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Global Organizational Control: A New Role by Inpatriates

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ABSTRACT: As organizations have expanded globally, control mechanisms utilized in the past may need to be supplemented with a new type of personnel, that of the inpatriate. Expatriates were the most widely used staffing for corporate control, but due to various issues, a complementary set of employees to facilitate corporate goals could be utilized. Inpatriation, as a practical and conceptual means to augment expatriation, is discussed, compared with, and contrasted to, expatriation. This research explores the use of inpatriates in facilitating global control.

INTRODUCTION

Global corporations are faced with a global marketplace characterized by uncertainty, diversity among global competitors, rapid technological change, widespread price wars, and seemingly endless reorganizations (Ilinitch, Lewin & D'Aveni, 1998). Although the attributes of globalization are evident, most of the world's organizations have not appreciated their potential influence on their organization's structure or operations. There is little doubt organizational viability in the next century will require the firm to be more global in its outlook, if not in its operations (Rhinesmith, 1993). The firms that foster a flexible and innovative environment within their organizations will enjoy success in the dynamic global economy.

The global marketplace has recast the strategic focus of firms from careful exploitation of highly durable strategic assets to the steady creation of many new, intangible ones that provide a momentary competitive edge in the global marketplace (D'Aveni, 1999). Designing control mechanisms to utilize and protect these intangible assets will require innovative, flexible techniques that will obligate substantial local knowledge. The continuous creation and control of these new highly durable assets suggest implementation of a sophisticated control system that provides direction and simultaneous flows of information to both safeguard and utilize the firm's core competencies.

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Essentially, organizations must develop an environment that encourages and fosters the ability to achieve organizational objectives even though the desired outcomes may seem to be contradictory. For example, the firm must achieve a level of internal flexibility while maintaining a stable environment, it must be able to diversify while maintaining focus, and employees must appreciate that they have the freedom to act autonomously even though it may sometimes be against a strong organizational culture (Ilinitch, Lewin & D'Aveni, 1998). The ability to monitor and control a firm's activities is critical to an organization's ability to sustain flexibility and achieve organizational objectives.

The global economy has created an increasingly dynamic competitive landscape (Ireland & Hitt, 1997). Many corporations have changed their organizational structures in response to environmental conditions (Miles & Snow, 1984, 1986; Thorelli, 1986; Webster, 1992) and have even reoriented their exchange relationships from relatively short-term discrete transactions to long-term commitments (Anderson & Narus, 1991). The orientation towards longer-term commitments has generated increased integration, which ultimately has led to greater reliance on control mechanisms. Consequently, the ability to utilize control mechanisms effectively will be a vital strategic asset in the global market. The inpatriate, with their knowledge of local customs and established network of personal and business relationships, will facilitate intra- and interorganizational control.

The importance of acquiring and diffusing knowledge across the firm is now recognized as critical to global success (Mahoney, 1995). By leveraging learning and innovation, different competencies can be brought together and applied to new products and new markets (Bartlett & Ghoshal, 1989; Prahalad & Hamel, 1990). The strategic management literature suggests that learning, knowledge acquisition, and adaptation are important potential sources of competitive advantage (Spender, 1996). The knowledge-based view of the firm addresses the issues of coordination in internal transfer of tacit and explicit knowledge within the firm (Szulanski, 1995; Zander & Kogut, 1995). Control and transfers of valuable knowledge entails interpersonal communication of local managers and inpatriates.

The purpose of this paper is to illustrate the changing requirements for organizational control as companies move from multinational corporations (MNCs) to global network organizations. The paper has five goals; 1) A brief conceptualization of global control; 2) Briefly comparing MNC and global control illustrating the need for a revitalized management perspective on control; 3) The traditional role of expatriates in the control process (primarily in MNCs); 4) The expanding role of inpatriate managers in global organizations to augment the traditional control of expatriates; and 5) Illustration of the primary contributions of inpatriate managers to global organizational control. Each of these goals will be discussed in the following sections of the paper.

CONCEPTUALIZING CONTROL IN GLOBAL ORGANIZATIONS

Control has been defined as a three-part process that is designed to achieve organizational objectives. The process consists of: 1) setting performance standards, 2) monitoring performance, and 3) taking corrective action (Maguire, 1999; Macintosh & Daft, 1987; Donnelly, Gibson & Ivancevich, 1995). Firms develop control systems that range from strategic planning to performance evaluations to manage their organizations. These systems also include financial forecasting, budgeting, operations management systems, and management information systems.

The systems are essentially programs that are generic, that managers institute and modify to suit different contingencies with relative ease. However, these management control systems can be much more far-reaching and multifaceted as they represent features of organizational cultures. This view of organizational control is based on social interaction, which shapes and defines control systems. In other words, control systems are a part of an embedded social interaction that defines and characterizes the organization. Thus, they are not programs that managers can modify at will.

Scholars have categorized these "social" control systems into three broad forms: 1) bureaucratic, 2) clan, and 3) connective (Barker, 1993; Ouchi, 1980). These "programs" and basic considerations of control are founded on western ideas making applicability to global corporations questionable. It would appear that as global firms apply ethnocentric views of control to global operations, managers operating in global environments increasingly might fail to meet organizational goals and objectives. These controls may be appropriate for domestic, international and multi-national control perspectives, but firms with global orientations must develop innovative forms of control that address global demands and conditions.

CONTROL IN MNC VS. GLOBAL ORGANIZATIONS

Although MNC control and global control can follow the three very general processes, each has very different implications and actions. The generic control strategy is 1) setting standards, 2) monitoring performance, and 3) corrective action (Maguire, 1999; Donnelly, et. al., 1995; Schermerhorn, et. al., 1995). As noted, the environments in which both types of firms compete are often very unique as well as the complications of coordination and adherence to strategic goals.

EXPATRIATION OF MANAGERS AS A TRADITIONAL CONTROL

MECHANISM

Management practitioners and researchers must recognize that the shift toward global competition necessitates modification in the standard operating procedures (SOPs) in the organization. A global scope to competitive strategies adds complexity to management and therefore, the managers selected must have a unique set of competencies to management effectively. Global competition is becoming the norm and therefore, a new global manager must be attracted to organizations who want to compete globally. At

TABLE 1

MNC versus Global Control

	MNC	Global
Setting Standards	Job descriptions, hierarchal organization chart, internal financial ratios, annual/monthly budget/forecast, campare against competitor firm fin. ratios, standardized performance appraisals and benefit packages. Country Specific	Flexible best global practices, long-term strategy (10-15 years), alliance formation, strategic asset positioning, flexible org. chart, developing a global mindset, measures of innovation, combining local/legal/corporate employment policies
Monitoring Performance	Comparison to fixed annual/monthly budget/ forecast, semi-/annual performance appraisals, bonuses/stock options, governance mechanisms (ex. Board of directors, CEO compensation, etc.), centralized within country	Continual feedback, global market trends, intangible evaluations, reevaluate short-term associations/strategy to long-term vision, decentralization
Corrective Action	Diversification, horizontal/vertical integration, layoffs/downsizing/firing, mergers/ acquisitions, change reporting structure (ex. SBU)	Outsourcing, ending/forming strategic alliances, repositioning core competence, reformulating short term processes, exchange of personnel

current growth rates, by the year 2015 trade between nations will exceed total commerce within nations (Daft, 2000).

The interrelatedness of culture, language, politics, social dynamics, and economics make global business complex and uncertain, where on-going training and learning is required for success of these global managers (Gregersen, Morrison & Black 1998). The added complexity of situation specific assignments for the expatriate intensifies the problems with selection, from the firm and employee's perspective. The shortage of qualified global managers that can fulfill the expatriate role is considered to be one of the most significant constraints to the expansion of MNCs (Scullion, 1991; Mendenhall, Macomber, Gregersen & Cutright, 1998; Marquardt & Engel, 1993). This limited ability to develop a pool of qualified global managers creates a seller's market and unnecessarily raises the cost of compensation for expatriates (Wederspahn, 1992).

Currently, many firms with overseas investments continue to use expatriate managers to monitor the activities of their foreign subsidiaries (O'Donnell, 2000; Eisenhardt, 1985; Ouchi, 1977). The expatriate manager is considered an extended form of headquarters supervision (Boyacigiller, 1990; Engelhoff, 1984). The basis for employing nationals from the parent company is the assumption that these managers, by the nature of their cultural similarities with the home company, will share the characteristics of the company and ultimately the company's goals (Baliga & Jaeger, 1981).

This type of surrogate control is envisioned to result in a greater sharing of values among the firm's leaders and the top managers of the foreign subsidiaries. But this type of behavioral control is less effective because differences in cultures between the expatriate manager and the host country employees make behaviors harder to interpret (Chang & Taylor, 1999). Therefore organizational control through expatriates is weakened due to the cultural distances between the two parties. Consequently, inpatriation should be considered an alternative control mechanism.

INPATRIATION: A CONTROL MECHANISM TO AUGMENT EXPATRIATION IN GLOBAL ORGANIZATIONS

In response to the apparent lack of success of expatriates to adequately control some overseas situations, organizations are beginning to recruit managers from host countries and relocating them to corporate headquarters on a semi-permanent to permanent basis (Harvey, 1993; Gregersen, Morrison & Black, 1998; Stroh & Caligiuri, 1998; Welch, 1994). The process of transferring and/or hiring local or third country managers into the parent organization on a semi-permanent/permanent assignment in order to develop their global leadership skills is known as "inpatriation" (Harvey, 1993, Harvey, 1997).

Inpatriate managers can generate

invaluable input to the development of the human resource function in emerging markets by providing accurate advice on the adaptation of specific technical dimensions of the human resource process (i.e., selection criteria, compensation plans, performance evaluations, and training/development for host country nationals). They can also provide a means for transferring the appropriate dimensions of the home organization's control to the host country subsidiary. The culturally sensitive "exporting" of corporate culture (i.e., roles, norms, values, and climate) to organizations in emerging markets allows control to be exercised in an acceptable and effective informal manner. Rather than enforcing an "outside" organiza¬tional culture, following the inpatriate's insights into the host country culture allows the organizational climate in an emerging market subsidiary to evolve over time.

Johnson Wax, a Wisconsin manufacturer of household cleaning, personal care, and insect-control products, has 12,000 employees worldwide. In 1995, Johnson Wax had 15 inpatriates working in its headquarters and 85 expatriates deployed internationally. Michigan-based Chrysler Corp. has a focused program of 45 inpatriates dedicated to coordinating the operations of its Mexican subsidiaries (Solomon, 1995).

Inpatriate managers perform a boundary-spanning role in the globalization of organizational management. Inpatriate managers play an important "linking pin" role between the domestic headquarters and emerging markets that the organization is attempting to penetrate (Harvey, 1997; Harvey & Novicevic, 2001a). When these inpatriate managers are selected and transferred to headquarters, inpatriates perform an integrative, boundary-spanning role between headquarters and the foreign subsidiaries and their cultures (Thomas, 1994). Organizationally, inpatriate managers should provide competent leadership to the expansion efforts in developing/emerging markets including the development of relationships and alliances in these novel contexts.

Inpatriate managers are formally located in the headquarters organization but would make frequent overseas trips to provide direction thereby facilitating organiza¬tional expansion into the emerging markets. By locating inpatriate managers at headquarters, top management would not experience the loss of control generally felt and partially experienced when using host country nationals located in their own countries. In addition, by having inpatriate managers domiciled in the domestic organization, the process of both multiculturalism and transculturalism can be activated in the MNC. By utilizing their cultural input, the organization has undertaken the first strategic step in developing a multicultural management group and global learning organization that is needed to compete effectively in the global market.

The primary role of inpatriate

managers is to culturally embed control concepts, processes, and strategies in the organization's foreign subsidiaries, as inpatriates are more likely to be accepted by host country nationals than are expatriates. The cultural embedding mechanisms believed to be most effective are:

1) The specific issues the inpatriate manager pays attention to, measures, and controls.

2) How the inpatriate manager reacts to critical differences between the two organizational cultures (domestic/host country).

3) An inpatriate providing a role model (mentoring) for other host country nationals.

4) Inpatriate manager's operationali¬zation of rewards and status appropriate for host county nationals.

5) Inpatriate manager's recommendation of operating criteria for recruiting, selection, and promotion of host country nationals (Schein, 1983).

This cultural adaptation of the home country organizational control culture to subsidiaries is a critical factor in increasing the functional consistency and/or organizational fit among the various organiza¬tional units. This fit establishes the inter-unit linkages and balances the needs for autonomy (cultural identity), coordination (cooperation between organizational units), and control (home management concern) for the purpose of increased competitiveness in these emerging markets (Schuler, Dowling, & De Cieri, 1993). The coordination/integration performed by inpatriate managers is particularly important when the headquarters perceives informal coordination as a quasi-source of control (i.e., in countries where the local markets differ dramatically from the home country).

There are a number of benefits to global organizations who use inpatriation as a complementary means to fill a management opening in global organizations. These include:

1) providing a diversity of perspectives to corporate management when developing policies, strategies and plans for competing in developing countries effectively,

2) facilitating innovation,

3) providing multicultural understanding and social knowledge,

4) facilitating boundary spanner two-way communication by being a critical strategic communication point for host country managers to help insure the clarity of mission,

5) amassing collective global management skills,

6) creating a multicultural management team as the heterogeneous nucleus of a core (SGHRM) competence,

7) initiating and maintaining continual contacts with government officials and channel-of-distribution members,

8) developing a contextual understanding of how to globalize yet act locally,

9) creating an alternative to high cost/failure expatriates who do not provide a cultural "window" into

doing business in the host country,

10) creating the diversity necessary to move from multi-domestic to multinational, and ultimately to a global organization, and

11) providing the control necessary to further the organization's goals and objectives internally as well as externally (Harvey, 1993, 1997; Harvey, Speier & Novicevic, 2002; Peterson, 2003).

The utilization of inpatriate managers takes on new emphasis due to the frequency and cost of expatriate failures. Research suggests that between 16 and 40 per cent of American employees sent abroad to developed nations return early from their assignments while almost 70 per cent sent to developing nations return home early (Shay & Bruce, 1997). Estimates of the cost of each failure run between $250,000 to $1 million (Cauldron, 1991). This high expatriate turnover can have a negative effect with internal and external customers (i.e., employees, customers, distributors, suppliers, governmental officials, etc.) as well as with the willingness of future expatriates to relocate overseas.

CONTEXTUAL FACTORS OF GLOBAL MARKETS AND THE STRENGTH OF INPATRIATES AS CONTROL CONDUITS

The factors describing potential contextual conditions that may have an impact on selecting inpatriate managers have been identified by Harvey, Novicevic & Speier (1999a, b, and c). These contextual factors include the following issues:

Factors Describing Local Environmental Complexity:
- Socio-cultural risk/distance between home and host countries;
- Equivocality/ambiguity of subsidiary performance goals;

Factors Describing Assignment Complexity in Emerging Country Markets:
- Degree of the MNCs global strategic orientation determining the dynamics (i.e., changing nature) of the inpatriate's responsibility, assignment for emerging market;
- Difference in the level of economic development between home and host countries determining the variety in the inpatriate's responsibility for emerging markets; and
- Importance of emerging markets perceived by top management determining the extent of the inpatriate's autonomy in implementation of corporate initiatives in emerging markets.

In Harvey, Novicevic & Speier studies (1999 a, b, and c), these contextual factors and/or conditions are used as the criteria to assess judgments of the IHRM managers/ professionals of the appropriateness of inpatriation for emerging markets. Each of these factors is explained subsequent to a brief introduction to the knowledge-based view perspective and the related strength of the inpatriate relative to each factor is explained. The knowledge-based perspective is the foundation for much of our argument in regard to the power and importance of the inpatriate.

The current knowledge marketplace is a new economy characterized by new technologies, globalization and an ever increasing emphasis on intangibles (Pfeffer and Sutton, 1999; Thurow, 1996). Strategy scholars, business "gurus", pundits and management researchers suggest that today's marketplace is knowledge-based and that knowledge and the competencies built upon this platform could be the main factor in determining a organization's current and future value (Thurow, 1996; Grant, 1996; Hamel, 2000). Capital, natural resources and labor are not the most valuable resources in today's economy; instead knowledge and knowledge workers play the central role (Drucker, 1993). Knowledge has emerged as the most strategically significant resource of the organization as increasing turbulence of the external business environment has focused attention upon resources and organizational capabilities (Grant, 1996).

A knowledge-based argument is another foundation of the resource based view and an emerging theme in the strategic management literature that continuously turns to privately held knowledge as a basic source of competitive advantage (Grant, 1996; Barney, 1991). The resource based view addresses performance differences between organizations by using asymmetries in knowledge as a foundation for the argument (e.g. Conner and Prahalad, 1996; Amit and Schoemaker, 1993; Barney, 1991; Chen, 1996).

The human resource management field focuses more on job related knowledge and although it has been argued that all learning begins at the individual (Argyris, 1976) it is affected by both the social context and routines within an organization (Nonaka, Takeuchi and Umemento, 1996). Snell, Youndt and Wright, (1996) argue that core competencies of an organization are knowledge based and are comprised of human capital, social capital (ex. internal/external relationships and exchanges) plus organizational capital. Knowledge is information laden with experience, truth, judgment, intuition, and values; a unique combination that allows individuals and organizations to assess new situations and manage change (Huseman and Goodman, 1999). Differences in the knowledge possessed by different individuals are implicit in the concept of asset specificity (Williamson, 1985). More broadly, these differences motivate individuals to specialize in various aspects of business activity, including the TMT (Connor and Prahalad, 1996).

Socio-cultural Risk/Distance between Home and Host Countries

A low socio-cultural distance (Kogut & Singh, 1988) is likely to entail the perceptions of limited socio-cultural risk influencing a MNCs preference for centralized management staffing choices in emerging markets. This argument is derived from the prior empirical findings (Kobrin, 1991) that a MNC's capabilities are shaped primarily through its involvement in the home market, and therefore especially attuned to and appropriate for it (Watson & O'Donnell, 2000). The knowledge-based view supports this argument by predicting that a MNC's investments in organizational resources reflect the specific cultural and demand characteristics of the home country common knowledge, and over time shape organizational routines (Kogut & Zander, 1992). While this administrative heritage might be a source of competitive advantage in the home country and in culturally similar foreign markets, it becomes a risk-bearing constraint in socio-cultural distant markets. When the socio-cultural distance is high, differences in the host context make the traditional MNCs management staffing policies less appropriate and will likely erode the applicability of its "home-grown" routines (Den Hartog, House, Hanges, Ruiz-Quintanilla, & Dorfman, 1999).

As the socio-cultural distance between two national markets increases, tacit local knowledge may become perceived as more important for managing local risk and exploiting context-specific opportunities in that host country. In other words, the need to have culturally attuned tacit local knowledge of inpatriates is accentuated when pursuing risky opportunities in socio-culturally distant emerging country markets. Therefore, the higher the local socio-cultural risk the more appropriate is to send an inpatriate manager on assignment to emerging country markets (Harvey & Buckley, 1997).

Informal and subtle control mechanisms are becoming more and more important in MNCs and informal communication networks are one of the important elements of these control mechanisms (Martinez and Jarillo, 1991). Inpatriates will be better equipped to develop these culturally nuanced informal networks to effectively develop the subtle control mechanisms to fulfill corporate goals. Researchers have suggested that firms are moving away from hierarchies towards networks (Prahalad and Hamel, 1990) and that a single standard set of management control systems and procedures cannot cope with the growing complexity and diversity of MNCs (Doz and Prahalad, 1991). The assumption that control resides in a particular place may be increasingly outdated. MNCs are becoming loosely coupled political systems rather than tightly bonded, homogeneous, hierarchically controlled systems (Forsgren and Pahlberg, 1992). As such, the diversity of these systems will suggest that Inpatriates will have the appropriate insight into a culturally distant informal network and be able to play a role in developing appropriate control systems contingent upon that environment. As suggested by Kostova and Roth (2003) as the complexity of interdependence between headquarters and a foreign unit increase, there will be a greater need for increased levels of social capital development. As suggested, the inpatriate will provide a superior position to do so.

Equivocality/Ambiguity of Emerging Country Subsidiary Performance Goals

The concept of subsidiary performance goal ambiguity refers to the difficulty of determining the expectations for the subsidiary performance based upon specific local conditions, so that they are aligned with the corporate expectations of "acceptable" performance for the subsidiary (Harvey, Speier & Novicevic, 1999a). This conceptualization of subsidiary goal ambiguity is multidimensional in four aspects: 1) the degree of understanding of the opportunities facing the subsidiary unit in its local environment; 2) management's past experience in competing in the specific local market; 3) the length of time the global organization has been actively competing in the local market; and 4) the motivation for entering the market an the resulting competitive posture developed over time (Roth & O'Donnell, 1996; Thomas, Pollock & Gorman 1999).

The greater the decision-making discretion of a subsidiary's management in an emerging market (i.e., the higher the ambiguity of specifying its performance goals), the more experience and insight is needed for a manager to form contextual strategies and competitive positioning of the MNC that is appropriate for the local market. The manager must have a tacit understanding of how to integrate the global network's goal expectations into the local context in a consistent manner. Therefore, the less that is known about the tacit dimensions of the local market or the greater the uniqueness of the local consumer/competitive environment, the greater the demand for specific local knowledge to provide inputs necessary to specify local goals and strategies (Roth, Schweiger & Morrison, 1991; Roth & Ricks, 1994).

Consequently, a high ambiguity about performance goals of emerging country subsidiaries calls for increasing inpatriation of managers into the headquarters of a global organization. However, if this ambiguity is not reduced accordingly, it is not appropriate to send inpatriate managers on assignments to emerging country markets because of the likely conflict with the host country stakeholders. Therefore, the more the subsidiary performance goal ambiguity is salient the less appropriate is to send inpatriate managers to assignments to emerging countries.

Centralized control in instances of highly ambiguous performance targets will ultimately fail, as the initial control step is to set performance standards (Maguire, 1999). Inpatriates will assist in the facilitation of standards setting, monitoring performance and then suggesting corrective actions that may be culturally nuanced due to legal restrains (e.g., 38 hour work weeks, 6 week vacations) and cultural restraints (e.g., working collectively versus individual incentives).

Degree of the MNCs Global Strategic Orientation

Determining the Dynamics (i.e., Changing Nature) of the Inpatriates' Responsibility/ Assignment in Emerging Markets

The global management staffing system of a MNC, which incorporates various assignment-related issues, policies and practices, may differentially treat an assignee's nationality in the selection, succession planning, and career planning processes for global managers (Harvey & Novicevic, 2001a; Schuler, Dowling & DeCieri, 1993). The key antecedent to these processes is a MNCs current extent of strategic orientation toward global assignments within its global management staffing system. This orientation can be defined as the currently adopted general philosophy or approach taken by the top management of the firm in terms of the impact of nationality on the design of the firms' overall strategic global HRM system, particularly the staffing system relative to the subsidiaries in emerging markets (Taylor, Beechler & Napier, 1996). This orientation and/or philosophy reflect the judgments, attitudes, and expectations of the MNCs top management relative to the changing dynamics of assignments in view of the assignment evolution toward global assignments (Murtha, Lenway & Bagozzi, 1998).

Harvey & Novicevic (2001b) suggest that the increasing dynamics of assignments stimulates a MNCs propensity to adopt inpatriation orientation to augment existing staffing alternatives. Therefore, relative to emerging markets, its is anticipated that the decision making process by the IHRM managers/professionals in global organizations will be guided by the dynamics/changing nature of evolving global assignments when judging not only the appropriateness of sending inpatriates on assignments to emerging markets. It could be argued that the more diverse the nature of the assignment-related tasks the more appropriate is to send an inpatriate manager on assignments to emerging markets.

For many reasons such as increasing internationalization of companies, foreign subsidiaries, shortening product life cycles, and the necessity of developing strategic alliances, the control mechanisms such as centralization, formalization and standardization are no longer valid and need to be replaced with more flexible personal, informal control (Harzing, 2001). The importance of control as an integrating mechanism within organizations stems from the fact that it reduces uncertainty, increases predictability and ensures that behaviors originating in separate parts of the organization are compatible and support common organizational goals (Egelhoff, 1984). For global firms to be successful, not only must they seek global economies, but they most also be locally responsive in which top management have both a global and local orientation (Ohmae, 1995). Although difficult, the firm that will perform the best is one that has found the right balance between integration and local responsiveness (Bartlett and Ghoshal, 1992). Therefore use of inpatriation as an informal flexible control mechanism will be successful for global firms.

Difference in the Level of Economic Development Between Home and Host Countries Determining the Variety in the Inpatriates' Responsibility in Emerging Markets

The context of economic development in emerging markets may influence the perceptions of IHRM managers relative to the required variety of activities associated with the assignment that contribute to the improved integration of tacit country-specific knowledge. In particular, the absence of business infrastructure and standardized processes and procedures for conducting business in many emerging market countries necessitates a tacit understanding of the means of exploiting specific local opportunities by engaging in a variety of tasks/activities (Bartlett & Ghoshal, 1998; Dadfer & Gustafson, 1992). Therefore, an IHRM manager may view the emerging countries appropriate for inpatriate assignments relative to the variety of tasks/activities that need to be managed in the face of deficiencies in local economic/business infrastructure.

The estimate of the variety of activities to be managed, derived from this economic perspective, is likely to be institutionally framed by the difference in the economic development between home and host countries. Hence, the greater the economic distance between the home and host countries, the more difficult the transacting of complex set of activities for expatriate managers, and more likely the orientation toward inpatriation. A significant economic difference may likely influence the evaluations of the contextual nature of business in emerging market countries to require an inpatriate to provide and in-depth understanding of "how businesses work" (i.e., having specific local tacit knowledge). Therefore, the more salient the variety of the assignment-related tasks/activities to be managed due to the poor local economic/business infrastructure the more appropriate is to send inpatriate managers on assignments to emerging country markets.

The Recognition of the Importance of Emerging Markets by Top Management Determining the Extent of the Inpatriate's Autonomy in Implementation of Corporate Strategies in Emerging Markets

The potential (i.e., perceived value) of emerging markets may influence the MNCs management staffing choices for emerging markets. In other words, the perceptions of the potential of emerging markets for the MNC will influence the perceived importance of specific local tacit knowledge for the MNC. The value of local tacit knowledge comes from knowing what and how to manage in a host country and allows the manager's autonomy to: 1) predict how local internal stakeholders (i.e., employees) and external stakeholders (i.e., customers) are more likely to act; 2) relate observed behaviors to how locals interpret the present state of the local context; 3) share the locals' frame-of-reference relative to the gaps in perceived/actual behaviors; and 4) capture and understand (i.e., decipher) verbal and non-verbal communications from locals (Ferris, Buckley, Harrell-Cook & Frink, 1999; Harvey & Novicevic, 2001a). Tacit local knowledge also helps to insure that the manager can autonomously assess the most effective utilization of resources in a local context. With the increased managerial autonomy in emerging markets, less bureaucratic and/or formal controls will be needed from headquarters, thereby, reducing the level of surveillance necessary to insure the subsidiary compliance with stated goals and strategies. Therefore, the higher the extent of the assignment-related managerial autonomy the more appropriate is to send inpatriate managers on assignments to emerging country markets.

Tapping into the potential of inpatriates creates greater involvement and commitment by employees, and it increases the potential for increased control opportunities (Cyr & Schneider, 1996). Contrarily, problems arise when firms fail to appreciate and accept local knowledge and cultural differences (Csath, 1988, 1989). Further, if local managers have limited participation, firm learning is hindered (Child & Markoczy, 1993). Inpatriates provide the linking-pin for firm knowledge acquisition and dissemination.

Control in these situations are successful through the use of the concept of 'networking within hierarchy' or that it is not a matter of direct instruction from head office to plants but of subtle control through the creation of pressures on managers at the local level to behave in certain ways (Coller and Marginson, 1998). Inpatriates, armed with their knowledge of the local culture, will more readily be able to develop control networks throughout the host country's organization.

INPATRIATES' PRIMARY CONTRIBUTION TO THE CONTROL PROCESS

A knowledge-based view is the essence of the resource-based perspective (Connor & Prahalad, 1996). Firms are organizations that are repositories of knowledge and are successful in the way in which they learn and accumulate new skills and capabilities (Teece, Pisano, and Schuen, 1997). Collective learning is embodied in core competencies and core skills (Prahalad and Hamel, 1990). The focus of the knowledge-based view of the firm is on the "role of the individual as the primary actor in knowledge creation and the principal reparatory of knowledge" (Grant, 1996: p. 129).

The acquisition and internal transfer of local knowledge within the firm is highly limited unless facilitated by employees who know both the local context and the routines of firm-specific knowledge integration (Harvey & Buckley, 1997). One solution to the transfer of tacit knowledge in situations where high differences in cultural and economic demographics exists between home and host country is to utilize personnel transfer through inpatriation (Inkpen, 1998). The firm's GHRM, in accordance with the knowledge-based view of the firm, must select and develop human resources with unique capabilities to facilitate knowledge transference (Oliver, 1997; Kamoche, 1996). For example, emerging markets have become so dynamic that the acquisition, integration and sharing of knowledge regarding specific local environments are highly tacit (Erickson, Johanson & Majkgard, 1997). Acquiring this local knowledge through use of personnel unfamiliar with local implicit norms and nuances that govern relationships with local customers, competitors, suppliers, public officials and other stakeholders will most likely fail (Barkema, Bell & Pennings, 1996).

The knowledge local inpatriates possess is essential to the control process. The control process consists of standard setting, monitoring, and corrective action. The standard setting process must include local determinants. For example, France has a law about the number of hours an employee may work in one week (37) so the setting of standards that include a 40-hour work week or other productivity measures may be inappropriate. The monitoring actions from a western viewpoint may not only be inappropriate, but illegal in countries. As discussed later, monitoring must be culturally specific for effective implementation. Corrective action for any misalignment between standard and actual performance also is culturally specific. Firing employees is often not an option in many countries, as well as the implementation of corrective action must follow a certain cultural pattern that may include "saving face."

The dual role of the inpatriate as a boundary spanner and social capital builder for informal control is a double-edge sword (See Diagram 1). Kostova and Roth (2003) suggest that both are an important ingredient for success in the global marketplace. In Denmark, for instance, a good reputation is what individuals and social groups strive to attain (Kristensen, 1999). A Danish inpatriate will be better able to utilize clan control to fulfill these goals. The inpatriate will have the tools required to function within the host environment, while understanding the organization's goals and objectives. This is an important asset to have. Often managers outside of the culture inherently do not understand situations among internal and external stakeholders. The best person for this job would be one that is culturally "on the inside." The inpatriate will also understand how to be flexible while implementing controls that advance the organization's objectives, especially if these objectives are at odds with the culture. The major crux in the inpatriation argument is that this "insider" to the culture must not remain an "outsider" to the firm. The inpatriate is in the best position to understand the organization's goals and communicate those goals on the host country level.

Global firms continue striving to create a situation where all the internal and external resources are synergistically joined, working together towards the same goals and objectives. Social control is considered the best way to engender these cooperative behaviors (O'Donnell, 2000; Ouchi, 1979). The aim of this type of control is for the values and the goals of the organization to become identified and followed by the individuals associated with the firm.

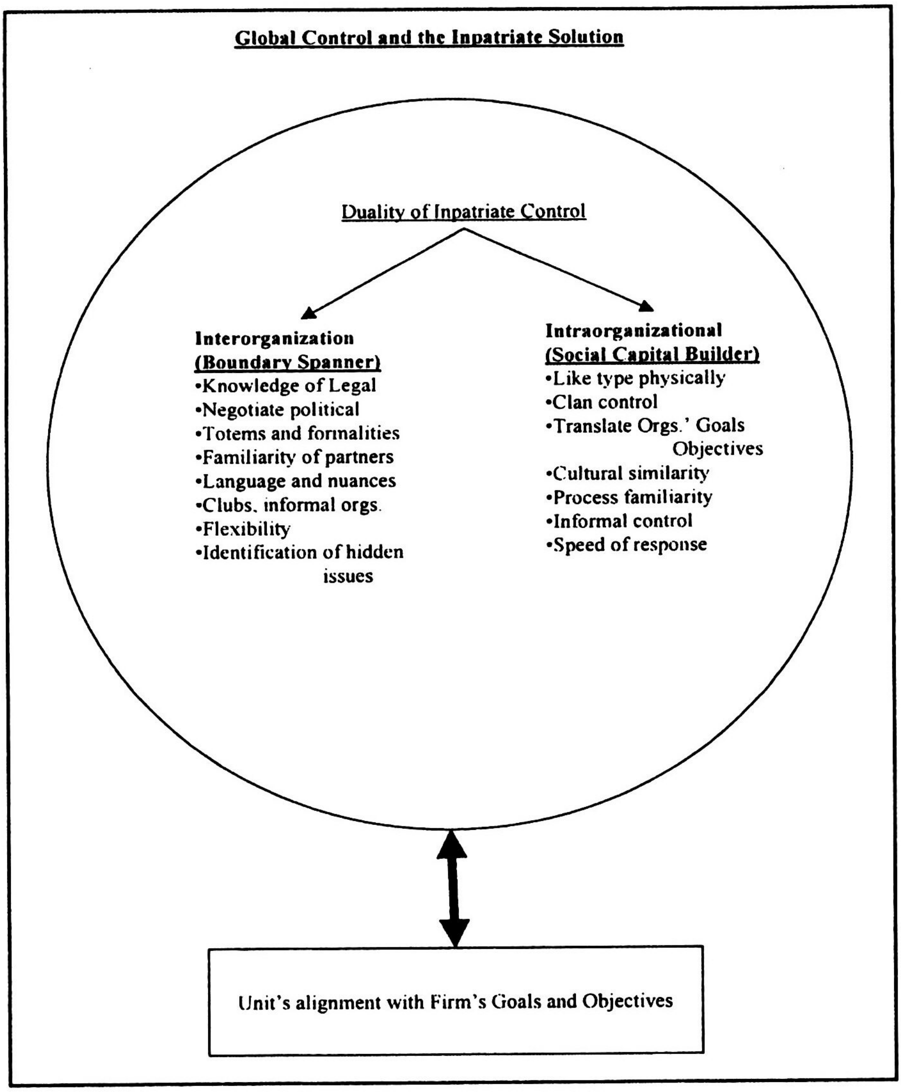
As firms become involved in cross-national strategic alliances, where trust is a key to success, we see a growing need to understand how culture and trust interact (Doney, Cannon & Mullen, 1998). The more diverse the culture, the greater the need for boundary spanners that are of similar culture to maintain the information flow required for interorganizational control. Tsai (2000) illustrated that both inter- and intraorganizational social capital development contributes in many ways to the creation of new value for an organization. Research results provide strong support that social capital facilitates value creation at both the dyadic and business unit levels (Tsai & Ghoshal, 1998).

Personal relationships among key individuals have played a crucial role in producing trust between organizations in Japanese industrial groups (Lincoln, Gerlach & Ahmadjian, 1996) and in contractual relationships (Bradach & Eccles, 1989). Beneath the formalities of contractual agreements, multiple formal interpersonal relationships emerge across organizational boundaries that facilitate, the active exchange of information and the production of trust that foster interorganizational cooperation (Walker, Kogut & Shan, 1997; Gulati, 1995). However, efforts to centralize authority (as in bureaucratic organizations) may encourage low system comprehension. Autonomy is needed to encourage high levels of commitment and knowledge (Marcus, 1988) such as providing the boundary spanners with appropriate control authority, especially in a global environment where decisions must be made instantaneously.

Use of inpatriates also alleviates the tensions in regard to group diversity (see Table 2). While not deterministic, nationality is a potent factor in explaining individuals' psychological attributes and behavior. Nationality can be expected to affect a person in numerous ways. The negative aspects, or 'process losses', of multicultural groups are similar to those observed by researchers of group heterogeneity in general: dislike, mistrust, stereotyping, communication difficulties, and interpersonal stress (Adler, 1986).

The four most important aspects of nationality that affect an individual are considered to be: values, cognitive schema, demeanor and language (Hambrick, Davison, Snell, & Snow, 1998). Research suggests that many organizations attempting to establish control systems in which core cultural values are very powerful, may find it

DIAGRAM 1



more effective to accommodate these then to change them (Lachman, Nedd, & Hinings, 1994). These attributes, however intertwined, illustrate the difficulty of utilizing an expatriate employee for control purposes versus an inpatriate. International values have been heavily researched which has led to a broad tendency to prefer certain states of affairs to others (Hofstede, 1980). Research has shown that national cultural influences the values business executives bring to their tasks (Hofstede, 1984).

Individuals from different nationalities assume and perceive different things about their respective country due to cognitive schema. This is what one preconceives, assumes, or knows about the world at hand (Foti

TABLE 2

Control Strengths of the Inpatriate Based Upon Psychological Attributes

	EXPATRIATE	INPATRIATE
Values: prefer certain state of affairs over others (e.g. power distance, individualism vs. collectivism, relationships to time, etc.)	Control values such as detailed reports, direct reports, bureaucratic mentalities, and the appearance of control over others differ per country. Inappropriate measures will not only fail but foster direct intervention. The expat will attempt to bring their own controls.	The inpatriate will understand how to control,be aware of the usage of clan control, power distance, and fostered relationships where appropriate. Ingrained in the culture, they will instill the firm's goals while balancing the cultural values.
Cognitive Schema: what one knows, assumes or perceives about the world at hand. Different perceptions per country.	The expatriate will not have shared views in regard to a country's idiosyncrasies and culture. History, religion, personal experiences, politics, family orientation, legal, and the way to do business are all different.	Parachuting expatriates to establish control, their perceptions of a situation are often quite dichotomous to the actual situation, due their differing perceptions about how "the world should be". The inpatriate will be able to accurately asses a culturally specific situation.
Demeanor: outward physical appearance (e.g. eye contact, punctuality, conversational style, interruption patterns)	Many cultures defer respectively even when disagreeing or misunderstanding. Western cultures desire eye contact and look upon those who do not, as to not be trusted. Training an expatriate may not prepare the Individual for demeanor issues.	The inpatriate, one of the culture, will be imbedded within the cultural norms, and remain an insider. *Faux Paux* are often connected with inappropriate behavior due to conversation style (e.g. the US mentality of interruption) will be alleviated.
Language: Ability to work within the business language of the situation. Language proficiency implies the amount and type of participation.	Often the expatriate will not have the ability to communicate in the host country language. Assumes all business to be conducted in English. The richness of communication falters and meaning often fails. Non-spoken cues missed.	Explanation of control functions, and nuances of misinterpretation, or circumvention will be discerned. Informal non-spoken communicationn will avert opportunism, and the inpatriate will understand the informal clan control system.

& Lord, 1987). Seemingly superficial behavior such as punctuality, eye contact, and physiological reactions to emotional stimuli, or demeanor, create conflict within groups. This may lead to ostracizing the individual due to perceived differences, stereotyping and a break down in important information flows. Language is an important international constraint, especially for those from the United States who tend to speak one language. Language is more than just speaking, but a series of encoding that include body language and nuance. Communication breakdown will occur when an individual does not speak the same language, affect their influence within the group and amount and type of participation (Gudykunst, 1991).

The inpatriate is obviously better equipped to understand the interrelated task stimuli in establishing, monitoring and taking corrective in both inter- and intraorganizational control systems. Their values, cognitive schema, demeanor, and language skills overweigh any concern of instilling corporate goals and objectives occurring through acculturation of the inpatriate manager.

There is little question as to the importance of the control and the attributes that will make the control difficult to implement due to the complexity of situation. Effective control criteria are: understandability, justifiableness, co-ordination, accuracy, timeliness, realism, and acceptability (Holt, 1993), with understandability, justifiableness, realism and acceptability as the most pertinent due to their relation to behavioral responses. Failure to meet any or all of these criteria may result in employee responses such as: sabotage of the controlling mechanism, throttling of initiate, overall cynicism, and suffocation of employee behavior due to excessive monitoring (Holt, 1993).

SUMMARY AND CONCLUSIONS

Intra- and interorganizational control systems are of vitally important to firms and have been deeply researched in the past from a western cultural perspective. However, the global environment and the emergence of the importance of third world and developing countries' potential customers have focused on more flexible systems. One thing is for certain, that inflexible bureaucratic control often associated with western thought, will not be successful in uncertain marketplaces such as those prevalent in the global environment of which we see today.

The inpatriate solution to interorganizational control focuses on the boundary spanner literature and relationship marketing (social capital development). Research has established that relationship control is the highest form of control. The inpatriate will have knowledge of the legal system, be able to negotiate the formal and more importantly the informal political realm, understand the totems and formalities associated with establishment, monitoring and changing of interorganizational control, amongst other valuable attributes, through the boundary spanner role.

Intraorganizational control will require a development of social capital within the environment. "Outsiders" to the culture will have a very difficult if not impossible time establishing and nurturing these "shadow organizations" of flexible control. Similar values, cognitive schema, demeanor, and language will not only facilitate intraorganizational control through social capital, but also overlap the control attributes that are necessary for a fully functioning system.

The failure and cost of expatriates also provide a basis for argument on the use of inpatriates. Also illustrated is the lack of TMT international experience, lack of qualified expatriates, and the global environment of uncertainly and flexibility forcing human resource departments to come up with innovative solutions. The inpatriate not only will facilitate the goals and objectives of the organizational to be followed through organizational controls, but will impact the organizational through a wide range of other bonus attributes.

MANAGERIAL IMPLICATIONS

A number of recommendations can be derived from our research. The importance of staffing in regard to organization control for goal congruence is critical. As firms become increasingly global in nature, the concept of staffing strategically will continue to come to the forefront. In the past, firms attempted to utilize expatriates solely, and now our research suggests that through the use of inpatriates, corporate control can be facilitated.

Also, the value of knowledge and acquisition of such to compete effectively in foreign markets is essential. Through the use of inpatriates as social capital developers and knowledge gatherers/transferors, multinational corporations will be able to compete effectively in these foreign markets. Thus corporations will need to develop control mechanisms that do not hinder the development of social capital, but also assure the transference of knowledge intra-organizationally.

LIMITATIONS TO THIS STUDY AND FUTURE RESEARCH DIRECTIONS

Future research could explore the exact combination and dimensions of inpatriate/expatriate usage. The use of inpatriates does not imply that the usefulness of expatriates no longer exists. However, the combination of the two would be interesting to explore. Variables that would need to be explored is what levels of the organization should employ this staffing, and would cultural distance play an important role.

Our research would benefit from empirical testing. Also triangulation of the results utilizing a Mixed Method approach could be utilized. The empirical research, though cumbersome and fraught with international business research issues, would assist in the exploration of both inpatriate research as well as global strategic human resource management.

Identification of the inpatriate and determination of their characteristics that would make them an optimum candidate would be helpful research. Currently, businesses hire individuals that are like themselves (speak English, many educated in the US, etc.), but may not have the network of relationships necessary to form the boundary spanner role in which to develop the social capital, nor have the knowledge of the local market. So not only individual characteristics, but aptitude and inclusion in the local market may be required.

Limitations to this research are such by the sheer nature of the topic. Multinational organizations are complex and fluid, as well as individuals themselves. The combination of these variables, and incorporating cultural influences and time, create a very difficult research environment. Attempting to incorporate external relationships such as those required for measurement of social capital or knowledge is also a limitation of this type of research.

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