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Changing Patterns of Global Staffing in the Multinational Enterprise: Challenges to the Conventional Expatriate Assignment and Emerging Alternatives ¹

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**Changing Patterns of Global Staffing in the Multinational Enterprise:
Challenges to the Conventional Expatriate Assignment and Emerging
Alternatives**

ABSTRACT

We argue that many MNCs continue to underestimate the complexities involved in global staffing and that organisations and academics must take a more strategic view of staffing arrangements in an international context. We suggest that the context for the management and handling of the international assignment has altered significantly, leading in some quarters to a fundamental reassessment of the contribution of, and prospects for, the international assignment as conventionally understood. We explore a variety of supply side issues, cost issues, demand side issues and career issues as triggers to this reassessment. Alongside the conventional expatriate assignment, we point to the emergence of a portfolio of alternatives to the traditional international assignment including short-term assignments, commuter assignments, international business travel and virtual assignments. In the context of these developments, we argue that a standardised approach to international assignments is untenable and that it is essential to develop HR policies and procedures that reflect differences in the various forms of emerging alternative international assignment and their associated complexities. Here recruitment and selection, training, reward, and occupational health and safety issues and implications are all explored.

Changing Patterns of Global Staffing in the Multinational Enterprise: Challenges to the Conventional Expatriate Assignment and Emerging Alternatives

INTRODUCTION:

The topic of international assignments has an established pedigree in the international management literature and has in particular dominated the research agenda of international human resource management (IHRM) academics for over three decades. While the research focus of those investigating the IHRM field has expanded significantly in recent years, expatriate management issues remain a critical concern (Collings and Scullion, 2006; Lazarova, 2006; Schuler et al., 2002; Stahl and Björkman, 2006).

Staffing issues are complex in the international environment (Torbiorn, 1997), something which is attested to by a stream of research highlighting *inter alia*: the importance of effective staffing strategies for the successful implementation of international business strategies, especially strategic alliances and cross-border mergers in informal and emerging and culturally distant markets; the decision points relating to different approaches to international staffing; the problem of shortages of international managers, particularly in emerging markets, where there is often fierce competition between MNCs and local organizations; the requisite supports necessary in order to ensure a satisfactory outcome from the organisational and individual perspective; and the management and utilisation of knowledge flows which may accrue (cf. Evans et al., 2002; Dowling and Welch, 2004; Schuler et al, 2004; Scullion, 2001; Scullion and Collings, 2006a).

However, despite advances on these and related fronts, research suggests that many MNCs continue to underestimate the complexities involved in global staffing (Dowling and Welch, 2004). Concomitantly, the context for the managing of the international assignment has altered significantly, leading in some quarters to a fundamental reassessment of the contribution of, and prospects for, the international assignment as conventionally understood. The importance of this reassessment has been signalled by those who have questioned why multinationals continue to use conventional expatriate assignments to the extent that they do due to the high costs and continuing problems associated with such assignments (Scullion and Brewster, 2001; Morley and Heraty, 2004), and by the increasing prominence of alternative

international assignments and the emergence of a portfolio of assignments within the international firm (Roberts et al, 1998; Fenwick, 2004).

We build on this emerging body of literature through exploring the issues surrounding the ongoing utility of the conventional expatriate assignment and the key issues around alternative forms of international assignments. The paper contributes to our understanding of international assignments by critically exploring the current context for international assignments in MNCs. First, we critically re-examine the reasons advanced for the utilisation of expatriates in the traditional assignment (usually three to five years and involving the relocation of the expatriate and their family) in view of changing patterns of global staffing. Much of the research on the management of expatriates available in the international literature until fairly recently has been drawn from research focused on North American MNCs. However, European based Multinationals have increased in number and significance in recent years (Scullion and Brewster, 2001) and this is reflected in our paper which draws heavily on recent research in Europe and elsewhere and thus adds to our knowledge of expatriation by contributing to a deeper understanding of the importance of the context in which staffing takes place. Finally, our paper critically examines the growing importance of alternative forms of international assignments, as recent research suggests that long-term assignments may become less dominant as new patterns of global staffing emerge (Scullion and Collings, 2006a). In particular we focus on four key questions with regard to these assignments, namely: (1) how can we classify alternative forms of international assignments; (2) in what circumstances are alternative forms of international assignments considered appropriate; (3) What evidence is there on levels of use of international assignments; (4) What operational issues emerge in the context of managing these assignments.

WHY DO ORGANISATIONS USE EXPATRIATES?

Before considering the challenges associated with the traditional expatriate assignment it is important to outline the key strategic reasons why MNCs use expatriates, as the literature is characterised by a number of well-articulated advantages associated with the deployment of expatriates in the staffing of international subsidiaries and operations.

Indeed, entrepreneurs have recognised the importance of physically relocating managers to foreign locations where business operations are based since approximately

1900 BC. Indeed, even at this stage, locals were viewed as inferior and restricted to lower level jobs while parent country nationals (PCNs) were afforded superior conditions, similar to modern day expatriates (Moore and Lewis, 1999: 66-7). Owners of international organisations thus realised the benefits of utilising people known to them and socialised into the organisation in minimising the agency problems (Jensen and Meckling, 1976) associated with managing spatially diverse organisations from an early stage. This is because these individuals had built a level of trust with their superiors and thus were considered to be more likely to act in the best interests of the organisation, than the unknown commodity that was locally available managerial talent in the host location. Thus, expatriates were used as a means of addressing agency issues as a result of the separation of ownership and management and their amplification through distance.

In their landmark study, Edstrom and Gailbraith (1977) proposed three motives for using expatriates. Firstly, as *position fillers* when suitably qualified host country nationals (HCNs) were not available. Secondly, as a means of *management development*, aimed at developing the competence of the individual manager. Thirdly, as a means of *organisational development*, aimed at increasing knowledge transfer within the MNC and modifying and sustaining organizational structure and decision processes. Although it is important to note that assignments generally have more than one rationale (Sparrow et al., 2004), Edstrom and Galbraith's typology provides a useful point of departure for the consideration of why MNCs use expatriates.

More recently, Harzing (2001) identified three control specific roles of expatriates, namely: the bear, the bumble-bee, and the spider.

Bears act as a means of replacing the centralisation of decision-making in MNC and provide a direct means of surveillance over subsidiary operations. The title highlights the degree of dominance these assignees have over subsidiary operations. *Bumble bees* fly “‘from plant to plant’ and create cross-pollination between the various offshoots” (Harzing, 2001: 369). These expatriates can be used to control subsidiaries through socialisation of host employees and the development of informal communication networks. Finally *spiders*, as the name suggests control through the weaving of informal communication networks within the MNC.

Harzing's study is significant because it goes beyond the basic question of why MNCs use expatriates and sheds light on the potentially more significant question of whether these roles are equally important in different situations.

Significantly, Harzing (2001) argues that although expatriates generally appear to perform their role as *bears* regardless of the situation, the study suggests that their role as *spiders and bumble bees* tend to be more context specific. Specifically, the *bumble bee and spider* roles appeared to be more significant in longer established subsidiaries (longer than 50 years) while the *bumble bee* role appeared to be important in newly established subsidiaries also. Significantly, the level of localization of subsidiary operations and further lower levels of international integration, in that the subsidiary was not greatly reliant on the HQ for sales and purchases, were positively related to the likelihood of expatriates performing the *bumble bee and spider* roles. Perhaps unsurprisingly *bumble bees* and *spiders* were also more prevalent in greenfield than brownfield acquisitions.

THE EXPATRIATE ASSIGNMENT IN RETREAT?

Apposite to the aforementioned debates, there is a growing debate as to the continued utility and viability of the conventional expatriate assignment. We identify five key aspects of this debate i.e. supply side issues, demand side issues, expatriate performance and expatriate “failure”, performance evaluation, and finally costs and career dynamics. Some of these (expatriate failure, costs and performance evaluation) can be considered *older challenges*, in that they have been associated with the field since the early academic studies emerged on the topic. Others (demand issues surrounding emerging markets and requirements for expatriates in a broader range of organizations; supply issues around career issues and specifically dual careers, the impact of 9/11 etc) however can be considered *newer challenges*, in that they have gained increasing importance in recent years. Broadly we discuss these issues in order of significance based on our rating.

Supply Side Issues:

The first key challenge to the traditional expatriate assignment is the supply side issue of availability which has emerged as a key strategic HR issue facing MNCs (Scullion and Starkey, 2000). There is growing recognition that shortages of international managers are a significant problem for international firms and frequently constrain the implementation of global strategies in these firms (Evans et al, 2002; Scullion, 1994). Research indicates that the demand for experienced and competent global managers is growing rapidly and is greater than the current supply (Caligiuri

and Cascio, 1998; Quelch and Bloom, 1999). Indeed, it has been argued that for US MNCs, the current international climate and continued concerns about terrorist attacks, post-9/11, mean that potential international assignees will remain reluctant to travel and relocate overseas in the future (Konopaske and Werner, 2005). Yet despite continued terrorist threats and the prevailing current international climate, which is increasingly relevant for firms of all nationalities, MNCs must more than ever before encourage staff to work abroad and to become globally oriented in order to understand the global business environment and to develop the skills required to work effectively across cultures.

Under the heading of supply side issues, as they relate to the availability of expatriate employees, we highlight four key trends- dual careers issues, the limited participation of women in international management, repatriation issues, and weaknesses of talent management systems at the international level. Broadly these issues can be grouped as issues concerning the recruitment and retention of potential expatriate employees.

Issues related to recruitment of potential expatriate employees:

The increasing significance of dual career couples emerges as the first constraint on the ability of MNCs to attract and retain international management talent (Harvey, 1998). Due to increasing female participation rates in the labour force, particularly in developed countries, those targeted for expatriate assignments are no longer necessarily male sole-breadwinners, with spouses who are willing, and able, to follow their partners abroad for the period of the assignment. There is some evidence to suggest that families are less willing to accept the disruption of personal and social lives associated with international assignments than was the case in the past (Forster, 2000). In addition, dual career problems and disruption to children's education are seen as major barriers to future international mobility in many different countries and pose considerable restrictions on the career development plans of multinationals (Harvey, 1998; Mayrhofer and Scullion, 2002) and are considered a worldwide trend that is posing a major dilemma for both multinationals and employees alike (Harvey, 1998; Dowling and Welch, 2004).

A second key problem is that the participation of women in international management remains relatively low (Adler, 2002; Tung, 2004) despite growing shortages of international managers. Studies indicate a significant growth in female

expatriates since the 1980s, when only about 3 per cent of expatriates were female (Adler, 1984), to around 12-15 per cent in the mid 1990s (Tung, 1997). The most recent available data suggest that the female expatriate population has not risen significantly over the past decade and remains at approximately 10 per cent however (PriceWaterhouseCoopers, 2005). The apparent lack of willingness to recruit and develop women as international managers is somewhat paradoxical, as recent research conducted on the outcome of women's global assignments has indicated that female expatriates are generally successful in their global assignments (Caliguiri and Tung, 1999; Napier and Taylor, 2002; Tung, 2004). As global competition intensifies, competition for global leaders to manage overseas operations will steadily intensify and MNCs must develop new ways to identify, attract and retain new pools of international executive talent (Black et al, 2000; Mayrhofer and Scullion, 2002).

Issues related to retention of expatriate employees:

The retention of expatriate employees is a major international talent management challenge for MNCs (Scullion and Collings, 2006c), yet research suggests that many MNCs continue to adopt an ad-hoc approach toward the repatriation process and that many expatriate managers continue to experience the repatriation process as falling far short of expectations (Stroh et al., 2000). Repatriation has been identified as a major international HRM problem for multinational companies in Europe and North America (Stroh et al, 1998). There is growing recognition that where companies are seen to deal unsympathetically with the problems faced by expatriates on re-entry managers will be more reluctant to accept the offer of international assignments (Lazarova and Tarique, 2005; Scullion, 2001). North American research indicates that 20 per cent of all managers who complete foreign assignments wish to leave their company on return. Yet, while it is generally accepted that retention of expatriates is a growing problem and that the costs of expatriate turnover are considerable (Dowling and Welch, 2004), many international firms have failed to develop repatriation policies or programmes designed to assist the career progression of the expatriate (Black et al 2000).

In the European context the repatriation problem has become particularly acute because internationalization had often taken place at the same time as downsizing of the domestic business which reduced opportunities for expatriate managers on re-entry (Scullion, 1994). Empirical studies confirm the requirement for

MNCs to develop a more strategic approach to repatriation and international career management (Stroh et al, 1998) which is becoming increasingly necessary in order to retain valuable employees and to encourage the acceptance of international positions (Forster, 2000).

A final constraint on the supply of international management talent is the weaknesses of the talent management systems, which may be defined as approaches to recruit, retain, develop and motivate a competent cohort of managerial talent with appropriate international experience in the global business environment (Briscoe and Schuler, 2004; Scullion and Collings, 2006b) of many MNCs. In this context Scullion and Starkey (2000) demonstrated that a key integration role for the corporate HR function in the international firm was the strategic management of talent on an international basis. However, despite the rhetoric and hype about talent management, there is little evidence to suggest that many companies practice talent management in a co-ordinated and efficient way (Cohn et al, 2005). Recent research highlighted that many MNCs are frequently unaware of where their best talent is located (Evans et al, 2002) and, in addition, many MNCs have difficulties in identifying their high performers (Michaels et al, 2001).

In this section, we highlighted the key supply side issues that are impacting on the landscape of international assignments in the international firm. We now turn to the impact of the significant costs attached to the international assignment, which we consider the next most significant challenge to the traditional expatriate assignment.

Costs:

As noted above, a major challenge for the continued use of expatriate assignments is the cost associated with them. While Sparrow et al. (2004: 139) conclude on the basis of empirical study that few organisations had a true grasp of the costs associated with expatriate assignments, similarly they had almost no idea of the benefits accrued by the organisation from various types of international assignment. Given this limitation however, it is generally estimated that the cost associated with the international assignment is between three and five times an assignee's home salary per annum (Selmer, 2001).

A key challenge for both international HRM professionals and academics is to understand and develop methodologies for accurately measuring the relative costs and benefits associated with international assignments. Indeed, a recent study found that

three quarters of organisations studied had identified cost reduction in expatriate assignments as a priority issue (either important or very important) in the development of international assignment practices (PricewaterhouseCoopers, 2005: 9). A second study (GMAC, 2005) found that only 14 per cent of respondents measured return on investment (ROI) of international assignments, which is surprising given that the same survey reported that 65 per cent of respondents reported that their organizations were making an effort to reduce costs associated with assignments. This reinforces the requirement for more research to better understand how expatriate assignments can add value in different contexts.

In attempting to explain this paradox, of the limited emphasis on measuring return on investment on international assignments, it has been argued in more generic terms, that very often the focus in the strategy process has been on strategy formulation, with a lack of consideration for the implementation phase (Tahvanainen and Suutari, 2005), and this is equally applicable in this context. Thus, we often witness a failure of strategic planning at the operational level, reflected in a failure to develop personnel policy and practices aimed at ensuring congruence between employees' work behaviours and the organisational strategy (see also Torraco and Swanson, 1995). So while organisations may have a well-designed and articulate strategy with regard to staffing their foreign operations, they have often failed to monitor the performance of international assignees to accurately measure their performance and contribution to the bottom line (see below).

In advancing the debate McNulty and Tharenou (2004) have developed a theoretical model of expatriate return on investment (ROI). This represents a shift toward more business-focused methods of measuring the relative benefit of expatriate assignments. ROI may help managers to effectively evaluate the utility of expatriate assignments through illuminating the contribution of expatriates to firm performance by looking beyond traditional historical cost analyses and measurements of failure and turnover on repatriation. In developing a theoretical foundation for the consideration of expatriate ROI McNulty and Tharenou (2004) call for a strategic approach to calculating ROI on expatriate assignments, an approach which ensures that items included in the ROI calculation are based on a link between the costs and benefits of the assignment and the objective of the assignment itself. They argue that, when an international assignment has clearly defined objectives and is carefully planned, the MNC is likely to display a set of congruent HR policies to support the

assignment. Thus, they posit the link between the assignee's performance and the objectives of the assignment are easier to determine.

Further, it is proposed that by examining the effect of the entire bundle of IHRM practices used during the assignment, organisations will be better able to accurately determine rates of return on the costs of expatriate assignments. In considering the true costs and benefits of expatriate assignments ROI type analysis represent a useful model for the managers of MNCs, and has the potential to build on the work on bundles of HRM and performance in the domestic setting.

Demand Side Issues:

Alongside costs and supply side issues there are also a number of key challenges around demand issues in MNCs. For example, the rapid growth of emerging markets such as China, India and Eastern Europe has a significant impact on both the demand and supply of international managers. Indeed, the recent wave of EU accession countries from Central and Eastern European (CEE) and countries such India and China have been identified as 'hot spots' for inward FDI in the period 2004-2007 by the UNCTAD (2004). In this regard, the growth of these markets leads to an increasing demand for managers with the distinctive competences and the desire to manage in these culturally and economically distant countries. It also results in greater competition between MNCs for managers with the context specific knowledge of how to do business successfully in these emerging markets (Bjorkman and Xiucheng, 2003, Michailova & Worm, 2003).

In addition, there is an increasing demand for expatriate employees in a far wider range of organizations than the traditional large MNC partly due to the rapid growth of small and medium enterprise (SME) internationalization (Anderson and Boocock, 2002) and international joint ventures (IJVs) (Schuler et al., 2004). Recent research highlights the importance of staffing and the top management team's international experience to the performance of international SMEs (Monks and Scullion, 2001).

Arguably therefore, a relatively small recruitment pool for global assignments is being further diluted by an expanding number of firms and locations competing for scarce international management talent. Even when an organisation does find suitably competent managers to take up expatriate assignments, however, there are a number

of other factors which make their performance problematic and which organisations must address in considering the utility of the traditional expatriate assignment.

Expatriate performance and expatriate “failure”

Traditionally, a key issue in the global staffing literature is expatriate failure, which represents a significant issue for MNCs due to the high costs of expatriate failure which are both direct (e.g. salary, training costs, travel and relocation expenses) and indirect (damaged relations with host country organizations and loss of market share) (Dowling and Welch, 2004). Research suggests that the latter should be considered as the most significant costs by multinationals, as damage to reputation in key strategic foreign markets or regions could be highly detrimental to the prospects of successfully developing international business in particular regions (Schuler et al, 2002). The debate over the magnitude of the expatriate failure problem has been led by Harzing (1995; 2002) who questions the reported high expatriate failure rates in the US literature and highlights the lack of reliable empirical work in this area. She suggests that there is little empirical evidence for the claims of high expatriate failure and claims that the myth of high expatriate failure rates has been perpetuated by careless and inappropriate referencing of Tung’s (1981; 1982) seminal work. There has been growing debate in recent years on the measurement of expatriate failure and number of authors have called for a broader conceptualisation of expatriate failure (Briscoe and Schuler, 2004; Dowling and Welch, 2004; Scullion and Collings, 2006b).

If firms can take a broader view of the success or failure of expatriate assignments, they are more likely to gain a better picture of the utility of such assignments than they can with narrow definitions of failure. In summary, we suggest that expatriate performance and not expatriate failure should be the key issue for HR practitioners and academics moving forward. We now develop this theme.

Expatriate Performance:

Managing the performance of individual expatriate employees emerges as the penultimate challenge for MNCs in the context of the traditional expatriate assignment cycle. Mendenhall and Oddou (1985) point to the complexity added to this process by the fact that expatriates must meet the often conflicting expectations of HQ management and subsidiary colleagues. Indeed, it has been argued that there are a number of factors which impact on the performance of expatriate employees. These

include technical knowledge, personal (and family) adjustment to the foreign culture, and environmental factors (political and labor force stability and cultural distance from one's home culture) (Cascio, 2006; Oddou and Mendenhall, 2000). It is important to note, however, the potential problems which would result from a primary focus on technical competence which lacks adequate consideration of cultural factors. Other factors which emerge as significant include the peculiarities of the host environment and the level of support provided by the headquarters (Cascio, 2006; Oddou and Mendenhall, 2000).

Designing performance management systems for international assignees involves considering a number of key factors including: the impact of exogenous factors such as foreign exchange fluctuations on the performance of business operations (Black et al., 1999); the clear articulation of the performance objectives of the assignee and ensuring that the appraisal measures the same things in different countries and; identifying the persons best placed to evaluate the performance of the assignee. Briscoe and Schuler (2004) postulate that the key to the success of managing the performance of expatriate is recognising the need to adapt the appraisal system to account for the host context, and they demonstrate the limitations of operating with standardised systems.

Career issues:

The final challenge we consider is the context of traditional international assignments is the changing nature of careers in international context. Changing attitudes toward careers are included in our discussion as these shifts may affect willingness both to accept assignments and conditions under which assignments are accepted, as well as retention after assignment. In this regard we point to two key trends. The first of these is the changing nature of careers in the labour force and in particular the increasing emphasis placed by employees on career mobility and decreasing commitment to specific organisations. Secondly, we point to the emerging emphasis placed on self-initiated international assignments or assignments initiated by individuals without organisational support (cf. Inkson et al., 1997; Suutari and Brewster, 2000).

In considering the former, there is a growing body of research which indicates that international assignees' perceive the value of the assignment to be in developing individual competence which can be transferred across organizations and which is

valued in the external labor market (DeFillippi & Arthur, 1996; Parker & Inkson, 1999; Stahl, Miller, & Tung, 2002). Indeed, Dickmann and Harris (2005: 400) posit: “the link between an IA [international assignment] and the organization’s benefits in career capital augmentation is...tenuous”, which further reflects the fact that international assignments may be more beneficial from an individual career perspective than in building organizational capital. This literature resonates with the emerging literature on the boundaryless career (Arthur and Rousseau, 1996). As Thomas et al (2005: 341) note:

The boundaryless careerist...is the highly qualified mobile professional who builds his or her career competencies and labor market value through transfer across boundaries. He or she is explicitly and implicitly contrasted with more staid careerists pursuing traditional organizational careers, who, it is implied, are at risk in a rapidly changing society because their career-relevant skills and networks are associated with single organizations vulnerable to unexpected change.

Thus, in ensuring their employability, individuals are increasingly concerned with enhancing their marketability and employability in the broader labor market rather than limiting their progression to the organization within which they work. The implications of boundaryless careers for organizations are twofold. Firstly, it is becoming progressively more evident that individuals value more generic skills that have transferability to other organizations and this, rather than developing skills that may be more relevant to the employing organization, may be their primary focus in terms of development while on assignment. Secondly, it may call into question ongoing organizational loyalty, reflected, for example, in the high levels of expatriate turnover on repatriation that emerge in the literature.

A second key theme with regard to the changing nature of careers in global context is the emergence of self-initiated expatriate assignments, which Thomas et al (2005) argue is also relevant in the context of boundaryless careers. By this we are referring to those whose international experience is not initiated by an international transfer within an organization but rather those who relocate abroad without organizational assistance and of their own accord. This topic was first explored by Inkson et al. (1997) in this journal. Indeed, they introduced the term self-initiated foreign work experience (SFE).

Inkson and his colleagues argue that these SFE may have different motivations than traditional assignees. Further, they generally are self financing, in that they

assume responsibility for establishing themselves in the new environment. Thirdly, SFEs are more likely to have a more heterogeneous skill set and may range from those at the margins of the labor market who travel abroad to work in low-level jobs due to the limited opportunities available to them in the home country to those at the higher end of the labor market, particularly in developing countries, who go abroad to take advantage of career opportunities (the so-called *brain drain*). The key implication of the increasing number of SFEs who are joining the global labor market is that MNCs can make use of these employees to fill key positions in subsidiary operations. These employees may represent a means of filling positions at a lower cost than with expatriates.

Having outlined the reasons that MNCs traditionally used expatriate assignments and considered the current climate of such assignments with a particular focus on the challenges to their continued utility, we now examine the alternatives to traditional international assignments available to MNCs.

ALTERNATIVE FORMS OF INTERNATIONAL ASSIGNMENTS:

The discussion above may suggest the demise of traditional expatriate assignment in MNCs. However research suggests there is little evidence of a significant decline in the use of long-term assignments but does identify the growing use of alternative forms of international assignments (cf. Dowling and Welch, 2004; Fenwick, 2004; Mayerhofer et al., 2004; PriceWaterhouseCoopers, 2005; Scullion and Collings, 2006c; Tahanainen, Welch and Worm, 2005). A recent survey reported that 62 per cent of respondents suggested that their organizations were seeking alternatives to long-term assignments (GMAC, 2005). This suggests that what is happening is the emergence of a portfolio of international assignments within the MNC (Roberts et al, 1998). The emergence of these alternative assignments has been driven in large part by the problems associated with the traditional expatriate assignment discussed above.

In the portfolio of emerging alternatives we examine short-term assignments, international business travellers, rotational assignments and international commuter assignments, and virtual assignmentsⁱⁱ. We now identify the circumstances under which the different types of alternative forms of international assignments are considered appropriate, examine the evidence relating to their level of usage and identify operational issues that emerge in the context of managing these alternative forms of international assignments.

Short-term International Assignments:

It has been argued that short-term assignments are the most popular form of non-standard assignment (Tahvanainen et al., 2005). There is some variation in how short-term assignments are defined by organisations and Tahvanainen et al (2005) have called for further empirical work to more satisfactorily define short-term international assignments. In this paper we highlight a number of key characteristics that are associated with a classic short-term international assignment. Typically, what constitutes 'short-term' is company specific, but it could be considered an assignment longer than a business-trip but shorter than a year's duration. Further, the assignee's family often remain in the home country, while salary, pension and social security benefits are also handled there (Peltonen, 2001; PricewaterhouseCoopers, 2002; 2005; Tahvanainen et al., 2005). Thus, we define a short-term international assignment as a temporary internal transfer to a foreign subsidiary of between one and twelve months duration. We argue that the relocation of family and remuneration issues are of secondary importance in terms of definition although they may have significant operational implications for the MNC and personal implications for the assignee. Although there is limited evidence available on the actual extent of utilization of short-term international assignments in MNCs, we can point to some key trends. PricewaterhouseCoopers (2005) report that over 50 per cent of companies surveyed expect the use of short-term assignments to increase in their operations in the future, with China, Central and Eastern Europe and the Indian Subcontinent emerging as significant destinations for such assignees.

These assignees can be suitable for organisational, or to a lesser degree individual, development objectives, which could be achieved at a fraction of the costs associated with expatriate assignments (Scullion and Collings, 2006c). Based on their exploratory empirical study Tahvanainen et al (2005: 665) identify the following situations in which short-term assignments are used in MNCs: (1) Problem solving or skills transfer- for example in implementing a project, establishing a new process or troubleshooting; (2) for control purposes and; (3) for managerial development reasons. Other rationales which emerge include, temporarily importing the talent necessary to train the local workforce, to handle needs on a project basis, to eliminate the cost and disruption of relocating entire families (Melone, 2005). We suggest that the circumstances in which short-term assignments are appropriate merits further

empirical verification and that an exploration of the variables which impact on their usage would be particularly welcome.

Key advantages associated with short-term international assignments include increased flexibility, simplicity and cost effectiveness (Tahvanainen et al., 2005: 667-8). Alongside these benefits, common disadvantages include: (1) taxation issues, particularly for assignments over six months duration, (2) potential for side-effects such as alcoholism and marital problems (3) failure to build effective relationships with local colleagues and customers and (4) work visas and permits (Tahvanainen et al., 2005).

Frequent Flyer Assignments

Another option is the use of frequent flyer assignments, or international business travellers (IBT). The IBT has been defined as “one for whom business travel is an essential component of their work” (Welch and Worm, 2006: 284) which has the advantage of avoiding the relocation of the expatriate and their entire family to a foreign country. Some researchers have argued that IBTs do not come under the remit of alternative forms of international assignments as, they do not involve physical relocation to a different country (Welch and Worm, 2006). However, following Fenwick (2004) we include them in our discussion because the evidence suggests that they are an important alternative to the traditional expatriate assignment for MNCs (Michailova and Worm, 2003). IBTs provide the advantage of face-to-face interaction in conducting business transactions without the requirement for their physical relocation. Welch and Worm (2006) argue that IBT are particularly appropriate in developing markets or volatile countries where people would be reluctant to relocate. Arguably they are also particularly appropriate in the European context, where many European capitals can be reached with a short flight (1 to 3 hours). Similarly, in south-east Asia multinationals like Telecom Malaysia are making increasing use of IBTs to conduct international business in the international regional context of south-east Asia (Scullion, forthcoming). There is little available evidence on the extent of utilization of IBTs in MNCs although anecdotal evidence suggests that the level of business travel remains relatively high despite recent high profile terrorist attacks. For example, a UK survey found that the number of business flights taken by executives is likely to increase by 12 per cent before 2015 (Barclaycard, 2006). It is important to note however that given the wide range of people involved in business

travel and the wide range of roles they perform, it is a significant challenge for MNCs to have an true and accurate account of the number of IBTs in their organisations (Welch and Worm, 2006).

IBTs are most appropriate for conducting irregular specialized tasks, such as annual budgeting meetings or production scheduling in MNCs but more crucially they can develop important networks with key contacts in foreign markets. Further, they are useful in maintaining a personal touch in managing subsidiary operations without the need for relocation. An empirical examination of the main issues and challenges faced by IBTs would be timely.

IBTs offer a number of advantages to MNCs and individuals. Firstly, they allow for face-to-face interaction with subsidiary employees without the need for their physical relocation and thus minimise interruption to the individual's careers and reduce costs to the MNC. They also minimise the impact of international work on dual career couples, however they are not without their difficulties. For example, the stress and other health issues of frequent business travel are well documented in the literature (cf. DeFrank, Konopaske and Ivancevich, 2000; Welch and Worm, 2006). Further, the impacts on family life should not be under estimated. Indeed, Welch and Worm (2006) suggest that many short trips that followed one upon the other created more serious family problems than more infrequent yet longer absences. There is also evidence that many firms underestimate the impact of frequent business travel on individual's work loads and fail to allow time for IBTs to catch up on the work backlog when the return to the office. In a similar vein, there can be significant pressure to cram a huge amount of work into a business trip (Scullion and Collings, 2006c).

Commuter and Rotational Assignments

Commuter assignments and rotational assignments have grown in importance in recent years (Scullion and Collings, 2006c). The former are defined as where an assignee commutes from their home base to another country to a post in another country, generally on a weekly or bi-weekly basis (PricewaterhouseCoopers, 2005). While the latter are defined as where staff commute from their home country to a workplace in another country for a sort period followed by a period of time off in the home country (Welch and Worm, 2006). This type of assignment is common on oilrigs. In both of these instances family do not generally re-locate with the assignee. PricewaterhouseCoopers (2005: 17) report a small increase in the use of rotational

assignments in recent years, reflected in the fact that 11 per cent of organisations had written policies for them. They report particular success of this approach in the Chinese context, although they also point to the complexities of using such assignments due to issues around compensation, taxation and social security. Mayrhofer and Scullion (2002) cite the example of German quality engineers with managerial and technical responsibilities in the clothing industry who travelled frequently in several countries in Eastern Europe, returning regularly for briefings and to spend weekends with their families. It has been suggested that the geographic situation in Europe means that Eurocommuting and frequent visiting is a viable alternative to expatriate transfers (Mayrhofer and Brewster, 1997). However, a recent review raised a note on caution on commuter assignments concluding “there are serious concerns about the viability of commuter arrangements over an extended period of time due to the build up of stress from intensive travel commitments and the impact on personal relationships” (Dowling and Welch, 2004: 68)

Global Virtual Teams

As a result of increasing decentralisation and globalisation of work processes, many organisations have responded to their dynamic environments by introducing global virtual teams, in which members are geographically dispersed and coordinate their work predominantly with electronic information and communication technologies. This trend has accelerated since the late 1990s due to the growth of the internet and other communication technologies (Hertel et al, 2005). In global virtual teams, staff do not relocate to a host location but have a responsibility to manage international staff from the home base (Dowling and Welch, 2004) and generally lead to some sort of jointly achieved outcome involving a degree of intercultural interaction. There is limited evidence on the utilisation of virtual assignments in MNCs which is surprising given that some 25 per cent of organizations surveyed by PricewaterhouseCoopers (2005: 17) considered virtual assignments to be a key part of their IHR policy development. Interestingly though, the number of organizations utilising such assignments had fallen from 7 per cent in the 2002 survey to only 4 per cent in 2005. Thus, it appears that organizations have not yet begun to fully utilise the benefits of virtual assignments. The academic literature associated with this type of assignment is largely located within the global virtual teams literature and recently there has been a rapid growth in interest in global virtual teams, which are being

utilised to help global firms to use the best talent wherever it is located (Maznevski et al., 2006). It has been argued that virtual assignments are most appropriate for relatively routine activities and that there are certain circumstances where face-to-face communication is indispensable (Hertel et al., 2005; Maznevski et al., 2006). Thus, research on the use and effectiveness of virtual assignments in organizations would be a particularly useful addition to the literature. These studies could focus on the circumstances in which such assignments would be appropriate and the key challenges associated with them as well as examining the factors which contribute to their effectiveness. As noted above the global virtual team literature could form a useful base for the development of theory in this regard.

We now turn to considering the HR implications of managing alternative forms of international assignments.

The HR Implications of Managing Alternative forms of International Assignments

There is little doubt that a significant challenge for international HR managers in managing this portfolio of international assignments is the need to develop a range of IHRM policies and practices to take account the different types, objectives and different circumstances surrounding each type of assignment.

Policies surrounding alternative forms of international assignments

It is important to highlight at the outset that a growing portfolio of types of international assignments is likely to result in a greater administrative burden in some areas for international HR managers. Not least of these challenges will be tracking and accounting for this increasingly diverse group of internationally mobile employees, particularly in relation to tax, social security, visa and legal requirements or the various countries (PricewaterhouseCoopers, 2005). In this regard estimates of the development of written policies for traditional expatriate assignments range from less than 50 per cent (Fenwick, 2005) to as high as 71 per cent (GMAC, 2005). The internet emerges as a key outlet for the dissemination of such policies. Research indicates that over 50 per cent of respondents followed a single policy for both long and short-term assignments (PricewaterhouseCoopers, 2005). This would seem a weakness as it fails to account for the obvious differences in requirements of long and short-term assignments and it is possible that many of these individuals would fall

outside traditional expatriate policies and thus create difficulties for international HR managers. Arguably, this observation is reflected in the finding that over 80 per cent of respondents to the same survey believed that changes to their policies were necessary. On balance the literature points to the limited development of appropriate policies to support IBTs and virtual assignments, a factor which, in the latter case, has been attributed to the fact that they still tend to be relatively uncommon assignment options in MNCs (cf. Fenwick, 2005). The former tend to be covered by organization's business travel policies. While these policies may cover some of the pertinent issues, it is unlikely that they have been developed to account for people who travel internationally with the organization on a very regular basis. For example the shift toward low-cost carriers (Barclaycard, 2006) may be appropriate for individuals who travel for business on an irregular basis on short haul flights, arguably they are much less appropriate for those who travel longer distances on a regular basis. The danger for organizations and assignees in failing to develop appropriate policies is that their international assignment will fall outside the traditional remit of the international HR function and thus they will not receive the level of organizational support required. The challenge for the international HR function is to develop appropriate policies to minimise the possibility of this occurring and to support the assignment in the most appropriate way.

On the other hand, while research has emphasised the importance of support for traditional international assignments (Tung, 2000), recent research has highlighted the lack of HR support for alternative international assignees and suggested that the burden of managing these assignments is largely left with employees and their families (Mayerhofer et al, 2004). Recent research highlighted the use of personal initiative by alternative international assignees working in Eastern Europe for German clothing manufacturers (Mayerhofer and Scullion, 2002) and it has been suggested that, more generally, staff involved in alternative international assignments play a proactive role in their adjustment and use their networks and contacts to meet the challenges they face (Mayerhofer et al, 2004). It has also been argued that more of the personal cost of this type of assignment is managed by employees and their families than in the case of traditional expatriate assignments and that assignments would be more successful for both the organisations and individuals if HRM policies and practices focused more on family friendly staffing policies (Mayerhofer and Scullion, 2002; Mayerhofer et al, 2004).

Recruitment and selection:

The importance of effective recruitment and selection for the success of traditional expatriate assignments and for enabling international firms to compete effectively in international business has long been recognised. Indeed effective recruitment and selection is also key for successful completion of alternative forms of international assignments. However recent research on short-term assignment indicates that formal selection for short-term assignments was rarely practiced among respondents (Tahvanainen et al, 2005). This resonates with earlier research which highlighted the importance of personal recommendations and informal methods for selecting expatriates (Brewster, 1991). Recent research on the selection of traditional expatriate assignees further reinforced the importance of informality in expatriate selection systems and argued that organizational processes are often used only to legitimate selection decisions made around ‘the coffee machine’ (Harris and Brewster, 1999). It has been argued that if MNCs do not improve their recruitment and selection practices, critical shortages of international managers may become even more significant (Tahvanainen et al., 2005). Thus in selecting assignees for alternative forms of international assignments, MNCs should be aware of the limitations associated with more traditional forms of international assignments and should work toward more sophisticated recruitment and selection techniques. The majority of international firms continue to rely on technical skills and domestic track record as the most important selection criteria and many organisations still undervalue the importance of the “soft skills” of international management (Sparrow et al, 2004; Morley & Flynn, 2003).

Finally, when seeking to develop selection criteria for alternative international assignees it should be recognised that selection criteria for international managers need to change to reflect changes in the purposes of international assignments (Scullion and Collings, 2006c).

Training:

The value of cross-cultural training in increasing the probability of success of international assignments is relatively well documented in the extant literature (cf. Parkinson and Morley (2006) for an overview). The requirements for cross-cultural training to support alternative forms of international assignments are however less well explored in the literature. Recent research highlights the lack of HR support for

international assignees and suggests that managers are often expected to assume responsibility for their own training and development (Mayerhofer et al, 2004). The practitioner literature suggests that expatriates on short-term assignments and IBTs don't have the same time as traditional expatriates to adjust to a new culture. Indeed it has been argued that their experience of culture shock is similar to traditional assignees but in 'fast forward' (Melone, 2005). However, there is a dearth of empirical research in this area. The available evidence suggests that cross-cultural issues are at least as important in non-traditional international assignments as in traditional ones (Mayerhofer et, 2004). In a similar vein, cultural awareness and cross cultural communication training would be an important consideration for those involved in virtual assignments, as would issues around the application of technology to the process. Paradoxically, empirical evidence suggests that these assignees are not provided with the same degree of country-specific and cross-cultural training as traditional expatriates (Tahvanainen et al., 2005). This is a significant weakness and MNCs should introduce cross-cultural training programmes appropriate to particular assignments in their organization.

Reward:

Given the fact that cost reduction is identified as a key factor driving the shift towards alternative forms of international assignments in MNCs, impacts around reward are likely to emerge as a key consideration for MNCs. In this regard IBTs' remuneration tends to be limited to *per diem* with hardship allowances for locations considered to be dangerous or volatile. In addition however IBTs tend to be rewarded indirectly though travelling business class, retaining their frequent flyer miles for personal use and staying in high-class hotels that add to the costs of such assignments. There is little available evidence on commuter assignments. On balance it appears that salary payments remain in the home country for short-term assignments (PricewaterhouseCoopers, 2005; Tahvanainen et al., 2005). In a similar vein, short-term assignees are generally awarded a *per diem* allowance and, when necessary, a hardship allowance is paid. Further, in situations where the cost of living in the host is higher than the assignee's home country a cost of living adjustment may apply (Tahvanainen et al., 2005). Further, accommodation in the host is generally arranged by and paid for by the MNC (ibid). This is not straightforward however and Melone (2005) points to the high cost of temporary housing as opposed to longer-term

alternatives. Thus, while a hotel may be suitable for relatively short stays, for IBTs or short-term assignments lasting less than a month or two, serviced apartments may be more suited to longer stays. These options may however be significantly more expensive than longer terms options.

Occupational health and safety:

A final substantive area of HR practice that may emerge as significant in the context of alternative forms of international assignment is occupational health and safety. Although often excluded in discussions of this nature, we feel this is an important area for consideration. This is particularly the case with regard to IBTs as there is a growing body of literature which highlights the health issues associated with business travel (DeFrank et al., 2000; Neck, 2000; Welch and Worm, 2006). These issues can range from a lack of emphasis and decline on physical fitness (Neck, 2000), to increased alcohol consumption, to significantly increased stress levels related to business travel (DeFrank et al., 2000; Welch and Worm, 2006). While these issues have significant implications for the individuals concerned, it is without doubt that health issues could potentially have significant implications for organizational performance (Quick, 2000). It is not only the health issues associated with IBTs that should be of concern to MNCs. It is also possible, due to the fact that their families will not accompany them, that those on short-term and commuter assignments may work excessive hours and fail to manage their work live balance, leading to stress, burn-out and poor performance. MNCs must be aware of these potential issues and plan accordingly. Indeed, the area of work life balance among traditional expatriates and those undertaking alternative forms of international assignments remains under explored in the literature and there is significant potential for further study in this area.

CONCLUSION:

The literature demonstrates that expatriate assignments do offer a number of potential benefits as well as the well-documented costs to MNCs in staffing their foreign operations. The challenges associated with such assignment have resulted in international assignments gaining a degree of critical attention from scholars in the field. In this regard we argue that organisations and academics must take a more strategic view of staffing arrangements in an international context. The first key

decision to be made by top managers in MNCs is whether or not a traditional expatriate assignment best meets the organisational requirements on a case-by-case basis. In other words could the proposed objectives be achieved through an alternative means? Academics could advance the theoretical literature in the field by developing taxonomies or models that aid practitioners' decision making in this area.

We argue that multinational companies, in response to cost pressures and growing problems of staff shortages and resistance to international mobility are making greater use of a range of alternative or non standard forms of international assignment such as short-term assignments, commuter assignments, international business travel and virtual assignments (see Dowling and Welch, 2004). In this regard, the literature suggests the emergence of a portfolio of forms of international assignment within the MNC as opposed to the demise of the traditional assignment (Roberts et al, 1998).

A key challenge for practitioners in MNCs will be to develop effective international HRM policies and practices to ensure the effective implementation of alternative international assignments. Our review suggests that a standardised approach to international assignments would not be effective and that it would be essential to develop HR policies and procedures that reflect differences in the various forms of alternative international assignment.

Recent research on short-term international assignments suggests that attention should be paid to staff selection, pre-departure cross-cultural training, compensation, performance management, repatriation and family issues (Tahvanainen, et al, 2005; Welch et al, 2003). This would be a good starting point for researchers and practitioners interested in the broader area of alternative forms of international working. There are also implications for the role of the HR function, as it has been suggested that the more that non-standard forms of international assignments are used relative to traditional expatriate assignments, the greater the need for a more structured and centralised approach to their management. Indeed, it has been suggested that as HR staff are required to broaden their focus to develop policies and practices for non-standard assignments, this may necessitate a redefinition of the international HR role (Tahvanainen et al, 2005).

Our article also highlights some HR implications of alternative forms of international assignments that may be of particular interest to both IHRM specialists and line managers in MNCs. We highlight that alternative forms of international

assignments can often provide solutions to some of the complex global staffing challenges facing multinational companies by providing the required skills and developing international capabilities simultaneously (Tahvanainen et al, 2005). Alternative forms of assignments can also be utilised as an effective way of developing younger high potential international managers by exposing them to different experiences in a variety of foreign markets (Mayrhofer and Scullion, 2002).

Our review also points to the need for researchers and practitioners to pay more attention to family issues relating to alternative forms of international assignment. Little is known about the impact of alternative forms of international assignment on the family and the employees' work/life balance. On the one hand it has been argued that an advantage of short-term international assignments is that they do not directly affect the career of the partner or children's education. On the other hand, there is some evidence that short term assignments can lead to negative impacts such as stress and burnout for some short-term international assignees (Brewster et al, 2001). More research is needed to guide researchers and practitioners in devising HR policies to respond to and anticipate some of the little understood side-effects of alternative forms of international assignments.

It is important to note that there are a number of alternative international assignments that can be used by MNCs in staffing foreign operations. These require firms to explore alternatives to traditional expatriate pools. For example, it has been argued that the employment of third country nationals in key positions could result in significant cost savings for MNCs. In this regard self-initiated expatriates could also potentially reduce the costs of expatriate assignments. A further option available to MNCs in the localization of key positions traditionally held by expatriates (cf. Harry and Collings, 2006). The utilisation of both TCNs and self-initiated expatriates in MNCs would reduce the costs associated with relocation.

When the organisation decides that a traditional expatriate assignment is the best alternative in a given situation, we argue that the key to success is a more strategic focus. In this regard the challenge is not just strategy formulation, which many organisations do relatively well (Tahvanainen and Suutari, 2005), but also to translate strategic planning to the operational level, through the development of HR policies and practices aimed at ensuring congruence between employees' work behaviours and the organisational strategy. Specifically, we argue that international HR managers, in conjunction with line managers, must begin by defining appropriate

objectives for the expatriate assignment. The achievement of these objectives will be improved if the individual expatriate is selected and supported through a congruent set of HR policies throughout the expatriate cycle. This begins with appropriate selection criteria and techniques that expand on simple measures of technical competence that have been shown empirically to be poor indicators of performance while on assignment. Further, appropriate compensation and performance management systems and particularly significantly, repatriation policies will aid in the achievement of the assignment's objectives. In other words, the challenge for IHRM practitioners is to ensure that each international assignment has clearly defined goals and in this context to continue the advancement of techniques aimed at measuring the return of investment on international assignments. Thus, in measuring the utility of such assignments MNCs and scholars alike must take the objective of the assignment as their starting point and must evaluate the contribution of expatriate assignments in this context. The utilisation of congruent HR policies should result in *a virtuous* circle whereby successful completion of expatriate assignments and repatriation into the home organisation will result in employees becoming more amenable to being sent on assignment and organisational experience will mean increasing competence within the MNC in managing expatriation. This suggests that IHRM scholars need to undertake further work on bundles of IHRM practices and their contribution to business performance in the international context with a specific emphasis on supporting international assignments.

The key implications of the preceding discussion for IHRM practitioners include the importance of clearly identifying and articulating HR planning requirements in foreign subsidiaries. Following this they must determine the extent to which PCN expatriates actually represent the most appropriate staffing option for the particular role. If this does prove to be the case then the challenge is to develop clearly defined performance objectives for the role and to select an appropriate candidate on the basis of the objectives of the assignment. Supporting HR policies should be premised on supporting these objectives and finally the return on the investment should be evaluated on this basis also.

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ⁱⁱ Other alternatives include localization of managerial positions whereby positions initially filled by expatriates are filled with host country nationals (cf. Harry and Collings, 2006 for a discussion) or inpatriation where host country nationals are transferred to the home country of the MNC on a permanent or semi-permanent basis (Harvey et al, 1999), provided they return to the home country. A further option available to MNCs is the permanent transfer of the individual to the host country payroll which would eliminate most additional costs. A discussion of these options is however beyond the scope of the current paper.