Handbook of Research on Human Resources Strategies for the New Millennial Workforce

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Chapter 1
Culture and Managers in a Globalised World

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ABSTRACT

The dynamic nature of the management function in global business today and the realisation that what works effectively in one country may not be as efficient in another has led management scholars and practicing managers in continuous efforts to enhance their understanding of this environment and its effects to managers. This chapter explores management across cultures. The discussion starts with the origin and definition of cross cultural management; then it is focused on the study of the International Human Resources Management (IHRM). The final part discusses the profile of the international managers and the competencies needed to cope with the multiple challenges they are faced with in overseas assignments.

INTRODUCTION

The dynamic nature of the management function in global business today and the realisation that what works effectively in one country may not be as efficient in another has led management scholars and practicing managers in continuous efforts to enhance their understanding of the complex globalised business environment and its effects to managers. This is sought through the systematic study and exploration of management across cultures (cross cultural management); especially when this focuses in the study of managers and employees often falls in the field of the international human resources management (IHRM). This chapter explores management and managers in from an international business perspective. It is organised in three thematic areas: first, the importance of culture and cross cultural management in relation to international managers is explored; then a critical review of the key IHRM approaches is

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PART 1: CROSS CULTURAL MANAGEMENT

After forty years of research, cross-cultural management today is well established in the international management literature; nevertheless, scholars argue that it is not a clearly demarcated discipline of management (Søderberg & Holden, 2002). Adler & Gundersen (2008) argue that cross cultural management studies the behaviour of people and organisations in different countries and cultures around the world; they also suggest that cross cultural management expands the scope of domestic management and encompass the international and multicultural spheres. It can be argued that two streams of research appear in literature in terms of cross-cultural management. The first originates from early research in international business heavily relied in context sensitive disciplines such as anthropology, sociology and political science (Shenkar, 2004). The rapid expansion of international business since the early 1980s shifted research in hard disciplines such as international economics and strategy (Pudelko, Tenzer & Harzing, 2015). As a result, the international business literature has focused on the understanding of economic activities and quantitative analysis rather than the local and regional cultural aspects that affect...
the expatriate managers’ behaviour. The gap created from the narrow focus of the international business research, provided fertile ground for the emergence of cross-cultural management as a separate research stream. In addition, it can be argued that the introduction of culture in international business was triggered by the seminal work of Geert Hofstede (1980; 1991) who was the first to talk about the influence of national differences among people in organisations.

The concept of national culture dominates cross-cultural research. Alas, Papalexandris, Galanaki & Niglas (2014) argue that there is no universally agreed upon definition among researchers and scholars for the term culture. From an international management perspective, it has been used as an explanation for differences across nations (Edwards & Kuruvilla, 2005; Fisher & Hartel, 2003; Newman & Nollen, 1996). Literature reveals over one hundred sixty identifiably distinct definitions of culture (Kanungo, 2006). The vast majority of definitions on culture (i.e. Deal & Kennedy, 1982; Lawrence & Lorsch, 1986; Schwartz & Davis, 1981) lead to the conclusion that culture is a set of beliefs and values shared by the people in an organisation/society/country that exerts a powerful influence on people’s behaviour, because it operates without being talked about. In addition, national culture is embedded deeply in everyday life and is relatively impervious to change (Newman & Nollen, 1996). Culture is based on languages, economy, religion, policies, social institutions, class, values, status, attitudes, manners, customs, material items, aesthetics and education which subsequently influences managerial values (Hofstede, 1991; Trompenaars, 1993). Thomas & Peterson (2015) argue that the influence of culture is difficult to detect, and it is very easy for international managers to overlook it.

Since the early 1980s a critical question was raised, whether differences among management practices and national cultures matter to managerial performance. This question originates from the wider cultural ‘convergence-divergence’ debate which is premised on the assumption that, in given enough time, cultures will converge to the point that no difference in values, attitudes, beliefs and behaviour exist (Dunphy, 1987; Eisenhardt, 1973; Inglehart & Beker, 2000; Perlmutter, 1969), while others argue that cultural diversity will persist (Brewster & Bennett, 2010; Cole, 1973; Lincoln, Olson & Hanada, 1978). Alexashin & Blenkinsopp (2005) argue that although there is evidence of some convergence toward western managerial values and practices, the form of this convergence is not uniform nor the effect on managerial behaviour. Several attempts have been made to conceptualise and measure differences in cultures among nations, and to relate cultural differences to differences in management practices. The most well-known examples include the international survey results reported in Hofstede (1980, 1991), Laurent (1983) and Trompenaars (1993). This body of research clearly indicates that the national culture interpretation and adaptation are a prerequisite to the comparative understanding of national management practice. For Newman & Nollen (1996) national culture is seen as a central organising principle of employees’ understanding of work, their approach to it, and the way in which they expect to be treated. National culture implies that one way of acting or one set of outcomes is preferable to another. Thus, when management practices are inconsistent with these deeply held values, employees are likely to feel dissatisfied, distracted uncomfortable and uncommitted. As a result, they may be less able or willing to perform well. Furthermore, there is ample empirical evidence that national cultures vary (Pudelko, Reiche, & Carr, 2015) and that a variety of management practices, including decision making (Schneider & De Meyer, 1991), strategy (Ayoun & Moreo, 2008) leadership style (Alt et al., 2003), and human resources management (Rowley & Warner, 2007) differ by national culture.

The differences of managerial behaviour in international businesses have also shifted the researchers’ interest in organisational/corporate culture, which is composed of elements different from those of national culture (Thomas & Lazarova, 2014). There are two broad questions related with the con-
ceptualisation and influence of organisational culture: first what is the relation between national and organisational culture and second, to what extend does an organisational culture moderate or negate the effect of national culture? Although the term organisational culture originates from anthropology, it was first introduced to management literature from Pettigrew (1979). Hall (1995, p. 25) describes it as ‘the way we do things here’ while Williams, Walters, & Dobson (1993, p. 35) define it as “the commonly held and relatively stable beliefs, attitudes and values that exist within organisations.” Hofstede (1994) argues that the main difference between organisational and national culture is embedded on the fact that, membership in an organisation is normally partial, while membership of a nation is permanent. He also suggests (ibid.) that employees’ values cannot be changed, but that since organisational cultures are composed of practices rather than values, they are somewhat manageable, by changing the practices. Although there are various definitions and little consensus on this term, many authors describe it as an internal attribute of the organisation that is socially constructed, historically determined, holistic and difficult to change (Thomas & Peterson, 2015). Such culture is embodied in symbols, rituals, and heroes which are reflected in organisational communication, manners, dress codes, social rules and norms, and role models (Schein, 1992). In international business the corporate culture, akin to a national or local culture, comprises the values, norms, feelings, hopes and aspirations of the company’s employees (Mwaura, Sutton & Roberts, 1998).

A key question in international management research is the extent to which multinational companies (MNCs) adopt their ‘national’ characteristics when they operate abroad (Chung 2015; Oppong, 2013). Literature also suggests (i.e. Ferner & Quintanilla, 1998; Mayrhofer & Brewster, 1996; Ruigrok & van Tulder, 1995) that where a nation has a strong and distinctive culture this carries over into the nation’s organisations, with the most cited examples being Japanese, German and United States’ organisations. Although such organisations (MNCs) operating independent of national borders they continue to have their assets, sales, work-force, ownership and control highly concentrated in the country where their corporate headquarters are located (Oppong, 2013). On the other hand, attempts to establish a common corporate culture in an international or multi-national firm can be undermined by the strength of national cultures and the research points to the fact that the cultures of individual countries are both more stable and more powerful than those of individual organisations (Chung, Bozkurt & Sparrow, 2012; Newman & Nollen, 1996).

The main obstacle in the effort to understand management in different countries and cultural settings is that researchers and practitioners must often rely on theory originally developed in the United States (Doktor, Tung & von Glinow 1991; Tayeb, 2005; Jackson, 2015). Thus, management theory development has been synonymous largely with what happens in this country and its MNCs operating around the globe are responsible for the dissimilation of this US-centric management knowledge (Festing, Budhwar, Cascio et al., 2013). Since international and cross-cultural management studies origin in the individualistic achievement-oriented management culture of the United States, universality in management theory and practice is accepted without question. It can be argued however that, the concept that human beings are a resource to further the executive ends of an organisation is a concept that is contrary to the values of many non-Western cultures where collectivism prevails (Walls & Triandis, 2014). Perhaps in its most instrumental conceptualisation, this may also be contrary to the values of many ‘Western’ cultures. Little thought is given to the implications of the underlying concepts in people management theory, nor to its manifestations in the policies and practices that multinational corporations employ across different countries (Ferner & Quintanilla, 1998). Boyacigiller & Alder (1991) argue that this bias in theory development is the result not of an inherent belief in the superiority of U.S. management but
of parochialism – a lack of awareness of alternative contexts, models, research and values. As a result, culture is often ignored in management research and universality is assumed (Thomas & Peterson, 2015).

The latest developments in the field of international business research address the need to shift from a “culture-free” to a “culture-inclusive” paradigm (Pudelko, Reiche & Carr, 2015). As already discussed above, a significant number of scholars understand the international business as an economic activity rather than a human-centred event affected by the organisational and cultural context (Evans, Pucik & Barsoux, 2002). Brannen & Doz (2010) suggest that a better understanding of the context related issues is need. In additions, the use of overgeneralisations and statements such as “Think Global, Act Local” by managers and academics, justify and promote minimal adaptation to local differences and minimal contextual appreciation. As a result, it is imperative to create a new framework with broader research perspective based on the contextual factors that affect managerial behaviour in each country.

The GLOBE Project

The GLOBE project (Global Leadership and Organisational Behaviour Effectiveness) has been considered as one of the most comprehensive studies on national cultures (Alas et al., 2014); it is a research programme initiated in the late 1990s, focusing on the culture and leadership in sixty-two nations. One of the outcomes of the GLOBE research was the construction of nine dimensions of cultural variation (Figure 2). The subjects / participants of this survey were eighteen thousand middle managers in food processing (including luxury hotels), finance and telecommunications. The project used a multi-method approach by employing both qualitative and quantitative data. These data were collected from one hundred fifty Country Co-Investigators (CCIs) who are social scientists or management scholars. CCIs ensured the accuracy of questionnaire translations and are responsible for the writing of each country’s culture specific descriptions that derive from the interpretation of the qualitative data collected from the questionnaires. The central theoretical proposition of the model that guides the GLOBE research programme, is that “the attributes and entities that distinguish a given culture from other cultures are

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**Figure 2. The Globe project dimensions**
*Source: adapted from House et al. (2002)*

- **Performance Orientation:** the degree to which a society encourages and rewards group members for performance improvement and excellence
- **Future Orientation:** the degree to which individuals in organisations or societies engage in future-oriented behaviors such as planning, investing in the future and delaying individual or collective gratification
- **Assertiveness:** the extent to which a society encourages people to be tough, confrontational, assertive and competitive versus modest and tender
- **Power Distance:** the degree to which members of an organisation or society expect and agree that power should be stratified and concentrated at higher levels of an organisation or government
- **Humane Orientation:** the degree to which an organisation or society encourages and rewards individuals for being fair, altruistic, generous, caring and kind to others
- **In-group Collectivism:** the extent to which members of a society take pride in membership in small groups such as their family and circle of close friends, and the organisations in which they are employed
- **Uncertainty Avoidance:** the extent to which its members seek orderliness, consistency, structure, formalised procedures and laws to cover situations in their daily lives
- **Institutional Collectivism:** the degree to which individuals are encouraged by societal institutions to be integrated into groups within organisations and the society
- **Gender Egalitarianism:** the degree to which an organisation or a society minimises gender role differences while promoting gender equality
predictive of the practices of organisations and leader attributes and behaviours that are most that are most frequently enacted, acceptable and effective in that culture” (House, Javidan, Hanges, & Dorfman, 2002). The theoretical background of this model is an integration of implicit leadership theory (Lord & Maher, 1991), value/belief theory of culture (Hofstede, 1980), implicit motivation theory (McClelland, 1985), and structural contingency theory of organisational form and effectiveness (Donaldson, 1993).

This process provided useful insights for each participative country cultural perspectives in relation to management and leadership (Javidan & House, 2001). One of the most interesting aspects of this project is that the cultural dimensions were measured both as practices (‘the way things are’) and values (‘the way things should be’). Although it is not the scope of this chapter to discuss leadership related issues, the GLOBE project concludes to some interesting findings, regarding the managerial behaviour in different countries’ cultural and societal context.

PART 2: INTERNATIONAL HUMAN RESOURCES MANAGEMENT (IHRM)

The International Human Resources Management (IHRM) is an area of research and practice that is embedded in international management, which is in turn embedded in the broad field of international business (De Cieri, Cox & Fenwick, 2007). Peltonen (2006, p.523) defines IHRM as ‘a branch of management studies that investigates the design and effects of organizational human resource practices in cross-cultural contexts’, and Welch (1994, p.162) advocates that ‘IHRM involves moving people around the globe’. The core difference between HRM and IHRM is premised in the fact that HRM is relevant within a single country, while IHRM seeks to explore added complexity due to a diversity of national contexts of operation and to the inclusion of different national categories of workers (Dowling 1999; Evans, Pucik & Barsoux, 2002; Schuler, Budhwar & Florkowski, 2002). Brewster (2006) argues that it is important not to underestimate the differences between people management approaches and techniques in domestic and international settings. Indeed IHRM has struggled to accommodate these dilemmas and accordingly several key authors (Boxall & Purcell, 2003; Festing et al., 2013; Sparrow, Brewster & Harris, 2004) have argued for clarification by dividing IHRM into:

- Cross-cultural management, which investigates employee and managerial behaviour from an international and/or intercultural perspective.
- Comparative HRM, which focuses upon the comparisons of people management practices across different nations.
- IHRM which focuses upon the additional complexity of managing people across national borders.

Despite the plethora of publications and research internationally, there is no consensus on the definition of IHRM (Festing et al., 2013). The IHRM literature appears to predominantly focus on MNCs despite the fact that they employ directly a small percentage of the workforce worldwide (Rugman, 2003). Scullion & Linehan (2005) suggests that IHRM definitions have broadly concentrated in examining fields such as strategy, HR policies and practices that firms pursue in relation to the internationalisation of their business. Rowley & Warner (2007, p.713) argue that IHRM “appears to be exceptional in business practice rather than the rule of how people are managed”. The latest research developments (i.e. Björkman & Welch, 2015; Pudelko, Reiche & Carr, 2015) eventually acknowledge the value and implications
of IHRM systems and practices in organisations other than MNCs like Small and Medium Enterprises (SMEs) that expand overseas and Non-Government Organisations (NGOs).

As already noted above, the controversy about what IHRM is and how it works appears with the systematic expansion and internationalisation of U.S. corporations. It would be thus helpful to recognise the different origins of some key IHRM studies. As early as the late 1960s, Perlmutter (1969) and later Heenan & Perlmutter (1979) have described the model of international orientation; this reflects an international company’s underlying philosophies, strategies, and methods of managing their human resources. This model is still widely used despite the rapid changes in the global economy and increases in size and scale of international operators (Chung, 2015; Dowling & Welch, 2004; Harzing & van Ruyseveldt, 2004). According to Heenan & Perlmutter (1979) there are four approaches identified in business international orientation: Ethnocentric; Polycentric; Regiocentric; and Geocentric (Table 1).

These four approaches have shaped a body of IHRM literature related to international staffing. More specifically, since the early 1980s it was realised that IHRM is becoming increasingly complex as new types of employees and their unique attributes are considered as part of the IHRM activities (Oppong, 2013). Numerous new issues have arisen given the diversity of employees in an international context. Thus, a major aspect of IHRM research has been the identification of the complexities associated with managing people from different locations when a company pursues business across national borders (Cullen, 1999; Dowling & Welch, 2004; Evans et al., 2002; Schneider & Barsoux, 2003). More recent discussions of IHRM have included a broader consideration of HRM in multinational enterprises (Festing et al., 2013; Rowley & Warner, 2007). The organisational context in which much IHRM is considered, is therefore, that of multinational corporations (MNCs) or Multinational enterprises (MNEs), and particularly their headquarters (De Cieri et al., 2007). Bartlett & Ghoshal, (1992) view transnational enterprises (TNEs) as the most complex or sophisticated form of MNCs; those companies operate with substantial, actively managed direct investment in foreign countries as integral parts of the enterprise both in strategic and in operational terms. Harzing (2004) uses the work of Adler (1983) to suggest two major people oriented

**Table 1. Four business international orientation approaches**

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<th>Ethnocentric</th>
<th>Polycentric</th>
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<td>The <strong>ethnocentric approach</strong> allows a company’s foreign subsidiaries very little autonomy and managers in the parent country head-office make all the strategic decisions while only lower level positions are open to local or other nationals.</td>
<td>In the <strong>polycentric approach</strong>, the cultural and institutional differences of host countries mean that the international operator adopts a disparate HRM approach, where host country managers are recruited and selected to operate subsidiaries in their own home countries.</td>
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<th>Regiocentric</th>
<th>Geocentric</th>
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<td>The <strong>regiocentric approach</strong> which appears as a ‘best fit’ approach, mimics many of the characteristics of the polycentric and geocentric approaches as it indicates each subsidiary should adapt to the host location’s practices, but for a geographical region, rather than a single country and also attempt to achieve consistency across this region, instead of across the world. However, it is important that the parent company demonstrates cultural sensitivity when adopting the regiocentric orientation, as close geographical proximity does not necessarily indicate similar social, political, economic, and cultural institutions.</td>
<td>The <strong>geocentric approach</strong> typifies the truly ‘global’ enterprise where the value of each unit is recognised and built upon to achieve superior worldwide performance. This suggests that talent rather than nationality identifies the best managers, and therefore recruitment and selection take place on a global basis. This also requires continual cultural adaptation training and the development of skills to balance local skills with company goals. Such an orientation is obviously a tall order for organisations and its feasibility is questioned due to a variety of reasons such as the commitment by senior management, finance for and expertise in human resource development and transfer facilitation, as well as means of global communication.</td>
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**Source:** adapted from Dowling, Festing & Engle (2013).
distinctions between firms operating in domestic and international settings. Firstly, multiculturalism or ‘the presence of people from two or more cultural backgrounds within an organization’ (Harzing, 2004, p.34) presents firms with the need to decipher and accommodate a greater range of expectations, needs, values and behaviours. Secondly, geographical dispersion or ‘the location of various subunits of the parent firm in different countries’ (ibid.) requires firms to manage their assets at a distance and accordingly issues of consistency arise. Furthermore, geographical dispersion also relates to the HRM conventions associated with the comparative stand of IHRM where different countries have varied institutional (legal, economic and education) systems and cultural perspectives (Brewster & Bennett, 2010).

The dominant theme in IHRM literature focused in MNCs has been the conceptualisation of the Global Integration (GI) and Local Responsiveness (LR), known as the global-local question (Chung, 2015). It is commonly assumed that a key tension that MNCs face is how to balance the pressures for globally standardised policies across their operations with the need to be responsive to local (national) conditions. As already stated above, at the heart of this question lays the assumption that societies and organisations will become similar due to the universal application of management practices (Dowling, Welch & Schuler, 1999; Quintanilla & Ferner, 2003; Schneider & Barsoux, 2003). On the other hand, Oppong (2013, p.26) argues that “it is difficult for MNCs HRM policies and practices to converge due to the differences in environmental factors in various overseas locations.” In today’s complex globalised business environment international companies must manage on a day-to-day basis, the national institutional and cultural differences presented in various localities, and highlights another form of balance for enterprises where they have to achieve a judicious and effective equilibrium between some local HRM practices and elements of consistency across their subsidiaries (Thomas & Lazarova, 2014).

Due to the increasing attention to the strategic nature of IHRM and to the implications of strategy for organisational performance (Engle, Festing & Dowling, 2014), IHRM has been extended into strategic IHRM (SIHRM). The common ground between IHRM and SIHRM is premised in the fact that, managing people consistently within and between subsidiaries across the world suggests that companies will evaluate whether to adopt local practices and simultaneously adopt global practices (Brewster, 2006). SIHRM has been defined by Schuler, Dowling & De Cieri (1993, p.422) as “human resource management issues, functions, and policies and practices that result from the strategic activities of multinational enterprises and that impact the international concerns and goals of those enterprises.” Many of the debates on the strategic nature of IHRM have covered similar territory to those in domestic SHRM that is whether organisations should primarily build upon their internal assets or upon assessments of the external environment to develop competitive advantage (Bartlett & Ghoshal, 1989; Prahalad & Hamel, 1990).

Three distinctive approaches emerged in SIHRM as the keystone for achieving competitive advantage and corporate success through the utilisation of human resources (Gannon, Doherty & Roper, 2012): the ‘best practice’ approach; the ‘best fit’ approach; and the ‘resource-based view’ (RBV) approach (Figure 3).

The best practice approach argues for a universal paradigm, which promotes the idea of convergence across countries, sees the main aim of IHRM to improve organisational performance and its arguments are based primarily on surveys of ‘leading edge’ companies (Pfeffer, 1998). The emphasis is on the expectations of what happens rather than the quest for organisational improvement. It is the dominant approach within the United States of America but is also widely used in the UK, Ireland, Australia, New Zealand and Northern Europe (Brewster, 2006). On the other hand, Morden (1995) argues that international managers and multinational companies may need to take a best fit or contingency approach to any issues related with the management function; he also suggests (ibid.) that the style of management must
be appropriate to the prevailing local contingencies. This approach suggests that firms should be able to take advantage of cultural diversity to help them differentiate their products and services and satisfy customers and workforces, whilst at the same time minimising the effects of cultural diversity where standardisation is prioritised. In terms of the development of key human resources this balance is seen in the use of career structures for talented managers regardless of nationality and the use of host and third country managers in senior positions (Cascio & Boudreau, 2016; Paauwe & Dewe, 1995; Scullion & Paauwe, 2004). Finally, the RBV SIHRM approach identifies how perpetual firm distinctiveness and ‘rents’ can be achieved through people, and the processes used to manage them, where such resources are valuable, rare, inimitable and non-substitutable. This suggests that certain groups of human resources achieve a privileged status within organisations due to their capacity to transfer tacit knowledge to new markets and provide sustainable competitive advantage (Jacob, 2003; Prahalad & Hamel, 1990; Scullion & Starkey, 2000).

The dilemma of evolving competencies and capabilities from existing (and potential) resources, to out-manoeuvre competitors and achieve sustained competitive advantage as opposed to analysing environmental opportunities and weaknesses and adjusting resources to exploit them, are not arguably mutually exclusive. According to Tayeb (1998) MNCs might find it feasible to have company-wide policies, nevertheless it is likely that they find it unavoidable to be responsive to local conditions when it comes to HRM and/or personnel practices. Ngo et al. (1998) note that two major influences on HRM practices of MNCs are local contextual factors (such as labour market conditions, legal and socio-political environment and unionisation) and the firm’s home country culture. Oppong, (2013) argues that this complex situation largely affects the management of MNCs as they operate in foreign countries, and this has influence on their success rate especially with regard to their people management. In the face of this complexity, the same HRM practices cannot be applied in subsidiaries of an MNC throughout the world. These complex relationships can be expressed as a cycle presented in Figure 4.
IHRM research, has received criticism on several grounds (Gannon, Roper & Doherty, 2015). These include arguments that much of the earlier research was descriptive, and lacking in analytical rigour (De Cieri et al., 2007). In addition, many IHRM studies suffered from small sample size, low response rates, and have been restricted to quantitative analysis (Stahl, Björkman & Morris, 2012). The most common methods of data collection in cross cultural research are questionnaires followed by interviews; this is not surprising because most researchers conducting international research are trained or educated in Anglo-American institutions (Thomas & Peterson, 2015). As a result, IHRM researchers face the challenge of deciphering the conceptual and functional equivalence of measures such as survey instruments (von Glinow, Drost & Teagarden, 2005) and the many methodological problems inherent in much of the international business literature. Rowley & Warner (2007, p.713) identify three areas in the IHRM literature “that may require qualification and caveats”: first, an over-emphasis in MNCs and their HRM practices, despite the fact that they employ a small minority of the workforce worldwide; second, IHRM as a conceptual area of enquiry suffers from a solid theoretical foundation; and third, IHRM seems to focus successfully in business practice but fails on the other hand to explain how people are managed.

As a concluding point it can be argued, that scholars and researchers (i.e. Chung, 2015; De Cieri & Dowling, 2006; Festing et al., 2013; Oppong, 2013) call for further work in order to overcome the above-described methodological problems and to develop an understanding of the IHRM field with theoretical rigour and concrete operationalization of terms.
PART 3: INTERNATIONAL MANAGERS

From the early internationalisation years, the importance of international managers was widely recognised and much of the IHRM research focused upon expatriates (Scullion & Collings, 2006). Expatriate managers are seen as ‘strategic resources’ of the MNCs and their roles include ‘knowledge transfer’, networking and coping with the complexities of internationalisation; they are also responsible for the dissimilation of the corporate culture (Graf, 2004). Their roles and work behaviour are the results of both the national and organisational contexts, which impose demands and constraints on the choices they make, which are influenced by national culture (Thomas & Peterson, 2015). Although empirical research has generally found more similarities than differences in managerial work (Hales, 1986; 1999) some studies demonstrate the effect of contextual factors such as the local culture (Giousmpasoglou, 2014), the amount of the uncertainty in the environment (Mintzberg, 1994), and the organisation’s size and structure (Hales & Tamangani, 1996) on managerial roles.

An important determinant of foreign venture success is the organisation’s ability to transfer its critical capabilities on an international basis (Bartlett & Ghoshal, 1989). The most effective way to transfer these company critical capabilities is through expatriation (Malinowski, Paik & Segaud, 2002). From an IHRM view, the term ‘expatriation’ defines the process of sending parent country company employees (often described as parent country nationals – PCNs) to a host country company, in most cases to a foreign subsidiary, during a pre-defined period of time; those employees sent to work in a foreign country are called ‘expatriates’ (Dowling et al., 2013). Successful international assignments increase the organisations’ international reputation and profits (Thomas & Lazarova, 2014). The reasons for using expatriate managers include features of the host country, for example, the paucity of supply of suitably qualified or experienced managers (Scullion & Collings, 2006). Other factors, such as: facilitating control over local subsidiaries; helping to start up new subsidiaries; turnaround poorly performing subsidiaries and to secure international acquisitions and investments, are the result of internal company views that expatriates are more apprised of the financial priorities, control systems and culture associated with the regional or headquarters of the parent company (Harzing, 1999). A primary motive for expatriates to accept international assignments is the expectation to advance in their careers upon return (Medich, 1995). Thus, expatriation may also be seen as part of a manager’s development, which in turn is part of a company’s HR development processes. According to Scullion (1992) the participants on such development schemes are younger than previous cohorts. Despite the high cost of the process and the various arguments (i.e. Cole & Nesbeth, 2014; Harzing & Christensen, 2004; Forster, 2000) the continued use of expatriates seems unlikely to diminish. The increasing use of ‘inpatriates’ however is adopted as an attractive alternative to the use of expatriates since the beginning of the new millennium. This type of international manager refers to a host country national (HCN), or possibly a third country national (TCN), sent to the parent country headquarters and suggests an effective means of developing a global and integrated organisation (Harvey & Novicevic, 2001). Table 2 summarises the advantages and disadvantages of using the three categories of staff – PCNs, HCNs and TCNs.
Culture and Managers in a Globalised World

The international transfer of managers has been notoriously problematic. A key challenge facing those who use managers outside of their home countries is their reportedly poor performance and relatively high failure rates (Black, Mendenhall & Oddou, 1991; Harzing & van Ruysseveldt, 2004; Parkinson & Morley, 2006; Tung, 1987). Cole & Nesbeth (2014) define expatriate failure as either an expatriate’s premature return from the international assignment or underperformance whilst conducting the assignment. Brookfield (2014) consistently reports that the historical average for early return of international assignees is 6 to 7%. Regarding the locations with the highest rate of international assignment failure, China comes first with 15%, followed by Brazil and the United States (both 7%), India (6%), and Mexico, Argentina and United Kingdom, all at 4%. The costs associated with expatriates’ premature return are high and are dependent on the work location. Expatriate failure increases the cost for the home country company in form of additional recruitment cost, relocation expenses, premium compensation, repatriation and replacement costs, and the cost of poor job performance (Bhaskar-Shrinivas, Harrison, Shaffer, & Luk, 2005). The premature return of expatriates yields also indirect costs like missed opportunities of market development and revenues abroad (Farner & Luthans, 2002). Expatriates that choose to return home before the assignment is finished might face consequences as lost self-esteem and self-confidence.

Table 2. Advantages and disadvantages of using PCN, HCN and TCN

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<th>Parent Country Nationals (PCNs)</th>
<th>Disadvantages (-)</th>
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<td>Advantages (+)</td>
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<td>✓ Organizational control and coordination is maintained and facilitated.</td>
<td>● The promotional opportunities of HCNs are limited.</td>
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<tr>
<td>✓ Promising managers are given international experience.</td>
<td>● Adaptation to host-country may take a long time.</td>
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<tr>
<td>✓ PCNs may be the best people for the job because of special skills and experiences.</td>
<td>● PCNs may impose an inappropriate HQ style.</td>
</tr>
<tr>
<td>✓ There is assurance that the subsidiary will comply with MNE objectives, policies, etc.</td>
<td>● Compensation for PCNs and HCNs may differ.</td>
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<tr>
<th>Host Country Nationals (HCNs)</th>
<th>Disadvantages (-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advantages (+)</td>
<td></td>
</tr>
<tr>
<td>✓ Language and other barriers are eliminated.</td>
<td>● Control and coordination of HQ may be impeded.</td>
</tr>
<tr>
<td>✓ Hiring costs are reduced and no work permit is required.</td>
<td>● HCNs have limited career opportunity outside the subsidiary.</td>
</tr>
<tr>
<td>✓ Continuity of management improves, since HCNs stay longer in their positions.</td>
<td>● Hiring HCNs limits opportunities for PCNs to gain foreign experience.</td>
</tr>
<tr>
<td>✓ Government policy may dictate hiring of HCNs.</td>
<td>● Hiring HCNs could encourage a federation of national rather than global units.</td>
</tr>
<tr>
<td>✓ Morale among HCNs may improve as they see future career potential.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Third Country Nationals (TCNs)</th>
<th>Disadvantages (-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advantages (+)</td>
<td></td>
</tr>
<tr>
<td>✓ Salary and benefit requirements may be lower than for PCNs.</td>
<td>● Transfers must consider possible national animosities (e.g. India and Pakistan).</td>
</tr>
<tr>
<td>✓ TCNs may be better informed than PCNs about the host-country environment.</td>
<td>● The host government may resent hiring of TCNs.</td>
</tr>
</tbody>
</table>

| Source: Dowling et al. (2013), p.114 |                   |
Culture and Managers in a Globalised World

(Dowling et al., 2013). The expatriates’ consequences lead to more problems for the parent company, like reduced productivity and reluctance among other employees to accept international assignments (Medich, 1995).

A wide controversial range of causes have been documented in expatriate failure research. Originally, Tung (1982; 1987) identified four sets of factors: technical competence; personal traits or relational abilities; ability to cope with environmental variables; and family situation as the key contributors to expatriate success or failure (Table 3). Utilisation of poor expatriate selection methods are one reason to expatriate failure (Chen & Tye, 2005); another reason to the high rate of expatriate failure could be inappropriate expatriate training and development programs (Farner & Luthans, 2002). One of the most frequent reasons for expatriate failure is reported to be the expatriate’s spouse adjustment inability to the foreign environment (Harzing & van Ruysseveldt, 2004; Medich, 1995). Furthermore, the expatriates’ inability to handle relations with people from other cultures and poor personal adjustment to the new environment is other reasons that lead to a premature return (Medich, 1995).

In an effort to minimise expatriate failure, researchers and practitioners (Brookfield, 2014; Harzing & van Ruysseveldt, 2004) argue that more attention should be focused on clear directions about the expatriate’s job tasks abroad and well developed training programs for the expatriate and his/her family. The cultural training and adjustment are very important and the expatriate and his/her family should get help with these issues both from the home country company before departure and from the subsidiary during the assignment period (Cole & Nesbith, 2014). McCaughey & Bruning (2005) suggest that organisations should consider three important areas affecting the expatriate performance and the expatriate failure rate. These three areas are: individual adjustment; environmental issues; and position-related issues. Other researchers (i.e. Black et al., 1991; Harzing & Pudelko, 2013) focus upon the in-country aspect of adjustment and highlight how language ability and previous assignments moderate the experience of expatriate adjustment. The message behind these categories is that the development of realistic expectations about international assignments and the cultural dimensions associated with them is important for

Table 3. MNCs expatriate failure rates and causes

<table>
<thead>
<tr>
<th>Recall Rate (%)</th>
<th>Percentage of Companies</th>
<th>Causes</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Multinationals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-40%</td>
<td>7%</td>
<td>• Inability of spouse to adjust</td>
</tr>
<tr>
<td>10-20%</td>
<td>69%</td>
<td>• Manager’s inability to adjust</td>
</tr>
<tr>
<td>&lt;10%</td>
<td>24%</td>
<td>• Other family problems</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Manager’s personal or emotional immaturity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Inability to cope with larger overseas responsibilities</td>
</tr>
<tr>
<td>European Multinationals</td>
<td></td>
<td>Inability of spouse to adjust</td>
</tr>
<tr>
<td>11-15%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>6-10%</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>&lt;5</td>
<td>59%</td>
<td></td>
</tr>
<tr>
<td>Japanese Multinationals</td>
<td></td>
<td>Inability to cope with larger overseas responsibilities</td>
</tr>
<tr>
<td>11-19%</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>6-10%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>&lt;5</td>
<td>76%</td>
<td></td>
</tr>
</tbody>
</table>
| Source: adapted from Tung (1982; 1987)
easing expatriates into their assignments. Furthermore, the unique challenges posed during international assignments emphasise the critical nature of managers and their capabilities (Black et al., 1999; Bonache & Fernandez, 1999; Dowling et al., 1999; Scullion, 1992).

Managerial Competencies in Cross Cultural Settings

The importance of co-ordination and the possession of the right competencies are more than visible today in international organisations, where they need to manage complexity, diversity and change simultaneously. According to Cascio & Bourdeau (2016, p.109) the current global business environment is described by authors with the acronym “VUCA” (from the words volatile, unpredictable, complex and ambiguous). It is thus imperative for international business to develop a cohort of global managers with the right set of competencies in order to be able to cope with constant change and uncertainty.

International assignments hold the potential for developing managerial competencies (Caligiuri, & Lundby, 2015). However, harnessing the competencies that expatriates develop remains a considerable managerial challenge (Tams & Arthur, 2007). The high failure of the U.S. expatriate managers in non-western countries assignment has driven the creation of research focused in national cultures and its effects in organisational context (Hofstede, 1980; Tayeb, 2005; Trompenaars, 1993). Different cultural contexts influence the understanding of competencies (Alas et al., 2014) and this is especially important in relation to the extent to which competency is defined by cultural literacy involving group identities such as race, gender, age and class (ascript), as opposed to demonstrable behaviour (achievement) (Winterton, Delamare-Le Deist & Stringfellow, 2006). The same argument can be made in relation to the neglect of organisational culture and workplace context, since generic competencies may not be transferable across different knowledge domains (Burgoyne, 1989). Contemporary multinational organisations require managers who are sensitive to the unique decision-making and action-implementation demands typical of a globally-interdependent international economy (Harvey, McIntyre, Moeller & Sloan, 2012). These international managers must be capable of accessing and integrating information through multiple cultural filters (Emmerling & Boyatzis, 2012) as well as capably developing and enacting multiple strategies for organisational goal achievement (Gannon et al., 2012). They demand individuals who are able to function within a complex, uncertain trans-national environment characterised by continuous change (Mendenhall, Oddou & Osland, 2012).

The situational, or contextual, approach emphasises the importance of situational factors, as well as trying to identify a link between certain situational factors and competencies needed for superior managerial performance (Thomas & Lazarova, 2014). Some of the research within this approach use behaviour based competency definitions and could be included in the behaviour approach (i.e. Boyatzis 1982, Dulewicz & Herbert, 1999; McClelland, 1998; Spencer & Spencer, 1993). The difference is that their research is more aimed at exploring whether situational factors are influencing the competencies required for superior performance, rather than factors related to an individual. In the broadest sense this approach could also include the work from the culture literature like Hofstede (1980) and Trompenaars (1993). However, these authors put more emphasis on cultures and values and how these influence organisational practice. Some writers claim that the situational factors from job to job vary so much that it is impossible to make a generic list of managerial competencies that are relevant for most managerial positions (Bartlett & Ghoshal, 1992).
Researchers have also concentrated their attention on the predictive power of the ‘big five’ personality characteristics for expatriate successful performance (Griffin & Moorhead, 2011). The five characteristics examined are:

1. **Extroversion**: Individuals that successfully assert themselves and gain acceptance in the social environment through social relationships (Ones & Viswesvaran, 1999).
2. **Agreeableness**: Being identified as a team player through the formation of reciprocal social alliances and the building of social capital in the organisation (Caligiuri, 2000).
3. **Conscientiousness**: Trusted, diligent cohorts that are productive and supportive of increased organisational performance (Hogan, 1996).
4. **Emotional Stability**: The intrapersonal ability to adapt and cope with stress in professional and personal spheres of one’s life (Buss, 1991).
5. **Openness and Intellect**: Having the ability for individuals to effectively complete their functional assignment, and at the same time an awareness of the environment to allow for adaptation of their behaviour to changing conditions in that environment (Behling, 1998).

International organisations which have adopted a strategy of placing expatriates in top management positions at host country locations select and train individuals who have both technical and contextual competency (Ang & Van Dyne, 2015). Those managers have the ability to perceive patterns of thought and action, accurately interpret and attribute meaning to the patterns, integrate the meaning of the patterns with others, and finally create organisational opportunities where the patterns can interact in the service of mutually beneficial goals (Dutta & Beamish, 2013). A summary of the key success factors for the international manager can be viewed in Table 4.

The development of managerial competencies for expatriate managers is also seen as a source of competitive advantage (Harvey & Novicevic, 2001). Managerial competencies may create sustained competitive advantage directly if the top management team is able to exploit unique expatriate specific competencies (Mudambi & Swift, 2011). These competencies are particularly valuable to the organisation if they provide an institutional bridge between the cultural, social, and political divide often found between the domestic and foreign subsidiaries (Gabby & Zuckerman, 1998). As these managerial competencies

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**Table 4. Key success factors for the international manager**

<table>
<thead>
<tr>
<th>Task Demands</th>
<th>Individual Demands</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Technical demands</strong></td>
<td>Cognitive complexity</td>
</tr>
<tr>
<td>- Knowledge of industry</td>
<td></td>
</tr>
<tr>
<td>- Functional/managerial skills</td>
<td></td>
</tr>
<tr>
<td>- Knowledge of subsidiary’s role</td>
<td></td>
</tr>
<tr>
<td><strong>Contextual demands</strong></td>
<td></td>
</tr>
<tr>
<td>- Understand value orientations</td>
<td></td>
</tr>
<tr>
<td>- Translate, adapt, integrate, and operationalise functional / managerial responsibilities based on local conditions</td>
<td></td>
</tr>
<tr>
<td>- Recognise importance of local religious, historical, and political customs</td>
<td></td>
</tr>
<tr>
<td>- Understand technology-transfer implementation</td>
<td></td>
</tr>
<tr>
<td>- Take an organisational approach — not just an individual approach</td>
<td></td>
</tr>
<tr>
<td>- Understand technical / social information</td>
<td></td>
</tr>
<tr>
<td>- Balance control / flexibility strategies</td>
<td></td>
</tr>
<tr>
<td>- Self-monitoring</td>
<td></td>
</tr>
<tr>
<td>- Boundary spanning</td>
<td></td>
</tr>
<tr>
<td>- Global orientation</td>
<td></td>
</tr>
<tr>
<td>- Geocentric</td>
<td></td>
</tr>
<tr>
<td>- Language proficiency</td>
<td></td>
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</tbody>
</table>

develop, the resulting outcomes from implementing new strategic visions may reshape the thinking, actions, and even the worldview of the top management team, making it ultimately evolve into a global mind set (Kefalas, 1998; Paul, 2000). The importance of global assignments for expatriate managers is directly tied to their ability to transfer knowledge and cultural attributes of the headquarters to overseas operations (Bender & Fish, 2000). Developing this multilevel competency through knowledge transfer may result in a superior performance of the organisation (Gonzalez & Chakraborty, 2014).

To conclude, the international management development literature identifies two different directions in managerial competencies: first is the creation of a generic competency framework created by the parent company based mainly on the technical demands of the assignment; and second the shape of a unique managerial competency framework which is the result of the manager’s interaction with his/her environment in overseas assignments and is heavily influenced by the context. Those two different managerial competency frameworks are vital for successful/superior performance of the expatriate managers.

CONCLUSION

The rapid growth of international business and the increasing complexity of international assignments are posing some unique challenges from a managerial perspective. A key to the successful planning and delivery of these assignments is the acknowledgement, and to a certain degree understanding, of the different local contexts that the manager is thrown in. Our understanding for the impact of national culture in international operations is still limited despite the plethora of existing studies since the early 1990s. In addition, the global – local question appears as the primary challenge for the IHRM experts who realise after 3 decades of research that it is time for a new fresh start (Tung, 2016).

The widening of the gap between theory and practice in IHRM and cross-cultural management is currently one of the key discussion topics among the IHRM and international management scholars (Davidson, 2014). The global economic, political and societal changes cannot leave unaffected this important stream of research. The following points seem to be diving the future research in this area of enquiry:

- **Focus of Research**: So far IHRM and cross cultural management research is focused in a limited number of high performing MNCs from what researchers call WEIRD countries (Western, Educated, Industrialised, Rich and Democratic). What about the rest of the world? What about the managers who work in local indigenous smaller firms? During the past decade there was strong interest on the emerging markets and the potential impact of IHRM (Horwitz & Budhwar, 2015). Unfortunately, the research focus in this case was narrowed on the so called BRICS countries (Brazil, Russia, India, China, and South Africa). In addition, researchers persist on the study of local context through the application of US practices on the emerging markets which is entirely wrong. There is a genuine need to understand managerial behaviour and management practices in each country individually, free of cultural biases as researchers. As a direct consequence, research methodologies and approaches should be revisited. More multicultural and interdisciplinary research teams and collaborations are needed in order to avoid blind spots in IHRM research.

- **Global Talent Management (GTM)**: MNCs and big corporations spend a considerable amount of resources to attract talent that eventually they are either not able or willing to retain for a long time (Cascio & Boudreau, 2016). A recent study suggests that managers who pursue a global career are likely to be loyal and committed to themselves not the organisation they work for.
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(Welch & Welch, 2015). Maybe there is time for MNCs to really include or even favour Third Country Nationals (TCNs) in their global talent acquisition plans. For example, there are ten million Indians entering the workforce every year for the next decade (Davidson, 2014) and this cannot be overlooked by MNCs and large corporations in nearby countries (i.e. China and the Gulf Cooperation Countries). There are obvious implications for IHRM from both theoretical and practical perspective; as Tung (2016, p.142) suggests “these changes require us to adopt new lenses to fully understand the dynamics that impact IHRM policies and practices”.

- New Areas of Research: An alternative reasoning behind country variations based on culture must be considered. There are areas such as religion, corruption and power, largely ignored or neglected so far in IHRM and cross cultural management literature (Farndale, 2015). A few good examples can be mentioned here. First, the influence of Islamic governance in non-Western countries that has a profound impact on the management of people and organisations. Then, corruption and unethical behaviour seem to be the norm in large corporations, surprisingly even in countries with very strict anti-corruption legislation such as the U.S. and Germany. The corruption scandals in companies with very strong Corporate Social Responsibility (CSR) programmes raise many questions about the role and effectiveness of IHRM. This can be also related to the influence of power and politics in organisations’ governance especially with the emergence of China and the Asian economies in the global arena (Thomas & Peterson, 2015).

To conclude, for almost half a century the U.S. led ‘best-practice’ approach resulted to high expatriate failure rates and increased costs in international assignments; this gave ground to the ‘best fit’ approach where managers must respond and adopt to the local context. The ultimate challenge for IHRM in the years to come, seems to be the creation of ‘truly global managers’ who will be able to operate successfully in any given context. In order to achieve this a fresh perspective in IHRM practices and policies is needed; theory and practice must adapt to the current and future demands with the emergence of new players in the global economy.

REFERENCES


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