



The influence of various human resource management strategies on the performance management of subsidiary managers

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Abstract

Purpose – This study aims to examine the impact of various human resource management strategies on the performance management of the managers of international subsidiaries, who have been termed inpatriate managers.

Design/methodology/approach – A qualitative methodology was used to explore the influence of various strategies on the inpatriate manager's performance management, in a sector of the Australian healthcare industry.

Findings – Evidence emerged from the study that the type of human resource strategy used by a multinational corporation may have a significant impact on the purpose and acceptability of the entire performance management process.

Research limitations/implications – This study is not without limitations. The sample size is not large enough for generalizations and the research was restricted to the healthcare industry in Australia.

Practical implications – A constructive six-step solution is provided, for improving the international performance management process.

Originality/value – The findings in this study are important for two reasons. First, the study has identified a central, yet neglected employee in the international business research arena, the inpatriate manager. Past research has focused heavily on expatriate staffing but rarely considers the inpatriate manager. Second, the study contributes to a fuller understanding of the impact of strategy on performance management, which has been identified as a vital process for organizational competitiveness. Therefore, this study represents a valuable step in the development of international business research.

Keywords Health services, Performance management, Human resource strategies, Australia

Paper type Research paper

Introduction

When a company advances a globalization strategy, it usually decides to do business in foreign countries with an export strategy, where products are manufactured in the home country and are then exported abroad. After a period of time, firms typically experience problems with exporting, such as issues with licences, logistics or trade barriers, and usually find more practicable and cost-effective methods of doing international business. This, in general, results in the creation of international subsidiaries to either manufacture goods or simply manage local sales and marketing within the constraints of local country laws.

In a recent study by Colakoglu and Caligiuri (2008), the authors observed that there are currently 850,000 subsidiaries of multinational corporations (MNCs) operating globally. A 2005 survey of global trends in international assignments by the consulting



firm GMAC Global Relocation Services, LLC found that 75 percent of MNCs surveyed have local country managers currently managing their international subsidiaries. These studies underline the worldwide growth in recent years in the number of country managers, who have been termed inpatriate managers (Harvey, 1997). These managers are responsible for managing a large percentage of MNC subsidiaries (Harvey, 1997). Their role includes managing staff and achieving profitability targets within the guidelines handed down by the board and the company executives. Given the increase of these managers and the important function they perform, it is anticipated that they will have a significant impact on the success of MNCs. It has been argued (Chang and Taylor, 1999) that the MNCs' control of the subsidiary manager's behavior and performance is a central integrating function in the MNC. As a result, it is imperative to effectively performance manage this lynchpin staffing option.

The path that a company undertakes from exporting to a fully fledged subsidiary network is a complex and multifaceted process, fraught with complexities. For instance, the firm must decide which human resource management (HRM) strategies work most effectively at the different stages of the MNCs expansion. A consequence of negligence of international HRM strategy can create high staff turnover that results in lost opportunity cost and lack of social and political knowledge, which may have far-reaching implications for the global performance of the organization (Tung and Anderson, 1997). On the other hand, if international HRM strategy is managed competently, the company can create an intangible sustainable competitive advantage (Pfeffer, 2005), which is valuable, rare, costly to imitate and is non-substitutable (Hanson *et al.*, 2005).

Harvey and Moeller (2009) contend that there appear to be five key issues facing the MNCs' global HRM in the next decade: developing flexible competencies; addressing the leadership gap; recruiting and retaining talented international staff; developing performance metrics and taking on a more strategic orientation to talent management. Almost all these points relate to the inpatriate manager. Harvey and Moeller (2009) go on to argue that the shift to a global outlook for many MNCs is implicitly contingent on having the right number of global managers to staff the growth of subsidiaries. Firms, therefore, must develop their inpatriate managers if they are to gain a sustainable competitive advantage.

This study examines the impact of strategic change on one of the most critical HRM processes. It specifically addresses this important manager's performance appraisal, which has been described as a key element of performance management (Suutari and Tahvanainen, 2002). The researcher used a framework of four well-established HRM strategies: international, multinational, global and transnational strategies, which were first identified by Bartlett and Ghoshal (1989). The influence of each strategy on the inpatriate manager's performance management system was investigated in a sector of the healthcare industry using a qualitative methodology. Evidence emerged from the study that inpatriate managers who worked for subsidiaries that were in the earlier stages of development (international and multinational strategy) perceived that their performance management that failed to meet the behavioral criteria of acceptability and did not serve a useful purpose. In contrast, managers who worked for subsidiaries that were in the later stages of subsidiary development (global and transnational strategy) were more likely to consider that their performance management was acceptable and had a clear purpose.

The findings in this study are important for two reasons. First, the study has identified a central, yet neglected employee in the international business research arena,

the in-patriate manager. Past research has focused heavily on expatriate staffing for managing the combined control and coordination needs between subsidiary and parent operations (Harvey *et al.*, 2001). The appropriateness of this approach needs to be examined in the light of significant changes occurring in today's international marketplace. Second, the study suggests that the HRM strategy used by a MNC may have a significant influence on the success of this manager's performance management, which has been identified as a vital process for organizational competitiveness (Clause and Briscoe, 2009). Therefore, this study represents a valuable step in the development of international HRM.

The first part of the study reviews strategic international HRM and considers the application of transactional cost base theory. It also examines the changing nature of the MNC subsidiary and the characteristics of the international performance management. The second part describes the methodology used to explore the nature of in-patriate managers' performance management in Australian subsidiaries of healthcare MNCs. The third part includes data analysis and an overview of the findings. In the last part of the paper, the research question will be addressed. A six-stage framework is suggested as a means of improving the performance management processes for subsidiaries with an international or multinational strategy. Finally, the emergent issues and the study's contribution to international business theory will be addressed.

Strategic international HRM

The concept of strategic HRM probably owes its origins to Tichy *et al.* (1982). A decade later, it became evident to scholars that the strategic HRM should be considered in the context of globalization. As a result, strategic international HRM has emerged as a critical management issue (Festing, 1997). Accordingly, several theoretical perspectives have been applied to two key areas of strategic international HRM. The first set of theories helps to explain the overall impact of international strategic HRM on the organization. The second rationalize the different types of strategies and their influence on the MNC.

Over the last 20 years, a number of hypothetical theories have been extended to explain the overall impact of strategic international HRM on the organization. These include: the resource-based view of the firm; the behavioral perspective; cybernetic systems; agency theory and transaction cost theory. The researcher considers that the transaction cost-based theory best explains the effect of the firm's HRM strategy on the in-patriate manager's performance management process.

Transactional cost theory

The transactional cost theory (Williamson, 1992) seeks to identify the environmental factors that, together with a set of related human factors explain how companies can organize transactions and reduce costs. The possibility of this theory being applied as a framework for linking corporate strategy to HRM has been outlined by Wright and McMahon (1992) and Festing (1997). The theory generally supports that the employee will exchange her/his working performance (for example, special abilities, skills and knowledge) for remuneration and career prospects (Jones and Wright, 1992). If an MNC needs efficiency, the HRM strategy should match the requirements of the nature of the work. The criterion of efficiency is conceptualized by the sum of production and transaction costs. Examples of production costs would be the wage of an in-patriate manager, and while the transaction costs would be the costs associated with her/his

performance management. According to this line of reasoning, the MNC's decision to implement strategic international HRM may have a significant influence on the nature of work to be carried out by the in-patriate manager. Furthermore, the production and transaction costs may have a significant impact on the performance management of the in-patriate manager.

The different types of strategies and their influence on the MNC

As organizations have globalized, there has been a rapid expansion of international subsidiaries and they have consequently become a vital source of business for the MNC. This dynamic subsidiary development has witnessed the advancement of different forms of HRM strategies. In an effort to assist MNC theory and research, many typologies have been applied to these forms of strategies (De Cieri *et al.*, 2007). For example, country centered, simple global and complex global (Porter, 1986) and nationally responsive, worldwide integration and multifocal (Prahalad and Doz, 1987). The success of HRM strategy has been found to be dependent on the HRM staffing structure (Chandler, 1962; Perlmutter, 1969). However, Harzing and Ruysseveldt (2005) contend that a more sophisticated and integrated approach which looks at the interaction between environment, strategy and structure was developed by Bartlett and Ghoshal (1989, 2000). Their typology of international firms includes a discussion of the changing international and industry environment, as well as the MNC's strategy, structure and processes. As a result, this paradigm has been used as a framework in the analysis of this study.

In their typology, Bartlett and Ghoshal (1989) described the first stage of an international strategy as subsidiaries being viewed as an extension of the parent and as a result, HRM policies are exported to the subsidiaries. The next stage is a multinational strategy in which subsidiaries have specialised capabilities and are able to develop their subsidiary-specific HRM policies (Harvey *et al.*, 2002). The next two stages of development are a global strategy in which a cost-effective approach to the market is adopted, and a highly centralized control structure, which also includes HRM policies. The final strategy is a transnational strategy in which subsidiaries are provided with the opportunity to exert control on many issues, including their HRM policies (Adler and Ghader, 1997). A MNC can use a mixture of strategic approaches throughout its subsidiaries. However, most subsidiaries eventually progress through each stage. Some firms hastily pass through the processes and even miss out a stage, others seem to linger at one particular strategic stage (Dowling and Welch, 2004). It is also noteworthy that these transformations may not occur in a linear mode and may not always be perceived as positive by the subsidiary (Martin and Frost, 1996). In summary, the in-patriate manager's performance management may be influenced by the firm's decision to implement strategic HRM and possibly will also be affected by the nature of that strategy.

Characteristics of performance management

A number of researchers have recently focused on the international aspects of the performance management process (Shen, 2005; Sully De Luque and Sommer, 2007; Taormina and Gao, 2009). Evidence from these studies suggests that problems that have been identified at the national level are exaggerated when a firm globalizes its operations. It is therefore not surprising that MNCs frequently measure some attributes and behaviors of international employees that are inappropriate and that

Criteria

At the national level, the criteria for the performance management process have received a great deal of attention from researchers and have been broadly divided into behaviors and results. Behavioral criteria have been argued to give more control to the employee and allow for direct feedback (Harvey, 1997; Milliman *et al.*, 2000). The behavioral criterion of “acceptability” of the performance management process is a fairly recent addition to the field and research literature on acceptability from the perspective of the employee is increasing. For example, a recent study conducted in China (Taormina and Gao, 2009) found performance management acceptability to be paramount and that it related to the way the performance management process was executed. In the same way, ratee acceptability in an international context has been found to increase when the ratee has regular communication with the rater (Milliman *et al.*, 2002), when they perceive the performance management process to be fair (Taylor *et al.*, 1998; Bradley and Ashkanasy, 2001), when the process has a clear purpose (Maley and Kramar, 2007; Milliman *et al.*, 2002; Lindholm, 1999), and when the feedback they receive from the appraiser is timely and accurate (Cascio, 2000; Milliman *et al.*, 2000; Sully De Luque and Sommer, 2007; Williams, 2002). Moreover, where a subordinate and supervisor are geographically distant, regular feedback has been found to be particularly important (Cascio, 2000; Milliman *et al.*, 2002; Sully De Luque and Sommer, 2007). Hedge and Teachout (2000) have claimed that acceptability may be the critical criterion for determining the success of the entire performance management process.

Purpose

An MNC’s purpose for conducting performance managements needs to be transparent. In other words, not only should the subordinate’s and supervisor’s expectations be aligned, but both also need to be in congruence with the firm’s rationale for conducting the performance management (Milliman *et al.*, 2002; Shen, 2005; Whitford and Coetsee, 2006). Furthermore, Milliman *et al.* (2002) argue that the purpose of performance management in addition to controlling individuals and maximizing the firm’s financial performance is to develop the employee, engender allegiance and allow subordinate expression in an environment of trust.

Performance management acceptability and purpose emerge from the literature to be both paramount and inter-dependent. The relationship between purpose and acceptance reinforce the need for the actual appraisal to be embedded in a performance management system rather than to stand alone as a HRM event. In summary, the literature suggests that the international HRM policies and processes may have an influence on the degree of significance that a firm places on international performance management. This is, in turn, may impact on the purpose and acceptance of the process. These variables, in combination with an assessment that is flawed, make the in-patriate manager’s performance management an intriguing gap in the field of international business. As a consequence, this study compares and contrasts the performance management experiences within different subsidiary strategies. It also explores the influences of these different forms on the performance management process of the in-patriate manager.

Before outlining the research questions, it is important to emphasize some important points about grounded theory. Because the framework of grounded theory evolves during the research itself, the initial research questions tend to be broader and less specific than with other research approaches (Strauss and Corbin, 1990). The grounded theory approach is useful when little is known about a situation, and for this reason, it is a valuable methodology for studying the inpatriate manager. The methodology generates theory from the data, instead of trying to fit the data to a hypothesis. Thus, if it succeeds, an original contribution to the knowledge of performance appraisal is achieved. However, to the scholar unacquainted with grounded theory, the hypothesis may appear underdeveloped.

Given these points, there is one key research question:

RQ. What is the experience of the inpatriate manager during performance management?

The study addressed the following sub-question:

RQ1. What are the implications for the MNC?

This paper reports on a study which formed part of a larger investigation. The primary research was part of a doctoral thesis which explored the main factors that influence the experience of the inpatriate manager's performance appraisal? This study focuses on a particular but significant aspect of the findings. It reports on the influences of HRM strategy on the inpatriate manager's performance management. The following section describes the research design.

Research design

Research approach

The grounded theory approach involves identifying the relevant variables in data, rather than focusing on predetermined perspectives or variables. This approach is qualitative, subjective, humanistic and interpretivist. It enables the researcher to capture both the behavior of the participants in natural settings and the context that gave the behavior meaning. This allows the theory to logically emerge from the study (Glaser and Strauss, 1967). Using the grounded theory approach, the discovery and conceptualization of the process under study are embedded in the empirical data. Glaser and Strauss (1967) argue that much of current research is primarily the verification of theory or the development of theory through logical deduction rather than from the experimental data itself. Glaser and Strauss (1967) propose that the roles of grounded theory is: to enable prediction and explanation of behavior; to be useful in theoretical advance; useable in practical applications and a guide to research on behavior. As a consequence, the researcher considered that grounded theory was an appropriate approach for this explorative study.

Research strategy

The unit of analysis was inpatriate managers currently employed by medium-sized Australian subsidiaries in a significant sector of the healthcare industry. A total of 24 inpatriate managers from different healthcare MNC were asked whether they would agree to be interviewed and 18 accepted. Inpatriate managers from the USA (six), the UK (three), Denmark (two), France (one), Norway (one), Sweden (two), Switzerland (one) and

Germany (two) were represented in the study. The participants were selected for the study based on certain criteria:

- They currently held a position as an in-patriate manager of a medium-sized Australian subsidiary of a healthcare MNC (subsidiary turnover between \$A10 and \$A100 million).
- They reported directly overseas.
- They had held their position for more than two years.
- They had had at least two performance appraisals as in-patriate manager.

These criteria ensured that the managers selected were experienced in-patriate managers. Importantly, they all ran local subsidiaries and reported directly overseas.

Healthcare is an enormous field and covers many sub-disciplines. It has been beyond the scope of this study to examine the whole healthcare market in Australia. At the onset of the study, it was determined that pharmaceutical companies would be excluded. This decision was based on: high degree of independence from their parent; disproportionate size compared to the remainder of the healthcare sector; and the tendency of the pharmaceutical MNCs to rotate expatriates into local in-patriate manager positions, which is especially prevalent currently in Australia.

Research method

The participants were employed by companies whose products are used in medical diagnostics, medical devices, life science and equipment industries. The range of products manufactured by these companies is diverse, extending from everyday items used in large quantities, such as bandages and syringes, to sophisticated and costly items of capital equipment, such as X-ray, imaging and radiographic equipment, implants and fine measuring devices. Healthcare companies are among the top industry performers, and in the USA, the market is worth \$US1.6 trillion and in Europe \$US700 billion. In Australia, the industry has been estimated to be worth \$A4.5 billion in local sales (CSI, 2005). The ageing population and increasing need for sophisticated diagnostic procedures and medicines guarantee industry longevity.

Data collection methods

Data were collected from a variety of sources, including company documents, field notes, memos, appraisal documents and, most importantly, formal interviews with the 18 in-patriate managers. Interviewing, as a method of data collection, was selected because it was considered to provide the most suitable approach to study the participants in their own normal, everyday world, which is the premise of grounded theory (Glaser and Strauss, 1967). The interview questions were semi-structured in order to give the interviews some direction, but at the same time permit enough flexibility, again in accordance with the guidelines of grounded theory. The researcher conducted all the interviews herself and the data were collected over a six-month period from July 2005 to January 2006. Participant observation commenced in 2001 and extended to December 2003 (during which time the researcher was working as an in-patriate manager). Documents and literature were examined during the whole period of the study.

Key informants were initially contacted either by telephone (six) or e-mail (12). An appointment was made for the initial interview at a time and venue convenient

to the informant. Informants were advised both verbally and in writing that participation was voluntary and that they could withdraw at any time. Permission to record the interviews was freely given by all participants. The majority of interviews took place during a quiet time in the informants' offices. For some, this was early morning; for others it was at the end of the day. A total of 17 interviews took place at the informants' work places, and one was conducted in an airport lounge. At the commencement of every interview, a brief profile was taken of each participant, including sex, age group, education, number of years as in-patriate manager, time in current position, nationality, and country of origin (Table I). The initial interview with each informant lasted an average of 65 minutes (the longest was 120 minutes and the shortest was 45 minutes). The transcripts of a total of 20 hours of interviews formed the major data source for this study. Also there were notes on second and third round interviews, notes on informal interviews, field notes, performance appraisal documents and other literature sources that were incorporated during the study.

Theoretical sampling

As the study progressed, theoretical sampling (Glaser, 1978) was employed, with the researcher seeking informants and other data sources as directed by the initial findings of data analysis. Additional informants included a supervisor of in-patriate managers based in the UK, two international human resource managers, two industrial psychologists and two professional recruiters. The aim of this approach was to look for variation, and to seek data that shed more light on the developing themes, or emerging new properties of the categories or processes. This targeted interviewing approach (Silverman, 1989) enabled significant specific issues to be pursued, as well as verification of data about issues that appeared to be controversial, sensitive, or about which there appeared to be some misinformation. Seven key informants were interviewed twice and two were interviewed three times. Re-interviewing enabled the verification, clarification and elaboration of data obtained in the first interview or the cross-checking of data acquired from other sources. Interviews ceased when saturation of the main theoretical category (or in grounded theory terms, core category) had occurred, that is, when no additional data were found from which new theoretical categories or properties of the categories could be developed.

Data analyses

The recorded interviews were transcribed verbatim. The constant comparative method of qualitative analysis using NVIVO software was used as a means of

Informant no.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Sex	M	M	M	M	M	M	M	M	M	M	M	M	M	F	M	M	M	M
Age	B	B	C	A	B	B	A	C	C	B	B	A	A	C	B	B	B	B
Education	M	M	B	B	Dr	B	M	B	B	B	M	M	Dr	M	B	B	B	B
Time in job (years)	5	6	2	4	5	4	5	3	6	7	8	3	4	10	4	4	5	3
Nationality	Nz/A	A/UK	A	A	A	A	C	A	A	A	A	A	A	A	A	A/UK	A	A

Notes: Age, A – 35-44 years; B – 45-54 years; C > 55 years; education, B – bachelors level; M – masters level; Dr – doctorate level; nationality, A – Australian, A/UK – dual citizenship (Australian and UK); permanent resident Australia

Table I.
Characteristic of informants

coding the data. Collection, coding and analysis of data were a major operation. Data analysis, including coding and memoing, was conducted along the lines suggested by Glaser and Strauss (1967), Glaser (1978), Strauss (1987) and Strauss and Corbin (1990). Glaser selects an area for study and allows issues to emerge, whereas Strauss and Corbin are more specific and prefer to identify a phenomenon (Parker, 1994). This study used both methods. The writing of theoretical memos detailing the theoretical dimensions and implications of codes, and the development of core categories and relationships formed the substance of the theoretical framework. Open coding involved the labeling of events, activities, functions, relationships, influences and outcomes. Subsequent axial coding required the recombining of closely related and overlapping codes into aggregate key concepts. Selective coding involved the selection of the central phenomenon from the key concepts and its designation as the core code, which was then related to the other key concepts directly and indirectly. This provided the derived grounded theory framework.

Once this was done, the analysis was directed towards identifying the core category. This was a process which formed the substance of the theoretical framework which alternated between inductive and deductive thought. First, the researcher inductively determined meaningful groupings or potential categories, which were apparent from the data collected. Next, a deductive approach was used which allowed the researcher to turn away from the data and think rationally about the missing data. Theory was generated by systematically sorting and categorizing the collected and partially analyzed data by a process of constant comparative analysis. According to Glaser and Strauss (1967), the term comparative analysis is used because every datum is compared with every other datum, rather than comparing totals of indices.

The data obtained in the interviews with the inpatient managers were used to assess the effectiveness of the appraisals. The informants' appraisals that emerged from the data as being effective for the inpatient managers were initially labeled "exemplary." Effectiveness of the appraisal became apparent in three ways: first, acceptance was acknowledged by the inpatient manager's satisfaction with her/his appraisal, which inevitably was found to be reliant upon the quality and quantity of communication between the inpatient manager and her/his supervisor. For example, the regularity of face-to-face contact throughout the year, the feedback process and the appraisal follow-up emerged as being very important to the participants. Furthermore, two fundamental yet crucial questions were determined. The first established if the informant believed that the appraisal benefited them self-personally and the second determined if the informant thought that appraisal was useful and of benefit to their company. These two questions were based on a 1-10 Likert type scale. Answers above 3 were determined as a "yes." Answers below 3 were determined as a "no."

Finally, the questions were tallied. Informants who scored positively for all three questions were deemed as having exemplary appraisal. Those that scored less than 3/3 were considered as unsatisfactory. These tallies were then compared to the results of the grounded theory analysis and compared very similarly. The informants whose appraisals scored 3/3 also emerged in the grounded theory method as having exceptional performance appraisals. In the same way, the informants that emerged from the grounded theory data as having unsatisfactory performance appraisals all scored less than 3/3 (Table II).

While not strictly part of the grounded theory methodology, categorizing the informants' appraisals was a practical reference point during the study.

The categorization, therefore, merely assisted the grounded theory methodology in identifying the firms that were conducting exemplary performance appraisals. The important point here is that the principles of grounded theory identified the important issues in the study and firms that were conducting exemplary appraisal naturally emerged in the analysis. The categorization is, therefore, an extremely simplified illustration of a huge amount of complex analysis. A total of 17 of the informants had regular, usually annual performance appraisals, one informant had never had a performance appraisal with his current MNC. He stated that the managing director of his US MNC saw no benefit in the appraisal process.

Results

Influences on performance appraisals

The data revealed a core problem that represents major influences on the performance management process for inpatriate managers. First and foremost, the appraisal was found to be strongly influenced by the HRM strategy adopted by the MNC’s headquarters, which has been termed the “configurational effect”. Second, the inpatriate manager’s appraisal was found to be limited because the appraisal appeared to serve no exacting purpose. The “configurational effect” is the chief finding or “core category” of this study; the “purpose” is the “near core” finding.

Configurational effect

When the MNC used an international or multinational strategy, its appraisals were found to be perceived by the informants as unsatisfactory. In other words, the appraisals of the inpatriate managers who were employed by firms with an international or multinational strategy failed to meet the criteria for an exemplary appraisal. On the other hand, when the MNC used a global or transnational strategy, the more likely the performance management process was assessed as exemplary.

Framework

In order to explain and simplify the results, the data were examined using the framework of Bartlett and Ghoshal (1989). The data collected by the researcher allowed her to readily categorize the informant’s subsidiaries as either having a multinational, international, global or transnational strategy. These four clusters will now be examined.

International strategy

Three out of 18 informants were found to have an international strategy and none were found to have exemplary performance management systems. One of these informants

Informant no.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Acceptability	N	N	Y	N	N	N	N	N	N/A	N	Y	Y	N	N	N	N	N	Y
Appraisal of benefit to inpatriate	N	N	Y	N	N	N	N	N	N/A	N	Y	Y	Y	Y	N	N	N	Y
Appraisal of benefit to MNC	N	N	Y	Y	Y	N	Y	Y	N/A	N	Y	Y	Y	Y	N	N	Y	Y
Score out of 3	0	0	3	1	1	0	1	1	N/A	0	3	3	2	2	0	0	1	3

Notes: Key, 3/3 – appraisal exemplary; <3/3 – appraisal unsatisfactory

Table II.
Conditions for an exemplary performance appraisal

was extremely dissatisfied with all aspects of his performance management. Another informant was also unhappy with most aspects of his performance management. The third informant did not have a formal documented performance appraisal. They all said that they had very limited autonomy to make decisions in the financial, marketing and HRM areas. All three complained that they felt forgotten and the two informants who had regular appraisals complained that they were never followed-up.

Multinational strategy

A further nine of the 18 informants were classified as having a multinational strategy. All of these informants expressed frustration with the performance management process. They also said that they had poor communication with their supervisor and suffered from a lack of career opportunities. Three informants indicated that due to their perceived lack of career opportunities they did not intend to stay with their organizations for very much longer, and one informant admitted that he was actively looking for another job. For example:

Informant No. 2: Well, I don't know why they bother at all. The whole process is a joke. I really don't see the point. We have a cosy chat once a year, usually in a bar in Singapore – if I'm lucky. Sometimes he just calls me. You know he's just getting HR off his back. Nothing is ever achieved. I just wish he would ask me about my future career aspirations or something. It's all pretty much nonsense. I don't think I want to spend too long in a place that doesn't seem to want to develop their country managers. I feel if I worked at headquarters it would be a different story.

Several informants from the multinational group remarked that HRM was often neglected when disruptions occurred, such as mergers, or when the business environment became difficult. This group of informants was the most dissatisfied with their appraisals. It was found that eight of these informants had their appraisals conducted over the phone. That is, eight of the nine informants who worked for a firm with a multinational strategy had no face-to-face contact during the performance appraisal portion of their performance management process. They also had no performance appraisal follow-up and had very little contact with their supervisors during the year. One informant met his boss at three intervals, but another had not had face-to-face contact with his boss for over two years. On average, the inpatriate managers and their supervisors met twice a year.

Each inpatriate manager was also questioned on where she/he met the supervisor and about the quality of contact. Answers varied enormously. For example, the inpatriate manager typically visited the head office once a year or, where a region existed, they were more likely to visit twice a year. Several informants spoke about doing many things and seeing numerous people when they visited the regional or head office, and there was often not much face to face time spent with their supervisor. For example, the informant below gives an account of his visit to head office:

Informant No. 1: When I go there I don't get much time with my boss; in fact the last time (visited head office), I hardly saw him. I seem to rush around catching up with marketing, regulatory affairs, corporate. I run around like a headless chicken when I visit head office, there are so many people to see.

By contrast Harvey *et al.* (2000) found that the lack of interference and low information sharing of the multinational grouping should make assessment relatively easy compared to the international strategy. However, Harvey *et al.* (2000) did concede that

at least a low level of trust and a reasonable relationship between in-patriate and supervisor is necessary for a successful appraisal. The in-patriate's absence of face-to-face contact may impede rapport building with her/his supervisor and exacerbate her/his dissatisfaction with their appraisal. This, in turn, will limit the building of trust that has been found to be essential for a successful appraisal (Bradley and Ashkanasy, 2001).

Global strategy

Two of the three in-patriate managers that were employed in firms with global strategies were supporters of the performance management process. However, their performance management process was not totally acceptable to them. Furthermore, the process failed to be classified as exemplary by the researcher. While these two informants had a satisfactory level of face-to-face contact and feedback, they did not have any performance appraisal follow-up, which they perceived as affecting their personal development and subsequently, their motivation. The third informant was found to have an exemplary performance management process. His performance management passed all the criteria to be considered as exemplary. He was looking forward to a new promotion within the MNC's Asia Pacific Region. He considered that his performance management process was acceptable.

Transnational strategy

The three in-patriate managers who were employed by firms with a transnational strategy were strong supporters of their performance management and were content with their career progression and opportunities in the company. These three managers had extensive employment experience within the MNC. They felt confident, an integral part of the parent company, and believed that they had a long-term future with the firm. Their performance management was found to be exemplary. An informant gives an account of his performance management process below:

Informant No. 11: My appraisal is part of a much bigger picture. It helps my boss decide what I need to get me where I want to go. I think the whole process benefits the company as a whole and of course, it's of huge benefit to me.

This finding reflects that of Mendenhall and Oddou (1995), who found that firms with a transnational strategy integrate the in-patriate manager into the parent entity.

Satisfaction with the performance management process

Only four MNCs were found to conduct exemplary performance management systems. The most outstanding features to emerge from these firms were that their performance management systems involved frequent face-to-face contact with the supervisor, appropriate and regular feedback and performance appraisal follow-up, and the fact that they were directly related to a defined career path. According to the participants, their exemplary appraisals significantly contributed to their long-term retention in the organization, which they believed gave their performance management purpose. As a result, this group of participants thought that their performance management met the criteria of acceptability.

The lack of purpose of the performance management process

One of the striking differences between the four groups of informants was found to be centered around the purpose of the appraisal. In the international and multinational

subsidiaries, it was evident that the informants believed that the performance management process served no useful purpose. This resulted in little credence being placed on the process, both the in-patriate manager and her/his supervisor believed the process to be meaningless.

The purpose of the appraisal was also found to be ill-defined within the international and multinational groups and this created a great deal of angst for the informants. On the one hand, the supervisor explicitly viewed the purpose of the appraisal as a means to influence the financial results. On the other hand, the in-patriate manager implicitly considered one of the key purposes of the appraisal was to support their career development. The purpose of the performance appraisal from the perspectives of the supervisor and the in-patriate manager are clearly not aligned. This misalignment of purposes means that the in-patriate's expectations are unmet, which in turn appeared to have a negative effect on her/his motivation.

Summary of overall findings

Through diligent application of the constant comparative method of analysis, the researcher identified two main categories, one of which was the basic social process or core process of "configurational effect" which was found to be central in this study and to which everything else directly or indirectly interrelated. The other near core category, which the performance appraisal was found to be contingent on was "the purpose" of the appraisal. The significance of the "configurational effect" was evident in many companies. For example, the parent HRM strategy was found to have a strong overriding influence on the HRM strategic policies in the subsidiary, which in turn had an affect on all subsidiary employees. In the same way, the strategy of the MNC was found to have a substantial impact on the value and purpose of the appraisal.

The main body of analysis used the constant comparative method of grounded theory to find the issues that were important to the in-patriate managers. These issues included aspects of the context of appraisal that is, frequent face-to-face contact with supervisor, appropriate and regular feedback and appraisal follow-up. These issues were then found to be dependent on the purpose and the purpose was found to be dependent on the HRM strategy used by the MNC. A schema representing the major categories and their respective properties is shown in Figure 1. This figure illustrates, the core process; the "configurational effect" (the largest cog), the secondary process the "lack of purpose," (the smaller cog) and the three limitations are illustrated by the three smallest cogs to the right.

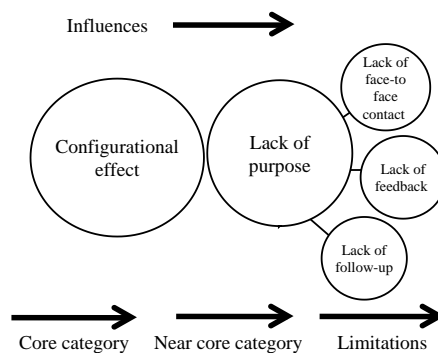


Figure 1.
Core categories
and their limitations

Discussion

The *RQ* of this study inquired about the experience of the inpatriate manager during performance management. The research revealed that the HRM strategy or configurations effect, had an overwhelming influence the performance management experience of the inpatriate manager. The *RQ1* inquired about the implications for the MNC. These questions will now be answered.

Effect on the outcome of performance management

The shifting forms of strategy caused a significant impact on the purpose of the inpatriate manager's appraisal. This in turn led to limitations in regards to face-to-face contact, feedback and follow-up of the performance appraisal. The purpose of the informant's appraisal has been found to be strongly associated with the subsidiary's HRM strategy that an MNC adopts. If the subsidiary was in the earlier evolutionary phases, the performance management seemed to serve no viable purpose. For example, if the subsidiary was in an international or multinational stage, the purpose was most commonly isolated to bonus payments. The most imperative point here is that this may be completely logical from a business perspective; however, there are serious negative implications owing to the ratee's confused interpretation of the purpose of the appraisal. One of the most widespread problems identified with the informant's perception of the performance management system was that they expected more from their performance management. In particular, they could not understand why their career, development and opportunity for expression were overlooked. The neglect of these issues seemed to cause an enormous amount of discontent and frustration for the informants and in their eyes deemed the performance management process as unacceptable.

The inpatriate manager's expectations of an acceptable performance management process may be in part be explained by transactional cost theory (Williamson, 1992). The underlying focus of this theory rationalizes that firms organize any kind of transaction to reduce costs. If we think in terms of the performance management process as a transaction, according to this theory the process is being carried out wholly and simply to reduce costs. If explored more carefully, the theory supports that the inpatriate manager will expect to exchange her/his functioning performance for remuneration and career prospects (Jones and Wright, 1992). The theory terms the remuneration as a transaction cost and the career prospects as a production cost. The theory maintains that the criterion for organizational efficiency is conceptualized by the balance of the production and transaction costs. Conversely, in the subsidiaries with an international or a multinational strategy there appears to be an imbalance. There are transaction costs but very little production costs. The performance appraisals in these firms were frequently conducted the phone, there was little face-to-face contact, the appraisals were often not followed-up and the inpatriate managers felt that they had little opportunity to discuss their career prospects.

The implications for the MNC

The ultimate rationale of transaction cost theory is that the firms will carry out a *modus operandi* to reduce costs. If the inpatriate manager's career expectations are not fulfilled, this will not be achievable. For example, if the inpatriate manager receives little training and development and believes that she/he has poor career prospects within the firm,

they possibly will become demotivated. This may manifest itself in several ways but ultimately the inpatriate manager is unlikely to develop any new competencies which may eventually result in a loss of efficiency and innovation for the subsidiary. It could also result in high staff turnover costs. All of which may directly or indirectly have a negative effect on the bottom-line. In other word, the firm fails to meet the tenet of the transaction cost theory. They are conducting an operation so poorly that it will not result in reducing costs. According to the theory, there will be an inequity if the performance management is not carried out adequately. Consequently, the theory indirectly supports the hypothesis that implementing or changing the HRM strategy will have a significant influence on the inpatriate manager's performance management.

Recommendations

The suggestions for improving the international performance management process in the early stages of subsidiary strategic evolution have been given in a six-step cycle (Figure 2).

The first step is fundamental to a successful performance management system. The purpose of the appraisal system needs to be clearly articulated to the inpatriate manager in an unambiguous manner. Second, the appraisal needs to be part of a wider performance management process that involves some consideration of the employee's expectations. Third, if the performance appraisal is considered as part of a wider performance management process it will be more likely be followed-up. The appraisal follow-up is fundamental to the performance management success.

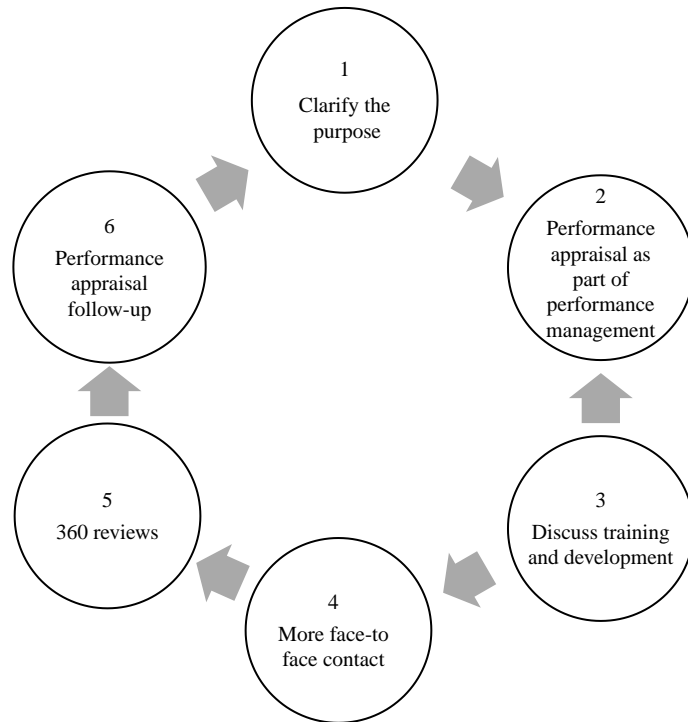


Figure 2.
Improving the international performance management process

Fourth, even if the company was not going to invest in training and development of the inpatriate managers, some identification of development needs could enable individual managers to undertake learning to enhance their performance.

Fifth, there needs to be more frequent contact between the inpatriate manager and the superior. More face-to-face contact would improve feedback and probably facilitate more accurate and reliable assessments. More frequent visits to headquarters or the regional office need to be considered in order to improve communication and build trust. Sixth, the use of additional sources of feedback in the form of self, peer and subordinate assessment should be considered. The multi-rater feedback may help the isolated inpatriate manager understand her/his strengths and weaknesses, and contribute insights into aspects of his or her work needing professional development.

Finally, the entire performance management process requires re-examination. The purpose needs to be clarified again and the supervisor needs to ensure that the inpatriate manager's appraisal meets both their expectations. If the performance management process falls short then the purpose needs to be reaffirmed and the cycle recommenced.

Study limitations

This study is not without limitations. The sample size is adequate for a grounded theory study, but is not large enough for generalizations. In addition, an extensive and complex phenomenon has been studied from a rather narrow empirical perspective. The selection of the single industry design naturally brings forth many limitations, as far as the generalization of the results of the study is concerned. Multiple industry study design would enable us to test the conceptual framework of the study further. Another limitation of this study is the perspective adopted. Instead of trying to understand the appraisal process in general, this study has been first and foremost limited to the inpatriate manager's perspective. Although the study has also taken into account other views along the theoretical analysis, the main perspective from which conclusions are drawn is that of the inpatriate manager. This can thus also be seen as a limiting factor in this study. Furthermore, the categorizations of subsidiary structures were taken from the information given by informants and, therefore, may be subject to bias. As a consequence, the categorizations, while useful for the purpose of this study, may not be entirely accurate.

Conclusion

While no means conclusive, this research has gone some way to contribute to the investigation of international HRM management, in particular to the question of how subsidiaries and their managers cope with and respond to the pressure of strategic advancement in globalization. The upshot of strategy is that it may change or impede the purpose of the performance management system of the inpatriate manager, who has been identified as an all-important player in the globalization process (Harvey *et al.*, 2002). The practical suggestions that have been provided may help to define the purpose of performance management and contribute to the inpatriate manager's longer tenure in the organization. These changes may importantly widen the pool of international managers, and give the organization strategic business capabilities that will provide a sustainable marketplace advantage (Pfeffer, 2005).

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