome of the disparity in cultural background and past experience of the global and non-global manager is that there is unlikely to be consensus of their attribution on the PM process. We therefore propose the following:

*Proposition 3: If the global manager's performance management expectations are persistently not met, it will negate the performance management process' consensus.*

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### **Managing global managers' perceptions**

We suggest that HRM practices and policies must be modified to fit the specific needs of the global manager. In addition to the written modifications, HRM practices must be delivered in a way such that employees (global and non-global) can perceive the HRM practices and policies as employers intended; that is, to serve the specific needs of global and non-global assignees. While global managers can make a significant contribution, it is imperative to understand the problems associated with the international relocation of global employees (Fenwick, 2004). The sheer diversity of the global candidate pool poses a potential problem relative to their inclusion into the organization as well as the local environment (Harvey, Speier & Novicevic, 2001). The differences in the amalgam of global managers necessitate a well-articulated support system to be developed by the relocating organization.

This support system not only has to address the relocation problems, but must also incorporate a support package for the global manager's family.

Handling the global manager's perceptions with regard to a global assignment starts with a clear communication process during recruitment and selection. Firstly, the global manager must understand the purpose of the assignment and the probable duration of the assignment. Secondly, the training and support must include variations for language differences. There are several approaches that may be taken dependents on the context. This could include functional multilingualism (i.e. muddling through), external language resources, and in-house training (Freely & Harzing, 2003). Thirdly, the training for cultural competency must be extensive, ongoing and include all members of the global manager's family (Harvey, et al., 2001). Thus, the importance of successfully integrating global managers is paramount in managing their perceptions.

### **Summary and Conclusion**

This paper has explored the psychological processes, relative to attributional configurations potentially formed by global managers, and proposed that differences in global managers must be managed such that they contribute to and yield HRM effectiveness. The effectiveness of HRM has been determined to result from the proper management of consensus, consistency and consent to HRM practices and policies. In sum, we argue that HRM practices and policies cannot be fully realized unless they are delivered in a way that employees perceived the HRM practices and policies as their employers intended. We assert that the unique situation of the global manager combined with a fragile PM process may result in a weak HRM climate and ultimately a defective PM process. For that reason, HRM departments of HQ organizations are urged to address the special support needs of global managers. **This paper is the first step in has highlighted an important theme and we hope that it will encourages empirical investigation in this under researched area.** Hopefully, this present effort at theory building on the strength of the HRM system can begin to help explain how HRM practices lead to effective global manager's performance. A real contribution to performance (in its multidimensional sense) will only occur empirical studies approach global HRM from a more all-inclusive viewpoint, including part of the MNC climate and culture, aimed at bringing about the alignment between individual values and corporate values. This will be difficult for competitors to emulate and thus contributes to sustained competitive advantage.

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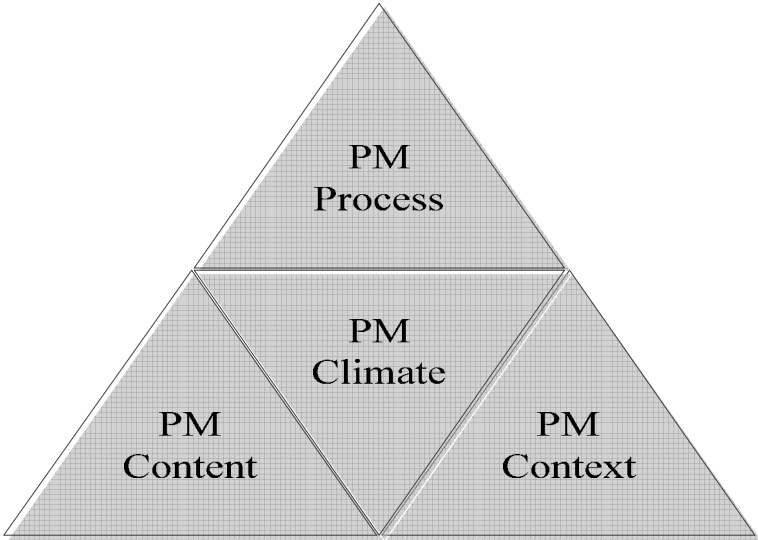
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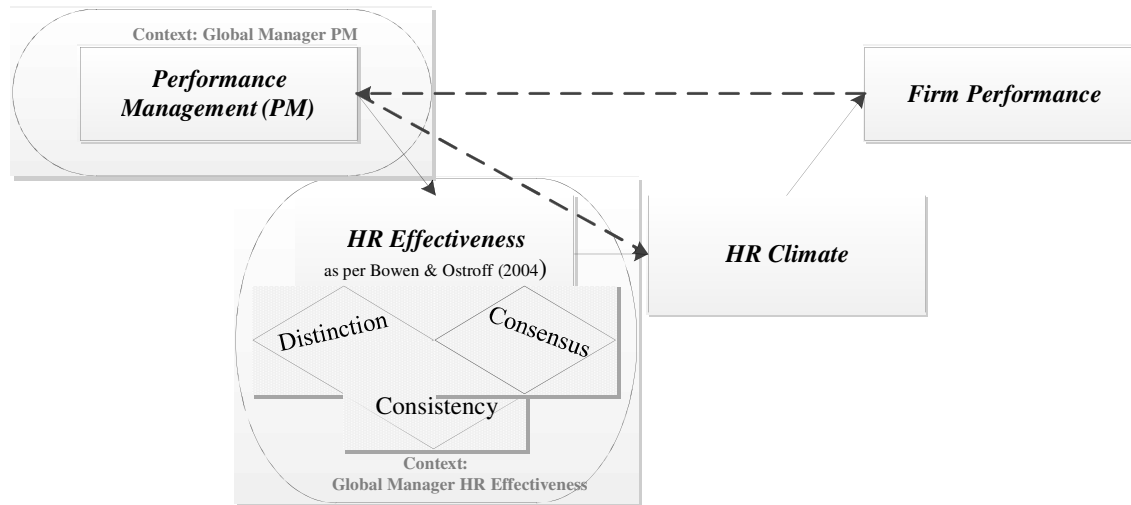
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**Figure 1 Features of an Effective HR Climate**



**Figure 2 Linking Performance Management, HRM Effectiveness, HRM Climate, and Firm Performance**

**Table 1 Summary of the Literature Relevant to Global Manager's Performance Management**

Author/s	Relevance to PM
Aguinis & Pierce, 2008; Bradley & Ashkanashy, 2001 Clauss & Briscoe, 2009; Combs et al., 2006; Wood & Wall 2005.	Content of HRM practices
Cropanzano, et al., 2007; Guzzo & Noonan, 1994; Rousseau 1995	The PM processes sends messages that define psychological work
Chiang & Birtch, 2010; Milliman et al., 2002; Nankervis & Compton 2006; Milliman et al., 2002; Ostroff & Schmitt, 1993; Shen, 2004	Purpose PM is poorly communicated
Chiang & Birtch, 2012; Chung, et al., 2006; Faulkner et al., 2002 Kaplan & Norton, 1996; Maley & Kramar, 2007 Maley & Moeller, 201; Shibata, 2000	Quantitative objectives and financial goal setting
Atwater, et al., 2005; Brown and Benson, 2003; Cropanzano, et al., 2007; Maley & Kramar, 2007; 2014; Milliman et al., 2002; Sully De Luque et al., 2000	Insufficient feedback
Erdogan, et al., 2001; Heslin et al., 2011; Schulte, et al., 2006	Poor PM impacts employees' motivation
Booth & Winzar, 1993; Brannen, 2004; Bress, McKay and Martinko (2013); Chiang & Birtch, 2009; 2012; Claus & Briscoe, 2009; Crittenden & Lammung, 1988; Kang & Yanadori, 2011; Groeschl, 2003; Harvey, 1997; Harvey et al., 1999; Harzing & Freely, 2008; Harvey et al., 2005; Hofstede & Bond, 1988; Lee, Reiche & Song, 2009; (Martinko & Douglas, 1999.	Poor transferability of PM across cultures



