International Diffusion of HRM Practices: The Role of Expatriates

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This paper examines the international diffusion of HRM practices and aims at building a model of the role of expatriates in the international diffusion of HRM practices. We focus on expatriates who are in a position to transfer HRM practices, such as managers and HRM professionals. The dependent variable of this model is the diffusion of HRM practices, through both implementation and internalization. The purpose of this model is to describe this diffusion of HRM practices as the result of two distinct forces, one conveyed by parent company management, the other by the subsidiary’s locals, revolving around expatriates.

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Introduction

This article is concerned with the diffusion of HRM practices within MNCs and, more specifically, the role of expatriates in it. To date research has mainly focused on the role of expatriates as transferors of knowledge rather than as conduits for the transfer of HRM practices from corporate headquarters to subsidiaries. However, as Harris and Holden (2001:85) have stated: “Expatriate managers have a considerable role as interpreters and implementers of HR and business strategy.” This article will restrict its attention to those expatriates who are in a position to transfer HRM practices, such as managers and HR professionals, thereby excluding those expatriates whose function is restricted to transferring technical expertise and who have no in-depth knowledge of corporate HRM practices.

After presenting an overview of our model of the role expatriates play in the international diffusion of HRM practices we explain the content and then the context of the international diffusion of HRM practices. Finally we describe the interaction between expatriates and locals.

A Model of the Role of Expatriates

Figure 1 contains a model whose aim is to elucidate the function of expatriates as transferors of HRM practices.

The model spans the interaction of expatriates with both the parent company and the subsidiary. Our main dependent variable is the diffusion of HRM practices, mainly from parent to subsidiary. For expatriates to play a key role in the diffusion of HRM practices, they must have a ready knowledge and experience of the parent company’s HRM practices. One of the determinants of the diffusion of HRM practices is the context of expatriation from the perspective of the parent company. In particular this includes the type of subsidiary control
by the parent, the parent’s international orientation and pattern of globalization, and the mode of subsidiary staffing. This context determines the belief the MNC has in its HRM competence and the degree to which expatriates are transferors of HRM practices. Another determinant of the diffusion of HRM practices is the context of expatriation from the subsidiary’s viewpoint. Our model emphasizes the role of the subsidiary, the dependence of it on parent HRM resources and the cultural and legal distance between parent and subsidiary. This context determines the perceptions of host country nationals (HCNs) regarding expatriates and thereby their willingness to interact with them, to trust them and to commit to a shared vision.

The expatriates are at the center of the model. The model indicates that two distinct forces, one conveyed by parent company management, the other by the subsidiary’s locals, significantly influence the expatriate’s impact of the diffusion of HRM practices. This impact is shaped by the expatriate’s role discretion, his or her intercultural interaction and the length of the assignment.

**Diffusion of HRM Practices**

To date the role of expatriates in the transfer of HRM practices is still a very recent research theme. Information technology can relay HRM knowledge to subsidiaries, such as HRM guidelines available on an intranet network, but it cannot transfer know-how. It is often left up to expatriates to put into full and efficient practice the knowledge acquired at headquarters and demonstrate and transfer know-how. Through his or her knowledge, the expatriate can be a carrier of HRM practices.

How does the expatriate contribute to the success of a HRM practice transfer? Kostova
defines the success of a practice transfer as “the degree of institutionalization of the practice at the recipient unit”, (1999: 311). She also defines implementation as “the degree to which the recipient unit follows the formal rules implied by the practice; hence it is reflected in certain objective behaviors and actions at the recipient unit”, (1999: 311). Drawing on Selznick (1957), Kostova gives the following definition of internalization: “the state in which the employees at the recipient unit attach symbolic meaning to the practice”, it is “infused with value” (1999: 311). In our model, the diffusion of HRM practices encompasses both implementation and internalization. When there is convergence of practices, we mean that at the very least they have been implemented, and at the most that the employees of the subsidiary have internalized them.

Knowledge versus Know-How

Examining HR knowledge transfer is a first step towards a better understanding of the international diffusion of HRM practices. HRM practices are based on HRM knowledge. Bonache and Brewster remind us of the fact that “knowledge differs from information, which is simply a statement of facts” (2001: 148). Information becomes workable knowledge, i.e. when a practice is successfully transferred, when personal values, experience and beliefs are combined with it and internalized (Bender and Fish, 2000).

According to Polanyi (1962), knowledge can be either explicit or tacit. Explicit knowledge can be codified, particularly through words and numbers. Thus, it can be transferred through manuals or codified procedures (Bonache and Brewster, 2001). For instance, a Human Resource Management Charter exemplifies explicit human resource management knowledge. Tacit knowledge is the knowledge “deeply rooted in an individual’s experience” (Bonache and Brewster, 2001: 149). As it is not easily visible, it is difficult to transfer to others. Explicit knowledge can be transferred through communication, whereas tacit knowledge can only be communicated through its application. Therefore, tacit knowledge is much harder and costlier to transfer (Kogut and Zander, 1993). In his attempt to define a knowledge-based theory of the firm, Grant (1996) does not attempt to define “knowledge” itself, but he indicates that many types of knowledge are relevant to the firm. Like Grant, our purpose “is not to make fine distinctions between different types of knowledge”, but to identify “knowing how” as “tacit knowledge” and “knowing about” facts and theories as “explicit knowledge” (Grant, 1996: 111).

We can apply the explicit/tacit distinction to Human Resource Management knowledge. HRM diffusion seems easier to observe through explicit knowledge. For instance, an HRM charter may be considered as a document designed to harmonize company policies i.e. to make them consistent with one another, particularly between headquarters and its various subsidiaries. One way of appreciating HRM diffusion is to examine organizational consistency, i.e. consistency between the HRM system defined by headquarters and the prevailing HRM system in its subsidiaries abroad. An example of explicit knowledge in HRM is a performance appraisal system, whereas tacit knowledge is the successful application of the system itself.

All managers have tacit HRM knowledge, indeed, they are all required to apply HRM know-how (appraisal, recruiting, promotion for example). The “All managers are human resource managers” approach applies to expatriates, particularly in their role of normative control. Evans, Lank and Farquhar (1989) stress two types of integration and control tools, (1) the hard tools such as information management systems and (2) the soft tools
such as human resource management. In the “all managers are human resource managers” approach, in addition to expatriates, the international diffusion of HRM practices relies on several other actors, such as local HR managers, located either in the parent company or in the subsidiary.

**Global System vs Local Practices**

We can observe the global HRM system of an organization, but we should also look at its specific local HRM practices. In his HRM overview, Guest (1987) distinguishes 6 HRM policies, i.e. (1) Organization / Job design, (2) Management of change, (3) Recruitment, selection and socialization, (4) Appraisal, training and development, (5) Reward system and (6) Communication. Each of these policies may be divided into various practices. For instance, appraisal, training and development involve a range practices related to career development. The issue is then whether the practices found at corporate headquarters are internalized in the various subsidiaries and the role expatriates have played in their transfer.

**The Parent: International Management Characteristics**

**Type of Organizational Control**

Traditionally, managing a global firm has followed three distinct approaches (Janssens and Brett, 1994). (1) Centralization, which leaves decision making in the hands of a core group of executives. (2) Formalization, in which decision making is structured around a set of rules and procedures. (3) Socialization, in which decision making follows the norms and values of the firm. Bartlett and Ghoshal (1989) recommend following the socialization approach in the global organization because in their view norms and values appear to be more effective in achieving good coordination between parent and subsidiary than rules and formalized procedures. Culture becomes an instrument of “normative control”, which is a more subtle and effective means of control. In our view this means that MNCs with strong cultures will tend to expatriate their most experienced and seasoned managers because of their deep understanding of the parent’s HRM practices.

**Proposition 1a:** The stronger the culture of the parent company, the stronger the role of expatriates in the diffusion of HRM practices.

**International orientation**

Perlmutter (1969) and Perlmutter and Heenan (1979) have identified three types of international orientation among MNCs, ethnocentric, polycentric and geocentric management. The ethnocentric approach leaves little leeway to subsidiary companies. Corporate headquarters is the center of all strategic decisions because of a belief that control of international operations cannot be left to subsidiaries. The result is a centrally determined set of HRM practices (Schuler and MacMillan, 1984; Laurent, 1986; Dowling, Schuler and Welch, 1994). In the polycentric approach, corporate headquarters regard subsidiaries as distinct operational units. Therefore, HRM is based on local specificities and is practiced independently by each subsidiary. The geocentric approach leads to global interdependence between subsidiaries and headquarters involving not only a strong role for expatriates from corporate headquarters, but also third country nationals (TCNs).

**Proposition 1b:** The international orientation has an impact on the international diffusion of HRM practices.

1b.1: The more ethnocentric the organization is, the stronger the role of expatriates (parent country nationals) in the diffusion of HRM practices.

1b.2: The more polycentric the organization is,
the weaker the role of expatriates in the diffusion of HRM practices.

1b3: The more geocentric the organization is, the stronger the role not only of expatriates but also of TCNs in the diffusion of HRM practices.

Patterns of Globalization
The level of development of international operations influences HRM practices (Adler and Ghadar, 1990; Dowling et al., 1994). Adler and Ghadar (1990) depict four stages of international development. (1) The local stage. The firm focuses on the local market and exports. (2) The international stage. The firm seeks to adapt to the markets it enters and exchange know-how. (3) The multinational stage. The firm seeks to draw a global strategic orientation in order to obtain price and cost competitiveness. (4) The global stage. The firm sets out to achieve both product differentiation to enter new markets and integration to control costs. Dowling et al. (1994) and Black, Gregersen, Mendenhall & Stroh (1999) propose four similar stages of international development. (1) Export firms, where there is little use for expatriate managers. (2) Multidomestic corporations, where multiple domestically focused operations generate the need for expatriate experts. (3) Global-Strategy Multinational Corporations, where expatriate managers, PCNs and TCNs, propagate corporate culture and exercise decision-making power. (4) Multifocal Corporations, which is the ‘transnational firm’ defined by Bartlett and Ghoshal (1989). MNCs can follow either a multidomestic strategy or a global strategy (Taylor, Beechler & Napier, 1996). The former strategy does not need the convergence of its HRM practices, whereas the latter will benefit from leveraging its HRM practices.

Proposition 1c: The more global the strategy of the parent company is, the stronger the role of expatriates in the diffusion of HRM practices.

Staffing of the Subsidiary
Downes and Thomas (2000) have observed a U-curve in the use of expatriates. It is largest for firms beginning their internationalization and those with far-reaching international activities. The ownership history of an MNC’s subsidiaries also affects the number of expatriates. The expatriate population is higher in greenfields than in acquisitions. Indeed, headquarters tend to control greenfields very strongly, much more so than acquisitions (Harzing, 2002). Likewise subsidiaries can be wholly owned or a joint venture, it is likely that the proportion of expatriates will be greater in the former, the latter being half-controlled by locals.

Proposition 1d: The higher the number of expatriates in a subsidiary, the stronger the role of expatriates in the diffusion of HRM practices.

International HQ Managers and HR Managers
The international management characteristics of the parent company have an impact on the role of expatriates in the diffusion of HRM practices. This impact is mediated through the managers at headquarters, particularly the HRM managers. It is both management belief in its own HRM competence and expatriates’ expertise that will determine how the diffusion of HRM practices from parent to subsidiary occurs. In other words, headquarters has to believe that its competence in HRM is valuable for it to be exported and expatriates must be perceived as having the necessary expertise for them to be allocated the role of conveyor of these practices.

Proposition 2a: The stronger the belief of headquarters’ management in its own HRM competence, the stronger the role of expatriates in the diffusion of HRM practices.

Proposition 2b: The higher the expatriates’ per-
ceived expertise in HRM, the stronger their role in the diffusion of HRM practices.

**Subsidiary Characteristics**

**Type of Subsidiary**

Usually, knowledge is transmitted from headquarters to subsidiaries. This is particularly the case of firms investing in emerging economies like China or Vietnam (Tsang, 2001). However, the information flow depends on the type of subsidiary. Gupta and Govindarajan (1991) have identified four categories of subsidiaries of MNCs according to the amplitude (quantity and relevance) and the direction (in and out) of the information flow: (1) the implementors that apply the knowledge learned at headquarters or in other departments of the organization, (2) the global innovators that learn and develop new knowledge which in turn can be exported to other part of the organization, (3) the integrated players that are subsidiaries which develop new expertise but also use knowledge developed by other subsidiaries or HQ and (4) the local innovators that are mostly isolated and autonomous units that develop internal expertise, which cannot be easily exported due to high context dependence. This knowledge flows-based framework may serve as a base for analyzing the direction of the international diffusion of HRM practices. As the flow of information and knowledge between the parent company and the subsidiary grows, HRM practices are increasingly likely to converge.

**Proposition 3a:** The more a subsidiary is a user of HRM practices, the more the expatriate will serve as conveyor of these practices from headquarters to the subsidiaries. The more a subsidiary is a producer of HRM practices, the more the expatriate will serve as a conveyor of these practices to the headquarters from the locals.

**Dependence**

As recalled by Taylor, Beechler, Najjar and Ghosh (1998) in their model of strategic international HRM, the resource dependence theory of Pfeffer and Salancick (1978) states that an organization is often dependent on other actors of its environment to generate the resources necessary to operate. In our context, it could be argued that the subsidiary is an organization that is dependent on certain resources provided by headquarters. Therefore, we must examine the types of resources for which the subsidiary is completely dependent on headquarters. Common resources provided by headquarters may include manufacturing technologies and processes, new product development, financial resources, managerial expertise marketing, but also HRM.

**Proposition 3b:** The higher the dependence of a subsidiary for corporate HRM resources, the more the expatriate will act as a conveyor of HRM practices from headquarters to subsidiary.

**Cultural and Legal Distance**

Institutional theory has emerged as a powerful tool for explaining organizational and individual action (Dacin, Goodstein and Scott, 2002). Individual action is constrained by the institutional environment of the individual. Expatriates and HCNs are constrained by the parent company and the subsidiary, particularly in regard to cultural and legal issues (Taylor et al. 1996).

Expatriates are usually charged with the task of preventing any unnecessary cultural tensions between parent and subsidiary and of assessing the compatibility of corporate HRM practices in relation to the local setting.

**Proposition 3c:** The greater the cultural distance between the parent company and the subsidiary, the harder it will be for an expatriate to transfer corporate HRM practices.
Legal Distance
The expatriate is often faced with a different legal environment. A simple and automatic transfer of HRM practices, consistent with an exporative HRM orientation, could result in illegal practices. Within Europe, legal requirements vary greatly, hindering isomorphism. For example, German legislation prevents French MNCs from applying their HRM systems to their German subsidiaries.

Proposition 3d: The greater the legal distance between the parent company and the subsidiary, the harder it will be for an expatriate to transfer corporate HRM practices.

The Locals
The characteristics of the subsidiary have an impact on the diffusion of HRM practices from the parent company through their impact on HCNs or locals and their interaction with the expatriates. The interaction between expatriates and locals is pivotal for the diffusion of HRM practices. Indeed it is arguably the most important part of our model.

As firms must compete in increasingly similar environments, parent companies often try to have their subsidiaries adopt similar management practices. How the pressure from the parent is perceived by the subsidiary depends greatly on the host country’s regulatory profile. As Kostova and Roth’s research (2002) suggests, for a practice to be successfully internalized, it must be consistent with the values and beliefs of the host environment. Kostova and Roth (2002: 228) also found that “both dependence and trust positively affect the level of internalization”. Arguably the trust of HCNs in the expertise of expatriates matters more than the trust put in the company as a whole. Indeed, these expatriates are the most visible and immediate source of information and perception of the parent company. Through their social interactions with HCNs, expatriates can tap into the subsidiary’s network and transfer, learn or adapt HRM practices. The cooperative behavior that will engender a transfer of HRM practices depends on the level of trust between them. As the two parties learn to trust each other, they learn to share resources; hence trust precedes cooperation. Through cooperation a shared vision may emerge, and is an aspect of the organizational context, as such, it is an important factor for the transfer of HRM practices. Moreover, when “organization members (...) share a vision, [they] will be more likely to become partners sharing or exchanging their resources” (Tsai and Ghoshal, 1998: 467). Therefore, if expatriates and HCNs have a shared vision of organizational goals, then HRM practices will be easier to learn, transfer or adapt. Trust, cooperation and a shared vision are the three dimensions of Tsai and Ghoshal’s (1998) definition of social capital. The social capital of expatriates is made up of the perceptions HCNs have of expatriates regarding these three dimensions.

Proposition 4a: The stronger the trust and trustworthiness are between locals and expatriates, the more HRM practices of parent company and subsidiary are likely to converge.
Proposition 4b: The stronger the cooperative ties between locals and expatriates are, the more HRM practices of parent company and subsidiary are likely to converge.
Proposition 4c: The stronger the vision shared by locals and expatriates, the more HRM practices of parent company and subsidiary are likely to converge.

The Expatriates
Expatriates are exposed to the constraints stemming from both the parent and the subsidiary. These constraints may collide, putting
expatriates in a delicate situation where views differ greatly. Expatriates may find themselves at the heart of the tension between the need for global integration required by the parent company and the need for local adaptation required by the local context. In the words of a French HRM manager expatriated in Germany, the expatriates are, as it were, “intelligent filters who are able to make the distinction between (1) what must be applied, (2) what must be given up, (3) what must be adapted and (4) what must be brought in”. We will later refer to this specific French global-strategy MNC. Expatriates become the experts because they have both the knowledge of the parent organization and the knowledge of the local constraints of the subsidiary. A thorough and applied knowledge of corporate HRM practices is a prerequisite for expatriation of managers and HR professionals, indeed this knowledge is what is to be transferred and needs to be well internalized by the expatriate.

Our model identifies three expatriate characteristics on which the diffusion of HRM practices depends.

**Role Discretion**
Once abroad, the expatriate may change the practices acquired at headquarters in order to avoid the perceived flaws of those practices. Indeed, an expatriate is far away from the decision-making headquarters, but he or she has much more role discretion. Aryee and Stone describe role discretion as “the amount of leeway an individual has in performing his or her job responsibilities or the authority and the decision latitude in one’s job” (1996: 152). As an expert with decision-making power, an expatriate can assess the shortcomings of corporate practices in his or her local environment and adapt those practices accordingly. This can be viewed as a reaction to the perceived inadequacies of the parent company’s HRM policies.

**Proposition 5a:** The greater an expatriate’s role discretion, the more freedom he or she will have to adapt HRM practices to local constraints.

**Intercultural interaction**
Intercultural interaction between locals and expatriates may have an impact on the diffusion of HRM practices. Tung (1993) recalls Rieger and Wong-Rieger’s definition of the acculturation process as “the process by which group members from one cultural background adapt to the culture of a different group” (1991: 2). Janssens (1995) defines intercultural interaction as “knowledge of the new culture and contact with local nationals”. Janssens uses this concept to define a classification of international managers based on two dimensions, their cultural and organizational allegiance. The first dimension looks at how the individual relates to his or her own culture and to the host country’s culture. The second dimension looks at the level of allegiance the individual has for his or her parent company and for the subsidiary. Drawing on Black and Gregersen (1992) and Bochner (1981), Janssens (1995) has built a matrix that describes four types of expatriates (see figure 2).

“Dual citizens” as defined by Black and Gregersen (1992) take into account local constraints while maintaining their commitment to headquarters, thus they promote the convergence of HRM practices.

**Proposition 5b:** The greater the allegiance of expatriates to both parent company and subsidiary, the more HRM practices of parent company and subsidiary are likely to converge.

**Length of Assignment**
The greater the local allegiance of an expatriate, the less likely he or she will be to transfer corporate practices. Therefore the length of assignment is a crucial issue which should not be overlooked. As the length of the expatriate
assignment increases, so does the risk of assimilation of the expatriate. If an expatriate has become assimilated, i.e. has lost his or her allegiance to the parent firm and has developed a high allegiance to the local firm, he or she has lost touch with the parent company and can no longer be a carrier of corporate HRM practices.

**Proposition 5c:** The longer an international assignment is, the more likely expatriates are to become assimilated. When expatriates become assimilated, they are no longer effective carriers of HRM practices to the subsidiary.

As an expatriate is given various assignments, he or she is in contact with many different management practices. As the number of assignments increases, his or her attitude towards the culture and practices of the parent company will change. By constantly experimenting with HRM practices related to corporate ones, yet infused with local values, the expatriate may begin to embody a kind of synthesis of the company’s various HRM practices. The various practices implemented by the expatriates of one MNC are likely to be adapted off-springs of a core of centrally predefined practices. This phenomenon may have some retroactive consequences when the expatriate returns. Indeed, the repatriate can indirectly influence parent company practices, and may contribute to the convergence of international HRM practices. This is a retroactive effect in that the repatriate is now able to adapt a practice he or she was once sent out to implement abroad, based on the changes that were then needed locally. Through this incremental process, an MNC may continually improve its international HRM strategy, because of its expatriation policy.

**Conclusion and Implications**

We have presented a model of the role of expatriates in the international diffusion of HRM practices. We then looked at the dependent variable of this model, the diffusion of HRM practices, their implementation and internalization. In order to clarify the role of expatriates in our model, we examined the environment in which MNCs expatriate, i.e. the rea-

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<th>Contact with other culture – Allegiance to local firm</th>
<th>Low</th>
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<tr>
<td>Low</td>
<td>Marginalization Marginal Free agent</td>
<td>Segregation Nationalist Heart at home</td>
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<tr>
<td>High</td>
<td>Assimilation Passing Go native</td>
<td>Integration Mediating person Dual citizen</td>
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*Figure 2. Types of expatriates (source: Janssens, 1995: 157)*
sions for expatriation and the management and decision-making processes of the organization. Indeed, the background of expatriation determines the extent to which an expatriate can act on his or her environment. By studying the interaction between expatriates and the subsidiary’s HCNs we then tried to explain how expatriates transferred knowledge of HRM. Once we had identified and analyzed this exchange, we strove to grasp its idiosyncrasies, in HRM terms, and to understand how expatriates can be efficient organizational developers. One of the most significant contributions of the model is to focus on the interaction between expatriates and HCNs, and between expatriates and parent company management. This interaction drives the implementation and internationalization of HRM practices within the subsidiaries. The model of the role of expatriates in the international diffusion of HRM practices gives particular emphasis to the subsidiary’s organizational learning. Expatriates can be considered “conveyor belts” between parent company and subsidiaries, carrying HRM practices to locals.

Another contribution of the model is to present the role of expatriates in corporate organizational learning. Indeed, even if the principal flow of practices stems from the parent company to the subsidiary, this process may impact the practices of the parent company itself. This may occur both when the expatriate is on assignment and upon return. Although the model focuses on the diffusion from a parent company to its subsidiaries, it does not overlook the fact that the subsidiary may affect parent company HRM practices, through repatriates. Indeed, repatriates may bring new practices back from the subsidiary.

An additional contribution of the model is that it includes the ability of expatriates to be carriers of practices. In order to carry HRM practices, the expatriates have to adjust to the local culture while keeping in mind the interests of the parent company. Finally, the model and propositions developed in this article provide theoretical and empirical research guidelines that may contribute to improving our understanding of the diffusion of HRM practices through the role of expatriates. Regarding practices, our model implies that an important problem a parent company faces in the transfer of HRM practices through expatriates, is its ability to generate trust between both parent management and expatriates, and between repatriates and HCNs.

References


Notes

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