

2 Field of Study and Theoretical Foundation

This chapter provides an understanding of the field of study and the theoretical foundation for this paper. First, forms of global staffing in MNCs are addressed to better classify inpatriation (Section 2.1). Second, major objectives and benefits connected with the idea of inpatriation are presented (Section 2.2). Third, adjustment issues faced by inpatriates and challenges of diversity management associated with the deployment of inpatriates are stated (Section 2.3). Fourth, strategies on organizational and individual level that may contribute to effective inpatriation are highlighted (Section 2.4). The introduction of a model to describe the main functions of inpatriates follows (Section 2.5). Finally, inpatriate assignment effectiveness is looked at and financial and non-financial indicators are differentiated to illustrate the complexities of an assessment (Section 2.6).

2.1 Global Staffing in Multinational Corporations

With the globalization of businesses, global staffing and international assignments have gained importance in IHRM (Collings & Scullion, 2006). Staff in a MNC can be classified into different groups based on their nationality (Reiche & Harzing, 2011). In a first step, locals whose nationality equal that of the country they are working in and non-locals can be distinguished. Locals can be further differentiated in relation to the organizational structure of the MNC into *parent country nationals* (PCN), that is, staff with the same nationality as the headquarters of the MNC, and *host country nationals* (HCN), where the nationality of employee and local subsidiary is the same. Taking into account international assignments, the following three parties are usually identified:

1. *Third country nationals* (TCN), that is, staff whose nationality does neither correspond with the nationality of the headquarters nor the subsidiary
2. *Expatriates*, as a subgroup of PCNs, temporarily working in foreign subsidiaries
3. *Inpatriates*, as a subgroup of HCNs, temporarily working in the headquarters of the MNC

In Table 2-1 these staffing options are classified by nationality and target organization for clarity.

Table 2-1: Types of international employees

Nationality	Headquarters	Subsidiary
Local	Parent company national	Host company national
Non-local	Inpatriate; Third country national	Expatriate; Third country national

Note. Based on Reiche and Harzing (2011).

Other categories of international assignments, characterized by little or no human resource (HR) involvement, have been mentioned as well, for example, the following three groups (Mayerhofer et al., 2004; Collings, Scullion, & Morley, 2007):

1. *Frequent flyer assignments, international business travelers or flexpatriates* (staff that travels across cultural boundaries at short notice and over short periods)
2. *International commuter assignments* (staff that regularly commutes to a different country to work)
3. *Global virtual teams* (staff that is geographically dispersed and coordinates its work with the help of information and communication technology)

In these cases, family and center of life are maintained in the home country. These groups of staff can thus be interpreted as a subcategory of PCN, HCN, or TCN, covering staff that needs to travel or interact across countries because of specific international business demands.

With regard to global staffing, a strategic view has to be taken by the MNC to determine the where (which countries), what (which areas), who (which staff), and why (which purposes) in the context of assignments. Organizational stage of globalization, heterogeneity of global operations, and future strategic thrust have been named for consideration (Harvey & Novicevic, 2006). These factors can be supplemented by characteristics of the market as well as the competitive environment, when it comes to the consideration of inpatriation. As such, global mobility means exploring the world as a global labor market and examining the different categories of employees (i.e., local, expatriates, inpatriates, third country nationals) to decide in each case which group can best meet strategic needs (Bonache, 2010).

It has been proposed to combine inpatriate and expatriate programs and to make use of a multicultural workforce on a global and local scale. Using syn-

gies coming from diversity and empowerment, this is considered to offer a basis for developing a competitive advantage for the corporation (Harvey, Speier, & Novicevic, 1999b). Cultural diversity within a MNC would foster the development of a hybrid organizational culture characterized by infusion of staff from different countries as well as support of unique local capabilities (Harvey & Novicevic, 2006). This can be observed in practice as MNCs from Europe, USA, and Japan have started to develop a more multicultural corporate culture (Harvey & Novicevic, 2002b).

Furthermore, in completely globalized, borderless, transnational organizations, expatriates and inpatriates would merge into *transpatriates* (Gertsen & Söderberg, 2012). In these companies with multiple headquarters across several nations and minimized structural and cultural dominance, major decisions are made in a geographical context (transnational scope). Furthermore, the composition of key executives and managers is multinational (transnational representation), representatives and ideas from many cultures are included (transnational process), and foreign assignments are performed by transpatriates coming from and being sent to all parts of the world (Adler & Bartholomew, 1992b). For an overview of transnational tendencies in MNCs see Pihl (2008).

2.2 Major Objectives and Benefits of Inpatriation

Inpatriation assignments are an important element in the global development of individuals and organizations. Inpatriation can even be regarded on societal level in the context of development of local human capital in a country (Harvey, Myers, & Novicevic, 2002). A primary goal of inpatriation is to increase cognitive diversity within organizations, thus enhancing the ability to manage global business dimensions through knowledge of local environments (Harvey, Ralston, & Napier, 2000). Inpatriation may not be considered in all industries due to financial and organizational restraints (Pruthi, Wright, & Meyer, 2009). However, inpatriates as global managers with the ability to speak different languages, to easily assimilate into new environments, to identify local and global needs, and to put into practice measurable and profitable initiatives can be considered a business necessity (Stanek, 2000).

In the context of inpatriation, further objectives and benefits can be identified. The challenge of living and working in a foreign country is conducive to

individual development, enhancing, for example, cultural sensitivity (Caligiuri & Di Santo, 2001), creativity (Leung, Maddux, Galinsky, & Chiu, 2008), and competence transferrable across organizations and appreciated in the labor market (Collings et al., 2007). Furthermore, inpatriate assignments can help to fulfill organizational demands on a global level, for example, talent and leadership development, advancement of knowledge, acceleration of globalization, coordination and control, and last but not least, position filling (Harvey & Buckley, 1997; Harvey, Novicevic, & Speier, 1999; Harvey, Novicevic, & Speier, 2000a; Novicevic & Harvey, 2001b; Collings, 2014).

There have been studies supporting theorized objectives and benefits of inpatriate assignments (Gertsen & Söderberg, 2012). From a financial perspective, empirical studies have provided support for a positive relationship between international management experience and firm performance (for a selection of studies, see Collings, 2014). In the following, objectives and benefits of inpatriation are looked at from different perspectives. Table 2-2 shows a classification option for major objectives and benefits of inpatriation differentiating between more operational effects on the one hand and far-reaching strategic effects on the other hand.

Though these perspectives are analytically separated, many of the features described are interrelated. In making this distinction, however, a stronger focus can be put on the specifics of each individual perspective. For example, in a first step, inpatriates may improve their use of the language spoken at headquarters through trainings and the opportunity to speak the language during the inpatriate assignment. In a second step, the inpatriate may become a sought after interpreter

Table 2-2: Benefits of inpatriation

Operational effects	Strategic effects
- Technical competence	- Social competence
- Cultural sensitivity	- Diversity of perspective
- Language skills	- Language nodes
- Talent development	- Leadership development
- Position filling	- Linking pins, boundary spanning
- General information exchange	- Coordination & Control
- Task related knowledge	- Social knowledge
- Commitment & trust	- Cooperation
- Social contacts	- Social capital

between headquarters and subsidiary and serve as a language node (Marschan-Piekkari, Welch, & Welch, 1999).

The perspectives of position filling, competence building, linking pins, boundary spanning, language nodes, knowledge brokers, coordination and control, commitment and trust, and social capital will be looked at in more detail. This is to develop an understanding for the wide area of inpatriation benefits from the point of literature, to establish a basis for the subsequent development of a conceptual model, and to formulate hypotheses in regard to the effectiveness of inpatriate assignments.

2.2.1 The Perspective of Position Filling

Effective staffing strategies are essential for successful implementation of international business strategies (Collings et al., 2007). Companies are faced with talent management challenges in Europe, North America, and the emerging markets (Farndale, Scullion, & Sparrow, 2010). Regarding expert staff and management development in Germany, few companies have measures in place to actively cover foreigners, but more are planning to do so (Scheuven, 2012).

Inpatriates are seen more and more as a helpful staffing option in MNCs. They may be used to fill positions at headquarters and at the subsidiary. At headquarters, they may supply specialist functions with high expertise (staffing of specialist functions) as well as management functions under the aspect of promoting cultural leadership diversity (increasing cultural diversity) within an MNC (Harvey, Novicevic, & Speier, 2000b). Inpatriation can be used to address shortage of human capital in specific areas (addressing staff shortage), for example, nursing and information technology, which may lead to permanent relocations (Harvey & Mejias, 2002; Harvey, Buckley, & Novicevic, 2006).

Furthermore, inpatriation can be considered as a viable alternative in subsidiaries, where expatriation might be a challenge. A growing refusal rate of potential expatriates (Harvey & Moeller, 2009) has been observed. Representatives from headquarters, used to the amenities of developed countries, might be reluctant to take on assignments in unattractive countries with sub-standards of living (e.g., insufficient medical coverage, lack of adequate schools, little infrastructure), poor quality of life (e.g., pollution, crime, corruption, political instability) or high risks (e.g., kidnapping, terrorism). The latter has gained im-

portance in the last years (Scullion, Collings, & Gunnigle, 2007; Bader & Berg, 2014). Inpatriates used to the local conditions and having been socialized at the parent company could represent the interests of the headquarters in their home country (*staffing in unattractive countries*). In addition, inpatriates may serve as a low-cost option (*reducing costs of expatriates*) compared to expatriates (Tharenou & Harvey, 2006). Especially in emerging markets with strategic relevance because of high growth rates and market potential, inpatriates are considered an interesting staffing option (Harvey et al., 1999a; Harvey, Buckley et al., 2000; Harvey, Kiessling, & Novicevic, 2003). When there is a high demand for the capacity to fulfill company functions in an environment lacking business or economic infrastructure, inpatriates could be strong contributors (*staffing in emerging markets*). Staffing policies that encourage inpatriation foster a climate of global staff development and strengthen international cross-links within the MNC. For an overview of the needs that may be covered by filling positions with inpatriates, see Figure 2-1.

Apart from qualified locals, third-country-nationals, and expatriates, inpatriates enlarge the candidate pool for key functions in subsidiaries. Inpatriates would be familiar with formal and informal facets of the parent company and local operations as well as accustomed to local conditions. This enables staff

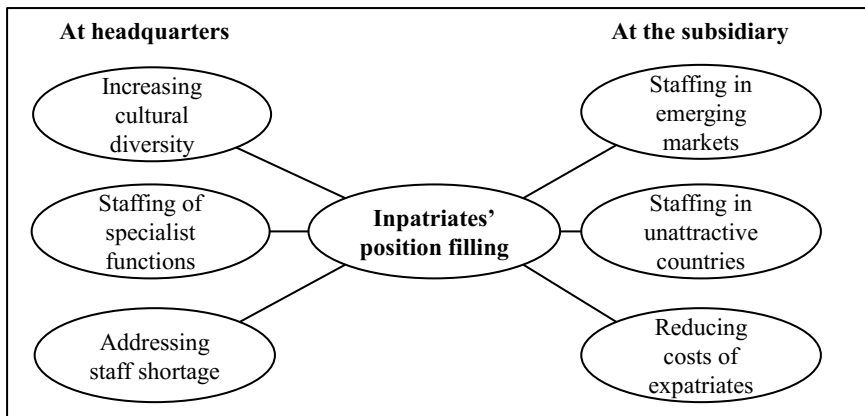


Figure 2-1: Functions covered by inpatriates' position filling

Note. Based on Harvey et al. (1999a), Harvey, Buckley et al. (2000), Harvey, Novicevic et al. (2000a, 2000b), Harvey et al. (2001a), Harvey and Mejias (2002), Harvey et al. (2003), Harvey, Buckley et al. (2006), and Harvey and Moeller (2009).

selection based on specific challenges in the operational environment (Harvey et al., 2001a).

Expediting this trend could facilitate the development towards a geocentric staffing policy as defined by Perlmutter (1969). This means seeking out the best people worldwide for key positions and contributing to the pool of leaders qualified to manage in a global context (Harvey, Novicevic et al., 2000a). Addressing for each staffing option the costs and benefits of the personnel placement, the likelihood of failure, and the potential damage, a risk/chance-based approach could help in the selection decision process from the efficiency point of view.

2.2.2 *The Perspective of Competence Building*

Regarding competence, there are a multitude of definitions and associated ambiguity (LeDeist & Winterton, 2005; Ray & Ramakrishnan, 2006), difficulties to measure competence (Garavan & McGuire, 2001), and problems related to practical use of the concept in the workplace (Munro & Andrews, 1994; Mansfield, 2004). Nevertheless, competent staff with the right knowledge, skills, and abilities is recognized as an important element for productivity, customer satisfaction, and competitiveness in fast changing environments (McHenry & Strønen, 2008). For the purpose of this paper, the following definitions are adopted based on Prahalad and Hamel (1990) and Baker, Mapes, New, and Szejczewski (1997):

- *Core competence*, defined as collective learning of an organization contributing to customer benefit, being competitively unique, and providing wide market access
- *Individual competence*, defined as employee characteristics for effective job performance

The concept of core competence is seen as fundamental for organizational renewal. Core competence is a driving force behind strategic change and hierarchically linked to the concept of individual and team competence (Ljungquist, 2007).

Taking a perspective on competence building from the viewpoint of inpatriation, it is argued on an *organizational level*, that the scope of an existing domestic based core competence of a company can be internationalized through

constant input of inpatriates on all levels of the organization (Harvey & Buckley, 1997). This transforms the uniculture of an MNC to a multicultural. Instead of forcing the parent company's uniculture onto the subsidiaries, the inpatriate's knowledge of the subsidiary and parent company culture allows for a sustainable development of a multicultural in the MNC.

On an *individual level*, inpatriate assignments provide learning and training opportunities in the parent company for inpatriates. They can improve their competencies covering language, corporate culture, international teamwork, management, and technical training (Harvey, Mayerhofer, Hartmann, & Moeller, 2010; Kühlmann & Hutchings, 2010). This build-up of competence has been identified as an intrinsic motivation for international assignments (Haines III, Saba, & Choquette, 2008). Several researchers have pointed out that the development of competencies, applicable and valued in- and outside of the MNC, is seen as a benefit by assignees (Collings et al., 2007). One of the reasons is continued employability in the market. The perspective of individual competence building is also of importance on an organizational level as part of global training and development (Suutari, 2003). The internationalization of the core competence of the company and the build-up of individual competencies through inpatriation are illustrated in Figure 2-2.

With rising focus on local training in the subsidiaries (Zheng, Hyland, & Soosay, 2007), however, training at the parent company may be restricted to the development of global leaders or special fields rather than as a default component of inpatriate assignments for cost-effectiveness.

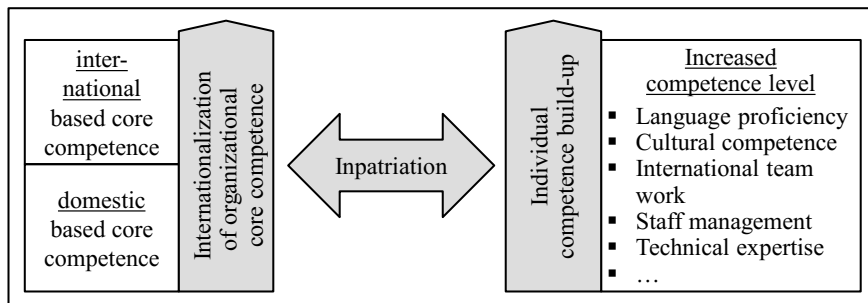


Figure 2-2: Internationalization of core competence and build-up of individual competence through inpatriation

Note. Based on Harvey and Buckley (1997), Harvey et al. (2010), and Kühlmann and Hutchings (2010).

2.2.3 *The Perspective of Linking Pins, Boundary Spanners, and Language Nodes*

In a MNC, there is a general need on one hand for knowing and understanding local markets to develop strategies and new products and on the other hand for local implementation commitment. Regarding this challenge, it has been pointed out that inpatriates can act as linking pins and boundary spanners, providing cognitive diversity as a strategic competence (Harvey, Novicevic et al., 1999). This creates opportunities like the ability to perceive and realize various business opportunities, drawing on the global and local strengths of the MNC. Furthermore, it brings along the skill of complex problem solving, that is, addressing and tackling challenges from different viewpoints.

On a *strategic level*, inpatriates would be knowledgeable of global strategies and capable of adaption to the local contexts while maintaining overall consistency (Harvey et al., 1999a; Harvey, Ralston et al., 2000). This would suit the growing demand for coherence and flexibility regarding the global strategy of the MNC (Novicevic & Harvey, 2001a). On an *operational level*, inpatriates could simplify the management of subsidiary activities by bridging existing cultural and information gaps between parent company and subsidiary (Kiessling, Harvey, & Garrison, 2004). In hyperactive markets, these activities are seen as a means to compete successfully (Harvey, Novicevic, & Kiessling, 2001). While the concepts of linking pins and boundary spanners have been partially intermixed in literature, they will be differentiated in this paper to distinguish more clearly between the potential contributions of inpatriates

- within the MNC organization as *linking pins* between parent company and subsidiaries and
- as *boundary spanners* between the MNC and external organizations.

Using the *linking pin* concept (Likert, 1961), an inpatriate can be considered as a linking pin between headquarters and subsidiary. Figure 2-3 illustrates the overlapping group membership of an inpatriate within the MNC.

An inpatriate is coming from and belonging to the foreign subsidiary and at the same time being able to represent the foreign subsidiary at the domestic headquarters on the same or upper level as well as being able to handle diverse perspectives (Harvey et al., 1999b). Multiple linkages between parent company and subsidiaries provide the parent company with local insights. At the same

time subsidiaries obtain access to and are involved in the decision making process of the parent company (Bartlett & Ghoshal, 1988).

Drawing on the concept of *boundary agents* as linking pins between the internal organization and the environment (Organ, 1971), inpatriates have the potential to fulfill the following three functions:

1. Acquisition and internal dispersion of a pool of outside knowledge, perceptions, and evaluations
2. Outside-in identification of organizational weaknesses and the necessity for change
3. Communication of organizational norms and values (e.g., compliance, business ethics) as well as global business offerings to the local market

Inpatriates may thus serve the MNC as an important bridgehead for the local market. They can interact effectively between organizations and establish a network of communication channels and relationships, to support the dynamic capabilities of the MNC for flexible positioning in the business landscape (Harvey, Novicevic et al., 2001; Harvey & Novicevic, 2004). In this context, the inpatriate's access to external organizations in the form of customers, decision makers, and government officials is of value. This role can be especially of inter-

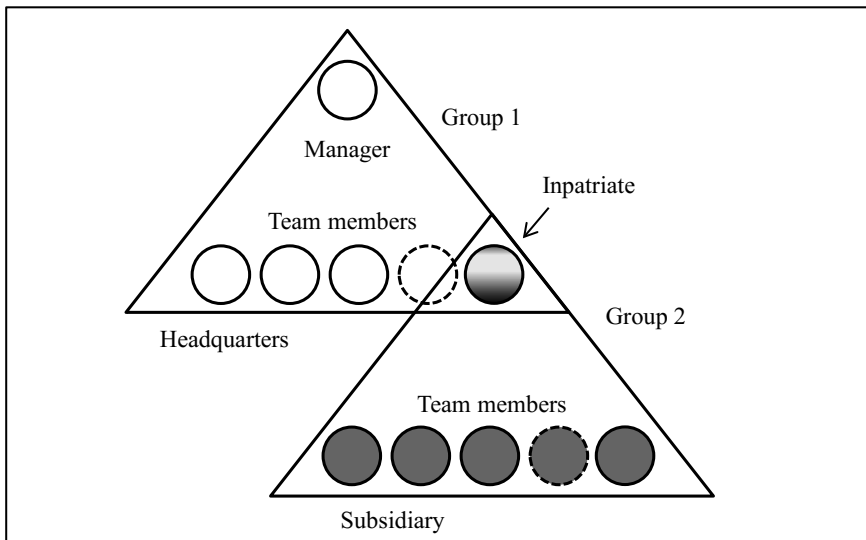


Figure 2-3: The inpatriate as a linking pin between headquarters and subsidiary

Note. Based on Likert (1961) and Harvey et al. (1999b).



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