MNC’s Labour Utilisation Strategies: Individual and Organisational Perspectives

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Abstract

Introduction

The growth in internationalization of economic systems is being mirrored by the amount of attention being paid to issues of international HRM research. With the increasing globalisation of trade, commerce and capital in the 1990s, international job mobility is becoming a more common experience for a growing number of companies (Forster, 1997). For many companies, the successful management of expatriate
assignments will be an important part of the success of their overseas commercial activities.

However, a review of the international HRM literature highlights the concern that there has been an almost-exclusive focus on international transfers, considered in terms of a traditional expatriate assignment of a parent country national to a host country. In addition, there has been much research based on theories of cultural adjustment and HR policies formation.

**From International Transfers to MNC’s HR Architecture**

This narrow focus to date has masked the complex array of issues facing organisations in global labour markets. In the domestic HRM literature, it has been recognised that many organisations are depending increasingly on external workers, such as temporary employees and contractors in addition to the use of internal full-time employees. In reality, organisations use a variety of approaches to allocate human capital, and often use these forms simultaneously (Davis-Blake & Uzzi, 1993). This is particularly relevant to international HRM, where organisations face further choice of human capital allocation between internal and external resources, but also domestic and international employees. Therefore, there is a need to investigate how various combinations of employment can lead to competitive advantage for the organisation.

As noted by Lepak and Snell (1999), most SHRM researchers have tended to take a holistic view of employment and human capital, focussing on the extent to which a set of practices is used across all employees of an organisation. In terms of international HRM research, this has been evidenced by the exclusive focus on HR practices as they
apply to international transfers. By ignoring the possible existence of different employment practices for different employee groups within an organisation, this approach appears monolithic. It may be inappropriate to simplify the nature of human capital investments and suggest that there exists a single optimal HR architecture for managing all employees. Given the diversity of a global labour force faced by MNCs, this is certainly the case.

**Limitations of the Current Literature**

The literature on expatriate issues falls into three broad categories: the individual’s ability to adapt, human resource development (HRD) processes, and corporate strategy (see Figure 1).

The first body of literature focuses on the how the individual is able to adapt to new cultures, and provides in-depth analysis of adjustment issues, communication problems and inter-personal relationships. The theoretical framework for many of these studies tends to be based on Hofstede’s theory of cultural dimensions (1983, Hofstede, 1980, 1983), as well as much research from the field of organisational psychology, such as impression management theory.

The second body of literature focuses on human resource development (HRD). With some notable exceptions, the majority of writing on international transfers has come from the United States, has concentrated on traditional multinational organisations (MNCs) and has tended to follow the relatively easy-to-study cycle of transfers: from selection and training, through the relocation and adjustment to repatriation. This literature has given us an extensive knowledge of the HR issues involved in organizing
international assignments. This literature has typically studied each phase in the expatriate life cycle independently, with little attention given to the interconnectedness of the key issues.

Lastly, is the literature on corporate strategy. There has been less attention paid to the strategic antecedents of the appointment decision (i.e., whether and expatriate was the appropriate way to fill the assignment) or the manner in which the appointment was made. There has been very little research since the seminal work of Perlmutter and Heenan (1974) into the question of when it is appropriate to use expatriates (see also Mayrhofer & Brewster, 1996, Ondrack, 1985). Indeed, much of the literature fails to question either the use of expatriates or the reality of the manner of their appointment. Rather, most of the literature examines the use of expatriates in fulfilling the strategic role of coordination, control or the transfer of knowledge.

Figure 1: Current Literature

![Diagram showing the relationship between dependent and independent variables in expatriate failure rates. The diagram includes sections labeled 'The Individual', 'HRD Processes', and 'Corporate Strategy'. The dependent variable is 'Expatriate Failure Rates' and the independent variables are listed under each section.]

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The three main bodies of literature on expatriation do not provide an adequate representation of some of the key issues facing MNCs. The shortcomings identified below have traditionally fallen outside of the scope of expatriation research. Using these shortcomings as a starting point to develop a new theoretical framework will lead to a more comprehensive understanding of an MNCs labour utilisation strategy.

**Linking Expatriation Decisions with Corporate Strategy**

Central to the study of expatriation at the organisational level is the linkage of expatriation policies with international corporate strategy (Scullion, 1996). Dowling, Schuler and Welch (1994) demonstrate that there is an important interconnection between international HRM and the organisational context. Thus, to achieve a satisfactory level of global familiarity and competence, it is necessary to recognise the interrelationship of all aspects of HR activities and the need for those activities to be mutually supportive and enhancing. This actually begins with integrating the organisation’s international management functions and its strategic thinking.

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expatriates in fulfilling the strategic role of coordination, control or the transfer of knowledge.

**Over-reliance on HR Processes**

As noted by McMahan, Bell and Virik (1998), the issues that emerged as a result of cross-cultural interactions and movements of people around the world were those of expatriate management, staffing, compensation and matters that dealt with differences in parent and host company personnel policies. Several authors examined these issues of expatriate management with the focus on the examination and improvement of specific HR practices that aimed at specific HR outcomes such as the reduction of turnover or the maintaining of internal equity (McMahan, Bell, & Virik, 1998).

Black, Mendenhall and Oddou (1991) recognise the paucity of adequate expatriate research, noting that the existing literature is primarily anecdotal or atheoretical. While it is recognised that the international HR issues which have been researched are of practical importance to personnel managers, this work has recently been criticised by Kochan et al (1992) as focussing too narrowly on functional activities, and lacking appropriate theoretical structures. Indeed, they suggest that much of the IHRM literature suffers from the same conceptual and normative limitations of much of the traditional domestic personnel research, and that the work is largely an extension of the field of personnel management designed to meet the needs of international companies.

In broad terms, the HRD research on expatriate failure has followed a life-cycle pattern, with early attention on the early stages of the assignment and a gradually developing focus on the more complex issues of performance and return. This literature
has typically studied each phase in the expatriate life cycle independently, with little attention give to the interconnectedness of the key issues.

‘Failure’ is the Relevant Measure

While there is now a mature literature on many aspects of the management of employees on international assignments, there is still considerable controversy about the number of expatriates who actually fail in these (Forster, 1997). Extensive investigation by Harzing (1995) reveals that there is very little empirical evidence for the persistent claim of high expatriate failure rates when measured as premature returns.

Tung (1987, 1984, 1988, 1981, 1982) is one of the few researchers who has conducted empirical research on expatriate management. In a sample of 80 American, 29 West European and 35 Japanese MNCs with subsidiaries in Western Europe, Canada, Middle/Near east, Eastern Europe, Latin/South America, Far East, Africa and the United States, research has been conducted on the following issues: staffing policy; selection criteria for overseas assignments; procedures used to determine the suitability of a prospective expatriate for a foreign position; the type and extent of pre-departure training; and the success rate and reason for success.

Generally speaking, the recall rate of US MNCs is considerably higher than that of their European and Japanese counterparts. While 76 per cent of the US MNCs in Tung’s study have recall rates above 10 per cent, this goes for only 3 per cent and 14 per cent of the European and Japanese MNCs respectively.

Most publications on the topic of expatriates failure rates defines and measure this as the percentage of expatriates returning home before their assignment contract expires.
However, premature re-entry may be an inadequate way to measure expatriate failure. It could be argued that those expatriates who stay in their assignment but who fail to perform adequately are potentially doing more damage to the company than the ones who return early. Furthermore, successful completion of a foreign assignment does not mean that the possibility of expatriate failure has been avoided. Sometimes, returning home poses even larger problems than the foreign assignment itself.

Accepting a broader definition of expatriate failure rates that acknowledges the role of other (eg. domestic) employees provides a more accurate assessment of the assignment as well as a more strategic view of expatriation.

**The Role of ‘Other’ Employees**

Typically, expatriation research focuses solely on the experiences and issues related to the expatriate. As noted by Kochan et al’s (1992) critique, the current literature in IHRM defines the field too narrowly. Kochan et al (1992) argues that a new field of IHRM studies should be built around a broader set of questions, which considers the lessons and outcomes for all stakeholders and not just multinational firms and their managers.

Limited research has been conducted to understand better the issues of expatriation from the perspective of host country employees. Hailey (1996) interviewed host country managers employed in European, Japanese, and US MNC’s in Singapore. He found that Singaporean managers tended to interpret the continued employment of expatriate managers as a sign that the parent company did not trust local managers and, perhaps even worse, as an expression of the ‘colonial mentality’ of the parent companies.
Singaporean managers also questioned expatriate effectiveness. Expatriates were viewed as inflexible and unable to adjust to local cultural norms. In addition, expatriates tended to isolate themselves in an ‘expatriate lifestyle’ and frequently failed to make contacts with the local business community. Half of the managers in Hailey (1996 p. 266) sample also ‘reacted angrily to what they saw as the insensitivity and even insulting behaviour of their expatriate managers.’ While the general tone of Hailey’s (1996) article is clearly anti-expatriate, his interviewees perhaps unintentionally provided support for those that would argue for the continued use of expatriates. Nearly three-quarters of the Singaporean managers stated that expatriates relied too heavily on head office procedures and were ‘blindly obedient to headquarters.’ To maintain effective control in their subsidiaries, it would seem highly likely that the average MNC would want a certain amount of blind obedience to their directives.

Other studies tend to support Hailey’s (1996) findings. For example, Simon and Davies (1996) interviewed 28 Hungarian managers employed in 14 international joint ventures in Hungary. They reported that; ‘Nearly every Hungarian manager commented upon the attitudes of expatriate managers and how they looked down on Hungarians, considering themselves superior’ (Simon & Davies, 1996 p. 276). The Hungarian managers were especially resentful of the reward differentials between local and foreign managers. Expatriates were often provided with (Simon & Davies, 1996 p. 281) ‘luxurious homes or permanent accommodation in the most expense hotels, company cars, even for young and inexperienced managers, and wage differentials on average four to five times higher in the case of expatriates.’ These researchers concluded that the conflict between Hungarian and expatriate managers was limiting the learning taking
place in joint venture firms. A study by Walsh, Wang and Xin (1999) found that US and Chinese managers in 10 joint venture firms in China frequently had negative opinions of each other’s managerial abilities. For example, the Chinese interviewees made such statements as (Walsh, Wang, & Xin, 1999 p. 75) ‘Some Americans, not all Americans, are full of hot air’ and ‘Expats become dumb or lost after coming to China.’

This approach has tended to focus on questioning host country managers directly as to their opinion of expatriate employees. It has not questioned what role host country employees have has in the likely outcome of the adjustment process of the expatriate, or their contribution to the success or failure of an assignment. Expatriation research tends to ignore the interaction between the domestic labour market (host country employees) and the global labour market (expatriates) in organisations. It is often assumed that these two markets operate in isolation, with little transfer between the two. The only outflow of labour is selection from the domestic labour supply for expatriate assignment, and the inflow is on repatriation. Beyond this, there is no crossover of the two markets.

**The Expatriate ‘Fails’**

Throughout the literature, there has been little testing of the assumption that failure rests with the expatriate manager. There is a lack of research that satisfies the unspecified assumption that a non-expatriate manager would have indeed succeeded where an expatriate manager failed. In particular, would a local manager have had more success in completing the assignment? In addition, there is a need to question if the assignment would have been successful at the head office?
The ability to adapt to cross-cultural lifestyles and environments appears to be at the centre of successful foreign assignments (Adler, 1991, Gudykunst, Ting-Toomey, & Nishida, 1996, Samovar, Porter, & Jain, 1981). The communication skills of the expatriate play a major role in successful adaptation (Gudykunst, Wiseman, & Hammer, 1977, Gudykunst, Wiseman, & Hammer, 1977, Ruben & Kealey, 1979), with effective communication skills such as listening, controlling verbal and nonverbal cues, and feedback contributing to culturally appropriate behaviour and adjustment to the foreign culture. The adaptation ability, therefore, would appear to be predicated on skills, abilities, predispositions, and traits that an individual possesses prior to becoming an expatriate.

These assumptions reinforce the narrow focus on the expatriate, and help to perpetuate the research of HR processes at the expense of broader strategic considerations. This body of literature focuses on the how the individual is able to adapt to new cultures, and provides in-depth analysis of adjustment issues, communication problems and inter-personal relationships. The theoretical framework for many of these studies tends to be based on Hofstede’s theory of cultural dimensions (Hofstede, 1983, Hofstede, 1980, Hofstede, 1983), as well as much research from the field of organisational psychology, such as impression management theory.

**Assumption of Homogeneity**

The assumption of homogeneity is two fold. First, often the research assumes expatriates are a homogenous group of employees, employed in the home country and sent to the host country for duration of several years. Second, the assumption of
homogeneity neglects to consider the broader perspective of an MNC’s workforce. That is, that the pool of possible candidates for expatriation is homogenous, and that the workforce being managed by those expatriates selected is also homogenous. The concept of different types of employees going on different types of assignments for different durations is still in the early stages of empirical investigation.

Recently, research has shifted towards considering staffing questions in a more strategic context, and attempts have been made to develop models of international assignments, identifying those appropriate for expatriates (Edwards & Brewster, 1996, Scullion, 1995). However, according to Forster (1997) there is a serious question about the whole rationale underpinning the development of ‘international managers’. In the sample of UK companies, few, if any, had any coherent idea of what this actually means or what their international work forces will look like in the future. For most, an ‘international manager’ is little more than a loose description of someone who is potentially or currently abroad on an international assignment, regardless of the nature or duration of this, or with any real sense of using this experience as part of an overall policy of developing international managers.

The practice of developing host country managers and third country nationals through developmental transfers to corporate HQ is becoming significant. It has been argued that this type of international transfer exposes host country nationals and third country nationals to the HQ corporate culture and facilitates their developing a corporate perspective (Edstrom & Galbraith, 1977). However, since the work by Banai and Zeira (1984), little has been done in this area.
Not all cross border activities are staffed by expatriates. Much activity, particularly in the purchasing and sales areas, has traditionally been conducted by people on short visits. The increasing improvement of travel and technology is making such expatriate arrangements much more common. The increasing use of video conferencing and real-time computer information from around the world has provided alternatives to control by physical presence of an expatriate (Martinez & Jarillo, 1989). Again, the implications of the developments for the people involved, and for their management, remain largely unresearched.

As noted by Kalleberg (2001 p. 488) ‘to view the core and peripheral workers as occupying positions in separate parts of the organisation is to neglect to consider ways in which these groups may work together within the same departments and may even perform the same jobs within an organisation’. Therefore, it is essential to understand better how these segments interact and how these interactions produce outcomes that affect the expatriate.

**Methodological Shortcomings**

It has been argued that much of the literature on the management of expatriates is still open to the criticisms of Schollhammer (1975) as being descriptive and lacking in analytical rigour; ad hoc and expedient in research design and planning; self-centred in the sense that the existing research literature is frequently ignored; and lacking a sustained research effort to develop case material.

Black, Mendenhall and Oddou (1991) recognise the paucity of adequate expatriate research, noting that the existing literature is primarily anecdotal or atheoretical. While
it is recognised that the international HR issues which have been researched are of practical importance to personnel managers, this work has recently been criticised by Kochan et al (1992) as focussing too narrowly on functional activities, and lacking appropriate theoretical structures. Indeed, they suggest that much of the IHRM literature suffers from the same conceptual and normative limitations of much of the traditional domestic personnel research, and that the work is largely an extension of the field of personnel management designed to meet the needs of international companies.

In summary, the essence of Kochan’s critique is that the current literature in IHRM defines the field too narrowly. In addition, their concern that the research is influenced by a discussion of concepts and issues with little backing in systematic research, they argue that a new field of IHR studies should be built around a broader set of questions, which considers the lessons and outcomes for all stakeholders and not just multinational firms and their managers.

It is still the case that the bulk of the international HR research has been conducted by American researchers, has primarily been concerned with American expatriates and continues to be written from an American rather than international perspective (Adler, 1991). There is a need for more research on organisations from Japan, Australia, the Pacific rim and other areas; particularly there is a need to build on the increasing amount of research being undertaken in Europe (see, for example, Brewster, 1991, Forster & Johnson, 1996, Hailey, 1992, Hamill, 1989, Mayrhofer & Brewster, 1996, Scullion, 1995, Scullion, 1991, Torbiorn, 1985).
Conceptual Framework

A review of the international HRM literature highlights the concern that there has been an almost-exclusive focus on international transfers, considered in terms of a traditional expatriate assignment of a parent country national to a host country. In addition, there has been much research based on theories of cultural adjustment and HR policies formation. The narrow focus to date has masked the complex array of issues facing organisations in global labour markets.

There may exist different HR configurations within the MNC applied to different types of employees. The HR configurations are designed to maintain the balance between the organisation’s requirements from the employment relationship, and the individual’s expectations of it. By ignoring the possible existence of different employment practices for different employee groups within an organisation, this approach appears monolithic. It may be inappropriate to simplify the nature of human capital investments and suggest that there exists a single optimal HR architecture for managing all employees. Given the diversity of a global labour force faced by MNCs, this is certainly the case.

The HR architecture of an MNC is a framework that is based on a set of fundamental parameters that, once established, allow us to draw inferences about the form and function of the entire HR system. This research broadens the issue of expatriate management to examine the HR architecture of the entire MNC, from the perspective of both the organisation and the employee.
This research proposes that an MNC has two primary criteria for the allocation and deployment of its human capital: resource development (internal or external) and resource location (domestically-based and internationally based). Correspondingly, employees of the MNC are characterised by two primary criteria: their commitment to the organisation (internal or external) and their propensity for mobility (domestic and international mobility).

**Research Questions**

Based on this typology of an MNC’s HR architecture, the central questions of this research are:

1. What are the strategic requirements for allocating and deploying human resources in MNCs?
2. What are the individual characteristics, employment relationship and HR practices of those human resources?
3. What are the consequences of using this HR architecture for the individual and the organisation?

**Organisational Perspective –**

The theoretical framework proposed is based on a set of fundamental parameters. The key variables are the dimensions of geographic orientation (international and domestic) and career orientation (internally focussed and externally focussed) therefore providing a model of the MNC workforce characterised by four segments of employees. This is based on the premise that there may be different HR configurations within an
MNCs architecture, and that these HR configurations do not represent an entire organisation, but rather subgroups within it.

**Resource Development**

The literature concerning internalising and outsourcing employment has its roots in the ‘make or buy’ arguments elaborated within the transaction cost perspective. The transaction cost perspective allows that the internalisation of employment is appropriate when it allows organisations to more effectively monitor employee performance and ensure that skills are developed correctly and efficiently (Williamson, 1975). Human capital theorists argue that organisations develop resources internally only when investments in employee skills are justifiable in terms of future productivity (Becker, 1964; Tsang, Rumberger and Levine, 1991).

Atkinson’s (1987, 1984) core-periphery model suggested that organisations seek to establish long term employment relations with part of their workforces (the ‘core’, regular permanent workers who are highly trained, skilled and committed to the organisation, attributes that are thought to be needed for functional flexibility) at the same time as they externalize other activities and/or persons by means of transactional contracts. Segmenting the firm’s work force into fixed and variable components is assumed to achieve cost effectiveness, as the numerically flexible, non-standard, ‘peripheral’ workers are used to buffer or protect the regular, ‘core’ labour force from fluctuations in demand, thereby avoiding morale problems engendered by laying off regular employees and the disequilibria associated with treating regular workers differently.

The RBV of the firm has its roots in the organisational economics literature, where theories of profit and competition associated with the writings of Ricardo (1817), Schumpeter (1934) and Penrose (1989) focus on the internal resources of the firm as the major determinant of competitive success. According to Wernerfelt a resource is ‘anything which could be thought of as a strength or weakness of a given firm…whose tangible assets are tied semi permanently to the firm’ (1984: 172). Barney expands this definition to include ‘all assets, capabilities, organisational processes, firm attributes, information, knowledge etc controlled by a firm that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness’ (1991: 101).

These resources are the sources of competitive advantage. A competitive advantage occurs ‘when a firm is implementing value creating strategy not simultaneously being implemented by any current or potential competitors’ (Barney 1991: 102). Competitive advantage can occur only in situations of firm resource heterogeneity and firm resource immobility, and these assumptions serve to differentiate the RBV from the traditional strategic management model.
Sustained competitive advantage exists only when other firms are incapable of duplicating the benefits of a competitive advantage (Lippman and Rumelt, 1982). Therefore, four criteria must be attributable to the resource in order for it to provide a sustained competitive advantage: the resource must add positive value to the firm; the resource must be unique or rare among current and potential competitors; the resource must be imperfectly imitable; and the resource cannot be substituted with another resource by competing firms (Barney, 1991).

**Determinants of Resource Development**

The RBV shows that attention should also be paid to strategic or resource based factors. That is, firms should base employment sourcing decisions on the degree to which skills contribute to the core capabilities of the firm. There is a shift in emphasis towards the inherent characteristics of employee skills and their relative contribution to value creation (Wright, Smart and McMahan, 1995). Therefore, core employee skills should be developed and maintained internally.

In the model of HR architecture, the choice of employment modes depends on both the strategic and cost/benefit considerations.

In the RBV, resources are valuable when they enable a firm to enact strategies that improve efficiency and effectiveness, exploit market opportunity and/or neutralise potential threats (Barney, 1991; Porter, 1985; Ulrich and Lake, 1991; Wright and McMahan, 1992). Therefore, the value of human capital is dependent upon its potential to contribute to the competitive advantage or core competence of the firm.
Based on this assessment, a firm has both core and peripheral assets (Barney, 1991; Quinn, 1992). Core assets are vital to the competitive advantage of an organisation (Porter, 1985), and often, core assets require continual internal development (Quinn, 1992). The outsourcing of these skills might jeopardise the competitive advantage of the firm by eroding its stock of core skills (Bettis et al, 1992).

**Human capital resources as valuable**

First, in order for human resources to be a source of SCA, they must provide value to the firm. Steffy and Maurer (1988) pointed out that Firm Specific Human Capital Theory (Hashimoto, 1981; Mangan, 1983) provides an examination of the conditions under which human value creation is and is not possible. They noted that both the demand for labour is heterogeneous (i.e., firms have different jobs that require different skills) and the supply of labour is heterogeneous (i.e., individuals differ in both the types and level of their skills). Thus, there is variance in individuals’ contribution value to the firm. This argues that human capital can create value for the firm.

**Human capital resources as rare**

Second, a resource must be rare if it is to be a source of SCA. It could be argued that human resources are not rare, due to the fact that where unemployment exists, there is obviously an excess supply of workers. Related to the issue of homogeneity of labour supply, to the extent that all current and potential employees have the same skill levels, human capital resources could not be considered rare.

However, to the extent that jobs require skills which allow variance in individual contributions (i.e., where job-relevant skills are no longer a commodity), these skills
should be normally distributed in the population. Thus, under these conditions, high quality human resources are rare.

*Human capital resources and inimitable*

Third, in order for a resource to be a source of SCA, the resource must be inimitable. If the competitive advantage gained from having high quality human resources is easily imitated, then it is not possible for human resources to constitute a source of SCA. What is necessary for a resource to be imitated? First, competitors must be able to identify exactly the source of SCA (i.e., the exact components of the human capital resource pool which are providing the advantage). Second, the competitor must be able to duplicate exactly both the relevant components of the human capital resource pool and the circumstances under which these resources function.

In addition, the concepts of unique historical conditions, causal ambiguity and social complexity must be addressed (Barney, 1991; Dierickx and Cool, 1989; Reed and DeFillippi, 1990).

*Human capital resources as non-substitutable*

Finally, a resource must not have substitutes if it is to be the source of a SCA. It is important to note that human resources are one of the few firm resources which have the potential to not become obsolete, and be transferable across a variety of technologies, products and markets. While it is possible to substitute other resources in the short term, it is highly unlikely that such substitution could result in SCA. This stems from the fact that, to the extent that the resource offsetting the advantage of human resources is not, in
and of itself, rare, inimitable or non-substitutable, then it will be imitated and human resources will once again constitute a competitive advantage.

**Resource Mobility**

**Determinants of Resource Location**

Employees’ mobility is seen as an important factor for individual development and performance, and for improving organisation performance. Organisations are better able to adapt to changing environments if their employees are flexible and employable in a broader range of jobs and work teams. The efficient use of such firm-specific competence cannot be achieved unless HR aspects of internal staff mobility across national markets and cultures are properly dealt with. Thus, besides the mere qualities of the competence to be transferred, the very process of transferring it in terms of staff relocation takes on a crucial role for the successful use of competence in MNCs. The option to transfer competence within firms is a prerequisite for the efficient use or application of it. Thus, handling of such mobility plays a crucial role in the competitiveness of firms.

The efficient use of such firm-specific competence cannot be achieved unless HR aspects of internal staff mobility across national markets and cultures are properly dealt with. Thus, besides the mere qualities of the competence to be transferred, the very process of transferring it in terms of staff relocation takes on a crucial role for the successful use of competence in MNCs.

The option to transfer competence within firms is a prerequisite for the efficient use or application of it. Thus, handling of such mobility plays a crucial role in the
competitiveness of firms. Insufficient concern might interfere with other goals like finding, keeping and creating competence, for example, by creating narrow perspectives through the blocking of career options, and by counteracting the emergence of synergies from combinations of skills and experiences in various markets or segments of international activities.

**Employee Perspective**

While organisations are concerned with the development and location of their resources, employees within organisations correspondingly are characterised by their level of commitment to the organisation and their ability to be geographically mobile. This chapter explores these two dimensions: mobility and commitment. In turn, the relevant theories are explored, as well as the key determinants of an employee’s mobility and commitment. Finally, a typology of an MNCs labour utilisation strategy is offered based on the employee’s perspective.

**Mobility**

Mobility is often defined and studied in the context of turnover, i.e. external mobility or job changes. However, internal and external mobility may seem different phenomena, but they also have some features in common. From the organisation’s perspective, internal mobility is classified as flexibility while external mobility is classified as turnover. From an individual and psychological perspective, both moves bear resemblance as they involve adaptation of the individual to (at least partly) new environments, and both may have similar loss effects as judged by peers and supervisors (Riordan & Griffeth, 1995, Weiss, 1990). Overall, the factors that affect employees’
external mobility may be quite comparable to those that affect employees’ internal mobility.

Pinder and Schroeder (1987) define a job transfer as a ‘relatively permanent job reassignment that entails the movement of an employee within an organization from one of its operating sites to another’ (Pinder & Walter, 1984: 188). By this definition, transfers may or may entail a change in hierarchical level or a change in function; the important point is that they entail a change in geographical location for employees and their families.

The human capital model views mobility as an investment in which costs are borne in some early period in order to obtain returns over a longer period of time. If the present value of the benefits associated with mobility exceeds the costs, both monetary and psychic, we assume that people will decide to change jobs or move, or both. If the discounted stream of benefits is not as large as the costs, then people will decide against such a change. What determines the present value of the net benefits of mobility—that is, the benefits minus the costs—determines the mobility decision.

The present value of the net benefits of mobility will be larger the greater is the utility derived from the new job, the less happy one is in the job of origin, the smaller are the immediate costs associated with change, and the longer is one’s horizon.

The economically motivated decision to migrate is dependent upon the expected transaction costs. Decisions concerning migration can only be made if all transaction costs are taken into account; knowledge about the transaction costs is one of the prerequisites for being able to distinguish between the economic conditions of the home
country and those of the host country. To put it simply, calculating the transaction costs means weighing up in monetary terms the benefits one gives up against the gains to be expected in the future if one migrates.

Examples of transaction costs are for instance the expected wage differentials (taking into account the probability of finding a job), mobility costs (such as the costs of moving house), differentials in the cost of living (this applies in particular for different costs on the housing market) as well as search and information costs which are necessary for tracking down employment opportunities. If the transaction costs exceed the individual gains, migration does not occur.

In this model the decision regarding a potential migration is based on weighing up the expected costs and the benefits of the alternative residence. The decision is made in favour of the residence with the highest expected net benefit. This approach is, however, viewed critically due to the lack of consideration paid to the costs of procuring and processing information.

Based on the human capital approach to mobility, migration is not automatically considered in connection with a potential for increased lifetime earnings. It must be weighed against the expected gains. Relevant costs of the decision to migrate are transportation expenses, income foregone during the move, the psychological costs of leaving family and friends, and the loss of seniority and pension benefits. Rationally, a person opts for migration when the sum of the discounted expected future earnings exceeds the total costs of the discounted decision to migrate. If the non-monetary disadvantages exceed an expected increase in income, the person concerned will opt to
remain in the place of origin. These factors affecting the present value of the net benefits and the decision to migrate are: demographic, personal traits, family-related factors and job-related factors.

**Demographic**

In addition to the region-specific determinants - such as wage differentials between the region of origin and the region of destination - a number of studies point to the central role played by demographic determinants in the decision to migrate.

**Age**

Age is the single most important factor in determining mobility. The peak years for mobility are the ages 20–24; 15 percent of this age group migrates across county or state lines each year. By age 32 this rate of migration is roughly 10 percent, and by age 47 it is only 5 percent.

There are two explanations for the fact that migration is an activity primarily for the young. First, the younger one is, the longer the period over which benefits from an investment can be obtained, and the larger the present value of these benefits. Second, a large part of the costs of migration are psychic, the losses associated with giving up friends, community ties, and the benefits of knowing one’s way around. As we grow older, our ties to the community become stronger and the losses associated with leaving loom larger.

Studies of migration repeatedly point to the central role of age. All else being equal, the older a person is, the less likely he or she is to migrate. There are various reasons for
this. First, older migrants have fewer years to recoup their investment costs. Migration constitutes a human capital investment. Net gains to migration depend on age because older workers have a shorter period over which they can collect the returns on the migration investment. The shorter payoff period decreases the net gains to migration, and hence lowers the probability of migration. Second, older people tend to have higher levels of human capital which are specific to their present employers. This human capital, by definition, is not transferable to other jobs. And finally, older people often have higher migration costs than younger people; additionally, the psychological costs of migration may rise with age.

Potential migrants compare potential expected future returns in potential destinations with the expected returns in their present location, and weigh them up with respect to the time period until realization. The longer one’s ‘investment horizon’, the more likely one is to migrate. Therefore, young people should be more willing to move than older ones. Apart from the time perspective, differences in interpersonal propensities to migrate arise from differing preferences for the present situation e. g. due to age, family ties, wealth or the arrangements of the social security system. The bigger one’s preferences for the present, the less likely one is to migrate.

Educational Attainment

While age is probably the best predictor of who will move, education is the single best indicator of who will move within an age group. Higher levels of educational attainment will be positively correlated with mobility as this leads to greater opportunities for mobility in the first place.
Different patterns of behaviour can also be determined in the level of education and training. As already mentioned, there is a positive correlation between the worker's level of education and his or her probability of migrating. This positive influence of education on the intensity of migration could be due to the fact that workers with a higher level of education and/or training display greater efficiency in their search for work in alternative labour-markets. In this respect they reduce their migration costs. Moreover it is conceivable that the regions relevant for more highly qualified workers are larger and more numerous than those relevant for lower qualified workers. In addition it can be assumed that the incentive for mobility is relatively greater as a result of greater relative income differences.

**Personal Traits**

*Tolerance for ambiguity*

Having intolerance for ambiguity means that an individual tends to perceive situations as threatening rather than promising. Lack of information or uncertainty, for example, would make such a person uncomfortable. Ambiguity arises from three main sources: novelty, complexity and insolubility. Novelty indicates the extent to which you are (in)tolerant of new, unfamiliar information or situations. Complexity indicates the extent to which you are (in)tolerant of multiple, distinctive or unrelated information. Insolubility indicates the extent to which you are in(tolerant) of problems that are very difficult to solve because, for example, alternative solutions are not evident, information is not available, or the problem components seem unrelated to each other.
Suboptimal decisions will also occur if the information is not up to date but based rather on past experience which no longer corresponds to the current situation. The less information people have access to, the more important subjective elements will be. If a migrant does not know if he will get a job at the destination, he/she will have to make up his mind about the risk to take. Such subjective elements depend partly on the (objective) personal characteristics of the potential migrant such as age and education - which has already been emphasized when discussing the human-capital approach - and partly on subjective characteristics like optimism or pessimism. Since incomplete information increases the degree of insecurity, the individual degree of risk aversion becomes an important element in the decision to migrate. This is at odds with simple theories of migration where the potential migrant is assumed to be risk-neutral.

_Ego Resiliency and self-esteem_

According to Jones (1986: 267) self-efficacy influences people’s expectations about their abilities to perform successfully in new situations. Expectations about self-efficacy are directly related to people’s perceptions of their success in dealing with past situations and to their expectations about future success. Thus, the knowledge newcomers have acquired through past experience and the strategies they have developed in the past to deal with ambiguity or uncertainty may also influence how they select information and respond to new situations.

In a major review article, Block and Block (1980) elaborated the meaning they had assigned to the construct of ego resiliency and its relations to other concepts. On the broadest level, ego resiliency refers to the general capacity for flexible and resourceful adaptation to external and internal stressors. More specifically, ego resiliency is a
personality resource that allows individuals to modify their characteristic level and habitual mode of expression of ego-control so as to most adaptively encounter, function in, and shape their immediate and long-term environmental contexts.

Reinforcement substitution

Reinforcement substitution involves replacing activities that bring pleasure and happiness in one culture with similar, yet different, activities that exist in the host culture (David, 1976). People who are able to find parallel substitutes for interests and activities in the new location are more likely to be successful in the adjustment process, thereby increasing the likelihood of mobility.

Family-related Factors

The decision to migrate is in general not the decision of a completely independent individual but one who is part of social group, usually a household or family.

Marital Status

The decision to migrate is usually not an individual decision but is generally a group decision. This decision situation plays a role for example in the case of couples in which both partners work or in the case of families with children of school age. If there is more than one employed person in a family the decision to migrate is likely to have different earnings effects on the members. Employees who are not married would be expected to be more mobile due to fewer restrictions on the timing, destination and manner of any move. In addition to this flexibility, there is a resultant lack of need to
make extensive arrangements for other family members, meaning that mobility can occur over a shorter time period.

Other important factors are the potential costs of migration multiply as family size increases. It could be expected that with a given age and level of education, married workers would tend to be less willing to migrate than single workers. Also, the higher one's educational attainment, all else being equal, the more likely it is that one will migrate. Workers with a university degree or equivalent qualifications possess a higher ability to analyse and assess the available information which is necessary for their search for employment in regional and national labour-markets.

Generally speaking, married persons and other individuals strongly attached to someone else are less likely to decide to go. Family ties are also likely to reduce the propensity to migrate. Family motives for migration have been subject to a significant number of empirical studies. Several studies verified that married persons are less likely to move than singles. This reluctance to migrate is even stronger if the spouse is attached to the labour-market emigration and/or children attend school.

**Family willingness to adjust**

Tung’s (1982) study showed that family-related problems account for two out of three of the most commonly cited causes of expatriate failure. Harvey (1985) reinforced this view, and further noted that failures to make necessary cross-cultural adjustments adversely affect expatriate managers’ on-the-job performance. Similarly, appropriate family adjustments have been associated with successful foreign assignments (Black & Stephens, 1989).
Employed spouse

A decision to move might well be made if the family as a whole experiences a net increase in total earnings. Total family earnings, of course, could be increased even if one partner’s earnings were to fall as a result of the move, as long as the other partner experienced relatively large gains.

Beyond an increase in total family income, dual career families may be unwilling to move for a variety of reasons, including availability of suitable employment for the spouse. Therefore it is expected that the occurrence of an employed spouse will decrease a person’s mobility.

Female labour force participation is on the increase in all industrialized countries. The higher the educational attainment of women, the higher their probability of being employed. In the European industrialized countries skilled migrants are in demand. But if both partners work the decision to go is no longer based on the utility consideration of an independent individual, but strongly influenced by the utility of a family household as a whole.

Job-related factors

Destination

In addition, the probability of migration is inversely proportional to the distance a person must move. The greater the distance to the future region of employment, the more difficult it is to obtain sufficient information about it. Besides the psychological costs, which also increase with the distance, the transportation costs are of course also directly connected with the distance that has to be covered.
Workers who migrate to a more distant region are more likely to return to where they came from. This may be due to the possibly imprecise information about the more distant region, which leads to the subsequent realisation that the original decision to migrate was a mistake. Moreover it can be assumed that in the case of a move between increasingly distant geographical areas, the 'cultural difference' also increases. A change of job involving a move from Palermo to Munich has a different significance to a move from Linz to Munich. Sociological thoughts come to the fore here. That is why it may seem natural for many workers from more distant home regions to limit the duration of their stay to the medium term.

Early works on economic migration theory already introduced the costs of transport from the place of origin to the area of destination. So-called gravity models of migration have incorporated the importance of geographic distance into economic migration research, adding some form of 'distance deterrence function' which reflects the degree of spatial separation between origin and destination. Distance between States is likely to reduce the migratory flows although modern and cheaper transport facilities reduced financial barriers to migration. Proximity or distance also play a role if non-pecuniary costs and benefits are introduced. The geographically closer the country of emigration to the destination country, the more we can expect cultural and linguistic similarities. The effect of cultural and linguistic proximity is reflected for example by the relatively high numbers of migrants from southern European countries to France or in the border areas between Austria and Germany or France and Germany where it has become commonplace to live in one country and work in the neighbouring country. In other
cases non-pecuniary costs of adaptation to different socio-cultural, political or ecological differences may act as a powerful deterrent to leave.

Technical and Managerial Competence

All mobility within organisations involves an employee being assigned to complete some sort of task. The confidence in one’s ability to accomplish the purpose of the move and possessing the necessary technical expertise to do so is an important factor in determining one’s mobility.

Previous International Experience – Work, Study and Leisure

In the case of domestic and international transfers and the resulting role transitions, individuals with previous experience in transfers might be better able to extrapolate from these transfers and thus be familiar with aspects of the new situation and be better at predicting what to expect (Louis, 1980).

A number of theorists have discussed the importance of previous experience for enabling an individual in a new setting to cope with its requirements. For example, Louis (1980) described the roles of cognitive scripts (cf. Abelson, 1981) and sense-making practices based on previous learning for employees in new work settings. As noted by Jones (1983: 465-466):

‘The strategies that newcomers adopt to deal with uncertainty or ambiguity and the way they make sense of a situation depend on the way they have learned historically, to deal with new situations.’
On the basis of the work by Louis (1980), Nicholson (1984) and Jones (1983), we would expect that employees who are frequently mobile will learn how to cope in and adjust to new work settings, which will help them to become comfortable and productive more easily and faster with each successive transfer.

However, results of an earlier study failed to support this hypothesis (Pinder and Das, 1979). On balance, the evidence suggests that employees do not seem to learn through experience how to become proficient following transfers, so that the individual and organizational cost associated with post-transfer socialisation will not decrease appreciably as experience with transfers grows. Pinder and Schroeder (1987: 344) find that objective differences between jobs and the number of previous transfers do not account for much of the variability in time to proficiency over and above that accounted for by perceived job differences and perceived support in a new work setting.

These experiences however should not be restricted to the formal employment situation, and would equally apply to situations of transfer experience that arose from leisure or study opportunities.

In a study by Hays (1970: 43) of the ascribed behaviourual determinants of success-failure among US expatriate managers, it was found that individuals who spent considerable time living abroad before age 20 is indeed different on some dimensions of success-failure outcomes from the US-reared counterpart. There was a moderately negative relationship between the values ‘years abroad prior to age 20’ and ‘ascendancy’ (-0.388) and ‘sociability’ (-0.239). This indicated that being reared abroad does have an important influence on a person’s attitude and viewpoints regarding the world around
them and that the foreign-reared US expatriate is quite different in personality and attitude structure for the US-reared colleague.

Perceived career advancement

Analyses, especially from the US, show that workers generally benefit from the decision to migrate through an increase in income. Frequently the decision to migrate is not a single decision. Return and repeat migration can be caused by the realization of having made a wrong decision if the actual opportunities for advancement or income gains cannot be realized owing to a decision made with incomplete information. On the other hand, return and repeat migration can be regarded as an explicit career-advancement strategy (within an intra-company transfer). Thus, repeat migration can also be found within the group of highly qualified workers.

The chances of success are also better for well-educated people because they have better chances of avoiding unemployment and for younger ones because they can adapt more easily, or for people whose skills are transferable. Transferable skills can be highly qualified ones, for example in information technology, management consultancy, or also low skills which can easily be used in other locations e.g. construction, tourism and personal services. In any case, a migrant has to weigh up all kinds of advantages/disadvantages in the country of origin and the potential country of destination. Because people prefer a known, secure environment at a given location, they may not migrate to another country where expected incomes may be higher or job opportunities available. But both expectations cannot be taken for granted. There is always some risk of not achieving the expected improvement.
Schein (1971) discussed the critical importance of individuals’ movements via a sequence of passages through the hierarchical, functional and inclusionary boundaries that make up an organisation’s structure. More recent conceptual frameworks and empirical evidence have put stress on the role of subjective perceived differences between former and new work roles in the dynamics of careers transitions. The empirical significance of these subjective differences in two studies by Brett and colleagues (Brett and Werbel, 1978; Feldman and Brett, 1983) confirmed their importance.

According to Van Vianen et al (2003: 254) individuals evaluate the anticipated outcomes of their work role or work relationship by using two kinds of standards. The first, defined as the comparison level, is the standard against which the person evaluates how satisfactory their role is. The second standard, referred to as the comparison level for alternatives, includes a comparison between the outcomes experienced by the person in their current job and the outcomes associated with available alternative opportunities.

**Commitment**

Possibly the most thoroughly investigated approach to organisational commitment is the perspective advanced by Mowday and his colleagues, which emphasises the employee’s affective bond with the organisation (Mowday, Porter, & Steers, 1982). This viewpoint asserts that organisational commitment is characterised by (a) ‘a strong belief in and acceptance of the organisation’s goals and values; (b) a willingness to exert considerable effort on behalf of the organisation; and (c) a strong desire to maintain membership in the organisation’ (Mowday, Porter, & Steers, 1982 p. 27).
The determinants of commitment can be aggregated into three primary categories: demographic, job-related, and non-job related factors.

**Demographic**

*Age*

Age has been weakly identified with job satisfaction (Dewar and Werbel, 1979) but strongly correlated with organisational commitment in domestic studies. Various researchers have reached this conclusion (Brief & Aldag, 1980, Dornstein & Matalon, 1989, Kushman, 1992, Mathieu & Zajac, 1990, Morris & Sherman, 1981, Morrow & Wirth, 1989). Meyer and Allen (1993 p. 5) also studied the relationship between age and affective organisational commitment. They obtained a positive mean correlation of .36 between age and affective organisational commitment.

Age and organisational tenure have shown consistent association (in a negative direction) with voluntary turnover (Griffeth et al 2000). Furthermore, organisational tenure has consistently been found to be positively associated with organisational commitment (Arnold and Feldman 1982; Cotton and Tuttle 1986).

*Educational Attainment*

Education has been generally perceived to be negatively related to worker commitment in domestic studies (Naumann, 1992). As found by Gordon and Arvey (1975: 890) satisfaction with work itself does not vary according to the amount of formal education attained. That study did not replicate the findings of Sulkin and Pranis (1967) and Vollmer and Kinney (1955) regarding an inverse relationship between
education and job satisfaction. Instead, the data collected by Gordon and Arvey (1975) revealed that the more highly educated members of the work force were less satisfied with the general way the organisation was being managed than were the less educated employees. Gordon and Arvey suggest that perhaps these better educated individuals were more aware of what constitutes effective and ineffective management techniques.

However, in the international context, it may be that the enlightenment that higher education should bring realistically realigns expatriate expectations about what to expect abroad. Likewise, international experience has been identified as a precursor of foreign assignment success (Black & Stephens, 1989).

**Job-related Factors**

*Tenure in the Organisation*

Organisational tenure has been a consistent predictor of organisational commitment. In general, the explanations for this relationship have been that the longer people have been with a firm, the greater are their investments in it. To capitalise on these investments, they show commitment. In the context of international assignments, there are two aspects to consider: tenure with the parent company and tenure in the foreign operation.

Meyer and Allen (1993) indicated that analyses of organisational tenure generally showed a mild curvilinear relationship whereby middle-tenure employees possessed less measured commitment than new or senior level (by age) employees.
There was general support in the literature for the notion that there is a positive correlation between organisational commitment and organisational tenure (Kushman, 1992, Mathieu & Zajac, 1990, Sheldon, 1971). What this finding really means may be difficult to determine. Meyer and Allen (1997 p. 43) stated, ‘It is possible that employees need to acquire a certain amount of experience with an organisation to become strongly attached to it, or that long-service employees retrospectively develop affective attachment to their organisation’.

**Role Discretion**

Role discretion is likely to increase felt responsibility and therefore to be positively related to organisational commitment (Angle & Perry, 1981, Near, 1989). The greater an individual’s discretion as to what work gets done, how it gets done and by whom (Stewart, 1982), the greater the empowering sense of responsibility the individual would feel for those decisions.

Some studies have found that role discretion enables individuals to more easily utilise successful past behaviours in a new role by having the freedom to modify the role to fit their habits and thus make the role more familiar, predictable and controllable and make the transition easier (Black, 1988, Kahn, Wolfe, Quinn, Snoeck, & Rosenthal, 1964).

Role discretion may be particularly relevant to expatriates since they often experience high autonomy when they are far from parent company headquarters (Adler, 1986, Black, 1988).
Role Ambiguity and Role Conflict

In classical organisation theory the principle of chain of command and the principle of unity of command and direction have implications for role conflict and ambiguity. According to the chain of command principle, organisations set up on the basis of hierarchical relationships with a clear single flow of authority from the top to the bottom should be more satisfying to members and should result in more effective economic performance and goal achievement (Rizzo et al, 1970: 150). A corollary principle advanced by Davis (1951) is that of single accountability, whereby a person should be accountable for the successful execution of tasks to only one superior.

Role ambiguity and role conflict may reduce felt responsibility and therefore, commitment to the organisation (Morris & Koch, 1979). The more ambiguous the role responsibilities are, the less likely individuals are to feel an empowering sense of responsibility. Some people may still feel quite responsible for performing role-related tasks when uncertainty exists about what to do, but their sense of responsibility in inert because they cannot act on it. Consequently, it may be expected that the higher the role ambiguity, the lower the organisational commitment.

Role conflict, a situation in which two or more entities have conflicting expectations of an individual, would make it more difficult for the individual to have a sense of empowering felt responsibility and therefore, a sense of commitment to the organisation.

Expectancy theory provides additional theoretical support for these posited relationships. In their review of work on relationships between role ambiguity and role
conflict and commitment, Jackson and Schuler (1985) cited several studies offering some support for the argument that role ambiguity and role conflict decrease the probability that employees efforts will result in appropriate performance (Porter & Lawler, 1968). That diminishment in turn decreases the instrumentality of their performance for procuring valued outcomes, and over time that failure reduces commitment.

Professional organisations frequently exhibit violations of the chain-of-command principle (Rizzo et al, 1970: 151). As Blau and Scott (1962) noted, two sources of authority exist when organisational discipline is based not only on position power, but also on professional expertise. Several studies have shown that multiple authority disrupts the individual’s orientation to the organisation or the profession by requiring a choice between the two (Kaplan, 1959; Etzioni, 1959); individuals orientated toward their professional norms are more likely to ignore administrative details (Blau and Scott, 1962); and professionals in such organisations frequently experience stress as a result of being caught in the middle (Kaplan, 1959; La Porte, 1965).

**Role Overload**

If employees have too many demands placed on them, they will be less able to respond adequately to those demands. Thus role overload will have a negative influence on organisational commitment, as it in turn affects an employee’s perceived ability to successfully complete a task. This in turn leads to underperformance, which is associated negatively with organisational commitment.
Job satisfaction

Job satisfaction has been recognized as a component of organisational commitment (Kovach, 1977). It is suggested that job satisfaction is a state of pleasure gained from applying one’s values to a job (Locke, 1969). Spector (1997 p. 2) believes that job satisfaction ‘can be considered as a global feeling about the job or as a related constellation of attitudes about various aspects or facets of the job.’ Researchers have found that job satisfaction is correlated with turnover but not to the extent that a predictive model can be created. (Kraut, 1975, Mobley, 1982, Mobley, Griffeth, Hand, & Meglino, 1979).

Although there is certainly a chicken-and-egg debate over issues regarding the relationship between job satisfaction and organisational commitment, several researchers have made the case that job satisfaction is a predictor of organisational commitment (Porter, Steers, Mowday, & Boulian, 1974, Price, 1977, Rose, 1991).

Many studies use different facets of satisfaction to predict employee attributes such as performance, organisational commitment, and service quality (Dienhart & Gregoire, 1993, Oshagbemi, 2000, Oshagbemi, 2000, Yousef, 1998). In a study of job security as a predictor of commitment, a significant positive correlation was found to exist (Yousef, 1998). Also, in a later study by Yousef (2000), leadership behaviour was affected by commitment, which did job satisfaction and job performance affect.

As an attitude, differences between commitment and job satisfaction are seen in several ways (Mowday, Porter, & Steers, 1982). Commitment is a more global response to an organisation and job satisfaction is more of a response to a specific job or various
facets of the job. Wiener (1982) states that job satisfaction is an attitude toward work-related conditions, facets, or aspects of the job. Therefore, commitment suggests more of an attachment to the employing organisation as opposed to specific tasks, environmental factors, and the location where the duties are performed (Mowday, Porter, & Steers, 1982). When discussed on these terms, commitment should be more consistent than job satisfaction over time. ‘Although day-to-day events in the work place may affect an employee’s level of job satisfaction, such transitory events should not cause an employee to reevaluate seriously his or her attachment to the overall organisation’ (Mowday, Porter, & Steers, 1982 p. 28).

Perceived Fairness

Perceived fairness is considered in the literature under several names such as procedural justice, distributive justice, and organisational justice. Perceived fairness concerns the way in which employees are treated by the employer (Martin & Bennett, 1996, McFarlin & Sweeney, 1992). Procedural justice is the manner and processes that an organisation uses to operationalise major functions. It is the means by which the organisation gets things done. Distributive justice, on the other hand, concerns outcomes or the end product of the means and processes used by an organisation. Organisational justice is basically a combination of procedural and distributive justice (Greenberg, 1990, Martin & Bennett, 1996). In a study concerning procedural justice (fairness), Moorman, Niehoff, and Organ (1993 p. 1) reported a correlation of .50 between affective commitment and procedural justice (fairness).
Organisational Sponsor

The levels and types of socio-emotional support that leaders and reference groups provide has long been regarded as a critical determinant of organisational behaviour (House, 1981). Moreover, the growing literature on careers and career transitions similarly attests to the role of interpersonal support in removing uncertainties, assuaging anxieties and feelings of coercion, and generally making things easier for a newcomers in a strange work setting (Brett, 1984; Feldman, 1976; Feldman and Brett, 1983; Graen, 1976; Katz, 1980; Louis, 1980).

Supportive leader behaviours and a generally facilitative organisational climate may be subsumed under a variable entitled ‘Perceived Organisational Support.’ Eisenberger, Huntington, Hutchison, and Sowa (1986 p. 504) demonstrated that individuals tend to ‘form global beliefs concerning the extent to which the organisation values their contributions and cares about their well-being’. Specifically, individuals evaluate the behaviour of organisational agents towards them and infer the general motive underlying that treatment, with the categories that are considered important varying considerably between organisations and between persons. Some individuals might base their sense of perceived organisational support (POS) upon such factors as the organisation members’ willingness to provide them with special assistance or special equipment in order to complete a project. Others might develop a strong sense of POS based upon the organisation members’ willingness to provide them with additional opportunities for training in an area that was of particular interest to them. Furthermore, employees are frequently sensitive to relevant environmental and organisational constraints that might limit the ability to provide them with desired rewards.
(Eisenberger, Cummings, Armeli, & Lynch, 1997). For example, a teacher who is aware that district cutbacks preclude the opportunity to attend a professional seminar would be unlikely to suffer a loss of POS as a result.

Employees who experience a strong level of POS theoretically feel the need to reciprocate favourable organisational treatment with attitudes and behaviours that in turn benefit the organisation (Eisenberger, Huntington, Hutchison, & Sowa, 1986). In support of this social exchange perspective, research has revealed that POS is positively related to job attendance and measures of job performance (Eisenberger, Fasolo, & Davis-LaMastro, 1990, Eisenberger, Huntington, Hutchison, & Sowa, 1986), the tendency to help co-workers (Shore & Wayne, 1993), the tendency to offer constructive suggestions for organisational improvement, and affective organisational commitment (Eisenberger, Fasolo, & Davis-LaMastro, 1990).

Overall, it appears that employees with higher levels of POS are likely to be more committed and possibly more willing to engage in extra role or ‘organisational citizenship’ behaviours (Organ, 1988) than are employees who feel that the organisation does not value them as highly. Additionally, some work also suggests that POS may be beneficial to the individual as well as to the organisation.

**HR Policies and Training**

Past research (Angle & Perry, 1983, Buchanan, 1974, Steers, 1977) suggests that to the extent that employees see an organisation as dependable and supportive, they will exhibit commitment to the organisation. This includes policies and practices designed at preparation for undertaking a task, as well as ongoing support during completion of the
task or job. There is an extensive literature on the role of pre-departure training, post-arrival support and general HR policies on international assignments, all of which suggest that the presence of such measures will increase the likelihood of an employee’s success while on an international assignment, and then in turn increase their organisational commitment.

A growing body of literature reveals that a heavy investment in human capital and the implementation of HR practices may contribute to corporate financial performance (Huselid, 1995; Huselid et al, 1997) and intermediate employee outcomes such as turnover of personnel (Agarwal and Ferratt, 1999; Roepke et al 2000).

The conceptual model of Lawler (1986) is seen as the primary contributor to the evolution of contemporary strategic HR management (McMahan et al 1998). Lawler suggests that four organisational processes may influence work-related attitudes and behaviours: empowerment; competence development; information sharing; and reward. However, recent studies have shown that reward is a complex process which may not be fully understood without taking into account some of its underlying dimensions, namely the distributive, procedural and recognition aspects (Sheppard et al, 1992; Milkovich and Newman, 1998).

For most IT professionals, a significant part of their motivation comes from the recognition they get from managers for a job well done and the feeling that they are an important part of the organisation (Agarwal and Ferratt, 1999; Gomolski, 2000). Recognition practices refers to non-monetary means by which an organisation tangibly signals its appreciation of good quality work and accomplishments.
Agarwal and Ferratt (1999) found that successful IT organisations are devoting resources to empowering IT professionals to take increasing responsibility for their work and decision making.

Proposed that it is easier to retain people in an organisation where IT professionals have a sense of justice. Distinguish between distributive and procedural justice (tremblay et al 2000). Distributive justice refers to the perceived fairness of various job outcomes including: compensation conditions, performance evaluations, and job assignments. Procedural justice refers to the perceived fairness of the means, rules and/or procedures used to assign jobs as well as the determination of compensation conditions and performance evaluation criteria (Folger 1977).

Competence development practices (eg. job rotation programs, mentoring, and training) convey to employees that the organisation is seeking to establish a long-term relationship with them (Tsui et al 1995; Guptill, 1998; Agarwal and Ferratt 1999).

Given recent empirical results (eg. Grover and Crooker, 1995; Rodwell et al, 1998; Schwochau et al, 1997; Chen et al, 1998; Applebaum et al, 2000) it is posited that HR practices will have direct effects on organisational commitment and turnover intentions.

Organisational leadership

A potentially important mechanism by which information can become salient to organisational members is through the behaviours of their formal leaders. For example, Katz and Khan (1978) describe the powerful influence that leadership can have as a means of integrating both secondary and primary relationships within work groups. To the extent that leader behaviour is instrumental to subordinates’ accomplishment of
official role requirements, the secondary relationships among subordinates that develop from their task interdependencies are lent support. This can help render task orientated (secondary) relationships as a source of positive work experience for subordinates. In addition, the affective quality of interpersonal exchange between leader and subordinate (primary relationship) can constitute an important component of the subordinate’s work experience. Where such exchanges prove satisfying beyond a purely task-instrumental level, the ability of the leader to act as a socialising influence is enhanced.

Stogdill (1974) and Pfeffer and Salancik (1975) provide additional discussion of leadership behaviour in the context of socialisation processes and work experiences. In view of the potential importance of leader behaviour as both a component of work experiences and as a source of socialisation, supervisor consideration and initiating structure (Stogdill, 1963) was included.

**Non-job Related Factors**

*Life satisfaction*

Quality of life includes life autonomy and life satisfaction. Life autonomy emanates from Andrews and Withey (1974) and Janoff-Bulman and Marshall (1982), and ascertains how far individuals feel free to live life as they choose. It is included in these measures as an indication of how constrained individuals feel in their environments. Similarly, life satisfaction was included to see how satisfied individuals were with their life as a whole. While life satisfaction has not been a major factor in domestic satisfaction and turnover research, other studies have shown that off-the-job problems may affect job performance (for example, see Deming, 1991, Sussman & Smith, 1992).
Interaction outside work

Just as investments made in an organisation can strengthen commitment (Salancik, 1977), investments individuals make to integrate into a non-job environment would also spillover to strengthen work-related commitment. In the international context, personal investments like learning the language, history, cultural norms and rituals of a country could result in a greater commitment to and identification with the local organisation (Luthans, McCaul, & Dodd, 1985).

In domestic research, social integration has been found to relate positively to organisational commitment (Buchanan, 1974, Near, 1989, Rotundi, 1975, Sheldon, 1971), suggesting that the more integrated people become in a social context, the more they become committed to their organisation.

Newcomers entering organisations may experience a reality shock (Hughes, 1958) or surprise (Louis, 1980) when their assumptions about how people interpret and respond to actions or events do not conform to those that prevail in their new contexts. As a result, newcomers may be forced to re-evaluate their assumptions about these organisations and to seek information about why people behave as they do, if they are to reduce the uncertainty or anxiety surrounding the entry process (Jones, 1986: 263). One of the main ways in which organisations can influence this learning process is by using specific tactics of socialisation.

Organisational Requirements vs. Employee Perspectives

Changes in the composition of employees in each segment can occur in several ways. New employees entering the organisation from outside are allocated into a
segment. Existing employees whose role changes, may be transferred from one segment to another. For example, an employee that performs a role in the domestic location may be sent on an international assignment, therefore changing from a local to an expatriate. On return from an international assignment, employees may change from being an expatriate to a local employee. In addition, employees may leave the organisation altogether, therefore exiting the model.

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<td>Group 1: International Careerists</td>
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Resource Development

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<th>Resource Location</th>
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<td>International</td>
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<td>Domestic</td>
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<td>Group 1: Internal Careerists</td>
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Therefore, an MNC’s workforce consists of four groups:

**Group One: International Careerists**

International Careerists are defined as those employees that are on international assignment with the MNC. These employees, due to the importance of their strategic function while on assignment, are core employees. Typically, these employees are drawn from the core workforce on the merit of technical skills demonstrated, or may transfer from the free agent segment through a change in the employment contract to a more permanent basis.

Resources that produce a competitive advantage rely on a commitment based HR system that nurtures employee involvement and maximises the firm’s return on human capital investments. Human capital theorists argue that firms will also invest significantly to develop unique skills (i.e., that are firm-specific) through extensive training initiatives. Firms sponsor career development and mentoring programs to encourage building idiosyncratic knowledge.
HR Mode — Organisation Focussed

‘Organisational focussed’ and ‘relational’ both describe open ended exchanges between the employer and the employee in an employment relationship. This employment relationship encourages significant mutual investment on part of the employers and employees in developing firm critical skills. Long term involvement and long term investment are key factors in the relationship. By investing in employee development and allowing employees greater participation in decision making, organisations can foster a higher level of ongoing commitment from employees, which translates to higher performance levels (Lawler, Mohrman and Ledford, 1995).

When employees are a core component of competitiveness, firms may establish organisational-focussed relationships in order to elicit a wide range of employee behaviours and increase employee incentives to engage in firm-specific learning (Rousseau, 1995; Tsui et al, 1995).

Employee Perspective — Commitment

Firms have both strategic and financial incentives to internally develop this form of human capital (Prahalad and Hamel, 1990; Reed and DeFillippi, 1990). Firm specific skills are non-transferable, therefore, the value of any employee’s human capital will be less with any other firm, and internal development will be less likely to result in capital loss (Becker, 1976). Internally developing human capital helps firms realise the benefits of these employees in terms of their value creating potential. They are treated as core employees because they represent a source of competitive advantage.
Resources that produce a competitive advantage rely on a commitment based HR system (Arthur, 1994) that nurtures employee involvement and maximises the firm’s return on human capital investments. Human capital theorists argue that firms will also invest significantly to develop unique skills (i.e., that are firm-specific) through extensive training initiatives (Becker, 1976). Firms sponsor career development and mentoring programs to encourage building idiosyncratic knowledge. Structured pay systems are implemented to focus on learning (e.g., Skill based pay) and information sharing (e.g., Team based pay). The use of these practices in combination is consistent with work on HR configurations for high performance work systems (c.f Huselid, 1995; Lawler et al, 1995). A pattern is emerging that shows that high performance work systems are instrumental in creating committed, long term employment relationships, as well as firm-specific human capital vital for competitive advantage (Lawler, 1995; Rousseau, 1995; Tsui et al, 1995).

**Group Two: Core Employees**

The ‘core’ employees are those employees with a domestic orientation and have a regular and permanent employment relationship with the organisation. These workers are highly trained, skilled and committed to the organization, attributes that are thought to be needed for flexibility. This segment typically represents the largest proportion of an MNC’s workforce.

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employee’s human capital will be less with any other firm, and internal development will be less likely to result in capital loss.

Locals are the ‘core’ employees are those employees with a domestic orientation (no international mobility) and have a regular and permanent employment relationship with the organisation. These workers are highly trained, skilled and committed to the organisation, attributes that are thought to be needed for functional flexibility. This segment typically represents the largest proportion of an MNC’s workforce.

**Group Three: Transient Employees**

Transient employees are defined as those workers with only a domestic orientation who have a short-term or temporary employment relationship with the organisation. Employers may hire some workers directly on a temporary basis; either for a short time on fixed-term contracts (which have a fixed ending point, determined by completion of task or date) or on an on-call basis (e.g., substitute teachers).

Such sourcing modes may actually increase the competitiveness of firms by enabling them to strategically focus their development expenses on those skills that contribute to a firm’s competitive advantage.

Given the transactional nature of contract work, HR activities need only focus on securing compliance with the terms and conditions of the contract versus executing broader responsibilities and assuming organisational roles. To ensure compliance, firms likely will concentrate on enforcing rules and regulations, upholding specific provisions regarding work protocol and ensuring conformance to preset standards.
Organisations that rely on the external labour market to contract work rarely invest in training and development activities for those people.

**Employee Perspective — Transactional**

According to Rousseau (1995), when employees have limited association with a firm and have explicit performance expectations, their psychological contract may be described as transactional. That is, focused on short-term economic exchanges. This has also been referred to as job-focused employment relationships (Tsui et al, 1995).

The focus is on the work to be done, results to be accomplished, the terms of the contract and virtually nothing else. While this is similar to the symbiotic approach, the differences are essentially the scope of involvement and the expectations underlying the exchange. In the symbiotic relationship, organisations seek continuity and loyalty from full time employees, albeit on a limited basis. In contrast, in the transactional relationship firms probably do not expect (and do not obtain) organisational commitment.

**HR Mode — Compliance**

As the supply of qualified suppliers increases and the risk inherent in contractual arrangements decreases, organisations are able to contract work without jeopardising their competitive position (Pfeffer and Baron, 1988; Rousseau, 1995; Van Hippel et al, 1997). Firms are increasing outsourcing administrative or lower level jobs, such as clerical, support and maintenance positions that contribute little to the competitive position of the firm. This reduces overhead costs and retains a degree of flexibility concerning the number of employees and when they are employed. Such sourcing
modes may actually increase the competitiveness of firms (Quinn, 1992) by enabling them to strategically focus their development expenses on those skills that contribute to a firm’s competitive advantage.

The primary differences between transactional and symbiotic HR practices rest on the range of behaviours and expectations required of employees and their level of contribution permitted. Given the transactional nature of contract work, HR activities may need only focus on securing compliance with the terms and conditions of the contract versus executing broader responsibilities and assuming organisational roles.

To ensure compliance, firms likely will concentrate on enforcing rules and regulations, upholding specific provisions regarding work protocol and ensuring conformance to preset standards. This approach differs from the market-based orientation, which places greater emphasis on recruitment and selection to ensure that the right people are hired to do the work.

Organisations that rely on the external labour market to contract work rarely invest in training and development activities for those people. Performance appraisal and rewards are likely to be job-based (Mahoney, 1989; Snell and dean, 1994), focusing on prescribed procedures and/or specified results.

**Group Four: Free Agents**

The employees who make up these spot markets could be considered ‘free agents’. Free agent employees are self-employed; they have neither an employer nor a wage contract and are responsible for their own tax arrangements. Unlike employees, whose work is usually defined in terms of labour expended, Free agent employees are generally
given specifications for the final product or result and they decide how best to accomplish it.

Such employees move from employer to employer, doing essentially the same work in each job. Jobs where the tasks are self-contained, short term and are common across organisations fit this model. Many free agent employees can be classified as knowledge workers, and are only interested in undertaking assignments of limited duration so that they can enhance their portfolio of skills and experience and move more easily between different employers rather than building a career in one organisation. This reflects not only an orientation towards their expertise but also a realistic assessment that the longevity of organizations is uncertain. Yet most employers still wish to retain a certain core of knowledge workers for a longer duration so that the organisation is not depleted of skills and experience.

This employment mode acquires from the market human capital that does not require further investment. This enables firms to reap the benefits of valuable skills that have been developed elsewhere while holding them internally. Therefore, the acquiring firm simply pays the value reflected in the market price and realises immediate benefits vis-à-vis productivity. Emphasis is on staffing and deploying skills for immediate contribution. These employees are not likely to receive as much training and development.

*Employee Perspective — Symbiotic*

These employees are valued contributors but are not unique. To manage these employees, organisations establish a symbiotic employment relationship based on the
utilitarian premise of mutual benefit (Etzioni, 1961; Tsui et al, 1995). The symbiotic relationship rests on the notion that both the employees and the organisation are likely to continue the relationship as long as both continue to receive benefit. Such employees are less committed to the organisation and are more committed to their careers. Typically, they do not seek or receive lifelong employment with a particular firm (Rousseau, 1995; Rousseau and Wade-Benzoni, 1994).

Because these employees are often trained in a particular occupation or profession, they can effectively ‘sell’ their talents to a variety of organisations, wherever they can contribute and receive the highest returns on their human capital investment. In return for employment, organisations expect a certain degree of loyalty to the firm while the relationship exists (Rousseau and Parks, 1993). However, because each party has alternative options available to meet its needs, this symbiotic relationship may be terminated when either party believes that the costs of maintaining the relationship exceed the benefits it creates. As Tam, Korczynski and Frenkel (2002: 779) found, remuneration matters to knowledge workers because it carries both economic and symbolic meanings, and it represents the going market price of knowledge workers’ expertise in the external labour market.

One of the primary factors that affect the commitment of knowledge workers is the way they are organised and relate to management. Reed (1996) argues that knowledge workers, as a new expert group, adopt a marketisation power strategy to build up and maintain their expertise status. Unlike traditional professionals, knowledge workers do not rely on conventional occupational or organisational credential systems to establish and gain economic and political advantages for their expertise. Instead, they make use of
esoteric and intangible nature of their knowledge to create market niches for themselves. In terms of their labour market positions, these workers are located in the external labour market (Berg, 1981).

*HR Mode — Acquisition*

This employment mode acquires from the market human capital that does not require further investment. This enables firms to reap the benefits of valuable skills that have been developed elsewhere while holding them internally. Therefore, the acquiring firm simply pays the value reflected in the market price and realises immediate benefits vis-à-vis productivity (Becker, 1976).

Selecting skilled employees directly from the market may also allow firms to realise significant savings in developmental expenditures while gaining access to a wide variety of capabilities that may incur positive returns on investment (Becker, 1974; Quinn, 1992).

Emphasise staffing and deploying skills for immediate contribution. These employees are not likely to receive as much training and development. Managers may not gain a return on any investment if employees leave because they possess skills that are not unique to a particular firm.

Assuming that the market wage reflects the value of transferable human capital, the employee (rather than the firm) will likely accrue the returns on the firm’s human capital investments. Given these risks to the firm, managers will be more likely to focus on recruiting and selecting employees that already possess the necessary skills. Reliance on selective staffing procedures is logically related to an HR orientation that relies heavily
on the external labour market for securing talent (Koch and McGrath, 1996; Snell and Dean, 1992). The focus is on identifying workers with specific skills who can perform immediately versus identifying workers with future potential who could benefit from further training. Likely to include externally equitable wages to focus attention on productivity concerns.

In a study of occupational commitment of knowledge workers in large organisations, Tam, Korczynski and Frenkel (2002) surveyed a total of 134 employees, consisting of system developers in a telecommunications company and dealers in a financial services company who provided advice and undertook transactions in money markets for corporate and institutional fund managers. This study found that there was a lack of formal human resource management policies for these employees and an absence of internal career ladders (Tam, Korczynski and Frenkel, 2002: 788). The responsibility for employee development was on the dealers and the developers themselves. They had to seek their own learning opportunities, instead of relying on management initiatives. Performance-related pay was a main feature of the market-based HR approach. Employees in one of the companies studied encouraged work effort by the use of performance-based pay. Bonuses made up a substantial proportion of the total pay of employees (Tam, Korczynski and Frenkel, 2002: 789).
Hypotheses

_Hypothesis 1: Employee Preferences_

_Hypothesis 2a: Mobility_

_Hypothesis 2b: Commitment_

Conclusion
References


Perlmutter, H. V. & D. A Heenan. 1974. How multinational should your top


