Expatriation and the Role of International Human Resource Management: A Case Study of a German Multinational Company in the Automotive Sector

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v. List of abbreviations

ACEA	European Automobile Manufacturer's Association
AM	Assignment Management
BAIC	Beijing Automotive Industrial Holding Company
BBAC	Beijing Benz Automotive Co. Ltd.
BBDC	Beijing-Benz DaimlerChrysler Automotive Co.
BMBF	Federal Ministry of Education and Research
BMW	Bayerische Motorenwerke (Bavarian Motor Works)
CAAM	China Association of Automobile Manufacturers
CMC	China Motor Corporation
CCT	Cross-Cultural Training
DCX	DaimlerChrysler AG
EIU	Economist Intelligence Unit
EV	Electric Vehicle
FAW	First Auto Works
FAW-VW	FAW-Volkswagen Automobile Co. Ltd
FDI	Foreign Direct Investment
FJDA	Fujian Daimler Automotive
FJMG	Fujian Motors Group
GTAI	Germany Trade and Invest
GDP	Gross Domestic Product
HCN	Host Country Nationals
HQ	Headquarters
HR	Human Resources
HRM	Human Resource Management
IHRM	International Human Resource Management
IMF	International Monetary Fund
IPR	Intellectual Property Rights
MNC	Multinational Company
MoE	Ministry of Education
MoST	Ministry of Science and Technology
OD	Organizational development
OE	Organizational expatriates
OECD	Organization for Economic Cooperation and Development
OEM	Original Equipment Manufacturer
PCN	Parent Country Nationals
PPP	Purchasing Power Parity
ROI	Return on Investment
RQ	Research Question
SAIC	Shanghai Automotive Industry Corporation
SIE	Self-initiated Expatriates
SIHRM	Strategic IHRM
SVW	Shanghai Volkswagen Automotive Co., Ltd.
UNCTAD	United Nations Conference on Trade and Development
VDA	Verband der Automobilindustrie (Association of the Automotive Industry)

VW	Volkswagen AG
WTO	World Trade Organization

vi. Abstract

The purpose of this research is to explore the dynamic relationship among expatriates, foreign subsidiaries, and the multinational company (MNC) headquarters. To capture the interplay among these three constituent elements, I conduct a qualitative study involving German expatriates recruited by a German MNC for managerial positions in a Chinese subsidiary. In addition to considering the motives for international assignments along with international human resource management (IHRM) concepts and staffing practices, I critically reflect on the preparedness of international firms when recruiting the best workforce for their endeavors abroad.

I developed three research questions (RQs) based on existing frameworks by Harzing (2001a) and Moore (2006). The first RQ explores the extent to which a good fit between the headquarters' structure, systems, and culture and its IHRM policies and procedures is a crucial precondition for competitive international staffing decisions in an MNC. The second RQ investigates corporate and personal parameters that influence the assignment of expatriates. The third RQ addresses the issue of expatriate performance and focuses on identifying factors that are influential in the host country subsidiary.

To answer these questions, a qualitative case study was conducted within a German MNC in the automotive sector, involving three distinct units of analysis: the headquarters, the expatriate, and the subsidiary. The cases for each unit were carefully selected to produce a large set of data and balance the representation of the targeted units. Information was collected through 30 expert interviews with German expatriates, Chinese managers and human resource (HR) managers (both German and Chinese) working for the MNC's head office in Germany or in different subsidiaries in China. To augment the interview data, the company's external and internal archival records were reviewed. The analytical procedure applied here was coding based on the concept of grounded theory. After an iterative process of identifying themes for each level of investigation, the results were consolidated and an integrated model, illustrating the relationships and dependencies of an expatriate assignment, was developed.

Results of this research suggest that international staffing practices and internationalization efforts are strongly dominated by head office standards and procedures. Thus, expatriation serves as an important means to control and develop the foreign branches. Since the host country is significantly different from the expatriates' home country, the subsidiary presents a challenging environment. Smooth operation in such an environment requires high flexibility and a substantial amount of adjustment from the international assignees as well as from host country nationals (HCNs). Expatriates and

locals both need to be aware of potential cultural stumbling blocks to ensure a smooth, trustful, and cooperative environment. Therefore, personal capabilities and willingness to imbibe the host country culture are crucial preconditions for the expatriates. In terms of the MNC's human resource management (HRM), the results indicate that internationalization efforts are mainly limited to sending expatriates abroad; HCNs have limited career opportunities. Further, MNCs are encouraged to better utilize the knowledge and skills provided by the Chinese staff as well as by returning expatriates. This implies that the MNC's identity is still very much defined by and focused on its home country; a culture of diversity is only slowly beginning to emerge. By capitalizing on human assets and a diverse workforce, the MNC has the potential to gain future competitive advantage. However, this demands a strategic view of international staffing as well as support from the top management.

The study concludes with an overview of its contributions to theory and practice. The major contribution to theory is the development and introduction of an integrated model that describes the contextual parameters of an expatriate assignment and explains the dependencies between headquarters, expatriate and subsidiary level. Further, this study advances the broad portfolio of expatriation and adjustment literature and provides valuable input on the Chinese context. The practical implications are relevant for MNCs, its top-level representatives, expatriates and HR practitioners in order to optimize their international staffing practices and assignments.

Limitations are acknowledged and future research directions are suggested for testing and verifying the proposed model. Finally, the study summarizes the major results and describes their relevance.

vii. Declaration

I declare that:

- this thesis presents work carried out by myself and does not incorporate without acknowledgment any material previously submitted for a degree or diploma in any university;
- to the best of my knowledge it does not contain any materials previously published or written by another person except where due reference is made in the text; and all substantive contributions by others to the work presented, including jointly authored publications, are clearly acknowledged.

B. Holzer

viii. Acknowledgment

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1 Introduction

1.1 IHRM: A success factor for international firms

A 1998 McKinsey article titled “The war for talent” identified the attraction and retention of talented staff as a strategic concern for international firms, especially those who struggle to overcome the lack of skilled manpower for their businesses abroad (Chambers, Foulon, Handfield-Jones, Hankin, & Michaels III, 1998). In an updated version of this report, Axelrod, Handfield-Jones, and Welsh (2001) commented that the talent war is intensifying and that the competition is becoming fiercer. Thus, international organizations should start considering talent seriously in order to realize their competitive advantage. Talent management, which is defined as “activities and processes that involve the systematic identification of key positions which differentially contribute to the organization's sustainable competitive advantage, the development of a talent pool of high potential and high performing incumbents to fill these roles” (Collings & Mellahi, 2009, p. 311), is considered a crucial success factor for organizations. Additionally, a differentiated human resource architecture is required to ensure the talents’ long-term commitment to the organization (Collings & Mellahi, 2009). Hence, MNCs are encouraged to critically review their established international staffing and expatriation practices and evaluate their IHRM strategies, if they want to be amongst the top players and avoid a significant shortage of manpower (Wooldridge, 2006). Such an analysis should be accompanied by a re-design of the existing HR functions, addressing the requirements of global business operations in the twenty-first century. The value additions of such an HR function would then lie in “its ability to manage the delicate balance between globally coordinated systems and sensitivity to local needs, including cultural differences, in a way that aligns with both business needs and senior management philosophy” (Sparrow, 2007, p. 863).

Owing to the rapid economic growth of emerging markets such as China, the subject of global staffing and IHRM has gathered further momentum (Scullion & Collings, 2006). As the pressure from a dynamic global marketplace steadily increases, more managers with distinctive qualities for implementing the companies’ international strategies are needed (Harvey, Speier, & Novicevic, 1999a; Scullion & Collings, 2006). Operating effectively and being able to adjust to an economically and culturally distant environment are key differentiating factors to ensure future success of an international firm (Harvey et al., 1999a). However, recruiting and developing a pool of global managers who incorporate the desired qualities seems to be a primary concern for many MNCs (Bartlett & Ghoshal, 1992; Collings, Scullion, & Morley, 2007; Tung, 1998a, 2007). The rapid

expansion of global networks adds even more complexity to the situation as the number of required managers soars to new heights (Scullion & Collings, 2006). Thus, global firms may face challenges related to the supply of qualified international managers, an issue of particular importance in an emerging market like China.

1.2 China's growing importance on the world stage

In a recent study on energy and natural resources in China, KPMG asked, "which country is mixing half the world's concrete and smelting a third of global steel production to support its development projects?" (Kiss, Szepesi, Pinter, & Zambo, 2009). This question illustrates China's new position in the world and the country's enormous economic vitality, underlined by an abundance of economic figures and financial statistics (for example, Global Insight, 2009; IMF, 2010; OECD, 2010a, 2010b). Formerly referred to as the factory of the world, China has since established its position in a variety of business fields and strengthened its claim to be a major player in international markets (for example, Buchsteiner, 2005; Holz, 2008). China's growth and internal transformation process have extended into various fields of business and private life. Meredith notes "there are many ways to measure China's economic growth: by counting its skyscrapers, the fruits of its factories, or the miles of highways, or even by monitoring changes in the diet of its people" (Meredith, 2007, p. 58).

Since its entry to the World Trade Organization (WTO) in 2001, China has increased its global outreach and participation in international organizations (for example, Chan, 2004; Heilmann, 2004). Even though China's progress is controlled by the government, its new liberalization policy and Western orientation have had significant social and political implications and have resulted in a less regulated market environment and increased economic freedom to trade (Gwartney, Lawson, with Hall, Grubel, de Haan, Sturm & Zandberg, 2009). Education quality, consumer spending, and the availability of laptops and mobile phones in China have increased since the country entered the WTO; China is rapidly catching up with the major industrialized markets (for example, Buchsteiner, 2005; Meredith, 2007). Additionally, by assuming a leading role in global business and politics, China has demonstrated its resilience during the global financial crisis that began in 2008 (OECD, 2010a).

The Olympic Games hosted in Beijing in 2008 marked another important milestone in China's developmental progress, displaying its newly acquired strength. With its rich history dating back 5,000 years, varied culture, and traditional values, China has embarked on a road toward becoming a future world power striving for superlatives in every respect.

In fact, the World Expo2010 in Shanghai was another step in this direction. It provided China another opportunity to reiterate its power and newly found self-confidence (Vogeler, 2010).

The above-mentioned events are just a few examples that highlight China's increased importance and popularity on a global level. However, China's economic growth has also begun to illustrate some of the challenges that the country is facing on its way through the twenty-first century. In this context, Heilmann (2004) contends that the adoption of Western organizational concepts and role models has sidelined traditional Chinese concepts of social order. He points out that "in the People's Republic of China, the historical heritage, the institutions of the socialist system and the market-oriented modernization after 1979 have entered in a unique interdependency and entanglement"[1] (Heilmann, 2004, p. 22). The need for further regulatory reforms is also acknowledged by the latest OECD survey of China, which suggests that China should strive for reducing state influence and administrative burdens as well as shift the focus toward more social spending (OECD, 2010a). Prioritizing issues such as social imbalance, an aging population, corporate governance (Chan, 2004; OECD, 2010a), or environmental topics (Liu & Diamond, 2005) will be crucial for sustainable and healthy growth in the future.

Despite the many social and environmental challenges faced by China, the country remains attractive to foreign investors. Indeed, many positive aspects of economic development have direct implications for international firms that operate in the Chinese market. The following paragraph from a recent article published in *The Economist* (2010) gives us an idea of what constitutes China's attractiveness for the Western world:

> Yet the only thing more dangerous than dealing with China is not dealing with it. China is already well on the way to becoming the world's biggest market for anything you can think of. It has 400m internet-users compared with America's 240m and India's 80m. Last year car sales in China surpassed those in the United States. And the Chinese market is only going to get bigger. China's economy is growing at 10% a year at a time when the developed world looks set for a period of prolonged lethargy. No wonder more than 300,000 foreign firms have invested in the Middle Kingdom.

1.2.1 International firms in China: Benefitting from the growth

Given its great potential and future projections of economic growth, China will be one of the major areas of interest for foreign investors and global companies (Selmer, 2006a; Holz 2008). For example, the rapid expansion of globalized trade, as well as the

[1] Since the book is originally published in German, the quotation here is an English translation. The original text reads as follows: "... dass in der VRC das historische Erbe, die Institutionen des sozialistischen Systems und die marktorientierte Modernisierung nach 1979 in eine einzigartige Wechselwirkung und Verknüpfung eingetreten sind."

relaxation of international trading regulations, has encouraged Western companies to establish businesses in China (Gadiesh, Paola, Caruso, & Leung, 2007; Hutchings, 2005). One reason that many multinationals have shifted their focus toward the Chinese market is the weakening demand in the triad markets (Japan, North America, and Western Europe). During the financial crisis, China was one of the only economies to maintain its average GDP growth at a level of more than 8.5 percent[2] in 2009. In terms of purchasing power parity (PPP), China has become the second-largest economy and the growth trend is expected to continue (OECD, 2010a). Thus, international organizations strive for more market share in China's expanding economy and seek to benefit from the market power of more than 1.3 billion consumers.

1.2.2 The automotive industry: A strategic industrial sector for China and Germany

The automotive industry is one of the six key industries[3] in China and accounts for a large share of industrial production, exports, and employment (Buckley, Clegg, Zheng, Siller, & Giorgioni, 2007). For example, China was the world's largest market for automobiles in 2009 after selling approximately 13.6 million vehicles, surpassing the US in terms of sales figures (Dalan & Doll, 2010; Knauer, 2010). This makes the Chinese auto industry an attractive market for both domestic and foreign manufacturers. There are currently no signs of an end to the boom in vehicle sales, and China is seen as a Mecca for future business with expected growth rates of 30 percent or even higher, which are unique to the auto industry (Hirn, 2005; Jin & Su, 2007). However, the regulatory framework in China has forced foreign auto manufacturers to form joint ventures with local companies, limiting the foreign firm's share to a maximum of 50 percent (Global Insight, 2007; State Council, 1994). There are two primary benefits of these joint ventures. First, foreign companies are able to enter the Chinese market; second, Chinese manufactures gain access to advanced technologies, production skills, and modern designs (Global Insight, 2007; Zheng, Anand, & Mitchell, 2005).

All major carmakers have established production facilities in China and continue to invest there. In a report by the consultancy Arthur D. Little (2009), the authors describe the transformation of the automotive industry in a global perspective and predict that "the automotive industry's center of gravity in both production and demand is shifting inevitably toward emerging, mainly Asian Markets" (Winterhoff, Schiller, Achtert,

[2] The statistics report around 8.5–8.7 percent (OECD, 2010b; Trading Economics, 2010).

[3] The key Chinese industries include automotive, electronics & telecommunications, electric appliances, power station equipment, chemicals, and steels.

Weidenfeld, Jiang, Janzen, & Jiang, 2009, p. 1). Underlining this view, *The Economist* carried a comment that Detroit can now only dream of China whereas a couple of years ago, many Chinese cities were hoping to establish an automotive center similar to the one in Detroit ("Tug-of-car," 2009).[4] Being a leader in automotive manufacturing, Germany has also invested in the Chinese automotive sector. All German manufacturers and luxury car brands like Volkswagen (VW), Audi, Bayerische Motorenwerke (BMW), and Mercedes-Benz are increasing their marketing efforts in China in order to partake in the economic growth (for example, Fasse, 2010; Knauer, 2010). However, despite the positive prospects of the dynamic expansion of production and sales, international firms are facing difficulties in finding highly qualified employees who can manage the expectations of the firm and the market requirements in China.

1.2.3 Shortage of qualified staff

One of the biggest challenges that multinational and domestic companies face in China is the ability to support growth strategies with talented staff. For example, there is a significant imbalance between business opportunities in China and trained managers that can manage those business ventures (Lane & Pollner, 2008). Additionally, firms are increasingly targeting the same potential candidates that can fulfill their qualification requirements. Thus, MNCs continue to rely on their internal resources (expatriates) to temporarily facilitate the establishment of foreign subsidiaries and to enable further market penetration (Brookfield Global Relocation Services, 2009). Accordingly, cross-national assignments and international teams are increasingly more important for meeting local expectations. However, the composition and qualification of these teams, in particular the choice of suitable managers, have to be carefully evaluated and carried out (Lewis, 2006; Scullion & Collings, 2006).

Managers who lead multicultural teams are often forced to adjust their management style and adopt practices that are appropriate in dealing with multiple nationalities, religions, languages, and cultures. However, this can be taxing on expatriates because the complex and demanding circumstances in the Chinese market demand significant adjustment (Mendenhall & Oddou, 1985; Selmer, 2006b). Further, the cultural background of the expatriate and the organization may influence the expatriate's behavior, making it difficult to cope in the new environment. Besides the cultural background, the volatile business environment and the increasing competition in the Chinese market may pose

[4] Similar quotations underlining the power shift toward China/Asia can be found in various other articles (for example, Fasse, 2010; Ruhkamp, 2010; Waldmeir, 2010)

further challenges for expatriate managers in carrying out the company strategy and complying with their responsibilities (Jin & Su, 2007). A comprehensive body of literature acknowledges in this context the relevance of the expatriate adjustment process in the foreign environment (Black, Mendenhall, & Oddou, 1991; Mendenhall & Oddou, 1985). In order to facilitate adjustment and improve performance, expatriates should be adequately prepared, trained and supported prior to and during the assignment (Black et al., 1991; Hutchings, 2005; Mendenhall & Oddou, 1985).

Although recent research has focused on expatriation in China (Hung, 2004; Selmer, 2002, 2006a, 2006b; Tung, 2007; Zhu, Warner, & Rowley, 2007), there seems to be a lack of knowledge about the decisive influence factors and how expatriate managers can be adequately prepared for the challenges abroad, specifically those in China (Chiang & Birtch, 2007; Hutchings, 2005). Some scholars comment that MNCs should treat human resource management as a strategic global function in order to recruit and retain the best employees for their endeavors abroad (for example, Gadiesh et al., 2007). Being successful in addressing the talent challenge will be one of the key areas for MNCs to obtain a competitive advantage:

> The broad principles of managing talent in China may not differ much from those in other markets, but the extreme imbalance of supply and demand, coupled with the rapid pace in both corporate and social domains, poses a distinct challenge. Companies hoping to compete successfully in China must raise talent on top of the agenda. Those who get the solution right will create a real source of competitive advantage (Lane & Pollner, 2008, p. 40).

1.2.4 Rationale for selecting the firm for this research

In the context of China's growing importance in the world market, its strong economy and purchasing power as well as the great potential for the automotive sector, "triad OEMs[5] base their future growth plans to a large extent on emerging markets" (Winterhoff et al., 2009, p. 2). The investment in the Chinese auto industry is attractive for many foreign brands because of the increasing demand for private transportation. Most local firms lack the necessary technologies and capabilities to cater to this demand, especially in the luxury car segment. Nevertheless, indigenous Chinese manufacturers are rapidly catching up in terms of technology, skills, and designs and the "big three" of the local market—SAIC, FAW, and Dongfeng[6]—are beginning to challenge their Western rivals (Global Insight, 2007). Thus, this research intends to explore the challenges that

[5] OEM: Original Equipment Manufacturers; often used as equivalent for automobile manufacturers.

[6] SAIC: Shanghai Automotive Industry Corporation; FAW: First Automotive Works; Dongfeng: Dongfeng Automobiles

MNCs are facing in establishing and running their businesses in China and how they cope with the regulatory and socio-cultural environment.

To limit the scope of the investigation and yet reflect the importance of the automotive sector, a German car manufacturer operating in China was selected as the target for this case study. Germany is by far China's largest European trading partner (The Federal Foreign Office, 2010) and thus, the choice of the manufacturer is relevant for this research. This case study can showcase the growing importance of the Chinese car sector for Germany, the interdependencies between local circumstances and foreign investors, the differences between two distant cultures, the complexities of conducting business in China, and the importance of IHRM to manage and support international operations.

Western firms in China are highly dependent on a skilled workforce, which includes functional knowledge, leadership capabilities satisfying the company's standards, cultural knowledge, and the ability to adapt to challenges in the Chinese environment. Thus, the selected firm offers multiple perspectives that encompass corporate, personal, socio-economic, and cultural aspects to shed light on the relationships and interdependencies of an international firm in China. This research seeks to investigate these aspects and identify their impact on the MNC and on its capabilities to compete in the Chinese market.

1.3 Purpose and objectives

The purpose of this research is to explore the situation of German expatriates who are deployed by their company to take over a managerial position in the Chinese subsidiary. Specifically, the focus is on the China-specific context and the related influences on the expatriates as they bridge the gap between the MNC headquarters and the subsidiary organization. This case study uses multilevel theory (Klein, Tosi, & Cannella, 1999) to put the headquarters influence, the expatriate and the subsidiary operations into perspective and identify the links and dependencies through an integrated model. The investigation is designed on the background of a variety of influence factors, such as the relevance of China on the world stage, the key role of the automotive sector in China's growth, the strong involvement of German carmakers in shaping the automotive industry, the high speed and dynamics of the Chinese market development, the multifaceted socio-cultural context, and the need for highly skilled professionals to keep up with the market requirements.

Owing to the fact that MNCs still rely to a great extent on expatriate managers for controlling and developing the overseas business (Collings et al., 2007; Hutchings, 2005;

Kühlmann & Hutchings, 2010), this investigation concentrates on expatriates and their roles and functions in the above-described context. However, the research is also embedded in the broader context of IHRM as international assignments are only one component of staffing for global companies. It also includes the perspectives of local Chinese managers in order to complete the picture. The recent literature suggests that companies are starting to increase their localization efforts, because of a number of difficulties associated with expatriation, such as high costs or risk of failure in an alien environment (Kühlmann & Hutchings, 2010; Selmer, 2003). Moreover, the shortage of capable managers and the often-quoted "war for talent" especially in an emerging market such as China, adds on to the complexity of recruiting and retaining the right people for operations in China. With the global economic recovery and the fact that Chinese companies are becoming more attractive as employers, the war for talent is likely to gain new momentum (Hartmann, Feisel, & Schober, 2010; Thomas, 2010). Even though talent management has received substantial interest from practitioners and academics as a key to sustainable competitive advantage for international firms, little seems to be known about how to approach this field systematically. I will draw on the work of Collings and Mellahi (2009) who provide a theoretical framework for strategic talent management. Nevertheless, this field requires further advancement for corporations to fully utilize the potential of their talent base as it leads to higher levels of firm performance (Collings & Mellahi, 2009).

Most importantly, a MNC needs a transparent and clear understanding of all prevailing circumstances that affect the expatriation cycle in order to ensure successful and sustainable business operations in the foreign context. Thus, the objectives of this study is to (1) shed light on the relationship between headquarters and the subsidiary business of a German MNC in China, (2) identify the international human resource strategies with particular focus on expatriation and related functions, (3) explore socio-economic influence factors on the expatriate managers in the foreign subsidiary, (4) evaluate the impact of these factors on individual performance and the consequences for the firm and finally, (5) incorporate all relevant aspects in an integrated model that depicts relationships and interdependencies covering different levels of investigation (headquarters level, expatriate level and subsidiary level). The proposed integrated model in this study has the distinct advantage of providing a holistic view on interdependencies and potential risks along the full cycle of an expatriate assignment. Through multiple levels of investigation, the model incorporates the benefits of the multilevel theory building process, such as explaining individual actions in the organizational context (Klein et al., 1999). Within the synthesis of various levels, this research also emphasizes the relevance of understanding

the Chinese culture and environment when determining an expatriate assignment. Further, it intends to investigate aspects of knowledge transfer to and from the head office and to complement existing research on human and social capital and the related implications for "knowledge stocks and flows" within the organization (Mäkelä, Björkman, & Ehrnrooth, 2009).

The next section provides a brief overview of the context for this study. I review the bilateral relations between Germany and China in terms of political, business, and cultural aspects in order to put the selected industry and firm into perspective as well as to provide the relevant background for this case study research.

1.4 The research context: China, Germany, the auto industry, and the firm

1.4.1 Sino-German relations and cooperation

Germany, like many other industrialized nations, has established close ties with China. The People's Republic of China and the Federal Republic of Germany assumed diplomatic relations in 1972. These are underlined by a lively exchange of state visits including the current German Chancellor Angela Merkel as well as China's president Hu Jintao and Premier Minister Wen Jiabao. In 2004, a joint declaration of a "partnership within global responsibility" was signed underlining the idea of an engagement based on mutual understanding (Gu & Kupfer, 2005). Information provided by The Federal Foreign Office (2010) gives a good profile of Germany's economic data and the trade relations with China. Since 1981, China and Germany have had many interactions in a political and socio-economic context. Today, China is Germany's most important economic partner in Asia, and Germany is China's number one trading partner in Europe. In 1972, German enterprises exported goods for just US$270 million; in 2008, the figure was US$50 billion. Germany in return imported goods from China worth US$175 million in 1972; in 2008, Germany imported goods from China totaling US$87 billion. China is Germany's second-biggest export market outside of Europe, after the USA and ahead of Japan (The Federal Foreign Office, 2010).

Germany and China also cooperate on several other international issues, such as prevention of proliferation of nuclear and chemical weapons, disarmament, environmental protection, and drug trafficking. Additionally, Germany and China maintain strong ties in the technology sector that is reflected, for instance, in a variety of partnerships between research institutes (for example, Chinese Academy of Science and Social Sciences and the Max Planck Institute) (Sandschneider, 2002). The key German partners are the Federal

Ministry of Education and Research (BMBF), and the key Chinese partners are the Ministry of Science and Technology (MoST) and the Ministry of Education (MoE). As a symbol of this partnership, the German-Chinese "Year of Science and Education" was opened in March 2009 fostering the cooperation between German and Chinese representatives from science, politics, and education. Currently, there are more than 500 cooperation projects between German and Chinese universities (The Federal Foreign Office, 2010).

1.4.1.1 Cultural cooperation

In addition to political, economic, and scientific relations, Germany and China have also established ties to foster an intercultural exchange. Since embarking on an open door policy, China has gradually started to allow foreign cultures to be represented in China. This goes along with China's efforts to spread its language and culture in other countries; one example in this context was the presence at the Frankfurt Book Fair in 2009, where China sought the opportunity to present its literature to an international audience. The cultural cooperation on the German side is primarily organized by the Goethe Institute in Beijing and Shanghai. On the Chinese side, state cultural institutions and "Confucius Institutes"[7] arrange intercultural projects primarily to seek cooperation with German universities (The Federal Foreign Office, 2010). The cultural approximation has been progressing constantly over the past years and "the number of agreements, events, and exchange programs has risen significantly since the 1990s and these cover all areas: from traditional culture to academic exchange, to modern art and even the promotion of popular astronomy and paleontology" (Meissner, 2002, p. 201). For example, "Germany and China—moving ahead together" is one of the joint programs between the two nations. Starting in 2007, this program has included a series of events over a period of three years under the joint patronage of German President at that time Horst Koehler and Chinese President Hu Jintao. One goal of this initiative is to develop a better mutual understanding as the basis for a successful cooperation between Germany and China. Further, this initiative seeks to strengthen Germany's image as a future-oriented and innovative country.[8]

[7] Confucius Institutes: Non-profit public institutions that aim to promote Chinese language and culture and support local Chinese teaching internationally. The headquarters is in Beijing as a public institution affiliated with the Chinese Ministry of Education (Hanban, 2010).

[8] For further information on the project refer to www.germany-and-china.com.

1.4.1.2 German investments in China

Foreign direct investment (FDI) in China plays an important role for many firms that want to participate in the economic development and benefit from the huge consumer market (Chen, 2007). With its economic reforms, the Chinese government has created a favorable framework for FDI, allowing many MNCs to invest and set up their operations in China (Pei, 2006). Germany has been China's largest European investor in terms of annual new investments since 1999, although it lies far behind Hong Kong, the US and Taiwan. By the end of September 2009, German companies had made direct investments in China totaling some US$17 billion (The Federal Foreign Office, 2010). According to information provided by The Federal Government of Germany at the beginning of 2009, some 2,500 businesses have investments in China. These investments are typically made in the automobile sector and in machinery and plant construction as well as in the chemical industry. Besides the concentration on certain business sectors, the investments are also clustered around the major cities with Shanghai as a top investment location. One of the main reasons for the direct investment flows to China is technology transfer, which is classified into "hardware transfer (...), on-site software transfer (...), and idea transfer" by Chen and Reger (2006, p. 411). They further comment that German companies have a long-term vision concerning their investments in China aiming at establishing cutting-edge production facilities to introduce advanced products in the Chinese markets.

Most German investors are satisfied with their progress in China; however, some have faced challenges while establishing their operations. For example, some companies have a difficult time finding workers with appropriate education, while others experience problems with the distribution network, the infrastructure or with product quality (Parnell, 2002). The lack of qualified staff as a major area of concern for German firms in China was underlined by a recent survey conducted by the German Industry & Commerce China and Euro Asia Consulting PartG. However, as far as business practices and non-tariff trade barriers are concerned, the study results suggest an improvement mainly driven by China's entry to the WTO in 2001 (Heininger & Gehnen, 2007). The study concludes that although some German investors may face challenges, the majority of them are satisfied with their progress or would even consider expansions within China.

1.4.2 Cooperation in the automotive sector

To provide a better understanding of the automotive sector and illustrate the various forms of cooperation between German car manufacturers and Chinese companies, I briefly review each of the above-mentioned German automotive companies and introduce their

Chinese operations. This section provides additional information on the background of this research project and the specific relationships between German and Chinese companies.

German carmakers have a long history in China. VW, for example, was the first company to enter the Chinese market in 1985 and start a joint venture business in Shanghai.[9] Since then it has established itself as a key passenger automaker with more than half of the market share of passenger car sales in China (Gan, 2003). Besides the VW group, the other German luxury car manufacturers BMW and Daimler have also set up joint ventures in China and are holding significant market shares in the luxury car sector. For all three German carmakers, China offers great sales potential and is considered a market with strategic relevance. This leads to increased investments and a substantial extension of their production capacities being confirmed in a variety of recent press releases and media reports.[10] The following overview will outline the company profiles of VW, BMW and Daimler with particular focus on their activities in China.

1.4.2.1 VW Group

The German carmaker started its series production in 1945 in Germany and has since then established its reputation as one of the world's leading manufacturers, threatening to overtake Toyota as the world's most successful automaker in the long term. The company comprises nine brands, including VW, Audi, Bentley, Bugatti, Lamborghini, Scania, SEAT, Skoda, and VW Commercial Vehicles. Porsche AG is due to be incorporated into the group in 2011 following the effective reverse takeover of the sports carmaker, which saw VW acquire a 49.9 percent stake in 2009 (Global Insight, 2010c). In 2009 the VW Group increased its vehicle sales to 6.3 million units, and was the only major OEM to actually grow its sales in a worldwide market that experienced a vicious downturn (Volkswagen AG, 2010).

In Asia, the brand made its strongest gains in the Chinese market through its joint ventures with two of the country's largest vehicle manufacturers: Shanghai Volkswagen Automotive Co., Ltd. (SVW), established in 1985, and FAW-Volkswagen Automobile Co. Ltd (FAW-VW), which was set up in 1991. VW has an enviable position because of the early entry into the market in 1985 where it faced almost no competition for years. The VW brand's sales in China amounted to a volume of 1.14 million units, a 27 percent rise that was boosted by the popularity of Chinese market-focused models such as the Lavida

[9] Beijing Jeep Cooperation is considered the first major manufacturing joint venture in China with American Motor Corporation (AMC) holding 38.25% of the shares and the Chinese partner Beijing Automotive Works holding 61.75%. In 1987 AMC was taken over by Chrysler Corporation; for further information refer to Warner (1997).

[10] For further information refer, for example, to BMW AG (2010b), Daimler AG (2010c) and Volkswagen AG (2009).

and the Magotan (Global Insight, 2010c). China is now the single-largest national market for both the VW brand and the VW Group.

SVW: It is a joint venture between VW and Shanghai Automotive Industry Corporation (SAIC) where both partners have 50 percent of the equity shares (SAIC Motor, 2010). Shanghai-VW has operated two vehicle plants for many years, along with an engine plant. A fourth plant in Nanjing started production in 2008, adding another 60,000 units of annual capacity. The company produces the market's leading Santana line of family cars, but also the VW Golf, Passat, Touran, and Polo.

FAW-VW: The VW Group has a 40 percent stake in the joint venture with FAW Group Corporation. Located in China's northeastern province of Jilin, FAW-VW produces the Audi A4 and A6 models along with the Golf Bora, Golf, and Jetta models. Audi AG became a member of the partnership in 1995, and full-scale production commenced in July of 1996 (FAW, 2010). The joint venture is completed by the VW-FAW Platform Corporation in Changchun, which produces running-gear components and the VW-FWA engine joint venture aiming at producing advanced low-emission and low-consumption engines (Global Insight, 2010c).

The VW Group underlines its ambitions in China by various investment projects, such as a EUR 145 million investment until 2011 to organize the production of a clean petrol engine at both joint venture plants. It has also reiterated its long-term plans for the Chinese market, confirming an investment of about EUR 2.4 billion (approximately US$3.3 billion) in the country over the next three years.

1.4.2.2 BMW Group

BMW began producing cars in the early 1930s. In the post-war period, BMW was banned from car manufacturing and did not return to car production until the early 1950s (BMW AG, 2010c). BMW is one of the ten-largest car manufacturers in the world and includes the following brands: BMW, Mini, and Rolls-Royce. Further, BMW Group also has a strong position in the motorcycle sector and operates in the financial services sector. In 2009 BMW Group sold more than 1.28 million cars, which marked a loss of 10.4 percent compared to the previous year's performance (BMW AG, 2010a).

Regarding China, BMW has emphasized that its target market for the next few years is Asia and especially China; currently China is BMW's fourth-largest market worldwide. In 2009 more than 90,000 vehicles were sold in mainland China (BMW AG, 2010b) and more than 44,000 cars were locally produced by its joint venture BMW Brilliance Automotive Ltd. This joint venture was founded between BMW Group and

Brilliance China Automotive Holdings Ltd and each side holds a 50 percent share. Its operations include the production, sales, and after-sales services and the plant is situated in Shenyang, Liaoning Province (BMW Brilliance Automotive, 2010). The operation produces the 3 and 5 Series under the name BMW Brilliance; both companies are understood to have invested EUR 450 million in the venture. Further, BMW is continuously expanding its training facilities with the creation of a "BMW Brand Academy."

As the second location after Beijing, "The BMW Shanghai Training Centre" began construction in March 2008, and the total investment in the center was approximately US$15 million in the first stage. In 2010, the construction of the new plant will mark a new milestone in BMW's localization process and confirm the group's commitment for the Chinese market (Global Insight, 2010a).

1.4.2.3 Daimler AG

Daimler AG is one of the biggest global producers of premium passenger cars apart from being the market leader in the field of medium and heavy commercial vehicles. The brands controlled by Daimler include Mercedes-Benz, smart, Maybach, Freightliner, Western Star, Mitsubishi Fuso, Setra, Orion, and Thomas Built Buses. The company's portfolio also includes a broad range of financial services, integrated in the Daimler Financial Services division. Last year Daimler sold a total of 1.6 million vehicles, significantly lower than the previous year's 2.1 million because of the effects of the global financial crisis (Daimler AG, 2010a). The company is considered the most historically significant carmaker as it invented the concept of the passenger car back in 1886. In 1998, Daimler joined forces with Chrysler and formed DaimlerChrysler AG; after cutting ties with Chrysler in 2007, the German firm was renamed to Daimler AG.

All of Daimler's business units are represented in China and the market is becoming increasingly important for production and sales activities. Between 2007 and 2009, the sales of the Mercedes-Benz brand more than doubled to 64,000 units; for 2010, the company aims at selling more than 100,000 passenger cars in China (Global Insight, 2010b). To realize its growth ambitions in China, the German MNC has established the following joint ventures in China:

Beijing Benz Automotive Co. Ltd. (BBAC)—*Passenger cars***:** This 50–50 joint venture was founded in 2005 together with the local partner Beijing Automotive Industry

Holding Company (BAIC). In September 2006, DaimlerChrysler[11] opened a major new production facility in China to produce Mercedes-Benz and Chrysler passenger cars. The factory in the suburbs of Beijing was part of a major US$1.9 billion investment in the Chinese market between 2004 and 2006. Daimler is currently looking to expand production capacity from the current annual total of 75,000 units to 100,000 (Global Insight, 2010b).

Fujian Daimler Automotive (FJDA)—*Commercial vehicles*: FJDA is a joint venture between Fujian Motors Group (FJMG), Taiwan's China Motor Corp. (CMC) and Daimler AG, established in 2007 to produce Mercedes-Benz vans in Fuzhou, Fujian Province. FJMG holds a 50 percent stake in the joint venture, Daimler 34 percent, and CMC holds the remainder. The production of Viano, Vito, and Sprinter vans commences in 2010 with an annual capacity of 40,000 units (Daimler AG, 2010b).

Joint venture with Beiqi Foton Motor Co. Ltd—*Commercial vehicles:* In January 2009, a decision was made to found a 50–50 joint venture between Daimler and Beiqi Foton Motor Co. Ltd. to produce medium and heavy trucks and offer technology transfer; in July 2010, both parties signed the according agreement. Beiqi Foton's biggest Chinese shareholder is BAIC, which also holds a 50 percent stake in BBAC.

Joint venture with BYD—*Electro cars*: In March 2010, the Chinese automaker BYD[12] and Daimler AG signed a memorandum of understanding to enter into a comprehensive technology partnership for the development of electric vehicles (EVs) for China. As part of the agreement, Daimler and BYD intend to develop a new EV specifically tailored to match the requirements of Chinese customers marketed under a new brand jointly created and owned by Daimler and BYD. In addition, they will establish a common technology center in China to develop, design, and test new EV technology (BYD Auto, 2010).

Besides the above-mentioned German automobile firms, local Chinese OEMs are also increasing their efforts to gain more market share through a higher number of models with better quality and attractive designs (Global Insight, 2009). Competition in the Chinese market will likely increase and thus German carmakers, like all others, are committed to enlarging their investments and capacities to compete in the market. However, besides investing money and increasing production, it is also important to consider that the expansions and joint ventures have to be managed accordingly.

[11] At that time, the company was still named DaimlerChrysler (DCX) due to the merger with Chrysler; after the split from Chrysler, DCX was renamed to Daimler in 2007.

[12] BYD: Build Your Dreams

Many of the German and Chinese joint ventures have resulted in success. However, there is also a variety of potential obstacles that German companies have faced while conducting business in the Chinese culture. The following examples shall shed some light on potential risks and their impact on the MNCs.

1.4.3 German companies in China: A challenging endeavor

China can be "a challenging destination for Western business expatriates" (Selmer, 2006b, p. 1210). To organize a business set-up abroad, MNCs often send expatriates who are assigned to get the operation started and support the employees on site. However, from a Western perspective, the foreign environment poses a variety of challenges for international assignees, as they may feel alienated by China's distant culture and foreign habits (for example, Peltokorpi, 2008; Selmer, 2006b). Recent articles underline the complexity and emphasize that firms need to focus on this aspect in order to facilitate a high performance of their international workforce as well as a functioning business (Chiang & Birtch, 2007). China's long history and traditional background are primary factors that underlie behavior and communication and, thus, have to be carefully considered in business relationships between Eastern and Western parties (Hung, 2004).

However, it is not only cultural differences that make establishing a business in China complicated; it is also the market environment and the China-specific regulations that pose major challenges for foreign investors. Parnell (2002) investigates how German companies respond to the critical challenges of doing business in China and examines "both grounds for disillusionment and success factors" (Parnell, 2002, p. 351). For example, the main deterrents of foreign investments in China are corruption, lack of transparency, and conflicting goals; that is, both shareholders fail to establish a common understanding of business goals and expectations. Owing to this reason, many German companies typically want to set up wholly owned subsidiaries in order not to lose control over their own operations.

To illustrate how companies can be affected by the above-mentioned challenges, Webb (2005) in her article "Reacting slowly, DCX[13] misses chances in China" commented on DaimlerChrysler's bumpy road to start the production with their joint venture Beijing-Benz-DaimlerChrysler Automotive Co. (BBDC).[14] She critically reviews the progress of establishing the production and names three main reasons why the carmaker was facing

[13] DCX: DaimlerChrysler AG

[14] After the split from Chrysler, BBDC was renamed as Beijing Benz Automotive Co. Ltd (BBAC).

some challenges: “Centralized culture means too many decisions are made in Germany, Mercedes and Chrysler teams are not working well together and management turnover has disrupted China operations” (Webb, 2005). She concludes that dual headquarters and centralized decisions seem to have constrained the company from making fast decisions resulting in missed opportunities in the fast-growing Chinese market. Even though this is only a singular case, it depicts how carefully business operations in China have to be planned and prepared in order to avoid unpleasant surprises or wasted resources. Fernandez and Underwood (2006) use the metaphor “leading the blind through a minefield” to illustrate the challenges faced by Western MNCs trying to synchronize their operations with the Chinese surroundings. Having gained insights through 20 in-depth interviews with Western and Japanese top management executives, they summarize the situation as follows:

> For all its allure to multinational companies, China offers international investors at least as much risk as it does promise. All MNCs in China suffer, at least to some extent, in the struggle to straddle two business environments and two special and political systems. So many Chinese ventures fail that not even the fastest growing international firm in China would dare refer to the country as an ‘easy win’ (Fernandez & Underwood, 2006, p. xvii).

According to the latest Brookfield relocation survey, China ranked first in presenting the greatest challenges for expatriates and is considered the country with the highest risk of assignment failure (Brookfield Global Relocation Services, 2009). Based on the aforementioned information, many international corporations are willing to deal with these challenges in order to take advantage of China’s market potential. This leads to the following questions: (1) *How* do international companies approach the related challenges?, (2) *What* circumstances are they are dealing with?, and (3) *What* kind of human resource strategies are they applying to secure a highly skilled workforce and ensure their competitiveness?

1.5 Methodological approach

A qualitative case study approach was chosen to facilitate a better understanding of the complex environment, and draw conclusions concerning determinants for successful international assignments. According to Yin, case study research “is used in many situations to contribute to our knowledge of individual, group, organizational, social, political, and related phenomena” (Yin, 2003, p.1). Thus, this approach seems appropriate to cover all targeted areas of this research. Further, it allows exploring various units of analysis through empirical investigations. The identified units of analysis and selected cases were drawn from one MNC that fulfilled the following desired preconditions: a

player in the automotive industry, headquartered in Germany, various subsidiaries (including joint ventures with a Chinese partner) in China, and an adequate number of expatriates at the managerial level.

These criteria were decisive to match the identified fields of interest and to conduct the required number of expert interviews as key sources of information. Qualitative research requires a minimum of two methods of data collection (Cavana, Delahaye, & Sekaran, 2001). Thus, in this research the expert interviews were supplemented by archival records from company internal and external sources. This data triangulation allows for multiple sources, improving the overall data quality and reliability (Cavana et al., 2001; Miles & Huberman, 1994; Yin, 2003). The interview results were combined with a wide range of information material that supports the validation of the findings and addresses the limitations of a single source approach. This case study focuses on the following three units of analysis, with the number of cases in brackets: Headquarters level of the selected MNC (one case), Subsidiary level (four cases), and Expatriate level (seventeen cases).

Headquarters and subsidiary level cases consist of organizational units, namely the head office organization and four different subsidiaries in China, out of which one is a joint venture. As for the expatriate level, the cases are individuals who were selected for the expert interviews. The results of the investigation are reported in accordance with the above-mentioned levels and then consolidated in an integrated framework that displays the relationships and parameters in the Chinese context.

1.6 Contributions to theory and practice

This study may be of interest to both academics and practitioners because it addresses the gap between academic theory and practical application. Concerning the former, the findings contribute to theoretical knowledge in the field of international staffing and the strategic relevance of IHRM for multinational companies. Especially in the context of a growing competitiveness in the global market place, the systematic utilization of human capital is of crucial importance for international corporations and, thus, the study calls for well-thought-out staffing decisions and knowledge flow models within the organization. In addition, the findings aim at providing indications for IHRM departments to determine whether they are equipped for the challenges of managing a global workforce (Sparrow, 2007).

Next, the research builds on Harzing's (2001a) model and specifies expatriate functions in the Chinese market. The study also identifies a variety of influence factors from the socio-economic environment in China and Germany providing additional input

for the expatriate adjustment and performance literature. Additionally, this research explores potential challenges when sending expatriates abroad and, thus, creates a wide range of managerial implications.

By using a case study approach, this research provides insights for practitioners in similar fields and industries. Specifically, the contribution lies in a better understanding of the influence factors in China and their impact on the organization and the expatriate. This allows firms to initiate appropriate measures and prepare for the expected challenges. Additionally, the proposed integrated model illustrates the interdependencies among headquarters, expatriate, and subsidiary operations and addresses potential areas of conflict that should be considered before staffing decisions are made. I also suggest that MNCs should not only focus on expatriation as a one-way street toward the subsidiary location, but also perceive expatriates as knowledge bases and assets for the company.

Further, the study underlines the MNC's efforts to empower local employees to leverage the subsidiary operation, but also highlights that the company culture plays a decisive role to realize, accept, and utilize the benefits of a diverse workforce. Finally, this research suggests that companies should consider and rethink their IHRM strategies in order to obtain and sustain a competitive advantage in the global market place.

1.7 Line of action: Introduction of the following chapters

This thesis is composed of six chapters. After the introduction of scope, design, and purpose of the research in Chapter 1, contextual information is provided in Chapter 2 to outline the external environment in Germany and China as well as to introduce the selected firm. Since this research project studies a single MNC, background and contextual parameters are essential to put the case study into perspective. In Chapter 3, the prevailing literature on international staffing is reviewed covering the main research streams in this field with emphasis on seminal works as well as recent literature on IHRM, expatriation, and adjustment. The third chapter is completed by the presentation of the theoretical framework informing this study and by the development of the RQs. Methodology and research design are explained in Chapter 4 resulting in the report of the research results in Chapter 5. The results are corroborated by quotations from the expert interviews and are visualized with the help of various models to explain the identified findings and relationships. In Chapter 6, the research results and related conclusions are discussed and described. An overview of contributions to theory and practice as well as limitations completes the content of the sixth and final chapter.

2 Contextual information

This literature review concentrates on the social environments of Germany and China. To distinguish the cultural characteristics, the prevailing literature includes the work of Hall, Hampden-Turner, Hofstede, Triandis, Trompenaars, and Schwartz. The grounding framework for this literature is Hall's model of *high-context and low-context* cultures, which delineates German cultural characteristics. Focusing on the Chinese characteristics, the research of the Chinese Culture Connection is reviewed. Additionally, Confucian values are described as they are considered important pillars of the Chinese society. The external context is completed with a business overview that highlights economic and political parameters in both countries. This chapter also reports on the automotive industry and describes relevant parameters for the case study setting.

2.1 The external environments of Germany and China

2.1.1 German culture

The MNC that was selected for this study is headquartered in Germany. Thus, it is important to review the social and cultural aspects of the German culture, which have a strong influence on the company and its employees. This section will provide an overview of the field of cultural diversity as well as explain the major models of cultural values and dimensions.

In order to define and quantify cultural differences, many scholars (Hall, 1976; Hall & Reed Hall, 1983, 1990; Hofstede, 1980, 1991, 2001; Javidan, House, Dorfman, Hanges, & de Luque, 2006; Kluckhohn & Strodtbeck, 1961; Schein, 1985; Schwartz, 1990; Trompenaars, 1993; Trompenaars & Hampden-Turner, 1997; Triandis, 1989, 1993) have developed a variety of models aimed at identifying the core cultural values of a nation as well as recognizing the relationship between the individual and his or her cultural background. Especially in the last few decades, research has recognized that understanding cultural differences is crucial for effective management in different cultural environments. Previously, most of the literature was based on Western standards, but scholars presumed that management ideas would be universally applicable. However, when Eastern countries gained economic power, lead by Japan from 1960 to 1980 and followed by the Asian "dragons" and "tigers," the field of international management emerged and "culture" was considered an important aspect to understand human behavior and business practices (Richards, 2001). All of the above-mentioned scholars have since contributed substantially to the various notions and dimensions. Further, these scholars have stimulated an academic

debate that facilitated the creation of new knowledge and subsequently provided a better understanding of cultural differences. Mead (1998) and Richards (2001) provide a comprehensive overview and summary of the major frameworks that were developed over the past few decades and are still highly influential for today's research. This thesis does not intend to assess the validity of the various taxonomies, but rather seeks to use existing frameworks to explain cultural differences based on the respondents' input. The major frameworks are outlined in the following paragraphs.

Among the most widely used taxonomies are Hofstede's "cultural dimensions," which are seen as key factors that identify behavioral structures in different cultures (Hofstede, 1980). Hofstede describes culture as "collective programming of the mind which distinguishes the members of one human group from another (…)" (Hofstede, 1980, p. 25). He examined international differences in work-related values through a case study involving IBM offices across multiple countries. Based on his findings, he developed different dimensions as largely independent polar opposites and characterized specific value systems for each culture respective to its nation. These four dimensions are as follows: (Hofstede, 2001) (1) individualism versus collectivism, which indicates how people are integrated in primary groups and how they live together; (2) small versus large power distance, which describes the degree of inequality between a less powerful and a more powerful person; (3) strong versus weak uncertainty avoidance, which is related to the level of stress in a society about an unknown and uncertain future; and (4) masculinity versus femininity, which differentiates between gender-specific roles, values, and ways of thinking for men and women.

Later, Hofstede added the fifth dimension of "long-term versus short-term orientation (Confucian dynamism)," which was developed together with Michael Harris Bond and the Chinese Culture Connection in order to cover so-called Confucian values as a crucial part of the Asian society (The Chinese Culture Connection, 1987). This dimension is supposed to enrich the dimensions with Asian values and assesses whether individuals "search for virtue" and a "long-term approach to life" (Richards, 2001, p. 172).

Another important framework to understand cultural dimensions was developed by Trompenaars (1993) and later updated together with Hampden-Turner (1997). Their data came from a sample of over 30,000 participants from companies spanning more than 50 countries targeting mostly middle and senior managers (Trompenaars & Hampden-Turner, 1997). Trompenaars and Hampden-Turner present a seven-dimensional model, outlined in the following table.

Table 1: Seven cultural dimensions

Universalism (general laws apply)		Particularism (unique circumstances)
Individualism (individual comes first)		Communitarianism (community comes first)
Neutral (objective, detached actions)		Emotional (business as human affair)
Specific criteria (for example, contractual parameters)	vs.	Diffuse criteria (for example, relationship with people)
Achievement (status is based on accomplishments)		Ascription (status is attributed, for example, by birth)
Sequential time (time as straight line, sequence)		Synchronous (time as moving in a circle; polychronic)
Inner-directed (people are steered from within)		Outer-directed (people are steered from without)

Source: Own illustration based on Trompenaars & Hampden-Turner, 1997

These seven dimensions are viewed as the primary variables that influence the way people live and work in different environments. Thus, this framework contributes to our understanding of cultural diversity in global business. According to the research results, most of the American and West European managers prefer the cultural dimensions in the left column whereas Asian managers favor those in the right column (Richards, 2001; Trompenaars & Hampden-Turner, 1997).

Hofstede's as well as Trompenaars and Hampden-Turner's taxonomy both added great value to identify national culture characteristics, but these are also criticized for their simplicities and inability to adequately capture the complexity of culture. In particular, the polar opposite ends of the spectrum cannot be seen as mutually exclusive (McSweeney, 2002). Aiming at addressing this shortcoming, Triandis (1993) aimed to address the shortcomings of these taxonomies and suggests, for instance, using cultural syndromes to capture the complexity of culture (Triandis, 1993, p. 155):

> A cultural syndrome can be identified when shared attitudes, beliefs, norms, roles, values, and other such elements of subjective culture, identified among those who share a language, historic period, and geographic location, (a) are organized around a theme, (b) there is evidence that the within-culture variance of these constructs is small relative to the between-cultures variance, and (c) there is a link between these patterns of subjective culture and geography.

Exploring the cultural dimensions individualism and collectivism, Triandis (1993) sought to understand the antecedents of the individualism construct. He concludes that both individualism and collectivism can coexist in one single culture depending on the individual circumstances of a person or a specific situation. Hence, he calls for further studies to explore the complex surroundings of cultural syndromes, "because there is evidence that many of the elements of subjective culture are organized around the concepts of the individual or collective" (Triandis, 1993, p. 178).

Like Triandis, Schwartz (1990) also observes that the dichotomy of individualism and collectivism does not necessarily reflect all influence factors and comments that

certain values could be overlooked, if the focus only lies on the two opposite dimensions (Schwartz, 1990). Hence, he developed a comprehensive framework of values, which were consolidated into seven cultural orientations and the following three cultural dimensions (Schwartz, 2006): (1) Intellectual and Affective Autonomy versus Embeddedness, (2) Egalitarianism versus Hierarchy, and (3) Harmony versus Mastery.

Various value items were specifically allocated to the different cultural dimension to empirically test and confirm their validity using data from 73 countries and two different instruments. Schwartz suggests that "studying value emphases directly is an especially efficient way to capture and characterize cultures" (Schwartz, 2006, p. 139). Further, his study reveals evidence that cultural orientations are organized in a complex, interrelated structure going well beyond polar opposites and independent dimensions. He emphasizes that the macro-economic environment has an impact on cultural values and is influenced by it, underlining the necessity to focus particularly on this aspect—one of the major goals of this research. Besides country level investigations, Schwartz also mapped national cultures and identified seven world regions, which are significantly similar to Hofstede's regions (Schwartz, 2006).

His findings about the *West Europe* region show that West European countries are first driven by their wish for intellectual autonomy, egalitarianism, and harmony. This region is considered low on hierarchy and embeddedness, wherein differences resulting from the heterogeneous nature of these countries should not be overlooked. Schwartz also emphasized that the individualist nature of West Europe is to a certain extent contradicted by the wish for harmony and the de-emphasis of mastery, which shows that the individuals do care about the welfare of their society (Schwartz, 2006).

In a recent study, Ng, Lee, and Soutar (2007) explore the usefulness of Schwartz's dimensions and compare them with Hofstede's framework. The authors suggest that "Schwartz's values may have the potential to explain greater cultural variation than Hofstede's values" (Ng, Lee, & Soutar, 2007, p. 174). However, Ng et al. (2007) urge researchers to make use of other cultural dimensions to capture relevant values for their investigations. To address this claim, Hall's model of *high- and low-context culture* provides valuable input as it compares an extensive range of cultures on a scale from high to low context (Hall, 1976). Mead underlines the relevance of Hall's model with the following statement (Mead, 1998, p. 31):

> The model is useful in understanding how members of different cultures develop business relationships, negotiate with insiders and outsiders, and implement contracts.

Further, Hall and Reed Hall (1990) explicitly discussed German cultural characteristics and hence, their research provided important input for this research in explaining the German background, which is completed by citations from the case study interviews. Hall (1976) developed his model based on qualitative data that were later empirically verified through quantitative analysis. He differentiates between cultures that are highly dependent on the context of spoken or unspoken language (high context) and others in which meaning is explicitly and directly communicated, reducing the importance of the environment (low context). Germany falls into the latter category as "almost everything is low context and compartmentalized" (Hall & Reed Hall, 2001, p. 28). The compartmentalization is also reflected in the German monochronic attitude toward time, which means that one thing is done at a time, whereas polychronic cultures organize many events simultaneously.

Table 2: Cultural characteristics of Germany[15]

Cultural framework/dimension	**Germany's rating**	**Author, Year**
High- and low-context culture	Low context	Hall, 1976; Hall & Reed Hall, 1990
Attitude toward time	Monochronic	
Intellectual autonomy	High	Schwartz, 2006
Egalitarianism	High	
Harmony vs. Mastery	High	
Power Distance	Low (score 35)	Hofstede & Hofstede, 2010
Uncertainty avoidance	Medium-high (score 65)	
Individualism	Medium-high (score 67)	
Masculinity	Medium-high (score 66)	
Long-term orientation	High (score 83)	
Universalism (vs. particularism)[16]	High (87%)	Trompenaars & Hampden-Turner, 1997
Individualism (vs. Communitarianism)[17]	Medium (53%)	
Neutral (vs. emotional)[18]	Low (35%)	
Specific (vs. diffuse)[19]	High (83%)	
Achieved (vs. ascribed)[20]	Low-medium (40%)	
Inner-directed (vs. outer-directed)[21]	Medium-high (66%)	

Source: Own illustration

[15] A comparison with China is attached in the Appendix (see Table A13).

[16] Percentage of respondents opting for a universalist system rather than a particular social group.

[17] Percentage of respondents opting for individual freedom.

[18] Percentage of respondents who would not show emotions openly.

[19] Percentage of respondents who would not help the boss; i.e., private life and work are sharply separated indicating a specific (rather than a diffuse) society.

[20] Percentage of respondents who disagree to "acting as suits you even though nothing is achieved."

[21] Responses relate to the questions whether someone believes, what happens is his or her own doing.

2.1.2 Chinese culture

The Chinese Culture Connection provides a comprehensive list of items developed by Chinese social scientists, who were "asked to prepare in Chinese a list of at least 10 'fundamental and basic values for Chinese people'" (The Chinese Culture Connection, 1987, p. 145). The research was designed to approach the identification of cultural values from an Eastern perspective as previous instrumentation was in almost every case based on Western perception. The survey was conducted in 22 countries and resulted in a strong correlation with most of Hofstede's dimensions, but also revealed a list of values under the header of "Confucian work dynamism" that were unrelated: ordering relationships, thrift, persistence, having a sense of shame, reciprocation, personal steadiness, protect your face, and respect to tradition (The Chinese Culture Connection, 1987).

Hofstede later included these characteristics into his framework under the new category of "Confucian dynamism" or "Long-term versus short-term orientation" (Hofstede, 1991). According to Hofstede (1991), the long-term orientation indicates a more dynamic and future-oriented attitude reflecting Asian cultures, whereby the short-term dimension represents a more static attitude oriented toward present and past including countries such as Germany. Referring to the latest update on the culture base presented by Hofstede and Hofstede (2010), the results would suggest that Germany is also rather long-term oriented (see Figure 1 below):

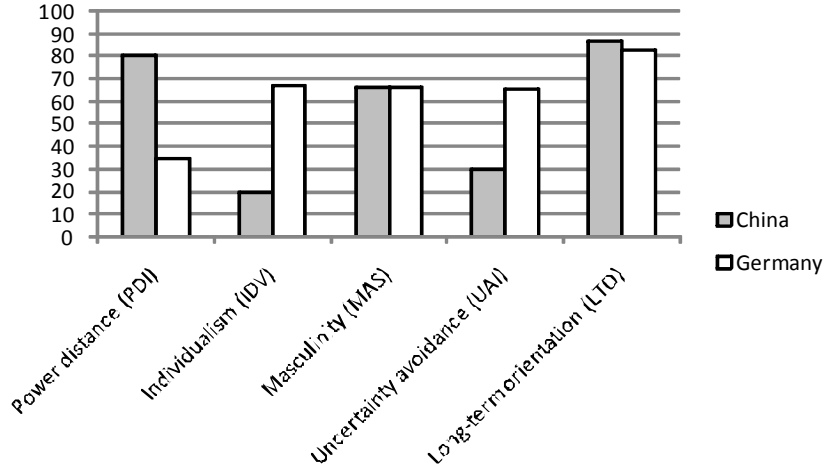

Figure 1: Culture dimension comparison: China and Germany

Source: Own illustration based on data dimension matrix by Hofstede & Hofstede, 2010

This view is consistent with Fang (2003) who criticizes the analysis of the fifth dimension and comments that other researchers found that some cultures may as well be considered long-term oriented contrary to Hofstede's original interpretation and vice-versa. Thus, Fang sought to acquire deeper insights into the values related to the "Confucian

dimension" and assessed them "by using indigenous knowledge of Chinese culture and philosophy" (Fang, 2003, p. 351). His major point of critique is that the values representing long-term and short-term orientation are not contrasting with each other from a Chinese perspective. He also criticized the allocation of "protecting face" to the short-term-orientation representing Western culture, whereby this value seems particularly strong in Chinese societies and, hence, would fall under the long-term orientation. The Confucian values include *whenzong* (personal steadiness and stability), *yao mianzi* (protecting your face), *zunjing chuantong* (respect for tradition), *li shang wang lai* (reciprocation of greetings, favors, and gifts), *jian* (thrift), *naili* (persistence/ perseverance), and *zun bei you xu* (ordering relationship by status and observing this order). Fang explored these values and then discussed shortcomings of the "long-term orientation" dimension. For example, he argues that this dimension ignores the Chinese principle of dualism, which suggests that positive and negative sides are both inherent in one concept, and therefore, long-term orientation cannot be divided in two opposite poles (Fang, 2003).

Fang (2003) also expresses his concern for the number of Chinese values and comments that there are redundancies for some and missing items for others. He refers to a study by Fan (2000), who added a multitude of additional values to the original list (for example, *guan xi*—personal connection or networking), but also underlines that an exhaustive list can hardly ever be generated. Additionally, he suggests that the reliance on Confucianism to define cultural principles may not be sufficient as, for instance, the concepts of Taoism and Buddhism also left their marks in shaping the Chinese culture (Fang, 2003).

By identifying a variety of flaws in Hofstede's analysis of long-term and short-term orientation, Fang calls for a more holistic and dynamic view of culture as a concept. He refers to the Chinese "yin-yang" philosophy as a guiding principle, which emphasizes the desire for harmony and balance while incorporating values from both sides of a cultural dimension depending on the prevailing context. In conclusion, future researchers are encouraged to cover the "life, energy, complexity, diversity, and paradox" of culture, which can hardly be expressed by bi-dimensional orientations (Fang, 2003, p. 364).

Hung (2004) attempted to answer Fang's call by discussing family and relational orientation values in the Chinese culture. Her goal was not only to enlighten the specific values, but also to explain their impact on communication and business relationships of multinational companies. Hung explored how MNCs in China establish relationships by analyzing "concepts of relationship cultivation strategies and the characteristics of Chinese culture" (Hung, 2004, p. 265). Starting with the latter, she explored two major aspects of

Chinese social orientations: family and relationship orientation. Family is considered the basic unit in Chinese societies, because it defines the interaction between members of families as well as members of society in general (Lu & Yang, 2006). For the Chinese, the collective well-being has priority over personal goals, whereby the collective is limited to a certain group and does not necessarily mean the society as a whole (Schwartz, 1990). Following this understanding, Chinese individuals consider it important to know whether they are part of a certain "in-group" or if they are outsiders as this has a decisive influence on their behavior.

Closely linked with the behavioral patterns within a certain group, interpersonal relations in general play an important role in the Chinese society. Yang (1988) differentiates between various forms of relationship concepts including: formalization, reciprocity, harmony, fatalism, and determination. Interdependences and obligations between members of one group are often defined by the status of the individual within the hierarchy as well as the seniority of the members. Hence, knowing the relationship status or *guan xi* is essential for any kind of communication in the Chinese context, because it defines connection and mutual obligations between two persons (Hung, 2004). Similarly, the principle of "protecting your face" or *yao mianzi* describes the desire the keep up a relationship at any price in order to not destroy the group's harmony. Hung further emphasizes the concept of *guan xi* and its impact on doing business in China especially for foreign MNCs who attempt to enter the Chinese market. National culture has a significant influence on company strategies as well as the relationships that it builds and maintains. Even though Western companies primarily follow their own guidelines, they should be aware of the impact of the host country culture and adjust their business behavior accordingly (Hung, 2004).

2.1.3 Business environments

2.1.3.1 Germany

2.1.3.1.1 Economic overview

Input was gathered through a multitude of reports and statistical data in an attempt to provide background information about the German business environment. Being the world's fourth-largest economy and accounting for 20 percent of the EU's gross domestic product (GDP), Germany's GDP totaled to EUR 2,397 billion (at current prices) in 2009 out of which approximately one-third is generated by global exports (Federal Statistical Office [DESTATIS], 2010). Germany led the world in 2008 with approximately EUR 808

billion in exports and underlined its position as the engine driving Europe's economy. Considering the GDP development over the past years, Germany has shown constant, but modest growth rates (see Figure 2 below).

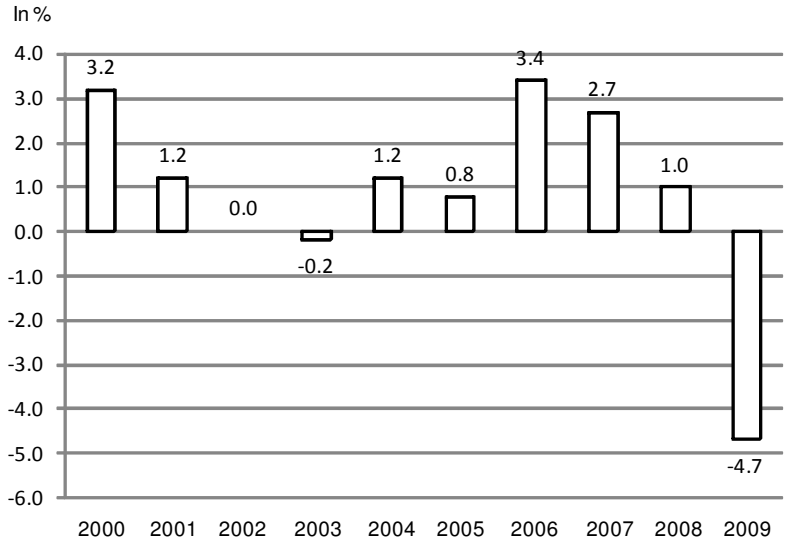

Figure 2: Gross domestic product (price-adjusted, chain-linked)

Source: Federal Statistical Office (DESTATIS), 2010

It is important to note that because of the global financial crisis, the GDP dropped significantly in 2009, but the latest 2010 figures show a positive upward trend with a quarter-on-quarter growth of 2.2 percent (seasonally and calendar adjusted). In general, this suggests that Germany's economic situation has been stable over the last few years and has provided a reliable performance across the various business segments. However, this is in contrast to China as China's growth has shown a double-digit increase nearly every year since 2003.

Germany is considered one of the most attractive locations for foreign investors worldwide and the leading one within Europe (Lhermitte, 2009). In 2009 the FDI inflows marked more than US$35 billion (approximately EUR 28 billion EUR) (United Nations Conference on Trade and Development [UNCTAD], 2010a); in comparison with other countries, Germany ranks fifth in the world as recipient of inward FDI stocks and underlines its attractiveness as a business location (Germany Trade and Invest [GTAI], 2010). Germany is also well known for its technology leadership in many sectors and stands for a professional infrastructure, excellent economic conditions, and a highly skilled and efficient workforce. Further, "Made in Germany" still represents innovation, quality, and cutting-edge technology as well as trustworthy products, a fact that was highlighted by the interviewees.

2.1.3.1.2 Automotive industry

Focusing on the major industries, Germany is a leader in the automotive and in the machine building industries and plays an important role in many future-oriented areas, such as laser, medical, and nanotechnologies. According to the foreign trade and investment agency Germany, the automotive industry is Germany's largest industry sector in terms of turnover and its car manufacturers and suppliers are world leaders in innovation (GTAI, 2009). With revenue of almost EUR 290 billion in 2008, the automotive industry contributes around one-fifth of the total industry revenue in Germany and is the biggest employer providing jobs for approximately 750,000 people. If suppliers and related industries are included in the calculation, the number of employees would amount to 3.5 million (Verband der Automobilindustrie [VDA], 2009b).

Germany is considered the birthplace of the automobile with a number of the most renowned car manufacturers such as Audi, BMW, Daimler, Porsche, and VW. In 2008 approximately 5.5 million passenger cars, 246,000 light commercial vehicles, 257,000 heavy trucks, and over 10,000 busses were produced in Germany, which constitutes more than 32 percent of Europe's production capacity as illustrated in the following figure (GTAI, 2009).

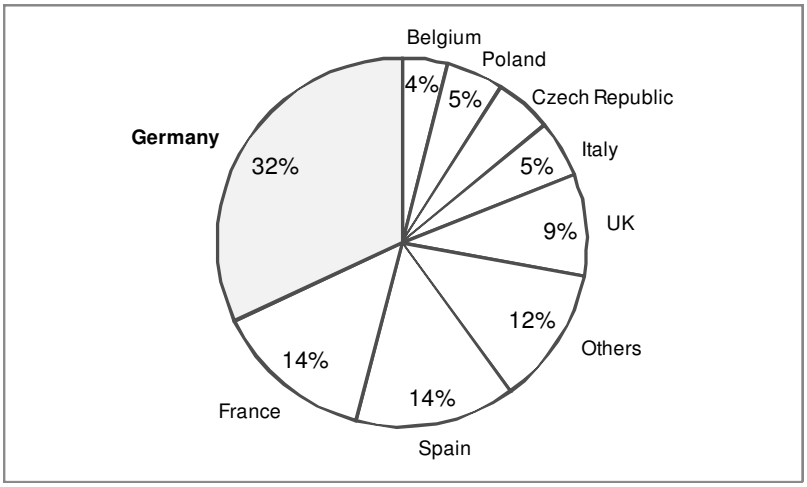

Figure 3: European motor vehicle production 2008

Source: ACEA, 2010a, p. 25

The production volume declined significantly in 2009 because of the global downturn and reached around 15 million vehicles (compared to more than 18 million in 2008). In comparison with the other EU member states,[22] Germany could even slightly

[22] EU 27 member states: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

increase its share of production to more than 34 percent in 2009 (European Automobile Manufacturer's Association [ACEA], 2010a). Following the global economy recovery, the car manufacturers were able to increase their production volumes again in 2010 (ACEA, 2010c).

The importance of the German automotive sector is also reflected through the high expenditures in research and development and in its contribution to the export business. In Germany, three out of four vehicles produced are sold to customers abroad and, thus, the automotive sector plays a key role for the German economy and trade balance (VDA, 2009b).

2.1.3.1.3 Vehicle population

According to ACEA, Europe's passenger car fleet accounted for more than 250 million vehicles in 2008 mainly concentrated in Germany, Italy, France, U.K., and Spain (ACEA, 2010d). The demand for cars is mainly generated through replacement, given the mature and saturated market in Western Europe. In 2008 Germany's vehicle population increased by 0.6 percent compared to the previous year's figure of 49.6 million vehicles, out of which 41.3 million are passenger cars (Kraftfahrt-Bundesamt, 2009). Figure 4 below shows the yearly car registrations in Germany.

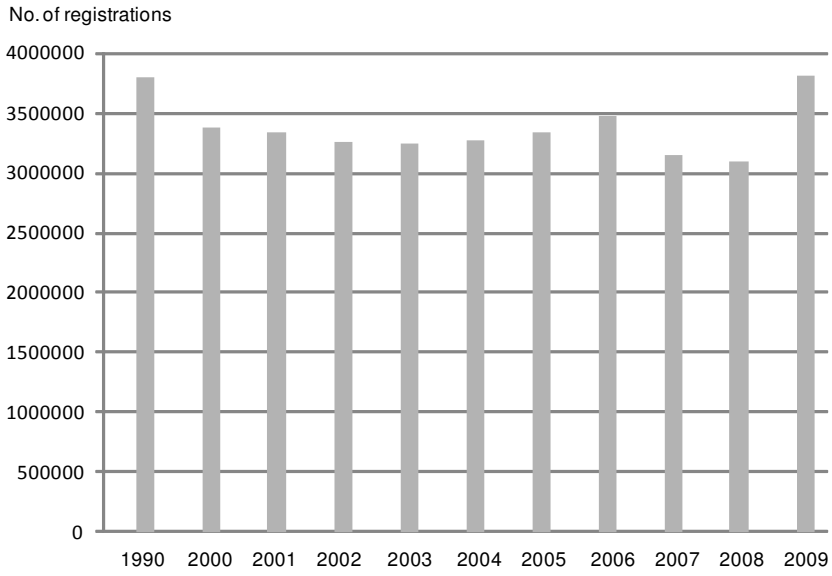

Figure 4: Passenger car registrations in Germany by year

Source: Own illustration based on VDA, 2010

A scrapping scheme introduced by the German government prompted an increase in the number of car registrations in 2009, allowing small- and medium-size car models to benefit from the incentives. The government sought to minimize the negative effects of declining exports in the car sector by promoting domestic demand. At the end of 2009, the

passenger car population reached 41.7 million with German brands still dominating the market (Kraftfahrt-Bundesamt, 2010). The total vehicle market increased to more than 50 million vehicles, which indicates a slight increase (plus 1.2 percent) from the previous year. In general, the German car market is considered saturated with a high motorization rate of more than 500[23] cars per 1,000 inhabitants (VDA, 2009a; see Figure 4). On average, every household in Germany owns at least one car, and it is quite common to have a second or even a third car (Shell Deutschland Oil GmbH, 2009). The high car density results in limited potential for domestic growth, high competition, and the need to exploit market potentials abroad.

2.1.3.2 China

2.1.3.2.1 Economic overview

Considering the dynamics and the multitude of opportunities, many international firms want to participate in the development of the emerging Chinese market and gain their shares, because there are limited opportunities in most of the mature markets.

Considering GDP as first indicator, China reported a total GDP of US$4,326 billion in 2008, registering a 9 percent growth over 2007. The GDP growth rates illustrate impressive and vigorous economic development over the past few years. Owing to monetary and fiscal stimuli by the government, this level could even be sustained in 2009 despite the global financial crisis a rate of 8.7 percent (OECD, 2010b). In particular, during the turmoil in 2009, China could strengthen its role as a global player, because it contributed significantly to the recovery of the global economy. According to the OECD's economic outlook, China's GDP is supposed to grow further in the next two years, as illustrated below.

Table 3: Macroeconomic indicators in China

China excluding Hong Kong China	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
GDP - % change from previous year	11.3	12.7	14.2	9.6	8.7	11.1	9.7
Fiscal balance - % GDP	-0.2	0.5	1.9	1.0	-0.9	1.0	1.6
Inflation (CPI)	1.8	1.7	4.8	5.9	-0.7	2.5	2.5
Gross domestic product - deflator - market prices	3.9	3.8	7.6	7.8	-1.8	2.4	2.4
Current account balance - as a percentage of GDP	7.1	9.3	10.6	9.4	6.1	2.8	3.4

Source: OECD, 2010b (figures for 2010 and 2011 are projections)

[23] The statistics vary in different sources between 504 and 570 cars per 1,000 inhabitants.

Besides strong exports, a major component supporting China's rapid growth has been its increasing domestic demand. Its market size is second only to the United States according to the latest Global Competitions Report market size index (World Economic Forum, 2009).

Since its accession to the WTO in 2001, China has strengthened its position as an international partner and expanded its former role as "factory to the world" (Noble, Ravenhill, & Doner, 2005, p. 1). Foreign firms have been trying to claim their share in this booming economy, which is reflected in the high influx of FDI (Hutchings, 2005; Tung, 2007). China's inward FDI amounted to a total of US$108,312 million in 2008 and US$95,000 million in 2009 (UNCTAD, 2010a)—compared with Germany's US$24,435 million FDI influx in 2008 and US$35,606 million in 2009 (UNCTAD, 2010b). China reinforced its dominant position by being one of the leading countries for international investment during the economic crisis (OECD, 2009).

2.1.3.2.2 Automotive industry

Increased foreign investment and consumer demands positively affected the Chinese automotive industry. The automotive industry accounts for a large share of industrial production, exports, and employment and it has followed the rapid growth of the Chinese economy. There are currently no signs of an end to the boom in vehicle sales. According to the latest information released by the China Association of Automobile Manufacturers (CAAM), new vehicle sales in China has surpassed 13 million units in the first three quarters of 2010 compared to 13.6 million units for the whole year of 2009 (Chen, 2010a). By the end of 2010, the estimated sales are expected to reach 16 to 17 million units (Knauer, 2010; Chen, 2010a). In 2010, the figures for private automobile ownership have crossed 135 million, approximately 77 percent of the overall vehicle population in the first half of 2009 (Beijing Traffic Management Bureau, 2009a). Following the trend in industrialized countries, the increase in living standards in China has also led to a growing demand for quality transportation services. Gan highlights that the "use of private cars is often the preferred choice of wealthy people and the middle class" (Gan, 2003, p. 538). Thus, the automotive industry will likely benefit from this development and further strengthen its position as one of the six leading Chinese industries.

By investing in China, international auto companies have also brought advanced technologies and new brands to the Chinese market, which has also boosted the revenue in this sector. Foreign brands such as VW still hold a significant share in Chinese car

production and sales, but local OEMs are constantly getting stronger. This makes local OEMs more likely to become global competitors. However, despite their aspiration to join the international auto market, they might still need to overcome certain hurdles, such as quality management and brand value (Gao, 2008). In order to give a competitive edge to domestic manufacturers, the Chinese government has introduced different policies, such as high tariffs to keep foreign products less attractive. Further, the indigenization of foreign technologies and products should facilitate know-how transfer to local companies, which will likely result in reduced costs for the final products (Gan, 2003). However, with China's entry to the WTO, the government has liberalized the industry regulation, which has lead to a gradual reduction of tariffs on imported cars (and components) and a more attractive FDI policy (Buckley et al., 2007).

2.1.3.2.3 Vehicle population

A comparison of the Chinese and German vehicle population shows that the primary differences stem from the different country sizes, market volumes, and development stages. Starting with the overall motor vehicle population,[24] official government statistics report approximately 170 million vehicles in 2008, which increased to more than 186 million by the end of 2009 (Beijing Traffic Management Bureau, 2009b) despite the impact of the global financial crisis. The Chinese government successfully kept up the demand for new vehicles and stimulated the consumer market through a range of policies. Looking at the passenger car sector, the car population increased by more than 25 percent in comparison with the previous year (2008) and reached approximately 48.4 million (Beijing Traffic Management Bureau, 2010). The growth in vehicle population goes along with the steadily increasing number of new drivers. Even though the car population figures of Germany and China are (still) in the same range, the different trends and future development paths are obvious. Evaluating the car density, the situation looks slightly different. Compared with the number of inhabitants, the motorization rate in China is still quite low, which underlines the huge market potential that can be exploited over the next few years. For example, the car density in selected countries provides the following picture:

[24] China's motor vehicle population includes automobiles, motorcycles, trailers, tractors and other motor vehicles. Motorcycles represent more than half of the complete population; 2008: approx. 90 million; 2009: more than 94 million.

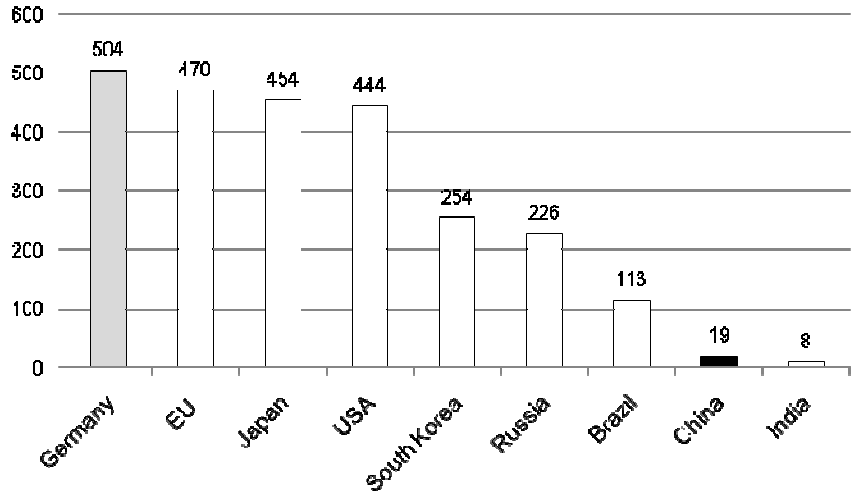

Figure 5: Cars per 1,000 inhabitants in selected countries 2008

Source: Own illustration based on ACEA, 2010b; VDA, 2009a

2.2 The firm

Given the importance of the automotive sector as one of the leading industries for both countries, Germany and China, it was obvious to focus on an automobile manufacturer in order to create a relevant case for this research project. The selected MNC[25] has a long history and tradition in its home country of Germany as well as established various subsidiaries in China. Thus, the MNC provides the desired background for an in-depth study. According to the company's strategy and future directions, China will play a decisive role for their business activities in all operative segments. Even though the company has various divisions, this thesis concentrates on the passenger car division as it is the major lever for the company's overall performance. Within the Chinese market, in particular, the passenger car segment has reported astounding growth rates, and it is currently touted to be the segment with the greatest potential. In previous years, most of the company's earnings were made in the triad markets, which continue to contribute the greatest share. However, because of the shift in market power (further enforced during the global financial crisis), more attention is now being given to the Asian dragon. This development is underlined by the company's first quarter sales figures in 2010, which see China as the third-largest market behind Germany and the U.S. In the same quarter 2009, China had been in sixth place.[26] The growth in China is mainly supported by the locally produced cars, but there is also a great potential for imported vehicles especially in the high-end luxury segment. Referring to company sources, China has already become the

[25] The company name is not disclosed due to confidentiality reasons.

[26] Company internal sources; reference is not quoted due to confidentiality reasons.

most important market for their flagship model. To cope with the local demand, the carmaker intends to expand their local production volume. The commitment to the Chinese market is further underlined by the company's investment in the development of innovative and sustainable technologies together with a local partner. Driving innovation and inventing high-quality products with groundbreaking technologies are the key elements of the company's philosophy addressing the demand for future mobility. The company also puts great emphasis on their shared values and highlights the importance of inspired employees as key pillars for success and operational excellence.

3 Literature review and development of RQs

This chapter focuses on the field of international staffing, which plays a pivotal role in this thesis. Seminal and recent streams of research are reviewed. I will focus on the topic of IHRM and review essential literature in this field, like Perlmutter's research on *ethnocentric, polycentric and geocentric* staffing models. Further, strategic IHRM, shortage of labor, expatriation and expatriate success are covered by the review as they are considered key pillars of the international staffing literature. Concerning the latter, Harzing's is especially relevant in identifying the various roles and functions of expatriates. In addition, I will review the adjustment literature, because adjustment and acculturation are considered essential inputs to expatriate success (for example, Harrison, Shaffer, & Bahaskar-Shrinivas, 2004). Finally, I will draw from the aforementioned streams of research and discuss their strengths and shortcomings and then introduce the conceptual framework of this study. The proposed theoretical framework is based on Harzing's (2001a) research as well as Moore's (2006) model illustrating the influences and actions within an expatriate assignment. The tripartite framework defines the structure for the investigation and the reporting of the results. Following the literature discussion and the conceptual framework, I will present the RQs for this study, which address shortcomings of earlier models.

3.1 International staffing/IHRM

One of the major forces that have nurtured the relevance of IHRM is globalization. In the past few decades, being present around the globe has increased the challenges for multinational firms that are competing in international business (Scullion & Collings, 2006). Not only has the global market place expanded, but also the complexity of doing business abroad has risen significantly (for example, Tung, 1998b; Brown, 2008). The past literature has emphasized that understanding the circumstances especially in culturally distant countries is a key success factor to survive in the competitive market environment (Björkman, Fey, & Parks, 2007; Harvey, Speier, & Novicevic, 1999b). Multinational companies have started to realize that sustaining their position or even gaining superiority no longer solely depends on technological innovations, but on a variety of criteria. Resources such as capital, know-how and manpower are becoming equally important with human resources a key success factor to the efficient operation of a multinational corporation: "Without a highly developed pool of managerial and technical talent, all the other aforementioned resources could not be effectively and efficiently allocated or

transferred from corporate headquarters to the various subsidiaries in the world" (Tung, 1984, p. 139).

Although the relevance of (I)HRM as a potential means to facilitate organizational effectiveness and competitiveness is acknowledged by the literature, it has not been fully utilized as such (Collings et al., 2007; Tung, 1998a) and organizations are seeking appropriate (I)HRM conceptual frameworks (Bartlett & Ghoshal, 1989). In this context, Schuler and MacMillan comment: "While companies are better off when they gain a competitive advantage, few do it and even fewer do it through their human resource practices" (Schuler & MacMillan, 1984, p. 254). They argue that gaining competitive advantage requires a profound knowledge of the firm's environment (Shin, Morgeson, & Campion, 2006) and the strategic infrastructure requirements, which are defined as the key functions for effective Human Resource Management, such as HR planning, recruitment, training, and compensation (Schuler & MacMillan, 1984). The successful and strategic utilization of these functions would enable the company to have the right people in place, which ultimately results in "greater profitability, low employee turnover, high product quality, lower production costs, and more rapid acceptance and implementation of corporate strategy" (Schuler & MacMillan, 1984, p. 242). This approach is also underpinned by other researchers who apply the resource-based view of a firm to ground their perspective (Wright, McMahan, & McWilliams, 1994). In contrast to other theoretical models, the resource-based paradigm focuses on the interlinkage between the firm's internal resources and resulting performance. However, Wright, McMahan, and McWilliams (1994) acknowledge that there is a lack of comprehensive understanding as to which resources serve what specific purpose. Hence, their study examines the role of HR in this context and confirms that "human resources can be a source of sustained competitive advantage because they meet the criteria of being valuable, rare, inimitable, and non-substitutable" (Wright et al., 1994, p. 322). Further, the authors suggest that HRM should be integrated in the early stage of a company's strategy development, which is also in accordance with the above-mentioned theory on the resourced-based view of a firm (Barney, 1991; Wernerfelt, 1984).

3.2 Perlmutter's work

By understanding the company's strategy formulation process and its link to human resource management, scholars and practitioners can get a better grasp of how staffing decisions are made. Most research in this area is founded on the seminal work of Howard Perlmutter. With his model, Perlmutter (1969) provides insights into the staffing practices

of multinational corporations and describes how these practices are related to the overall company strategy. His theory is considered essential in the context of IHRM; it classifies staffing options as e*thnocentric, polycentric, geocentric* (Perlmutter, 1969), and, later, *regiocentric* (Heenan & Perlmutter, 1979).

These four different orientations can be characterized as follows (Perlmutter, 1969; Scullion & Collings, 2006):

(1) Ethnocentric (= home-country oriented): Central positions domestic and in foreign operations are held by head office personnel; decision-making authority is high in headquarters; home-standards and guidelines determine the business performance; control and advice is determined and carried out by the head office

(2) Polycentric (= host-country oriented): Subsidiaries are managed with local staff; decentralized approach; decision-making authority is low in headquarters; local standards apply; little communication from and toward head office

(3) Geocentric (= world-oriented): Staffing based on competence basis regardless of nationality; collaborative approach concerning decision-making; universal standards are being sought for; intensive information flow between all entities

(4) Regiocentric (= regional focus): Wider pool of managers for international operations but linked to a certain geographic region; regional autonomy

Based on the above typology or "state of mind" as Perlmutter names it, there are various factors for international staffing decisions, such as the development stage of the subsidiary or the availability of qualified HCNs. The typology also suggests that firms attempt to evolve from an ethnocentric to a geocentric orientation, however, "the route to pervasive geocentric thinking is long and tortuous" (Perlmutter, 1969, p. 16). Perlmutter further argues that the geocentric approach is only feasible if executives are capable of handling the multiple dimensions of a worldwide orientation. With doing so, "the senior executives engaged in building the geocentric enterprise could well be the most important social architects of the last third of the twentieth century" (Perlmutter, 1969, p. 18).

Although some scholars have criticized Perlmutter's model for being too one-dimensional and probably too simplified to withstand the complex environment in the twenty-first century (Torbiörn, 1994; Harzing, 2001b), it provides a solid ground for further theoretical development (Scullion & Collings, 2006). Harzing (2001b) notes that much of the research focuses on the general staffing strategies and especially on the use of parent country nationals (PCN) or host country nationals (HCN), but does examine the prevailing staffing practices. She addresses this concern with her empirical research to a great extent, but calls for further studies to identify the link between staffing decisions and

effectiveness (Harzing, 2001b). Thus, this thesis attempts to address this gap in the literature by further conceptualizing the mechanisms of doing business and competing globally in particular in terms of Human Resource Management (Gong, 2003). Although "people-embodied knowledge" will be one of the crucial success factors to sustain a competitive advantage in global markets (Hocking, Brown, & Harzing, 2004, p. 565), Collings, Scullion, and Morley (2007) comment that multinational companies still underestimate the complexity of global staffing and propose to take a more strategic view in order to succeed in the international context.

3.3 Strategic IHRM

Being an enabler to implement international business strategies, the function of IHRM, or *strategic* IHRM (SIHRM), is widely recognized in the literature (Brewster, Sparrow & Harris, 2005; Schuler, Dowling, & De Cieri, 1993; Scullion & Starkey, 2000; Sparrow, Schuler, & Jackson, 1994). According to Schuler, Dowling, and De Cieri (1993), MNCs have to balance the need to be local and global at the same time and, hence, face various conflicts in establishing appropriate strategies to suit both orientations. Their study proposes an integrative framework to understand the different aspects of SIHRM and comprehensively describes how the functions are embedded in the international firm. The framework further explains the relationship within and between the company units and elaborates on how differentiation and integration decisions are made as this has an important impact on "SIHRM issues, functions, and policies and practices" (Schuler et al. 1993, p. 424). Further, the authors complete the perspective by adding exogenous and endogenous factors, which considerably influence the effectiveness of managing human resources. With the progression of the global business and the according needs, the field of SIHRM has gained strategic importance and should be further investigated to serve multinational enterprises as a facilitator for competitive advantage (Schuler et al., 1993).

The appropriate balance between localization and standardization is also discussed in a recent article by Pudelko and Harzing (2007). They highlight that firms should look for best practice examples as a "source of inspiration" rather than determine global standards solely based on their own expertise (Pudelko & Harzing, 2007, p. 553). The authors refer to the earlier described model of Perlmutter and suggest that the sources of best practice examples are likely to be found all over the world and, hence, they predict that the geocentric or transnational (Bartlett & Ghoshal, 1989) approach will become more important in future. However, they call for further research to underpin their findings on the development of the HRM function as enabler for competitive advantage.

This claim for further investigation is also underlined by De Cieri, Fenwick, and Hutchings (2005) stating that academics as well as practitioners should concentrate on the field of SIHRM as "people management and career development of both international managers and those they manage in international operations become more critical to the international strategic planning and operations of firms" (De Cieri, Fenwick, & Hutchings, 2005, p. 584). And yet, some researches presume that only a few firms have developed the required capability to manage the workforce abroad (Sparrow, 2007). As mentioned earlier, without the right people at the right place, none of the crucial resources of an international firm can be efficiently materialized. This illustrates the necessity for IHRM departments to be an effective strategic partner for the management of multinational companies in their struggle for competitiveness (Taylor & Napier, 2005).

3.4 Expatriation as a major field in international staffing

Although research highlights a variety of international staffing strategies and practices, expatriation still plays a major role in the field of IHRM. Many MNCs continue to rely on assigning PCNs to their subsidiaries abroad (Collings et al., 2007; Gong, 2003; Hutchings, 2005). Findlay, Li, Jowett, and Skeldon (1996) emphasize that there is a need for highly skilled expatriates in senior management positions as they "provide an important link between their companies and the international market" (Findlay, Li, Jowett, & Skeldon, 1996, p. 59). To identify reasons and explain why MNCs primarily choose expatriates for their businesses abroad, the seminal work of Edström and Galbraith (1977) is an essential reference. It indicates why international assignments occur in the first place and describes the underlying motivations. Their study identifies three main reasons for international transfers: a) to develop a process of control based on socialization, b) to fill positions and c) for management development (Edström & Galbraith, 1977). The first motive is based on the concept of organizational development (OD) and concentrates on the coordination and control function of the expatriates. The second describes the need to transfer technical knowledge to countries, where qualified local resources are not available (Harzing, 2001a). The third focuses on the personal development of the employee and intends "to give a manager with long-term potential international experience" (Edström & Galbraith, 1977, p. 252).

These three distinct types of expatriation are well accepted in the literature and many researchers have been seeking to advance the model in a variety of ways. Especially, Anne-Wil Harzing's (2001a) study "Of bears, bumble-bees and spiders" adds significant value to the expatriate role of control in the context of OD. She investigates the role of

expatriate managers in multinational companies and describes their functions through three metaphors: “The bear” standing for direct control, “the bumble-bee” reflecting the socialization aspect and “the spider” organizing informal communication networks (Harzing, 2001a, p. 366). Whereas the bear indicates a strong level of influence and dominance, the other analogies reflect more indirect and subtle control mechanisms. Harzing provides empirical evidence for the existence of these types and proposes premises for their effectiveness in different situations.

In addition, she identifies a broad body of German literature that has not been adequately reviewed to date. She suggests two main reasons for the importance of the German literature. First, it concentrates on the control function within the context of organization development and second, it specifically examines the direct type of control rather than an informal function as Edström and Galbraith propose (Harzing, 2001a). By adding the German literature base, Harzing enriches the perspective of Edström and Galbraith, stating that “these German language studies tend to define organizational development more broadly and in contrast to Edström and Galbraith’s typology, incorporate both control and increasing organizational capability or competence to compete successfully in the global market place” (Scullion & Collings, 2006, p. 40).

Harzing’s study illuminates the control and socialization aspect of international assignments and augments the existence of the earlier mentioned types of control ranging from direct control to informal networking. There is consensus in the literature on the relevance of Harzing’s model. However, the definition of the control function imposed by the company might not adequately consider the variety of influence factors in the foreign subsidiary (Paik & Sohn, 2004). Among other limitations, Harzing acknowledges that there still needs to be more research in order to identify in which circumstances what type of control is most effective (Harzing, 2001a). She also suggests extending the investigation to different types of subsidiary ownership forms, including joint ventures and strategic alliances, in order to test the findings in various settings (Harzing, 2001a). Further, future researchers are encouraged to explore the other two motives of expatriation proposed by Edström and Galbraith (filling positions and management development) in greater depth as the combination of all three might be a strategic option for MNCs.

Recent studies try to tie in with Harzing’s theories and add new aspects to them. Moore (2006) critically reflects on Harzing’s model and builds on it with another perspective. Moore suggests that expatriates typically do not only follow the company’s advice, but also determine their behavior and relationships according to their individual goals. She analyzes the influences of this personal dimension and evaluates its impact on

the expatriates' appearance. The underlying theory that Moore uses is Erving Goffman's work on strategic self-presentation, which describes the relations of individuals and groups and analyzes how the environment has an impact on certain interactions (Goffman, 1956). Moore proposes that this model "may prove helpful in understanding the role of expatriates in multinational corporations" (Moore, 2006, p. 401). According to the author, existing quantitative research cannot comprehensively cover the various influence factors of the expatriate environment. Therefore, she considers qualitative methods to get a deeper insight and carries out an ethnographic research at a German multinational bank. Even though Moore adds a "greater degree of complexity to the extant model of expatriates as controllers" this field still needs to be explored in more detail, which will be addressed by this thesis (Moore, 2006, p. 402).

Another study that re-defines and specifies the typology of Edström and Galbraith is the work of Hocking, Brown, and Harzing (2004). The authors add various role objectives to the three different types of assignment purposes—adapted from Edström and Galbraith—and examine the respective outcomes with reference to their original purpose as well as their relationships. The results of their research suggest that the different roles of the expatriates are closely related and that the outcome is positively influenced by the time on assignment (Hocking, Brown, & Harzing, 2004). However, firms and academics do not seem to have adopted this integrated view nor are the purposes linked to the desired results. Hence, this underlines the earlier claim to consider all three motives of expatriation in the investigation to reflect the full complexity of international assignment. In this context, Hocking et al. (2004, p. 583), for instance, posit that the expatriate learning category deserves greater attention to complement the motive of management development:

> This result, although confirmed for only one transnational organization, nevertheless suggests that cumulative learning by expatriates and its subsequent re-investment represents an underestimated individual-level resource with the potential to exceed knowledge applications in adding long-term strategic value to multinational firms. From a human resources management standpoint the results highlight the need for firms to plan consciously for expatriate learning, manage it effectively during an assignment and re-invest it wisely in terms of future roles for the particular expatriate.

In a more recent article, Hocking, Brown, and Harzing focus on the relevance of knowledge transfer as one of the earlier described motives for international transfers (Hocking, Brown, & Harzing, 2007). Although there is an extensive information flow between headquarters and subsidiaries, many firms lack a sound understanding of the underlying processes and how these could be strategically used. Expanding the scope of knowledge transfer, their study suggests that the expatriate's experience from the host

country should be used as a valuable source for creative ideas (Hocking et al., 2007). Other researchers acknowledge the relevance of expatriate learning and knowledge transfer, but comment that the literature still lacks a clear and well-defined understanding, particularly with regard to the role of the expatriate and the geographic context (Gupta & Govindarajan, 2000; Hocking et al., 2007; Minbaeva & Michailova, 2004). Further, Reiche (2006) suggests with his exploratory study that the function of *in*patriates[27] should be examined in greater depth as the importance of the host country nations is continuously growing. Transfer of knowledge should no longer be seen as one-dimensional from headquarters to subsidiary aiming at providing knowledge that is not available in the host country. Instead, transfer of knowledge should be viewed as a means to provide influx of information especially from distant markets to headquarters. Following this path, Gupta and Govindarajan summarize that "of all possible resources that a firm might possess, its knowledge base has perhaps the greatest ability to serve as a source of sustainable differentiation and hence competitive advantage" (Gupta & Govindarajan, 2000, p. 473). However, firms do not seem to use this source effectively and, hence, pass up the chance to incorporate this aspect in their HRM practices.

The literature suggests that MNCs should consequently use and advance the know-how gained through ex- or inpatriate assignments and make it an integral part of the company development process (Hocking et al., 2007). This means that the focus should be both on the function of expatriates (and also inpatriates) during the assignment as well as the contribution following the assignment in order to fully utilize the potential of international transfers (Lazarova & Tarique, 2005).

The aspect of using the full potential of international assignment leads to another field of the expatriation literature: expatriate success. Although many studies focus on the different functions of expatriates, few consider testing the expatriates' performance and effectiveness in these functions within the specific settings of a host country. There certainly is an extensive body of literature covering the field of adjustment in a variety of ways including expatriate performance as a dependent of the adjustment process (for example, Bhaskar-Shrinivas, Harrison, Shaffer, & Luk, 2005; Liu & Shaffer, 2005). Even though the link between adjustment and performance seems to be obvious and many studies claim to have found causal connections, little is known about how the performance is measured and the criteria on which it is based (for example, Holopainen & Björkman,

[27] Inpatriate managers are defined as "host or third country managers who are transferred into the home organization on a semi-permanent to permanent basis to enhance globalization of its business activities" (Harvey, Novicevic, & Speier, 2000, p. 154).

2005; Mol, Born, & van der Molen, 2005). Having mastered the adjustment to the alien culture or being able to understand and deal with host-country nationals is certainly one aspect of being successful. However, the performance evaluation should also be related to the specific functions each of the expatriates was assigned before being sent abroad. This claim is underscored by Harrison et al. (2004, p. 239):

> Perhaps we are putting the performance cart before the task horse. It is strange that in the expatriate literature, researchers (ourselves included) have not spent much time closely inspecting the requirements of jobs, and instead have concentrated on the psychological disruption (maladjustment) accompanied by expatriation itself. This monolithic treatment belies what may be tremendous variability in international assignments. That is, we have not heeded our own HR prescriptions and done a thorough job or task analysis of positions to determine what KSAO's are necessary for top performance among expatriates.

Summarizing the above would lead to the simple question: What are the determinants of successful expatriate assignments and are the associated costs worth being paid (Scullion & Collings, 2006)? The following section will shed some light on the aspects of expatriate success—and failure—as well as elaborate on the underlying adjustment dimensions and procedures.

3.5 Expatriate success

There are many different terms that are sometimes interchangeably used to describe and explain assignee performance respectively as success and failure. Starting with the literature in this context, it needs to be mentioned that there has been some argument on the rate of expat failure (Harzing, 2002; Harzing & Christensen, 2004; Paik & Sohn, 2004). However, more important than the discussion on whether the rate is high or low is the question on the concepts behind expatriate performance and failure. Harzing and Christensen (2004) attempt to enter this field and define five major categories, which classify expatriate failure: (1) Premature end to assignment, (2) premature end to assignment caused by a reason, (3) underperformance or similar during assignment, (4) end to employment after repatriation, and (5) repatriation problems (Harzing & Christensen, 2004). They underpin these categories with citations from various researchers and provide a chronological order of the most significant definitions up to 2002.

Although all of these categories are reflected in the literature, the first and second are considered the most common ones (Mendenhall & Oddou, 1985; Tung, 1981). Expatriate underperformance and also repatriation problems have not yet received sufficient attention and, thus, Harzing and Christensen (2004) intend to gain further insights in this area. As a starting point, they refer to the dictionary definition, which

emphasizes two major aspects of failure: Failure of doing something and, conversely not meeting someone's expectation (Turnbull, Lea, & Parkinson, 2010). Especially the latter definition leads to an interesting aspect as it shifts the focus toward the employer who is supposed to define the parameters for the expatriate's performance. Harzing and Christensen (2004) argue that a crucial precondition to determine success or failure is a clear definition of expectations from the perspective of the firm in order to minimize uncertainty on the side of the expatriate. Hence, they suggest to define expatriate failure as "the inability of the expatriate or repatriate to perform according to the expectations of the organization," which comprises this aspect more precisely (Harzing & Christensen, 2004, p. 622). They further claim that research has to take an integrated view on these categories and, hence, propose to adopt the HR concepts of performance and turnover to comprehensively understand the underlying mechanisms (Harzing & Christensen, 2004). Fenwick underscores the relevance and implications for IHRM practice with the following statement: "with regard to individual performance goal-setting, perhaps the most obvious implication for IHRM is the need to determine relevant and effective performance criteria and goals for each assignment type" (Fenwick, 2004, p. 374). Hemmasi, Downes, and Varner (2010) also acknowledge the need to review the various ways that expatriate success is measured in order to provide the organization with the means to systematically evaluate their expatriate programs. They emphasize that a multitude of factors are necessary to capture the dimensions of success from the expatriate and the company perspective; focusing on premature return as proxy for expatriate failure may not be sufficient in this context (Hemmasi, Downes, &Varner, 2010).

Concerning the aforementioned performance criteria, the motives for international transfers also play a major role as the expectations are likely to vary based on the purpose of the assignment. Some researchers have underlined the relevance of role clarity and organizational support to enhance expatriate performance and facilitate adjustment in the host country environment (Black et al., 1991; Black & Gregersen, 1992). In this context, Paik and Sohn (2004) evaluate the performance of expatriates in their function of controlling the foreign subsidiary. They argue that a "lack of ability to correctly comprehend the local circumstances" would have a negative effect on their control function (Paik & Sohn, 2004, p. 65) and subsequently lead to failure in achieving the company's goals. The study suggests that MNCs should be careful in their selection of expatriates, because those with insufficient cross-cultural adaption might not be in a position to carry out the control function effectively (Paik & Sohn, 2004). Further, a profound knowledge of the host-country environment as well as the ability to adjust, are

considered major success factors for expatriate performance. However, there is still a lack of understanding in how far the expatriate adjustment process is related to the respective outcomes of the assignment (Shay & Baack, 2004). Shay and Baack (2004) criticize that a smooth and easy adjustment does not necessarily result in a high performance nor would a less successful integration mean that the performance has to be poor. Despite some uncertainties on how adjustment correlates with expatriate success or failure, there is consensus that adjustment procedures have an important impact on performance.

3.6 Expatriate adjustment

Many decades of studies in this field acknowledge expatriate adjustment as a keystone to understand the mechanisms of international transfers (for example, Black et al., 1991; Harrison et al., 2004; Harzing & Christensen, 2004; Liu & Shaffer, 2005; Selmer, 2006a; Shaffer, Harrison, & Gilley, 1999). Hence, it is essential to comprehend the general concept behind expatriate adjustment. The integrated model of Black, Mendenhall, and Oddou (1991) seems to be a good foundation to explain the various influence factors prior, during, and after the assignment. They differentiate between three different dimensions of adjustment: First, adjustment to work, which describes to what extent the assignee is comfortable with the job-related tasks; second, interaction adjustment, which indicates the level of comfort of dealing with HCNs; and third, general or cultural adjustment to the foreign circumstances indicating how well the expatriate deals with environmental influences such as living conditions, infrastructure, entertainment, and facilities.

The above model has since been well accepted in the literature and many scholars draw on this framework as a general basis for their own work. However, scholars demand to broaden the perspective on the adjustment process. For example, Shay and Baack suggest that “a wider range of factors, such as macro-level variables like the MNC’s reason for the expatriate’s assignment, cultural distance, unionization of workforce, and national legal restrictions on workplace flexibility, should be considered” (Shay & Baack, 2004, p. 228). Other researchers stress the relevance of these environmental factors and stress the importance of cultural aspects in the adjustment process (Black et al., 1991; Shaffer et al., 1999; Tarique, Schuler, & Gong, 2006). Shaffer, Harrison, and Gilley (1999) comprehensively tested the Black et al. (1991) model and expanded it with additional variables. For example, their study revealed that the proposed moderators—previous assignment, language fluency, hierarchical level, functional area, and assignment vector—have a significant impact on the dimensions of adjustment. Specifically, previous

expatriate experience was found to be a powerful moderator in defining the relationship of the expatriate with supervisors and colleagues. The results indicate that MNCs might lack an adequate international support network and hence should intensify their communication and guidance of the assignees, especially first-time assignees (Shaffer et al., 1999). Although adding value to the multifaceted aspects of adjustment, this cross-sectional study has some shortcomings concerning data validity. The authors suggest conducting further longitudinal research to back up the findings on the adjustment process. Another limitation is the fact that only MNCs with head office in the United States are considered in the investigation. Nonetheless, the research of Shaffer et al. (1999) contributes in a noteworthy way to a broader perspective of the topic and paves the way for further investigation. By collecting data from a German MNC in the Chinese context, this thesis will contribute to improve the validity of the findings of Shaffer et al.

In a more recent study Harrison, Shaffer, and Bhaskar-Shrinivas (2004) provide an extensive review of 25 years of expatriation research. The authors consider adjustment a central construct and define it as "achieving effectiveness in interpersonal exchanges with host country nationals" (Harrison et al., 2004, p. 211). By drawing from the stressor-stress-strain[28] paradigm, they focus on three major areas: First, the stress that expatriates experience when settling in a foreign environment. Second, the major stressors influencing the adjustment process relying on the model of Black et al. (1991). Third, the consequences or strains arising when expatriates cannot cope with the difficulties of the adjustment process (Harrison et al., 2004). Especially the last point aims at identifying causal effects of adjustment on performance; although some scholars could confirm a positive relationship (Feldman & Thomas, 1992; Nicholson & Imaizumi, 1993; Parker & McEvoy, 1993), a comprehensive explanation of the kind of influence is still lacking (Holopainen et al., 2005). With their review and structural framework, Harrison et al. (2004) add significant value to the prevailing academic literature and enhance it with a valuable new perspective. First and foremost, they do not intend to abandon the existing concepts on adjustment as their relevance has been widely accepted in the literature (for example, Liu & Shaffer, 2005), but they recommend to highlight other features that could enlarge the framework. One of their suggestions aims at creating a better understanding of

[28] Stressors are demands in a foreign context that an expatriate cannot meet with his or her resources; strains describe cognitive and behavioral outcomes, such as poor performance, job-dissatisfaction, or withdrawal cognitions; stress is experienced by the expatriate and, for instance, represented by maladjustment or personal discomfort (Harrison et al., 2004).

the individual expatriate situation; respectively, the specific nature of the assignment. Considering the variability of international postings as well as the distinct motives behind expatriation, research needs to take a closer look into the tasks and the respective skills. Going even further, they call for a more strategic perspective to answer the question as to whether expatriates contribute to the success of the subsidiaries they are sent to (Harrison et al., 2004).

Many scholars have since drawn upon the comprehensive framework of Harrison et al. (2004). Some researchers have identified new dimensions, which further refine and extend the concept of adjustment and the underlying effects (for example, Takeuchi, Wang, & Marinova, 2005). To complete the summary of the adjustment literature that was proposed by Harrison et al. (2004), this thesis provides an updated table based on a literature review until the beginning of the year 2010. Relevant articles in the field of adjustment were analyzed and integrated in the structure of the original table; the updated table is attached in the Appendix (see Table A12). A selection of the reviewed articles including their specific contribution and added value is described in the following paragraphs.

Adjustment outcomes: Bhaskar-Shrinivas, Harrison, Shaffer, and Luk (2005) add three dimensions of adjustment outcomes—namely job satisfaction, withdrawal cognitions, and performance—to understand the effects and implications of adjustment respective to maladjustment. By adding structural models of adjustment as well as the factor time to their meta-analysis, they enhance the earlier model and the variables defined by Black et al. (1991) and clarify the implications of adjustment on satisfaction, withdrawal cognitions, and performance. Adjustment affects physiological strains and task- and relationship-based outcomes. The definition of the relationships and causalities between those factors also addresses claims of previous research to operationalize expatriate effectiveness and performance as dependent variable in the adjustment concept (for example, Mendenhall, Kühlmann, Stahl, & Osland, 2002).

Continuing with the attempt to further explore the causal effects of expatriate adjustment, Harrison and Shaffer (2005) include another perspective between (cultural, interaction and work) adjustment and job performance. They identify “effort regulation” as a construct, which consists of five variables (withdrawal cognitions, passive task neglect, active task avoidance, time to proficiency, and team-leader exchange) that have an impact on performance (Harrison & Shaffer, 2005). Their differentiated view on the short-term and longer-term effects of adjustment provides a comprehensive model to complement earlier adjustment models and relationships. Further, they also include the perspectives of

colleagues and spouses in their investigation and, thus, support the findings resulting from the expatriates' responses. The authors propose to "further extend the mapping of expatriate success criteria by considering contextual features of expatriate performance and performance goals, personal attributes of successful expatriates, and the longitudinal consequences of international assignments for both expatriates (for example, in terms of repatriation) and their families" (Harrison & Shaffer, 2005, p. 1471). To address some of these shortcomings, this thesis has incorporated success criteria for expatriates as part of the investigation.

Expatriate family and spouse: In many of the reviewed articles, scholars stress the importance of accompanying family and spouses for expatriate adjustment. Andreason (2008), for instance, suggests that spouse adjustment can have a positive influence on the expatriate and highlights the according cross-over effects. This view is supported by Haslberger and Brewster (2008) who illustrate that the family situation affects all involved members and might not always have positive effects, but also add additional stressors to the expatriate environment. To enhance the understanding of how stressors cross over to other family members, they claim that "there is a need to raise theory and empirical research on expatriates from the level of the individual to the level of the family unit in order to gain additional insights into the process of cross-cultural adjustment overall" (Haslberger & Brewster, 2008, p. 336). Besides the potential strains created by the family situation, there are also a variety of examples (for example, Lauring & Selmer, 2009) indicating that spouses positively support the adjustment process of the expatriates through their socializing efforts and activities to run the families. They even contribute to improving the expatriates' career by keeping up important networks and connections with the home country organization.

HCNs: Investigating the influence by HCNs and the social surrounding in the foreign subsidiary, there is also an extensive body of literature that underlines the role and importance of HCNs for expatriate adjustment as well as for social networks in the host company (for example, Liu & Shaffer, 2005; Olsen & Martins, 2009; Palthe, 2004; Toh & DeNisi, 2007; Wang & Kanungo, 2004). Toh and DeNisi, for instance, focused on HCNs as important stakeholders and "socializing agents" for the expatriates (Toh & DeNisi, 2007, p. 293); they comment that the HCNs' role as facilitators will increase even further as MNCs turn toward more short-term assignments that demand a quick and effective adaption to the new environment. The HCN support is recognized as a critical component for a successful expatriate adjustment. However, Olsen and Martins (2009) emphasized that the HCNs' perceptions of the expatriate characteristics, such as age, gender, and race

or ethnicity have an effect on the adjustment-facilitation efforts by the HCNs. Thus, his study provides further insights concerning the implications of demographic characteristics for adjustment processes. Enhancing the view on the social contacts with HNCs, Wang and Kanungo (2004) investigate the relevance and effects of the expatriates' social networks including local people as well as individuals of different nationalities and cultures. They emphasize that culturally diverse networks are positively influencing the adjustment or well-being of expatriates. Additionally, they indicate that the level of closeness of the social networks has an effect on the adjustment (Wang & Kanungo, 2004). They also conclude that MNCs should create adequate recruitment and selection mechanisms to ensure that the candidates for international assignments are equipped with the necessary social skills and competencies to establish the required networks abroad. This claim is also stressed by Liu and Shaffer (2005) by saying "that international human resource management practices should place more effort in helping expatriates identify social capital opportunities, mobilize social resources embedded in host social structures, and develop shared norms with host nationals within organizations" (Liu & Shaffer, 2005, p. 250). However, they also encourage future research to gain deeper insights in the field of social capital regarding the respective influences on the expatriates' host country experiences.

Assignment tenure: Takeuchi, Tesluk, Yun, and Lepak shift the focus to another interesting facet of the adjustment concept (Takeuchi, Tesluk, Yun, & Lepak, 2005). They describe the moderating effects of prior assignments and highlight the positive impact of assignment tenure on the adjustment process; that is, adjustment for the expatriate typically becomes easier with time spent on the assignment. Acknowledging that the "current findings partly resolve some of the inconsistency associated with previous empirical studies on international experience in that previous international experience appeared to act more as a moderator rather than as a direct (main effect) variable," the authors also state that there are a variety of other questions that still need to be explained in this context (Takeuchi et al., 2005, p. 96). Thus, future research should include further theories in the evaluation and expand the scope of the literature[29] that has been analyzed by Takeuchi et al.

Cross-cultural training: Complementing the influence of prior international experience, many researchers also focus on the effects of cross-cultural training (CCT) prior to the assignment (for example, Hutchings, 2003; Puck, Kittler, & Wright, 2008;

[29] The literature investigated by Takeuchi et al. (2005) comprises expatriate adjustment, work experience, time, and work-family conflict.

Selmer, 2005, 2010). Selmer, for instance, suggests in his recent study that most of the experienced expatriate managers would primarily consider pre-departure, but also other kinds of cultural preparation valuable for their assignment including language training (Selmer, 2010). However, a slightly different view is presented in his earlier research, where the investigation revealed a positive effect of CCT in the joint venture context, but less so in other settings (Selmer, 2005). Puck, Kittler, and Wright also could not confirm a direct link between CCT and a better expatriate adjustment. However, they are consistent with the literature in their findings concerning the importance of language in order to facilitate communication in the host country (Puck et al., 2008). As these examples illustrate, research should test and verify the multitude of parameters and antecedents related to adjustment in order to have a better and more accurate understanding of the relevant factors.

Personality traits: Shaffer, Harrison, Gregersen, Black, and Ferzandi (2006) combined earlier research on expatriate adjustment and withdrawal cognitions with more recent research on job performance. They intend to capture personality traits of the individual expatriate and their respective impact on the following three dimensions of expatriate effectiveness: 1) Adjustment, 2) withdrawal cognitions, and 3) job performance (Shaffer, Harrison, Gregersen, Black, & Ferzandi, 2006). They argue that the individual dispositions of the expatriates might have a substantial impact on the above-mentioned criteria and, hence, need to be further explored. Especially in a context where behaviors are uncertain and expatriates have to find appropriate ways of dealing with new circumstances, "personality may be more strongly linked with effectiveness criteria" (Shaffer et al., 2006, p. 111). They differentiate between "stable personality traits" and "dynamic competencies" to classify the required skills before evaluating their effect on the effectiveness criteria (see Figure 6).

Summarizing the results, their research suggests that individual characteristics have an impact on the success or failure of international assignments. Even though earlier research has acknowledged the relevance of personality factors (Hogan & Shelton, 1998), Shaffer et al. identify further relationships and also provide important input for IHRM practitioners. They suggest that it will become more critical to select "future expatriates with the 'natural' disposition to succeed on an international assignment" (Shaffer et al., 2006, p. 122). Downes, Varner, and Hemmasi (2010) not only confirm the relevance of certain personality traits, but also request to apply the according instruments to identify these and professionalize the MNCs' assessment and selection procedures.

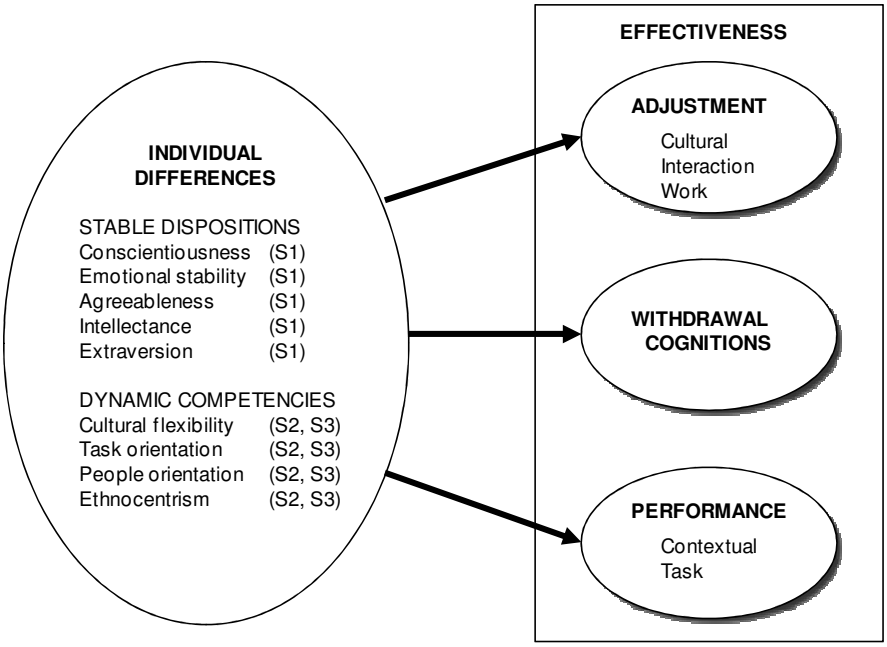

Figure 6: Proposed model of linkages between individual differences and expatriate adjustment

Source: Shaffer et al., 2006, p. 111

Cultural intelligence: In conjunction with the above-mentioned relevance of individual personality traits, Thomas et al. (2008) provide insights about the relationship between certain abilities and the creation of intelligent cultural behavior building on the construct of cultural intelligence suggested by Earley and Ang (2003). The focus of their study lies on the linking function of "cultural metacognition," which establishes a process of learning from previous experiences in order to optimize behavior and interpersonal interaction in a cross-cultural context (Thomas et al., 2008). They emphasize that cultural knowledge and skills are a prerequisite for intercultural adjustment, but not to predict the appropriate behavior. Hence, they propose a concept of cultural intelligence whereby metacognition "acts to facilitate conscious retrieval and application of knowledge as opposed to incidental or automatic retrieval" (Thomas et al., 2008, p. 133). Decrypting the impact of cultural intelligence might be an important milestone to understand better why some individuals are more effective in their endeavors in a cross-cultural context than others. Their study provides a missing link between the required individual capabilities and the ability to behave and perform appropriately in a foreign social context. Further, Thomas et al. broaden the discussion by introducing the "metacognition" dimension. Only through reflection on knowledge, skills, and interaction can the individual adapt his or her behavior in a way that it is most successful in a specific cultural environment. This also suggests that the individuals need sufficient time and the mental preparedness to allow these cognitive processes to unfold. Constant pressure and operational duties might

negatively affect these processes and interfere with the adjustment process (Thomas et al., 2008). Hence, this aspect has to be carefully considered for international assignments ensuring that expatriates do not underestimate the relevance of the factor time when taking over a position abroad. With acknowledging the importance of cultural intelligence as a facilitator for effective cross-cultural interaction, Thomas et al. call for further studies to operationalize the measurements for cultural intelligence (Thomas et al., 2008). They believe that their study offers many opportunities to get a better grasp of the various influence factors on expatriate behavior that ultimately determine adjustment and performance.

Underlining the necessity for a thorough understanding of the relevant skills and capabilities of expatriates, Huang, Chi, and Lawler (2005) also call for more consideration of personality traits before expatriate choices are made (Huang, Chi, & Lawler, 2005). In particular, characteristics such as extroversion, agreeableness, and openness to experience were found to be positive predictors for adjustment. Additionally, Peltokorpi (2008) names cultural empathy and emotional stability as decisive factors for enabling adjustment (especially general and interaction adjustment) as well as language proficiency. The author also differentiates between organizational expatriates (OEs) (i.e., being assigned from organizations) and self-initiated expatriates (SIEs) who have decided to work for a foreign company abroad. The findings suggest that SIEs are more likely to be adjusted even though they are not benefitting from a variety of support services provided by multinational companies. As main reason Peltokorpi indicates that SIEs make more efforts to become integrated in the general and work environment compared with the OEs who stay in the foreign country for a limited duration of the assignment.

Individual motives: In line with the above-described approach of placing emphasis on the individual and personal choices, Cerdin and Pargneux (2009) focus on the fit between individual career plans and the international assignment. Their study suggests that the success of an international assignment depends on the expatriate's personal career decisions and plans, which means that success has an organizational as well as a personal perspective. Further, Cerdin and Pargneux focus on the relevance of repatriation as one important component in this context (Cerdin & Pargneux, 2009; Chew, 2004; Lazarova & Cerdin, 2007). Many expatriates seem to be dissatisfied with their repatriation, because the offered position or the necessary support was not up to their expectations. Hence, even though the company might consider the assignment abroad successful, the expatriate could have a completely different view on the situation and even experience withdrawal cognitions or leave the company, because the career chances are limited or the knowledge

is not valued accordingly (Harrison et al., 2004). In order to avoid expatriate turnover upon repatriation, organizations should implement appropriate tools to evaluate the knowledge, skills, and abilities that expatriates have developed during their assignments. This would then also contribute to a successful repatriation from the organizational perspective (Cerdin & Pargneux, 2009).

With completion of this literature review, it is noted that many scholars acknowledge the variety of influence factors that have an impact on making the right staffing decisions for the best fit of employees in different locations (for example, Takeuchi, 2010; Tarique et al., 2006). Many achievements have been made in exploring the adjustment process and uncovering the complexity of adjustment and its consequences. Nevertheless, there is a need to stimulate the integration of various theories, such as work-family conflict or strategic human resource management with parent company and HCN domains in order to create a systematic research agenda (Takeuchi, 2010). The literature still lacks a comprehensive model explaining how the varieties of parameters are linked and what interdependencies occur. Thus, future research is encouraged to apply a multi-stakeholder view in order to approach the complicated topic of expatriate adjustment and performance; "using multiple theoretical perspectives in an integrative manner may be necessary to advance its understanding" (Takeuchi, 2010, p. 1058).

3.7 Discussion of the literature

"As the era of the global organization evolves, the need for increased diversity and multiculturalism in the global workforce is heightened" (Harvey et al., 1999b, p. 459). Harvey, Speier, and Novicevic (1999b) highlight the need for increased diversity in order to operate successfully in the global market place. Since then, more than a decade has passed, but this claim has even become more relevant and important. Multinational companies have continuously increased their globalization efforts and shifted their business toward emerging markets. Owing to the financial crisis in 2009, the balance of world trade experienced a major change as China's strength contributed significantly to cushioning the negative effects of this crisis. Thus, international firms are expanding their business abroad, but are facing the challenge of organizing their operations in a distant culture.

The literature base that was reviewed in the previous sections seeks to cover all relevant aspects and research streams (as far as possible within the limits of this research project) that inform the complex setting of international firms operating in a foreign country. Much emphasis was put on the topic of international staffing because the MNCs'

increased interest in foreign (emerging) markets demands a new view on established staffing practices (for example, Scullion & Collings, 2006; Tarique et al., 2006; Sparrow, 2007). Even though many scholars provide valuable insights into various aspects of the topic of global staffing, there is still a lack of concrete information on the desired requirements of the selected workforce or the appropriate IHRM strategies. Kühlmann and Hutchings (2010, p. 21) comment in this context that "there is still limited empirical research that explores the relative weaknesses of different staffing options from a senior management perspective in specific country contexts." Further, the strategic contribution of HR to helping MNCs realize their competitive advantages is grossly underestimated. As Taylor and Napier (2005) suggest, IHRM departments should be seen as strategic partner within the MNC to address the struggle for competitiveness. However, existing literature has not yet provided a comprehensive understanding of preconditions that MNCs have to fulfill in order to establish successful IHRM practices. There is a need to better understand the organizational setting—being embedded in a certain country context—and the company's strategies to address international staffing matters. Thus, one objective of this research is to address this gap by investigating the international staffing options of a MNC and their fit within the organization (see RQ1). Since McKinsey's article on the war for talent, firms have begun to realize that a skilled and talented workforce is one of the keys for successful business operation. Because of the dynamic market environment in China, the competition for qualified staff has become even fiercer, adding more pressure on Western firms.

In the field of international staffing expatriation is still one of the most frequently used models to fill the vacant positions abroad (for example, Selmer, 2010). The expatriation literature suggests various reasons for international assignments and explains their benefits and shortcomings (for example, Harzing, 2001a; Hocking et al., 2007). However, the proposed motives for expatriation and the underling functions are mostly evaluated through the head office perspective of the company without consideration of the difficult circumstances in the host country. Hence, this study aims to clarify based on what decisions international assignments are initiated in order to complement the existing motives for expatriation. In addition to that, the environmental circumstances are taken into consideration as well, as the exiting literature does not explicitly emphasize on the cultural context. Further, the persona of the expatriate does not receive the attention it deserves when making recruitment choices. Even though Moore (2006) includes the individual goals of the expatriate in the investigation, she acknowledges that there is a need to get

deeper insights in this field. Thus, this is another gap in existing literature being investigated by this study (see RQ2).

Focusing on the situation in the host country, an extensive literature based on expatriate adjustment has evolved including the topic of expatriate performance and success (for example, Harrison et al.; 2004; Liu & Shaffer; 2005; Shaffer et al., 1999). The dimensions of cultural adjustment and the respective effect on performance and effectiveness have since been tested and enhanced in a variety of ways (Shaffer et al., 2006). Although research continuously succeeds in uncovering additional relationships and interdependencies, the complexity of the expatriate adjustment process can hardly be captured with one single model. Hence, researchers keep calling for more in-depth studies in this field in order to decode gradually the parameters and underlying mechanisms (for example, Tackeuchi, 2010). So far, various articles have illuminated the topic of adjustment from a variety of angles, such as the organizational background, the purpose of the assignment, the environment of the host country, the influence of HCNs, the identity of the expatriate and his or her personality traits. While providing valuable insights in the respective area, the selective view bears the risk of undervaluing the huge complexity of the topic. Much of the adjustment literature, for instance, concentrates on the effectiveness of the adjustment process in an alien environment, but it does not consider whether or how a smooth adjustment is also beneficial for the organization. In an approach to explore the expatriate situation and the related performance issues in the subsidiary from as many angles as possible and address the above-mentioned shortcomings, this study thoroughly analyzes the subsidiary environment including the personal situation of the expatriate, communication processes, the socio-cultural context and the role of the HCNs (see RQ3).

Besides the above-mentioned gaps in existing literature, it is important to note that none of the existing studies to date incorporates an all-encompassing framework, which addresses the complete expatriation cycle and the according stakeholders at every stage. Most literature investigates specific areas of interest within a singular field without linking it to related entities or considering a macro perspective as suggested by the multilevel theory (Klein et al., 1999). The dependencies go beyond the immediate environment of the investigated field and, thus, demand a more sophisticated model to capture further relationships and causalities. The literature also acknowledges that there is a strong correlation in terms of strategic alignment and communication between headquarters and subsidiary and the expatriate plays a vital role to connect both locations (for example, Harzing, 2001a; Lazarova & Tarique, 2005). However, firms do not seem to fully utilize

this potential as repatriation and retention of assignee still seem to pose great challenges for the firms as addressed by Lazarova and Cerdin (2007, p. 425):

> We argue that repatriation retention plays an important role for utilizing international experience, but it is not sufficient to ensure that any gains (from the perspective of the organization and/or the individual) actually materialize. We believe that addressing outcomes beyond retention will greatly enhance our understanding of how to better manage expatriate human capital in global organizations.

Further, the selection of the appropriate workforce for the subsidiary operations should go beyond the option of expatriation and explore the opportunities of a diverse workforce to leverage the operational success—not only in the subsidiary. The involvement of multiple cultures further increases the complexity of the framework of international staffing. Even though many researchers consider the home country of the MNC and its employees in the adjustment procedure, they do not explicitly compare it with the host country location. Aiming at maximizing performance and effectiveness, explicit as well as subtle cultural differences deserve closer attention and should be taken into consideration. Companies might select their candidates after great scrutiny, but because of unequal intercultural challenges, they might not be a good fit in every global environment. Thus, the predictor location and its culture as well as the intercultural competencies of the assignees should play a more important role in explaining influences on effectiveness (for example, Thomas et al., 2008). Hence, for this research, the scope of the investigation was deliberately chosen to reflect two distinct cultures in order to examine their effects on each other and, respectively, the impacts on the relationships between its people: Germany, representing the parent country, and China the host country location. Further, the choice was enforced by the future economic development and increasing importance of China, which will continue to attract a global workforce over the next several decades to compete in the international market place.

Considering all these wide-ranging aspects related to the topic of international staffing, it seems obvious that a sound staffing decision can only be made if all potential variables are incorporated in the evaluation process. Moreover, a comprehensive framework is required to capture the relevant influence factors and explain the according interdependencies and, if possible, causal relationships. This type of framework would help to understand all possible perspectives of international staffing (including expatriation) and support international firms to make the right staffing decisions. Thus, this research proposes to develop such a model based on the following three separate entities and the connections between them: (1) *MNC headquarters* embedded in the German cultural and

socio-economic context, (2) *expatriates* with their specific individual characteristics and personality traits as link between headquarters and subsidiary and (3) s*ubsidiary operations* in China incorporating central (= head office) functions, a multinational workforce and a variety of influences from the host county culture and socio-economic context.

These three levels of investigation are the core elements of this research and are informed by Harzing's (2001a) expatriate functions and the model of Moore (2006), which is described in the next section. The theoretical framework and the suggestions from the literature review provide the basis for deriving the RQs, which were formulated to gain insights into the targeted areas. This research follows the claim to enhance the knowledge about international assignments by expanding the view on expatriation and uncovering the impact of contextual parameters as Shaffer et al. suggest: "If international assignees are as crucial for achieving a firm's international goals as our unstated research assumptions suggest, it is imperative that the next 25 years of work go to new places, laying a firmer, time-sensitive, and cross-level pavement of findings about expatriate experiences" (Harrison et al., 2004, p. 240).

3.8 Conceptual framework and RQs

3.8.1 Conceptual framework

The theoretical framework that informs the study is based on Harzing's model "Of bears, bumble-bees and spiders" describing the control functions of expatriation (Harzing, 2001a) and on the ethnographic research conducted by Moore, which involves the strategic self-presentation in the examination of the expatriate function in the MNC (Moore, 2006). Moore seeks to advance Harzing's model and integrates aspects from both Harzing's and Goffman's studies in the conceptual background. This will enable "to take into account the complexity of the different motivations, actions, and practices by all parties involved" (Moore, 2006, p. 401). Yet Moore's study does not adequately cover cultural aspects. Although she mentions attributes like *German* or *Anglo-German*, she does not further explain the related implications (Moore, 2006). The studies of Harzing and Moore complement each other by enlightening various aspects of the expatriate role in foreign subsidiaries. However, as indicated above, cross-cultural characteristics and business-related influence factors are not adequately reflected and, hence, will be integrated in this thesis in order to comprehensively capture the expatriate environment.

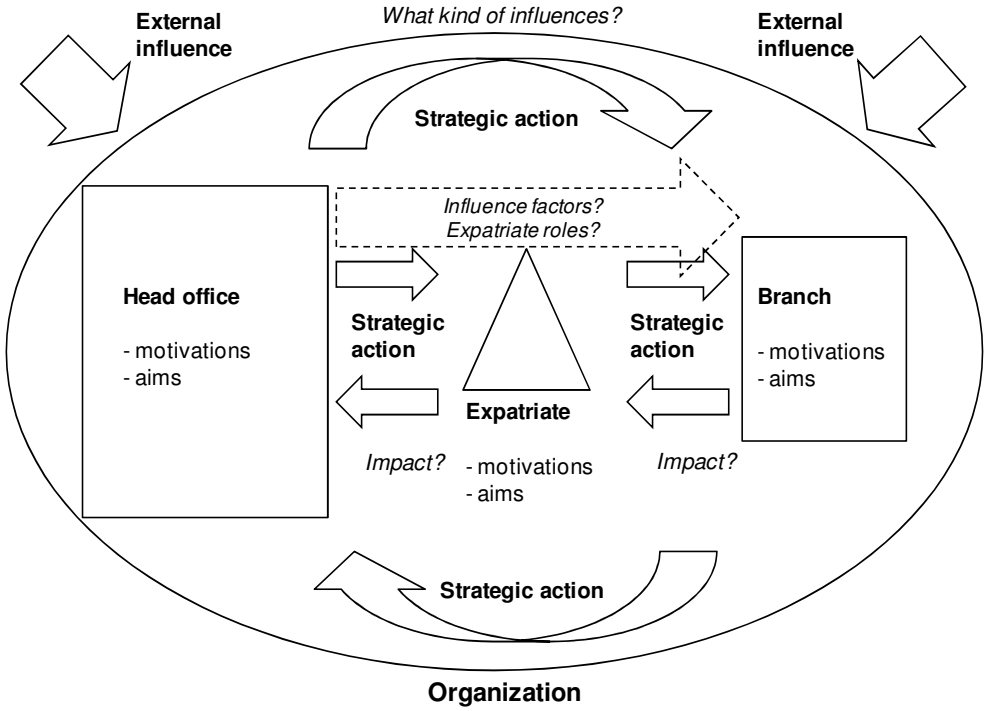

Figure 7: Mapping the influences and actions within an expatriate assignment

Source: Own illustration based on Moore, 2006, p. 412

In this case study research, the motivations of expatriates are categorized according to Edström and Galbraith's distinction; it is also presumed that the expatriates interpret their role of control as per Harzing's model when acting in the name of the company. Additionally, expatriates also follow their own personal goals and hence, the strategic action toward or within the foreign subsidiary depends on various motivations. To complete the picture, the organization is situated in a complex environment and exposed to many other influence factors in the home as well as the host country. This leads to a diverse set of parameters, which the expatriates have to handle in their business relationships. Thus, the study concentrates on these parameters and evaluates their impact. Particular focus is given to the strategic influence that the headquarters imposes on the subsidiary and the related IHRM practices. They are reflected against the background of the subsidiary and evaluated concerning the circumstances in the foreign branch. This research also enhances the theoretical framework by identifying the specific external influences and providing specific examples for the actions involved.

3.8.2 RQs

Based on the above findings, the RQs are designed to gain valuable insights in the complex environment of international assignments in China and the various relationships between head office, expatriates, and subsidiary. The main research objective is to uncover

how these three subjects are interlinked and with what effect. Resuming the description of the above mentioned three entities or levels of investigation, the RQs reflect this tripartite and, thus, the first question relates to the headquarters environment and addresses the German cultural and socio-economic context, the company background (strategy, structure, and processes), and the related IHRM policies and procedures.

RQ1: To what extent is there a good fit between HQ's structure, systems, and culture and its IHRM policies and procedures?

- HQ structure, systems and culture embedded in the home country environment
- IHRM policies and procedures and their fit with HQ systems
- Position of IHRM within the company and fit with HQ set-up

Moving to the second level of investigation, the expatriates build the core piece of the investigation. With reference to the literature review, there is an extensive knowledge base on the motives for international assignments and thus, the investigation firstly focuses on the functional needs of the organization as the driving force for sending expatriates. Secondly, the focus is laid on the individual goals and expectations of the assignee. The roles and functions of the expatriates represent a central position in the conceptual framework and, thus, need to be carefully evaluated as they help understanding both, headquarters philosophy and the impact on the subsidiary.

RQ2: What influences the assignment of expatriates?

- Functional needs of the organization
- Personal goals and motives

Shifting the focus toward the subsidiary, the third level of investigation concentrates on the subsidiary and host country environment. In contrast to the parent country Germany, China offers a completely different setting concerning social and economic preconditions. Thus, the RQ should capture these particular circumstances and their impact on the subsidiary. Even though the investigation followed an exploratory approach without predetermined focal points, the literature review suggests some preliminary assumptions especially with reference to the literature on the expatriate roles of control, mainly the direct form of control illustrated by the "bear" in Harzing's (2001a) research. Interestingly in this context, the German literature base, which was investigated by Harzing, concentrates especially on the direct and explicit form of control rather than on the informal form that Edström and Galbraith distinguish (Harzing, 2001a). This might lead to the assumption that German expatriate managers tend to act as "bears" in their

control functions within the subsidiary. Going even further, one could presume that the German "bear" attitude might collide with the Chinese wish for consensus and respect (Cardon, 2006; Hofstede, 1980; Lewis, 2006). Thus, this RQ intends to identify the relationship and cooperation between the German and Chinese business partners. New insights should also concern the IHRM management practices applied in the subsidiary adding an additional perspective to the IHRM strategies at headquarters. Differences that result from the distinct shareholding structures of the subsidiaries are also considered here in order to reflect a precise picture of the given circumstances.

RQ3: What factors influence expatriate performance in the host country subsidiary?

- Cultural and socio-economic context compared with the parent country
- Disparity between expatriates and locals (for example, in terms of HR policies)
- Interpersonal relationship and communication between expatriates and HCNs
- Adjustment factors and processes affecting expatriate performance

In addition to the above, the third RQ also addresses adjustment mechanisms and reflects the impact on expatriate performance. Referring to the literature review, the topic of adjustment has received great attention from many scholars, because it is considered a key factor to enable expatriate success. Hence, this research draws upon earlier research and tries to add additional perspectives to the adjustment process. Besides training and preparatory aspects, the evaluation also focuses on personality traits of the expatriates and evaluates the role of local employees. Taking into account the earlier addressed concerns on what constitutes a successful adjustment, the issue of "effectiveness" is twofold. While it defines whether the expatriates are successful in performing their functions, in contrast, it assesses if they cope well with the alien environment. However, both aspects are interlinked as Paik and Sohn acknowledge by saying that "difficulties involving cross-cultural adaptation can and do seriously inhibit managerial performance, leading to a failure in effectively controlling local operations" (Paik & Sohn, 2004, p. 63).

3.8.3 Integrated model

Answering the above questions will contribute to a better understanding of the circumstances and dependencies of expatriate assignments. However, the singular view on each level does not adequately reflect the full cycle of events and the causal relationships between them. Thus, this study consolidates the results and combines them into a new integrated model based on the theoretical framework informed by Harzing and Moore. It incorporates the answers to the above RQs and visualizes actions and correlations between

the three levels of investigation. Further, it evaluates opportunities and risks on a corporate and personal level and, thus, provides indications for improvement potentials. As the model is developed based on a case study within a single firm, it has to be acknowledged that the causalities are somewhat tenuous. Nevertheless, the displayed relations provide valuable insights into the expatriate cycle and highlight critical aspects. Future research is invited to test the causal links in order to further advance the model and possibly translate it into other contexts as well.

4 Research methods

The research design and the applied methods will be discussed in this chapter. The first section explains the qualitative approach that was selected for this research including information on the selected cases. The cases were drawn from the earlier mentioned three levels of investigation; demographic data are reported as well to provide a transparent picture of the selected sample. Most importantly, validity and reliability aspects are explained and documented in this section to produce a comprehensive overview of the research composition as a necessary precondition for high quality research. The second section outlines the data collection method. As expert interviews were the primary data source, there is extensive information on this data method and the applied standards for conducting the expert interviews. Archival records complete the information sources and, thus, build another pillar for the data collection. The final section provides a description of the analytical procedure. This is essential as the data evaluation process has to meet high ethical academic standards to ensure the required data quality. Finally, the advantages and limitations of the software tool NVIVO, which was selected as a supporting instrument, are described. In general, Chapter 4 serves the purpose of drawing a detailed picture of the research set-up and study design so that the investigation could be replicated with the same parameters (high transparency).

4.1 Case study approach

A qualitative case study within a German MNC in the automotive sector was conducted in order to identify the roles and functions of the expatriate managers and collect empirical data to answer the above-mentioned RQs. The case study approach is appropriate as it "can be used to explain everyday practices that are affected by the culture in which they are embedded (for example, absenteeism) and in cross-national research (for example, cultural differences)" (Tharenou, Donohue, & Cooper, 2007, p. 75). Further, the literature suggests that qualitative studies provide a deeper insight into human behavior and help to uncover motivations behind actions (Bonache & Brewster, 2001). Hence, this format enables researchers to explore the expatriates' environment and their specific experiences while being on an international assignment. Additionally, an exploratory case study is considered an appropriate method for theory building in areas where little knowledge is available (Reiche, 2006) or "to provide freshness in perspective to an already researched topic" (Eisenhardt, 1989, p. 548). As illustrated in Chapter 3, research on expatriation and related fields has produced a multitude of findings. However, there remain certain gaps, which need to be investigated. Hence, this research intends to identify the

factors that influence expatriates and the related impact on assignment success. Especially in recent years, research has acknowledged that there is still a lot to learn about the complex construct of expatriation (for example, Harrison & Shaffer, 2005; Shaffer et al., 2006; Takeuchi, 2010; Tarique et al., 2006). Some scholars call for more empirical data to investigate the relationships and dependencies among all stakeholders, which will be addressed with this case study (for example, Takeuchi, 2010). In this context, Yin (2003) underlines that case studies are the preferred research method whenever reasons for certain phenomena ("why" questions) or detailed explanations ("how" questions) are sought. The RQs posed in this case study reflect this view and are designed to drill deeper into the expatriate environment to find the respective answers.

This study is based on a grounded theory approach, which provides the context for the research findings. The epistemology is social constructivism/interpretivism. This epistemology implies that all meaning is constructed in the interaction with the object depending on the existing environment and hence is subjective (Crotty, 1998). These theories inform the research and build the foundation for the chosen methodology, which means that the focus was laid on an in-depth qualitative evaluation of a specific context. The case study results were interpreted based on this background and, thus, are not aiming at a general law, but at an understanding of the observed phenomena in this specific context. Even though the chosen qualitative design seems to be the best method to meet the requirements for this research, it has to be acknowledged that qualitative strategies also have certain limitations. Numerous textbooks propose to test the quality of the design according to the following four principles (Miles & Huberman, 1994; Punch, 2005; Silverman, 2005; Yin, 2003): (1) Construct validity: This concerns the appropriate choice of operational measures to study the selected research object or concepts. (2) Internal validity: Not applicable for this case study as it only concerns causal or explanatory case studies (not descriptive or exploratory studies). (3) External validity: Deals with the fact that the study findings should go beyond the investigated case and build the basis for generalization. The concept of external validity is concerned with the soundness of the theoretical framework and the integrity of the generalization process, which should be based on replication logic. (4) Reliability: Ensures that the findings of the research can be repeated by another person applying the same settings and procedures. The objective is to minimize errors and flaws in the case study.

This research was set up and carried out following each of these principles in order to ensure high data quality and a reliable concept that could be replicated by any other researcher. Following this systematic and rigorous approach (Denscombe, 2002), potential

shortcomings were addressed during the course of the study; further details are explained in the subsequent paragraphs.

In addition to the above-mentioned procedure, new findings were carefully evaluated and compared to the existing literature before any conclusions were drawn. Since there is no fixed design for an ethnographic study (Punch, 2005), the number of interviews was kept open during the data collection process in order to ensure sufficient flexibility in case additional data would have been required for the analysis. However, as the data sources provided extensive input on the desired topics, the study was carried out as planned in the original research proposal.

The units of analysis for this case study research were defined based on the above-described theoretical framework and the respective RQs. There are three major areas of interests, which are represented by the following units: (1) Headquarters level, represented by the head office of the selected MNC, (2) Expatriate level, represented by German expatriates on their assignments in China in the selected subsidiaries, and (3) Subsidiary level, consisting of various legal entities of the MNC in China.

These units facilitate an integrated view on the circumstances of an international assignment and, hence, allow for evaluation of the interdependencies in greater depth. Additionally, the three units of analysis enable a concise evaluation of each level as proposed by Yin (2003) explaining the selection of the unit of analysis: “The more a study contains specific propositions, the more it will stay within feasible limits” (Yin, 2003, p. 23). Further details on each of the units will be described in the “Data collection” section.

Concerning the tightness of the research design, the author considered advantages and trade-offs of a tight versus a loose design. A loose design is based on as little prior structure as possible and the conceptual framework is expected to emerge during the data collection process (Miles & Huberman, 1994). The advantage is that highly complex social processes will be examined from as many angles as possible; the disadvantage is that the researcher needs to have plenty of time to let the development take its course. A tighter design addresses this issue and pre-structures the investigation to a certain extent in order not to waste time (Miles & Huberman, 1994). Even though this case study is set up on exploratory grounds, the investigation was oriented toward the conceptual framework bounding the information within feasible limits. The main advantage of this approach is to avoid diffuseness and data overload. The decision for a tighter research design was underpinned by the fact that the literature already provided a broad portfolio of knowledge and that I had some understanding of the processes underlying expatriation. Miles and Huberman comment in this context: “Not to ‘lead’ with your conceptual strength can be

simply self-defeating" (Miles & Huberman, 1994, p. 17). I carefully considered the potential risk of overlooking relevant aspects by defining boundaries for the case study while collecting and analyzing the data. In order to ensure sufficient relevance of the selected units of analysis and the respective cases, I followed the principles of choosing an exemplary case study as suggested by Yin (2003): First, the topic was of general interest and could potentially be applied in different settings. Second, the collection of data aimed at providing a complete picture of the phenomenon studied. Third, alternative perspectives were considered and reported accordingly. Fourth, sufficient examples of the case study findings are documented in Chapter 5 by citing the respective sources. Finally, I aimed at composing the write-up in an "engaging manner" so that the reader would follow the argumentation as well as become interested in the subject matter.

4.2 Company approval

Prior to contacting any of the above-described entities or persons, I requested the company's approval and authorization to conduct the case study research. I approached the Human Resource Director, who is in charge of global assignments management to explain the purpose, scope, and relevance of the research project. After a number of discussions and a formal application letter (see Appendix), the company granted official permission for the research and allowed me to approach the desired target groups[30]. Further, one HR representative assisted me in planning and organizing the contacts with the employees in the respective subsidiaries. For confidentiality reasons, the names of the company, its subsidiaries, and the participants are not disclosed in this research. This does not have any negative impact on the quality or the usefulness of the data as the case was selected to represent a typical setting, which should help in the revealing of valuable information concerning the RQs (Yin, 2003). Hence, the specific company details are secondary, given that the main focus is on the individual input influenced by various environmental factors, of which the organizational background is only one. The qualitative input should facilitate the theory-building process rather than concentrate on a particular company setting.

4.3 Selection of cases

Since this research aims to uncover the expatriate environment from three main perspectives, I chose a company that could address each the levels and offer a wide range of data. Hence, the company's organizational structure, specifically the set-up in China and the field of international assignments were focal points. The selection of the chosen

[30] The company approval letter was not attached in the Appendix due to confidentiality reasons.

company for this case study ensured that a variety of subsidiaries was accessible in China and that sufficient expatriates were available for the investigation. Being an employee of the selected MNC, I could confirm that these premises were satisfactorily met before starting with the project.

The main reason that a single company was chosen for the analysis was to limit the scope of the investigation and concentrate on the depth of the analysis. Three distinct levels of analysis and multiple cases within the selected MNC represent headquarters, subsidiaries operating independently with different shareholding structures, as well as expatriates on their assignments in the respective subsidiaries. Hence, this single firm offers a broad range of perspectives through the lens of multiple organizations under the umbrella of one MNC. This embedded case design (Yin, 2003) allowed me to enhance the insights into the topic through a variety of subunits. To further broaden the scope of the investigation, subunits with a specific set-up and environment were chosen. However, potential limitations concerning the generalizability of the findings will still remain, as an investigation within one single MNC will never be sufficiently exhaustive to justify general conclusions. This shortcoming was addressed while conducting this research and analyzing the findings; potential limitations were indicated to allow future researchers to address these within further studies.

The following section outlines the three major units and explains why specific sampling decisions were made.

4.3.1 Headquarters level

4.3.1.1 Purposive sampling

The cases are drawn from three integrated units of analysis that intend to represent the complex expatriate environment as accurately as possible. All units are part of one single MNC with headquarters in German, which was selected for this case study research based on the following criteria:

First, the Chinese context was chosen because of its relevance for foreign multinational firms in their objective to participate in the rapid economic growth (Tung, 2007). This criterion was also decisive for other researches. Selmer, for instance, explains in this context: “This host location was selected both for its growing importance to Western business firms and its dissimilar cultural context permeating daily life and work of Western expatriates assigned there” (Selmer, 2006b, p. 1210).

Second, the economic growth has influenced the automotive sector and has fostered the demand for more cars. Especially in recent years the car industry has developed to become an important backbone of the Chinese economy (Jin & Su, 2007). Although offering great opportunities, limited technological knowledge in this field forces Chinese auto firms to cooperate with foreign companies and also requires profound knowledge from the foreign partners to successfully set up business (Noble et al., 2005). German car manufacturers have a leading role in the automotive sector worldwide, so it seemed logical to start the investigation with a German MNC to better understand the prevailing circumstances.

Third, there seems to be consensus in the literature that German firms tend to use more expatriates than other European or American MNCs (Harzing, 2001a), which further justifies the choice of a German MNC as international assignments seem to play an important role in their IHRM strategies.

Fourth, Harzing also highlights that most of the German studies investigated in her research confirm the control function as a major purpose of expatriate assignments. Specifically, these studies focus on the "direct type of expatriate control rather than on the informal type of control or coordination that Edström and Galbraith distinguish" (Harzing, 2001a, p. 368). However, no study has assessed whether this direct form of control is affected by cultural influences in particular in the Chinese context where consensus and face-value play important roles (Cardon, 2006).

Finally, I am German and work for the chosen MNC. Hence, it seemed likely to start the investigation in this context as the accessibility of a representative sample and the access to relevant data could be ensured, which is a big concern of high-quality research (for example, Silverman, 2005). Further, company internal sources were available for a detailed analysis in addition to the qualitative data gained through the interviews and, thus, the MNC provided an extensive data basis.

4.3.1.2 Sample size and description

The first unit of analysis consists of one case and is the company's headquarters level, which is located in Germany. The MNC has a global network of subsidiaries and general distributors.[31] Worldwide, the company employs approximately 260,000[32] employees, almost 160,000 of which work in Germany and more than 6,000[33] of which

[31] The information is based on company internal sources; names are not disclosed due to confidentiality reasons.

[32] Data based on years 2009/2010.

[33] Figure based on year 2009; it covers employees in all Chinese subsidiaries including joint ventures.

work in mainland China. The company is renowned for its brands and its long history in car manufacturing and operates in various business fields as described earlier. Further, it claims to act responsibly toward society and the environment as well as attempt to shape the future of safe and sustainable mobility with groundbreaking technologies and high-quality products. Strategic focus is concentrated on sustainable growth and on a commitment to excellence throughout all business units and divisions. Among the company's strategic targets, human resource management plays an important role and specific HR goals are defined in the overall target system. Human resources are considered an important pillar to safeguard future competitiveness, which is based on profitability, a competitive workforce, future-oriented leadership skills, great attractiveness as an employer, and professional organization. Further, the MNC attaches great importance to training and development programs to ensure uniform standards and enhance the qualification of its staff. In order to attract young talent, the company has initiated a worldwide recruitment and training program with a particular focus on career opportunities for women. This is in line with the approach to further diversify the workforce and to become one of the most highly respected automakers concerning diversity management.

4.3.2 Subsidiary level

4.3.2.1 Purposive sampling

The second unit of analysis comprises selected subsidiaries of the mother company. The scope of the study was limited to subsidiaries in mainland China, which are all located in Beijing, in order to narrow down the investigation and concentrate on the head office–subsidiary relationship rather than identifying regional differences pertaining to the influence factors. The Chinese subsidiaries have distinct shareholding structures and are part of the regional organization covering North-East Asian markets and various business segments (passenger cars, trucks, vans, and financial services, logistics, and trading). The regional office acts a holding function for the attached subsidiaries and was set up to consolidate the business activities in mainland China as well as in other North-East Asian markets (Hong Kong, Taiwan, Republic of Korea). The holding is a 100 percent subsidiary of the mother company in Germany and, hence, closely related to all corporate functions and directives. Besides the regional head office, there are three other legal entities, which operate in the passenger car sector. The passenger car sector was selected as focal point, because it has a key role in the company's portfolio. Additionally, selecting a specific business sector helps to exclude additional aspects resulting from other sectors in order not

to dilute the picture. Operating in the luxury car segment, the company intends to increase its market share during the next couple of years and to compete with other luxury carmakers. Competitors were not explicitly involved in the investigation, but as a number of statements refer to these, some careful comparisons were drawn as and when appropriate. Figure 8 illustrates the business set-up and the selected subsidiaries for this case study.

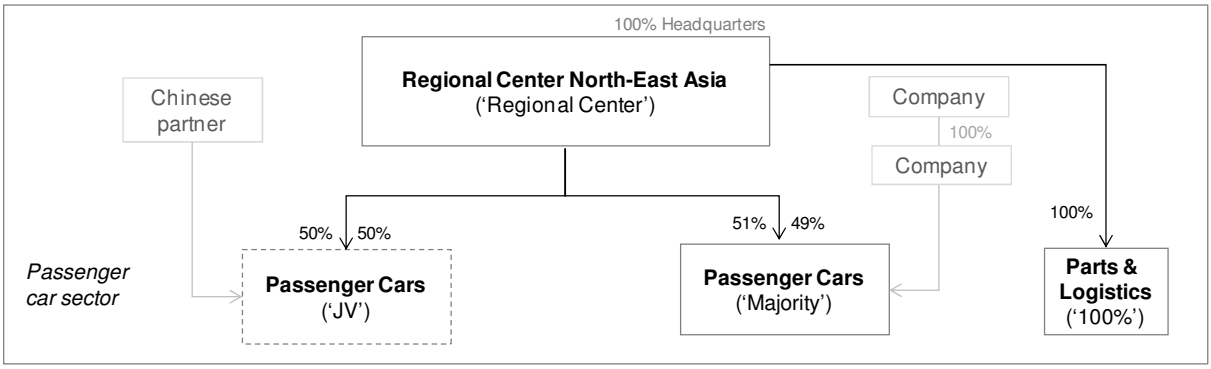

Figure 8: Case study set-up: Selected subsidiaries in China
Source: Own illustration

4.3.2.2 Sample size and description

The subsidiaries represent four distinct cases whereby their shareholding structure and business scope are as follows: (1) "Regional Center":[34] A 100 percent subsidiary of the mother company in Germany, which acts as a wholesale function for all business segments and brands in the North-East-Asian region. Administrative and general functions are consolidated in the holding (for example, Human Resources, Finance, & Controlling). (2) "Majority": Majority shareholding by the regional head office (51 percent) and minority holding by a Chinese partner. The company was established in Hong Kong more than two decades ago and moved to Beijing in 2006. It imports passenger cars to mainland China and manages related product activities in China as well as oversees the operation in Hong Kong. (3) "JV": A 50–50 joint venture between the mother company in Germany and a Chinese partner. The original joint venture was already established in the 1980s; through a merger in 1998, the joint venture became part of the MNC. In 2005, it was transferred into a newly founded joint venture with a 50–50 percent shareholding, whereby the Executive Board consists of an equal number of representatives from each partner. The "JV" produces passenger cars under the brand of the MNC and works closely with the "Majority". (4) "100%": This company is a 100 percent subsidiary of the "Regional

[34] The real names of the subsidiaries are not disclosed due to confidentiality reasons.

Center" without any external shareholding; it integrates logistics services for the company brands under one roof in China and focuses on synergies in warehousing, transportation, and administration.

All the above-mentioned subsidiaries are well established in the Chinese market and, thus, comprehensive data concerning the companies' development and the interrelationships between expatriates and local staff were available for the investigation.

4.3.3 Expatriate level

4.3.3.1 Purposive sampling

The second units of analysis are the expatriates, who are located in the above-described subsidiaries. With reference to the RQs and the underlying theoretical framework, the expatriates take a central role in this study and, hence, were chosen as the main target group. In order to identify the individuals participating in the case study, the method of purposive sampling was applied. Purposive sampling has "the distinct advantage of quickly accessing participants who are most likely to provide rich information" (Cavana et al., 2001, p. 137) and, hence, was chosen for this research project. Further, it provides the researcher with the opportunity to choose a setting that demonstrates the desired phenomenon and facilitates access to the appropriate data (Silverman, 2005). The method of purposive sampling also allows flexibility with the number of participants. For example, the sample size was determined only after the interviews did not reveal any new data. This decision was based on the understanding of the grounded theory approach, suggesting that data collection can be stopped once additional insights cease to materialize during the coding process (Glaser & Strass, 1967). The fact that data collection and analysis are organized simultaneously in this approach allows the researcher to recognize when a theoretical saturation of the initially identified categories is attained and no new information emerges. Further details regarding sample size, distribution of participants, and demographic data are explained and illustrated in the following paragraphs.

4.3.3.2 Sample size and description

The sample of seventeen expatriates (inclusive of four HR expatriates) was drawn from the Chinese subsidiaries "Regional Center," "Majority," "JV," and "100%." A total number of 121 international assignees (including third country nationals and excluding international specialists) worked in these companies at the time of the study. The allocation per unit is illustrated in Figure 9.

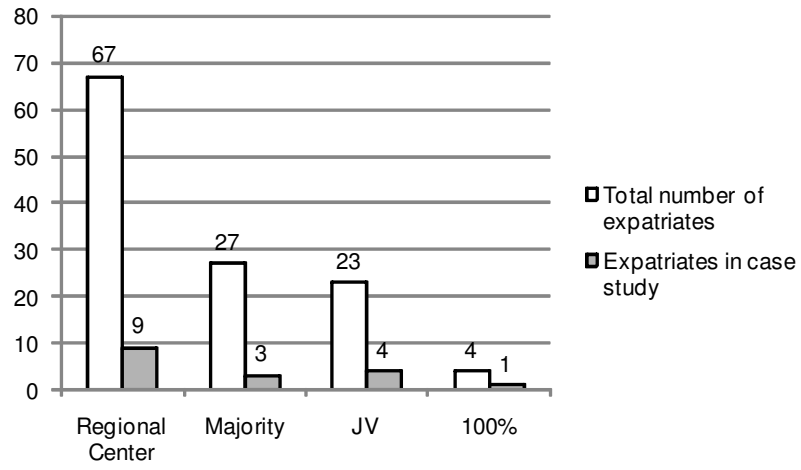

Figure 9: Expatriates per subsidiary

Source: Own illustration

This study investigated 14 percent of the total number of expatriates who worked at the above-mentioned Chinese subsidiaries. These expatriates were identified as key informants through the method of purposive sampling and, thus, it was ensured that their input covers the desired scope of the research topic.

All expatriates were executives (titles ranged from Manager to Senior Vice President) and had managerial responsibility within the company. The decision to limit the scope to executives was influenced by the research objectives, which aim at investigating the expatriate functions and their influence on the subsidiary as well as the relationships between expatriates and local staff. Managers or executives carry a higher degree of responsibility in their functions compared with subordinates and, thus, are more likely to interact with headquarters' colleagues and at the same time with colleagues and subordinates in the subsidiary. Therefore, it is most likely that they experience a higher complexity in the circumstances. This high degree of complexity generates a wide-ranged database for the analysis. However, this does not imply that the tasks of functional experts are not important or challenging, but for the purpose of this research, the interaction between different stakeholders was the decisive argument and, thus, led to the exclusion of operational levels, with the exception of two candidates from the intercultural training target group as mentioned earlier. Further, most of the expatriates hold positions in higher levels of the organization, which facilitates the selection process. I ensured that the distribution of participants per each executive level was akin to the average distribution of employees per each level.

Demographic information was collected for statistical purposes as well as to ensure that a well-balanced set of candidates was integrated into the investigation. However, demographic attributes were not a criterion for the selection of a potential interviewee.

The majority of expatriates were German nationals. Two candidates had other nationalities, but lived in Germany for many years[35] and were perfectly fluent in the German language. They were also familiar with the German culture and the company culture. Out of seventeen expatriates, four worked in HR functions and, hence, also provided insights into the company's staffing and HR policies.

The sample of seventeen expatriates consisted of thirteen male and four female candidates. The company's average percentage of female employees on executive levels is 11 percent[36] and, thus, at 24 percent, women were over-represented in this study. Most of the participants ranged from 40–49 years of age (47 percent; eight participants), followed by the category of 50–59 years with 29 percent (five participants) and 24 percent (four participants) in the range of 30–39 years. Since executives were chosen for this study, the average age of the participants (45 years old) was higher than the average age of the employees (41 years old) in 2008.[37] This also explains why younger employees from 20–29 do not occur in this statistic.

As indicated above, the selection also aimed at a balanced distribution of expatriates per executive level as well as a good representation of higher managers in order to capture aspects of the expatriate's control function. The following pie chart (Figure 10) depicts the number of expatriates per level, which attests to the equal representation. Senior managers and managers combined compose 82 percent of the sample, which is a lower percentage than the company's overall percentage of senior managers and mangers. On the company level, these two levels account for the great majority of executives worldwide (95 percent), whereby higher levels only constitute 5 percent. For this research project, it was decisive to include executives from all levels and, thus, the higher-level executives are overrepresented.

[35] One person worked at the company's German headquarters for four years and the other person worked in the company's German sales organization for six years.

[36] Company internal source based on 2008 data.

[37] Company internal source.

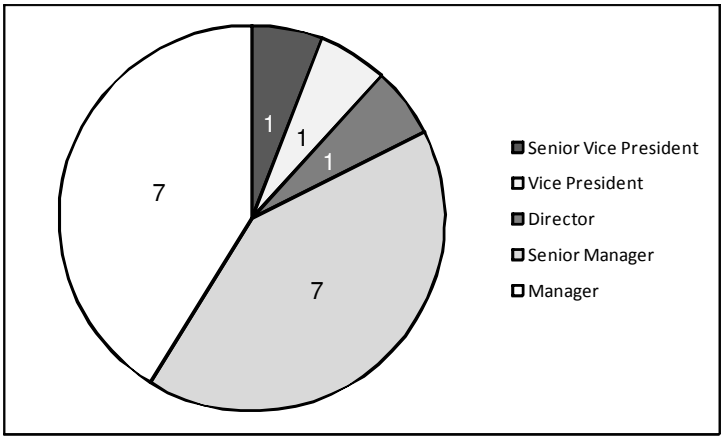

Figure 10: Executive levels of interviewed expatriates

Source: Own illustration

To complete the demographic overview, fourteen of the seventeen executives were married; the remaining three were single or cohabited with a partner. Fifteen of the participants had prior expatriate experience. Most of them had also worked at the headquarters location during their company tenure, which allowed them to compare both the German and Chinese culture and enrich the conversation with their impressions[38].

4.4 Data collection

4.4.1 Data collection method

Data accuracy and reliability are an important concern in qualitative research, thus, data triangulation was chosen as a collection method for this case study. Data triangulation uses at least two methods of data gathering in order to verify the findings and to ensure that they reflect the related evidence (Cavana et al., 2001). Hence, multiple sources of data have been included in this research to approach the topic from various angles. The primary case study data are collected from the expatriates and is supplemented by information from Chinese locals, HR representatives, and participants of an intercultural training. The data collection was organized through personal and telephone interviews, which will be described in the next section. Further, company internal sources as well as books, articles, and published papers substantiate the data collection. This type of data collection allows for comparisons to other findings; respectively, theories that have been generated by earlier research, which can increase data quality and validity (Denscombe, 2002) and minimize the risk of vague or false interpretation (Gilchrist, 1992).

[38] I intentionally did not provide more descriptive information about the interviewees in order to protect their anonymity.

4.4.2 Interviewing

According to the literature, interviewing is one of the most common methods of data collection for qualitative design and, thus, is used in this case study (Cavana et al., 2001; Tharenou et al., 2007). Interviews are considered a good way of receiving complex information from an individual and uncovering a wide range of intrinsic information (Cavana et al., 2001). In general, interviewing describes the process of asking questions and receiving answers; this can be done in a variety of ways including personal face-to-face interchange, group interviewing, surveys, or telephone interviews (Punch, 2005). Another differentiation is made between the degree of structure starting from unstructured, to focused/ semi-structured and unstructured (Minichiello, Aroni, Timewell, & Alexander, 1990). Structured or standardized interviews are primarily used when a specific area of interest is enquired, whereby each interviewee is asked the exact same questions in the same order (Cavana et al., 2001). This type of interview has not been taken into consideration for this case study, because it would have been too predetermined and would not have allowed the desired individual responses and variations (Punch, 2005). Unstructured interviews are non-standardized and without a prior structure or sequence of questions. Even though this type allows a free and unbiased flow of information, it has the disadvantage that the broad bandwidth of responses may make it difficult to concentrate on a specific area of interest and the process of analyzing is very time-consuming (Cavana et al., 2001). The type of semi-structured interviews is a combination of both and is located in the middle on a continuum between structured and unstructured interviews. Semi-structured interviews are more focused than unstructured interviews and consist of an overall topic and general themes (Cavana et al., 2001). They allow asking specific questions and yet are flexible enough to pursue matters evolving from the given situation (Lee, 1999). They seem to be the appropriate format to address selected topics on each level of investigation and, thus, were chosen for this case study

4.4.2.1 Interview sources

A variety of data sources informs the three units of analysis and provides comprehensive input aiming at answering the RQs. For the interview process, a total sample of 30 participants was drawn from the following four target groups located in the company's head office in Germany or in the earlier described subsidiaries in China: Expatriates in China, local staff in China, HR executives in the head office in Germany as well as in the subsidiaries in China, and participants of intercultural training sessions.

The main focus of the study is to investigate expatriate functions and behavior as well as the according influences, which result from a foreign environment. Thus, the expatriate managers make up the core target group for this study and are supposed to contribute to a better understanding of their functions. Specifically, this research has a particular interest in enlightening the various facets of the expatriate control function. Therefore, only executives on the management level were taken into consideration as they are most likely to enact the control function and transfer head office strategies to the subsidiary; non-executive staff has only limited responsibilities and competencies in this regard. In general, the expatriates provide an insight into daily business operations and uncover influences arising from the cultural and business context in China as well as from the subsidiary background.

Chinese local employees represent the second target group with a sample size of seven staff drawn from the same subsidiaries (Regional Center: four employees including one HR executive; Majority: one employee; JV: one employee; 100%: two employees). The local Chinese managers were selected to describe the situation and the environment in China from a Chinese perspective. Taking both—German as well as Chinese perspectives—into consideration enabled exploring the situations from different points of views and, thus, generated a comprehensive description. The HCNs enlightened our understanding of the adjustment processes toward their expatriate colleagues as well as illustrated their perception of the MNC and its performance in the host country. They were also the primary source for acquiring insights into the Chinese culture and environment.

As a third faction, individuals from the company's Human Resource departments completed the ethnographic research. The candidates consisted of two representatives from the German headquarters (one female and one male) and five from the subsidiaries (four expatriates and one local Chinese staff). They were included in the investigation in order to capture the topic from multiple angles. Integrating Human Resource managers facilitated the understanding of the company's IHRM policies and provided an overview of the expectations toward international assignees. Further, the HR representatives explained available resources that could be used to manage, support, and develop expatriates as well as local staff. Overall, the Human Resource staff provided insights into the strategic role and position of HR/IHRM within the company.

Finally, the sample was completed by three male participants of intercultural training sessions, who were in the process of preparing for their own international assignments. These three delivered additional information on how expatriates are prepared for their assignments. Besides the preparation activities, the interviewees also elaborated

on their expectations concerning the upcoming assignment. The input was compared with the other interview results and complemented the earlier findings.

The overall selection of participants intended to reflect a realistic organizational structure and capture a broad range of perspectives from expatriates, local managers, and HR staff (see Figure 11).

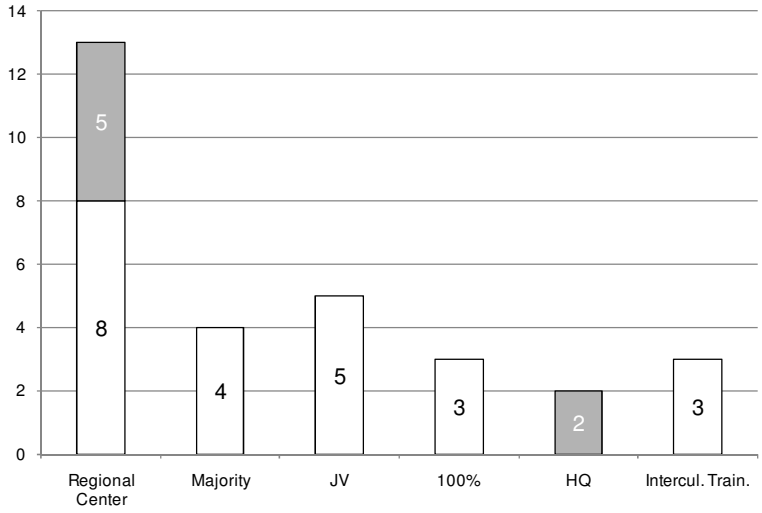

Figure 11: Number of participants per entity

Source: Own illustration

Grey column: HR Executives

White column: Expatriates and Chinese locals

4.4.2.2 Planning the interviews

Prior to contacting the individual employees, the assigned HR manager sent an e-mail to the Executive Board Members in China, which informed them about the approved study, its purpose, and the data collection procedure. The e-mail further contained the company approval letter as well as an information sheet with additional notes on the research project. Next, the assigned HR manager gave me a list of all employees on executive levels including expatriates and local staff located in the selected subsidiaries in Beijing. This communication provided the process for approaching the individuals to explain further details on the project and schedule the interviews. I selected employees from the above-mentioned list and approached them via either e-mail and/or telephone asking them if they had an interest in taking part in the study. All employees were informed that the participation is completely voluntary and that refusal will be accepted by the researcher. The candidates showed interest in the investigation and accepted the invitation so that concrete arrangements for the interview dates could be made. After the desired number of interviewees had been reached, another e-mail was sent to the remaining candidates thanking them for their support and proposing that they might be contacted at a

later stage, if additional input was required. All confirmed participants were provided with the information sheet and, if requested, with a brief overview of the scope of the interview questions for their perusal and preparation.

Concerning the participants of the intercultural training sessions, I was scheduled to take part in one of these trainings, which would have allowed me to combine the interviews with a personal observation. However, because of the company's financial situation and cost-cutting measures, the scheduled training was canceled at short notice. I then conducted telephone interviews with employees who had participated in previous intercultural training sessions or were planning to participate at a later stage. To identify potential candidates, I approached the responsible HR Manager who organizes these sessions. After granting permission, the HR Manager sent an e-mail to possible candidates with the option to contact the researcher, if they were interested in participating. Since there was a very positive response, I chose the first few respondents and contacted them via telephone in order to arrange for the telephone interviews. The remaining candidates were informed via e-mail that a sufficient number of participants had been reached. I thanked all the candidates for their response and willingness to support the research. Even though I was not able to participate in the intercultural training myself, the telephone interviews provided a good compromise against the background of the company's cost-cutting targets. In addition, I had participated in an earlier intercultural training in preparation for my own assignment and, thus, had some insights of the set-up and the conveyed input.

The data gathering process was structured as outlined below: The first two rounds of interview sessions took place between December 2008 and January 2009 with German expatriate managers, German HR managers, and local Chinese staff in China (Beijing). The third round of interviews was arranged with German HR and former expatriate managers in Germany in February 2009. Individual telephone interviews with the remaining candidates were conducted between December 2008 and May 2009; the telephone interviews with participants of the intercultural training sessions were scheduled in May 2009.

Table 4: Expert interview timetable

2008	***2009***			
Dec	**Jan**	**Feb**	**Mar / Apr**	**May**
Expert interviews in China (I) **15** inteviewees	Expert interviews in China (II) **5** inteviewees			
		Expert interviews in Germany **3** inteviewees		
				Expert interviews - intercult. training (phone) **3** interviewees
Expert interviews - individual arrangements (phone) **4** inteviewees				

Source: Own illustration

As noted in the timeline above, the first two rounds of interviews were conducted in China (Beijing). Appointments for the interviews were sought from the participants who worked in the subsidiaries in Beijing. In order to minimize administrative effort as well as costs, the interviewer tried to combine multiple sessions within the first two trips to China. Appointments were confirmed for dates and times that were convenient to the interviewees; requested changes to the original schedule were accommodated as much as possible. The interviews in China were followed by a third arrangement at the company's headquarters in Germany, during which I interviewed HR staff as well as one former expatriate who had been relocated to headquarters in the meantime. For those interviews that could not be arranged during the first three rounds, I scheduled individual telephonic interviews: four expatriates and three participants of the intercultural training sessions. Originally, I had planned to conduct face-to-face interviews to benefit, for example, from non-verbal cues or impressions that cannot be detected via phone (Cavana et al., 2001). However, because of geographical limitations and additional costs of international visits, I decided to employ telephonic interviews. Telephonic interviews are considered appropriate if the interviews need to be carried out internationally (Cavana et al., 2001). As the telephonic interviews were only scheduled after the majority of interviews had already been carried out, I was experienced enough to gain value from the telephonic interrogation despite the lack of personal interaction.

4.4.2.3 Interview considerations

Ethics: Each participant was given a consent form for written approval (see Appendix) before the interview begun. I ensured that the consent was freely given and on a voluntary basis; following academic ethical principles, no interviewee was coerced to participate in the interrogation (Punch, 2005; Tharenou et al., 2007). For the telephone

interviews, the consent forms were sent via e-mail and the participants returned the signed forms back to me. Besides the agreement from the persons involved prior to starting the data collection process, the literature also enforces the importance of data confidentiality and research integrity for the whole period of the research (Punch, 2005). This includes the anonymity of the participants and the non-disclosure of any personal data. I strictly adhered to these rules of good conduct and ensured professional integrity at all times. Based on this understanding, the interviewees were reassured that no personal data would be disclosed and that no citations would be used, which could allow determining the interviewee's identity. With signing the consent form, the interviewees also agreed that the interviews would be audio taped, whereby the audio-files would be deleted after the transcription of the content.

Interview language: Language was an important consideration during the design of the research study, because the participants spoke different languages. For the main target group of German expatriates, the interviews were conducted in German, as this is also the mother tongue of the interviewer. For this purpose, the interview questions that were developed in English were translated into German. All Chinese managers were approached in English as the company's second official language is English and, hence, a high level of proficiency could be expected. However, I paid close attention in each individual setting to ensure that misinterpretations were minimized as much as possible. Further, questions were repeated or rephrased when needed. Based on this thorough and careful evaluation, I am confident that the provided input reflects the intended meaning. The original plan to engage a Chinese translator as a fallback solution was thus not considered as an option.

Role of the interviewer: Besides the set-up of the interview, the interviewer also plays an important role in the data collection process and, hence, my role as interviewer and my position within the company are described in this paragraph. I am an executive of the selected MNC. At the time of the interview process, I was an expatriate myself and, thus, have knowledge of the related company processes and policies. My personal background was one of the triggers to start this research project, because my experience led to the assumption that there is a need to understand the cultural circumstances in order to do business successfully. Even though I was very cautious about my personal involvement, I later realized that it had the advantage of getting a better grasp of the matters the interviewees were relating to, because I am familiar with the company background. An external researcher may have had a more difficult time understanding correlations or following particular examples. Hence, the earlier notion of involvement as being a rather negative impact turned out to be an advantage. It also created an atmosphere

in which both parties felt comfortable exchanging fruitful information. For instance, one participant commented how the interview encouraged her to reflect on her own assignment and the related circumstances:

> Everybody has their own perspective; it is good just to hear what one actually thinks about that topic. You get people to reflect upon this matter. (…) I think it is exciting what you are doing and I am curious to see the result.

4.4.2.4 Interview structure and protocol

The key purpose of conducting interviews was to obtain valuable information, which could answer the RQs for this study. Hence, the interview questions were designed to provide a link to these questions. They were centralized on the following themes, and were derived from the earlier-described conceptual framework:

Job scope and work environment: This theme intends to provide a general overview of the work environment, corporate culture, and related values and explain the experiences of expatriates and local staff at headquarters and the subsidiaries. This was presented as an introduction to the interview before guiding the interviewees gradually to questions that are more specific. Hence, the category of job scope and work environment primarily provides input for the investigation on organizational and subsidiary level.

Cultural context: The second theme is linked to the "external influence" illustrated in Figure 7. It seeks to explore the cultural characteristics of doing business in China and to identify how German managers deal with this situation. It also aims at comparing the expatriates' view with the impression of local employees. It mainly informs the subsidiary level, but also includes aspects about the parent country culture.

Business context: The business context emphasizes the specific influence factors that arise from the environmental circumstances and the economic development in China (for example, government regulations, political system, and competitive market environment). While focusing on the subsidiary level, this theme also relates to the headquarters level and the specific environment in the parent country.

Influence from headquarters: This theme is related to the "head office" influence illustrated in Figure 7; it identifies how the company influences the subsidiary and what role the expatriates play in this context. It refers to the three motives for expatriation with particular focus on the function of control. Two perspectives of influence were investigated: influence through the expatriate (personal perspective) and through process standardization (systemic perspective). The results inform the headquarters and the expatriate level.

Personal goals: Within this theme, individual motivations and aims of the expatriates are explored. The personal situations of the expatriates offer a wide range of data for the individual level of investigation. To complete the picture, local employees are also asked about their expectations and personal motivations in respect of the positions they hold.

Preparation for and support during assignment: This theme investigates IHRM models in the context of international assignments. It explains the company's policies and the perceived effects through the lens of the expatriates. During the interviews with local staff, this topic was adjusted in order to explore the HR support and obtain information on training and development opportunities for local staff. This theme reveals information for all three levels of investigation. However, the major focus is on the expatriates and the related HR support provided by headquarters.

The specific interview questions as well as their association with the above-described themes are attached in the Appendix (see Tables A9, A10 and A11). The questions were slightly adjusted to be in accordance with the different target groups and the respective focal points. First, the interview guide for the expatriates and the Chinese locals was developed as they were considered the central part of the investigation. However, two variations of questions were derived for the target group of HR managers and participants of the intercultural training sessions. Concerning the group of HR managers, the questions informing the (I)HRM strategy and policies were adapted to identify the processes underlying international staffing decisions. Besides the selection, recruitment and preparation mechanisms, another focal point of the interview was the role of the HR function within the company. The extended category on human resource issues was specially designed to gain insights from the HR experts and complement the above-mentioned theme "preparation for and support during assignment". Further, the questions concerning the personal goals of the expatriates were not included in the interview protocol of the HR managers. However, if the interviewee was a HR representative who was employed as an expatriate, then the personal motives were part of the investigation. For the remaining themes, the questions were the same as in the interviews with the expatriate and local managers. The interviews with the target group of participants of the intercultural trainings sessions were primarily focused on the selection, recruitment and preparation procedures prior to an international assignment as the interviewees had not been on their assignments yet and thus, could not have explained their experiences. The questions were designed to inform the theme "preparation for and support during assignment" as well as to provide insights on the company's staffing decisions. Further, questions addressing the

participants' expectations for their assignments were included so that their responses could be compared with the responses of expatriates who were on an assignment.

These customized questions formed the storyline for each conversation. Even though the interview guide was pre-structured and covered all the above-mentioned themes, I used my own way of sequencing the questions appropriately. Every interview was considered an individual discussion, which allowed the interviewees to elaborate on their particular cases and to put emphasis on their individual impressions. I tried to find a compromise between covering several aspects of the subject and facilitating a rather free information flow from the interviewee. The large variety of answers provides support that the chosen way was leading to the desired results.

In order to compare the results of this study to Harzing's findings, I included three questions that Harzing (2001a) used in her study. Harzing's questions identified how the expatriates carried out their role of control, thus, the same questions were included in the present research.

4.4.2.5 Conducting the interviews

In order to encourage the interviewees to share their intrinsic knowledge and to facilitate the information flow, the process of conducting the interview was thoroughly prepared. Cavana, Delahaye, and Sekaran (2001, p. 138) describe four stages of the interview process and highlight the importance of bringing the candidate into the "rapport zone" where she or he discloses most of the information. Hence, the interviewer ensured that all face-to-face interviews were conducted in a comfortable atmosphere that allowed the interviewee to abandon any barriers in order to optimize the output. For the first and second interview round in Beijing, the individual appointments were held either in a meeting room, which was reserved for the whole period of the visit, or in the offices of the interviewees. The interviews in Germany were conducted at the individual office premises. In order to activate the above-mentioned rapport zone, the interviewer opened the conversation with greetings and an introduction of herself followed by a couple of minutes of informal communication. After a short preview of the procedure and an opportunity for questions or clarifications, the interview began with the demographic questions. This marked the entry into the rapport zone indicating that the interview was about to begin and at the same time providing the participant with the confidence that he or she could easily answer the first "official" questions. During the course of the conversation, the interviewer guided the interviewee and used skills such as paraphrasing and probing to ensure that the answers were well understood and correctly interpreted (Cavana et al., 2001). Since the

format of semi-structured interviews allows certain flexibility, the flow of the questions was individually adjusted depending on the preference of each participant. However, the basic structure of the interview was maintained. In situations where reports went beyond the intended scope, I allowed the participants to finish their thoughts in order not to interrupt the information flow, but also made sure that the interview was then continued within the desired corridor. Once the necessary data were gathered and/or no new information was expected, the interviewer asked the participants if they would like to add further points, which had not been addressed so far. This allowed the participants to either stress topics of greater relevance or add personal comments to the discussion. The interview was formally ended with an outline of the next steps and the intended timeframe for study completion. However, before the participants left, the conversation was rounded-off with an informal talk similar to the one marking the entrance of the interview. The interviewer also re-emphasized the confidentiality of the data. Concerning the telephone interviews, the procedure was similar to the above described.

The duration of interviews ranged from 30 minutes to two hours with an average of length of approximately one hour and fifteen minutes per session except for the interviews with the participants of the intercultural training, which lasted not more than half an hour. The shorter duration resulted from the limited scope of interrogation, which focused on the preparation for the assignment and the personal motivations and expectations.

All interviewees gave permission for the interviews to be recorded by signing the consent form. This enabled the interviewer to concentrate fully on the discussion and details. Audio-taping allowed the interviewer to focus on the content and lead the participants through the conversation without being distracted by taking notes. Notes were taken in rare circumstances as an additional reference to highlight a key word or phrase or a specific atmosphere. These notes were integrated in the data analysis process and helped to interpret the statements of the participants correctly. The audio files were then transcribed by me (and a research assistant) for the purpose of further analysis. The language of the verbatim transcripts was the original language in which the interviews were conducted (English or German). I then saved and securely stored the documents.

4.4.3 Archival records

Besides the interviews, archival records were also an important consideration during the data collection process. These records were used to back up the field data and draw comparisons. Since the archival records were combined with the interview data and, thus, provided a broad range of data, the concern for data quality and validity should be

addressed. Primarily, the information retrieved from archival data was used to explain the background and context of this case study and the related units of analysis. The comparisons with the field data allowed the researcher to identify areas of high relevance or discover discrepancies, which were then highlighted in the description of the results and thus, were an integral part of the data triangulation process (Cavana et al., 2001). It has to be noted that the archival data were not included in the coding procedure, which is explained in section 4.5.

4.4.3.1 Internal documents

Company internal records provided valuable input especially for company strategy, values, and HR policy. The documents consisted of annual reports, papers, and brochures on HR initiatives and diversity programs as well as updates for the company's China activities and the future strategy. Further, statistical data about global assignees and executives were provided by the assigned HR Manager. Additional information was retrieved from the company's internet and intranet pages containing a wide range of information on product, brand, strategy, and services. Specific data on the automotive market including the selected company and its competitors were derived from company-internal databases, which provided sales figures for the respective segments. Further, business information for the automotive industry was retrieved from online sources provided by the company through a subscription with selected data service agencies.

4.4.3.2 External sources

In addition to the internal sources, a variety of books, magazine, and newspaper articles as well as published papers were perused to gather information on the topic.[39] To illustrate the macroeconomic situation in both the home and the host country, the investigation involved official statistics from the respective governmental internet pages and data from statistical institutes and international organizations. To evaluate the economic situation, newspaper articles from German, Chinese, and the international press as well as international studies were reviewed and incorporated in this research. Information on the political background was obtained through books and online sources.

[39] The external sources were multifold and provided valuable background information as well as useful statistics and data. Whenever they served as the source for a direct quotation, the references were indicated in the text. Mostly the data were accessed through the official websites of the respective institutions or organizations: German and Chinese government sites, federal statistical offices (for example, www.destatis.de, www.gtai.de), international organizations such as OECD, WTO, IMF and UNCTAD, as well as various reports from consultancies (for example, McKinsey, KPMG, Arthur D. Little). Global Insight and Economist Intelligence Unit (EIU) databases were accessed through the company's subscription. Further, internet pages of vehicle associations (for example, ACEA, VDA and CAAM) provided a rich database on the automotive market.

However, it is important to note that political characteristics (especially of the Peoples Republic of China) are not regarded as a primary area of interest for this investigation. Even though they provide important and relevant contextual parameters for the subsidiary operation, a detailed analysis was not considered, as this would go beyond the boundaries of this case study project.

The analysis concentrates on scientific publications, books, and other reference-type material. Nevertheless, in order to capture recent developments and incorporate up-to-date information, I also relied on daily press and online publications. It was ensured that evidence was not only taken from one source, but from a variety of articles and reports in order to corroborate certain statements. The use of daily press and public media also has the distinct advantage of reflecting a realistic and timely picture of the given circumstances. In this particular research, much emphasis was given to illustrating the growing importance and dynamics of China and its relevance for Western (including German) firms. Thus, articles from the daily press were necessary for this analysis.

4.5 Analytical procedure

4.5.1 Coding based on grounded theory approach

The interview content is supposed to generate a comprehensive database for answering the RQs. Thus, it is imperative to thoroughly structure the analysis process in order to ensure a high data consistency and validity; this analytical way of identifying relevant data is referred to as coding. Miles and Huberman describe codes as "tags or labels for assigning units of meaning to the descriptive or inferential information compiled during a study" (Miles & Huberman, 1994, p. 56). For this case study, the coding procedure was designed to follow the steps explained by Strauss and Corbin (1990) based on the original concept of grounded theory by Glaser and Strauss (1967). Although qualitative research does not necessarily have to follow the same analytical steps as quantitative, theoretical constructs should emerge from the discovered findings. Using grounded theory as a framework helps "to develop a well integrated set of concepts that provide a thorough theoretical explanation of social phenomena under study" (Strauss & Corbin, 1990, p. 5). Following the major steps of this approach, coding was the core element of the analytical procedure, whereby categories were developed concerning the research objectives (open coding). At the beginning of the coding and analysis process, these codes were simply listed without further clustering or sub-categorization. Once the coding process had evolved and a variety of codes had emerged, a tree-structure was

developed to combine similar themes on a more abstract level. Even though the theoretical framework would have suggested some pre-defined codes, for instance on the functions of expatriates, the coding procedure was deliberately kept open to facilitate an inductive process and allow codes to emerge from the field data. The coding process was initiated at an early stage after the first interviews had been transcribed in order to incorporate relevant findings in the next interview sessions (Strauss & Corbin, 1990). Carney's "ladder of analytical abstraction" as displayed in Miles and Huberman provides a useful illustration of the analytical procedure applied in this case study:

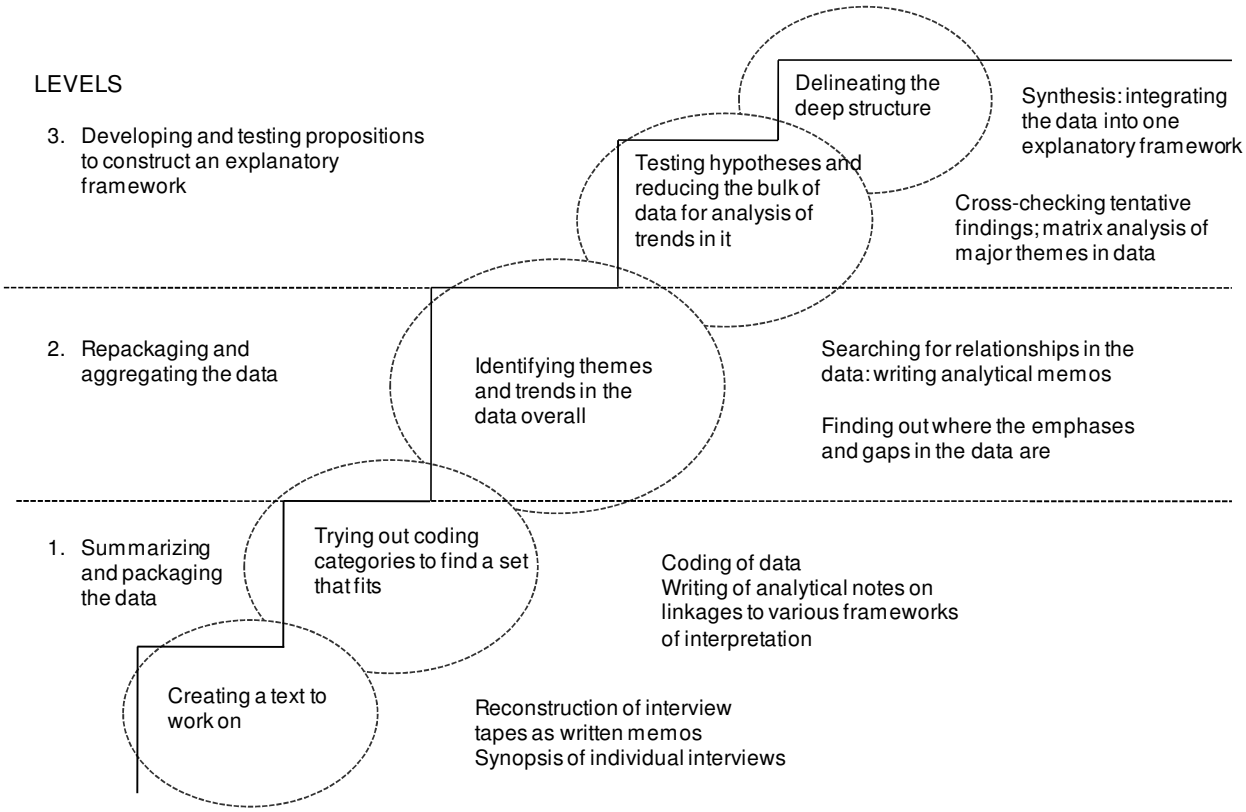

Figure 12: The ladder of analytical abstraction (Carney, 1990)

Source: Own illustration based on Miles & Huberman, 1994, p. 92

4.5.2 Coding procedure

The coding procedure was designed to identify information that relates to the three units of analysis and subsequently leads to answering the RQs. At the initial stage of coding, relevant statements were assigned to different codes. These codes are labeled "free nodes" and allow the capturing of interesting ideas on a specific theme without imposing a structure or a relationship between the codes (Bazeley, 2007). In the course of the coding procedure, more abstract categories were generated to cluster free nodes under different headings, which are labeled "tree nodes" (Bazeley, 2007). This leads to a branching system

that connects related codes as well as displays the data structure and a hierarchical order. This procedure was repeated many times in order to ensure an accurate allocation of the relevant statements as identifying the correct categories is a crucial precondition for developing theory (Strauss & Corbin, 1990). The following code structure relating to the three levels of investigation was designed:

Headquarters level

- German cultural and business characteristics
- Staffing policy of the company
    - Employer image and branding
    - Selection and recruitment of expatriates
- Career chances
    - Locals
    - Expatriates
- Reintegration
- Administrative and contractual parameters for expatriate assignments
- Inspired people and employee motivation
- MNC's HR support for expatriates and inpatriates
- Role and position of the HR function within the company

Expatriate level

- Expatriate functions
    - Coordination and control function
        - Direct control through expatriates
        - Impersonal control through process standardization
        - Minimize risk = No trust in local staff
        - Expats as link between HQ and business in China
        - Diversity and intercultural exchange
        - Influence from HQ
    - Filling positions
        - Knowledge and know-how transfer
        - Development of subsidiary
        - Shortage of qualified local staff
    - Management development
- Expatriate adjustment
    - Adjustment to Chinese culture
    - Adjustment to German culture
    - Prior expatriate experience
    - Preparation of expatriates prior to assignment
    - Family of expatriate
- Expatriate performance and effectiveness
- Personal goals
- Others

    - No particular reason for sending expatriates
    - No appropriate job opportunities at HQ
    - Role and function of local staff

Subsidiary level

- Business influence factors
    - Automotive industry
    - Competitors in the market
    - Economic growth and market environment in China
- Chinese political system
    - Chinese authorities
- Chinese cultural characteristics
- Communication
    - Language
    - Cooperation between expatriates and Chinese locals
    - Communication between local staff and HQ
- Company specific environment
    - Company culture and values (link to inspired people)
    - Company organizational structure
    - Company rewarding policy and salary structure
    - Strategic planning and company targets

The codes above were inductively developed based on the content of the interview data. In the next step, every statement in each code was scanned for key words or messages and interpreted accordingly. In some cases, the content was originally allocated to one particular level and then was split and re-arranged to other levels. For instance, the code "company-specific environment" not only provided input for the subsidiary level, but also shed light on the general company background including strategies and values. This finding was noted in a memo, so that I would remember it and assign the content correctly during the analytical procedure. Thus, I carefully evaluated all statements in multiple rounds of analysis to ensure that the information was assigned correctly. These constant comparisons of relevant data are one key element of grounded theory and aim at achieving high precision and data consistency. While working through the coded data, notes, and memos were taken to capture any remarkable connections, conformance, and irregularities as well as first indications for a theoretical concept.

By applying the above-described procedure, all statements accumulated under each code were further analyzed and refined. The statements were split into different perspectives, such as the systemic view or the personal view of the expatriate, when appropriate. The number of citations per category indicated the weightage or relevance of the respective category.

Finally, the results of the analysis on all three levels of investigation were brought into perspective. Connections and dependencies between headquarters, expatriate, and subsidiary levels were identified and illustrated. This built the basis for the development of a theoretical concept, which helps to explain the correlations and their potential impact.

4.5.3 Coding example

To exemplify the coding and analytical procedure, one code from each level of analysis will be selected to demonstrate how the content was interpreted and itemized as the basis for drawing further conclusions. The selected codes represent categories with a high number of citations, which indicates their high importance and relevance within the specific level. The following examples were chosen from the three units of analysis: (1) Headquarters level: "Role and position of the HR function within the company"; (2) Expatriate level: "Coordination and control function"; (3) Subsidiary level: "Chinese cultural characteristics."

(1) In the first step, all citations under this specific code were compared in order to find consistent statements, which could be summarized under a joint header. This process produced the following categories: "Limited influence from HR," "No central function of HR," "HR not considered a long-term strategy/asset," "Lack of credibility," "HR has an administrative role/makes offers," "Lack of self-esteem of HR department," and "HR could play an important role to avoid egoisms from functional departments." In the second step, these categories were divided into two categories; formal and informal, whereby "Lack of self-esteem of HR department" and "HR could play an important role to avoid egoisms from functional departments" were assigned to the informal one. Based on this format, all remaining codes were searched for any relevant statements that would fit under the newly defined categories. Some citations, for instance, which were sorted under the code "MNC's support for expatriates and inpatriates," were considered meaningful and re-assigned accordingly.

Further, the number of citations that underpin each category has been taken into consideration as well. It gives an indication of the importance of the specific category in relation to other categories under one theme. In this particular example, the first two categories from the formal perspective "Limited influence from HR" and "No central function of HR" overweighed the remaining items. Identical citations from different interviewees were not listed in order to avoid redundancies. However, they were considered during the analysis process to reflect the importance of each category correctly.

The following overview represents the final structure and content of the code "Role and position of the HR function within the company" split into a "formal" and an "informal" perspective:

Formal

Limited influence of HR	"Our influence is still very limited. Currently we are having approximately 1,100 employees abroad and in around 30% of the cases we are involved in the selection of the assignee." "We can only make offers concerning selection and preparation of assignees and these offers are optional for the functional departments.(...) Only in 30–40% of the cases they make use of this offer; because in our company we do have the culture that HR decisions are made by the functional departments." "In our company, you can only make offers as HR department—that is, grassroots work. Some departments are convinced some are not." "Some sort of in-transparency is supported in certain circumstances; based on that background or that culture, it is extremely difficult to carry out proper HR work as it is not supported by everyone." "HR has never opposed a personnel decision from a functional department." "In the meantime, there is an overall HR strategy, which certainly is not stringent yet. But I also claim that an overall/comprehensive HR strategy cannot solve the matter as long as the functional departments are much stronger. It only works if the functional departments cooperate and are in line with the strategy. In most of the cases the functional departments make the recruitment decisions and if these departments do not check the cultural fit, you cannot do anything with a global HR strategy."
No central function of HR	"HR is a pure service provider, but not a central function in our company as for instance with General Electric. I guess that is the main problem why we send so many incapable people abroad." "AM does not have a strong role compared with the functional departments. They can only support, but not establish themselves." "Our HR staff is not conflict-oriented; they are rather avoiding or trying to solve conflicts. This is one of the main issues and that is why we are often criticized. I think, if we are convinced that human capital is the most important asset of the company then we have to assign a much bigger role/responsibility to our HR department." "HR should claim a higher level of responsibility and creativity when it comes to developing and managing 'human capital.' This means they should be the ones to empower the Management and provide them with appropriate tools to develop and manage this important asset (which is their staff)."
HR not cons. a long-term strategy/asset	"The topic HR is not considered the first or second long-term strategy in our company." "It looks like we are having decision makers whose interest is not focused on personnel development. Business topics or financial issues are paid much more attention to than HR."
Lack of credibility	"Let's be provocative: How should a HR staff, who has not been abroad before evaluate whether an expat candidate suits a certain position?! That's where it all starts. How should an employee, who has been with the company for only three years know, if the candidate has the required skills? In this regard we have internal discrepancies and, thus, are not credible or authentic."
HR has an administrative role/makes offers	"We have to communicate, communicate and communicate; we do have so-called 'Key Customer Platforms' where we sit together with the functional departments and discuss everything from reintegration to development. We try to inform them about the procedures and make them sensitive to the whole thing." "In general, the role of HR in this company is seen as supportive and administrative. HR is supposed to make things happen and arrange the necessary things."

Informal

Lack of self-esteem of HR department	"I think the HR department should have a much bigger self-esteem and they should position themselves like this: We as HR have to bring a value-added and this value could lie in enabling better personnel decisions."

HR could play an important role to avoid egoisms from functional departments	"I have a close cooperation with AM; I would like to avoid egoisms from functional departments and get an objective view as to whether someone fits into a certain position. Here, AM could have a very important function from my perspective."

Based on the above categories, the core messages of each category were summarized. They are supposed to provide a concise description of the content and increase the level of abstraction. To reflect the relevance of each item, the categories with a higher number of citations were given priority about formulating the core messages. As a preliminary conclusion, the following quintessence was drafted:

Limited influence of the HR function

- HR/IHRM does not have a central function in the company
- Influence is limited and HR can only make offers
- Acceptance depends on the openness/willingness of the functional departments
- Strong influence of functional departments
- HR has only limited capacity to support and provide guidance
- Weak position of HR is leading to a lack of self-esteem, which minimizes the chances of having a greater impact in personnel decisions
- Top Management support required to initiate change

(2) The second example represents the expatriate level and includes the code of the "coordination and control function" of the expatriate. This was one of the most complex and interesting items as it was not only meant to emerge from the interviews, but also to test the existing control functions identified by Harzing (2001a) ranging from direct or formal control to informal control, which is based on socialization and informal networking. Hence, the analysis process of this particular code was an extremely iterative process with multiple loops of comparisons and interpretations. In accordance with the first example, this code was also split into a formal and an informal perspective to represent the notions of control symbolized by the metaphors "bear" (standing for the direct control), "bumble-bee" and "spider" (representing indirect and informal ways of control).

Formal

Represent company interests and secure company tradition and legacy Impose the company's will on the subsidiary Control and supervise implementation of HQ strategies	"Direct control probably exists in the Finance and Controlling area; other than that, the MPC seem to be relatively independent." "They send expats, because they want to control the company." "I think, xxx is a very big company with a very long history and tradition. (...) I think, in the sense of business control, it is necessary. You need to work together with the locals, but on the other hand you have to ensure that the interests of the company are represented and taken care of." "It is a question of trust and philosophy, if HQ sends the expats in order to control the subsidiary or simply to get the operation started and make the subsidiary adapt to HQ." "The company has a certain tradition and aims at achieving specific goals; in order to realize this, it is necessary to supervise the development of a subsidiary abroad. The key positions are filled with expats and it is their task to impose the company's will on to the subsidiary." "Expats need to ensure certain control functions. Focus on target achievement and giving directions concerning company strategy." "Sometimes there is no time for personnel development, because we are too busy rearranging processes to please HQ." JV: "You cannot lead the discussions with the joint venture partner from HQ; you need people here on-site."
Trustee positions: Important/strategic functions, especially CEO and CFO are taken by expatriates Western standard to send Western boss	"For me, it would be important to send people who I can talk to; in particular for important functions, such as Finance. I need people who I can trust to take care of my money. I find that necessary." "Concerning Controlling, all the targets and guidelines have to be discussed with HQ; the Controller's hands are tied." "There is a group of employees, who take care of critical functions, which you cannot hand over to locals, such as CFOs. I guess 80% of those worldwide are Germans. There are compliance-relevant or critical positions, where the company wants to ensure that HQ as a very strong control." "You do have so-called 'trustee positions'; these positions are key for the company and they only put certain representatives on these positions. There are certain countries where it was decided that the company representative must be a German who comes from HQ." "In general you should say that there is always a certain base with assignees. This base consists of the trustee positions (for example, CEO, CFO, and others) and also positions which have a strategic function or an interface to positions in Germany, for example, construction cross points or production planning." "We cannot afford any risk when it comes to compliance-relevant functions; we need someone who is 100% trustworthy." "It seems to be Western industry standard that the boss of a Western company is expected to be a Westerner or a German for our case."

Minimize risk/ no trust in local staff	"To minimize any kind of risk, because you know the expats are aligned, committed and trained accordingly. We simply take them to be on the safe side. I guess almost every Finance guy goes abroad due to this explanation." "If there is any compliance case somewhere, there is no time to lose. Hence, you send an expatriate to sort it out." "It is a trust issue. (...) In general they say: Oh, we do not trust Chinese. Trust means, they might not be able to handle the business, they might not be loyal enough and so on. Hence, they decide to better send an expat, because then it is easier for them." "With having a certain number of expats you can ensure that you can communicate and clarify things in German with HQ, so that you would not go in the wrong direction or have to start from scratch again." "Maybe it is short-sighted, but in new/emerging markets you will always have expats, because otherwise you will create a bottleneck situation and you would not get the results you want to see." "There is this perception that only if it is in German hands than you can be on the safe side; which implies that, if the task is given to a Chinese, we would not be safe. Trust is basically not related to the function, but to being German or Chinese." "Having many expats abroad means that you have a good transparency what is going on—Germans talk to Germans. You cannot approach the Chinese as easily as the Germans." "Because you do not want to disclose sensitive information." "In some areas we will always have expats, because we are not willing to share our know-how with others." "One reason to send expats is to lead the processes according to company standards and to develop mechanisms to safeguard our brand."
Less influence on operational level	"To my surprise, I am actually rather independent here. The guidelines what has to be achieved do not directly have an impact on my area of responsibility (logistics). (…) I am only one small screw in the whole organization." "On operational level, i.e., day-to-day business, we decide by ourselves. However, we always need to involve our HQ people concerning directional or strategic decisions." "For daily things, we are on our own." JV: "I actually had little contact with HQ during my time in China."

Informal

Represent link and information channel to HQ	"The positions CEO, CFO and head of Controlling are most probably these positions that head office needs to have an ear in the company." "I am of the opinion that also in the long term, we will still have expatriates, because we need them as link to HQ." "Through our boss we get to know these concepts and how to set up the business. And he can also reflect to HQ what is happening in China. It is about communication." "As an expat you are also an interface to HQ and the respective departments. Otherwise you will not have any kind of understanding over there." "Well, there are classic reasons for every company to send expatriates: to keep up the connection to HQ." "Expats spend (waste) a lot of time preparing presentations for HQ; they are also sitting in Germany a lot of time for so-called 'communication'!"
Bridge two systems	JV: "Our management has the understanding that you have to make HQ-like slides—you should not judge people on one criterion: HQ-like slides!" "You have to provide regular updates and explain what you have heard out of the market." "Sometimes you need someone who can bridge the two different systems." "They (= the locals) have to be trained to understand the company philosophy, culture and communication style." "Expats have many contacts and can communicate with Germany." "As an expat you have to keep the network together; you need to know the relevant people in Germany or in other countries." "We are a link and we also represent a certain image."

Translate HQ requirements to local environment (and vice versa) Facilitate communication: it is easier with expatriates	"It is about translating the advices/policies given from HQ and adjusting them to the local environment; like preparing a local dish: you have to put all the local spices and herbs so that it tastes local." "I am the link between HQ and the operation in China; my daily job is more or less translating the input from HQ to local needs and vice versa." "I am a facilitator, the person in-between. In my case between the government body in China and the divisions/departments in Germany. I know best how you have to address the people in Germany and what is of their interest." "At least you can ensure that you can talk 'German' to 'German'—may sound trivial, but I do not think it is."
Establish company culture and values at subsidiary	"We are aware of the company values, because our CEO held a Management workshop, where he informed all Managers of the Regional Center. We had workshops and discussions to understand our four core values." "We know the company values; the company even gave us a brochure to get to know the concept." "The company culture is present here through the expats. However, you have to adjust this culture because sometimes it is not understood in the context here."
Contradiction: Expats are a link, but few seem to be interested in their feedback	"We do give feedback to HQ from a market perspective; however, the question is, if anybody is interested in it!?" "Nobody wants to hear the feedback from the markets or even trying to understand it." "Our role is to support the business in China and also do a lot of grass roots work toward Stuttgart." "Partially, I have difficulties to explain to Germany what challenges we are facing here. They simply cannot understand what I am talking about. Sometimes they can also be ignorant. They do not care about the time difference at all!" JV: "You need to explain to the employees that they are an integral part of a global sales organization. This is relatively easy and appreciated. What is not appreciated, is the fact that the JV is still treated as an island without the appropriate exposure or the possibility to talk to the other sales organization; this is all organized via the Majority."
Diversity and intercultural exchange Internationality of the company Support globalization	"Wherever they assign German colleagues to China or local people to Germany that is always a very good arrangement, because the diversity will benefit for the whole company group. … Staff coming from different countries can create a lot of creative ideas; they can motivate the team spirit." "Different staff has different personalities and they have different views on certain aspects." "Actually, I only see Germans coming to China, but there is no overseas assignment for local staff to Germany. That is the problem." "The company can only survive if its orientation is international." "Expatriation is a mean to support globalization in general." "Expats bring know-how and internationality. They bring the intercultural aspect and that is a key ingredient for the company or it should at least be."

The high number of quotes in the formal and informal tables provides an extensive basis to test existing theories as well as add new perspectives. The key messages from the above categories contain a variety of points:

Formal

- Control subsidiary business to safeguard company legacy
- Impose HQ will on subsidiary
- Trustee positions (for example, Finance and Controlling) have to be in German hands
- Tight control especially in compliance-relevant areas
- Minimize risk of failure or disclosure of sensitive information

- No/not sufficient trust in local staff of being loyal enough
- Direct influence more on Management than on operational level

⇨ Major motivation: Minimize risk of failure or disclosure of sensitive information.

Informal

- Facilitate smooth communication
- Ensure regular information flow between HQ and subsidiary
- Provide link to bridge the two systems
- Network and contacts of expatriates are a decisive advantage concerning their connection to HQ
- Establish company culture and values in subsidiary
- However, market-relevant feedback is seldom heard and appreciated at HQ
- Expatriates as representatives of an international and diverse workforce

⇨ One-way street rather than bridging two systems.

⇨ Staff coming from various nations does not necessarily imply that the company has a culture where diversity is valued and appreciated.

(3) Finally, the code "Chinese cultural characteristics" from the subsidiary level was chosen to describe the process of interpretation. Similar to the above-described steps, all citations under this code were thoroughly investigated and lead to six major topics as illustrated in the below overview. One topic contains single statements, which did not fit in either of the categories.

Willingness to learn	"You can see the desire to learn more and be better than others. The people want to learn." "Chinese people are very open and they are interested and are eager to learn. They like learning and they do it a lot. They invest a lot to learn English; they want to understand how Western countries are and how they are organized. They also travel a lot and they are very open-minded." "They are eager to learn and are also open to Western Management methods. On the other side, they are proud of their history and won't let tell others them what to do and how to do it."

Losing face	"In Asia losing face would be the worst thing to happen." "We are not used to giving open feedback; you have to notice it somehow. How? More or less in the sense of punishment, nothing major. But we try to make you understand that something was not right in a very subtle manner." "When you discuss a certain topic, then nobody will lose face." "Actually, I was surprised how well the Chinese can deal with critique! I guess a lot of things have changed over the last 20 years. I like the way how they criticize; although it might be rather subtle, but they are nevertheless able to make their points quite clear." "For Chinese people it is hard to say 'no' face-to-face, even though they think 'no.' So, it does not work if you ask them to speak out what they think. They want to tell somebody beside you and tell him or her what they think. This message is then supposed to deliver the message to you. That is the truth."
Value of the human being	"I experience the Chinese people as being rather open and not so much concerned about losing face. Actually, that surprised me in the beginning. We have a lot of fun together and the atmosphere is very good." "In China, for instance, it is ensured that the human being/the individual is valued and respected."
Relationship (guan xi)/ trust (continuity)	"Communication is very important for Chinese people; they communicate 24/7! There is also no real line between private and business life, which is different in Germany." "Chinese people believe that once you trust somebody, you would do anything for him and even suffer." "A lot of things depend on relation──what we call guan xi. If you have good relations, you can do whatever you want. But this takes time." "In China, you have to understand the relationships behind. In this sense, the Germans are too strict sometimes." "The Chinese are programmed on continuity. They established life-long relationships." "You need to establish a good relationship with your dealers──almost like a friendship." "Everybody tells you: You have to get to know the partner and build trust or so-called guan xi. At a first glance, you get the impression that this practice is no more in use nowadays…."
Seniority/ hierarchy	"Seniority is key in China." "Hierarchy is seen differently compared to Germany; that is, boss-employee relationship is different." "The Chinese colleagues are not willing to take responsibility sometimes. They delegate things back to the bosses."
Flexibility (few written rules, more "maybe yes, maybe no")	"The speed of change is extremely high in China, because nothing is stable right now. When in history have the Chinese ever experienced stability!" "They are not thinking straightforward; they rather look at the whole picture and would adjust parameters, if they have to. So you have to be a little bit flexible." "They like beating around the bush and it is hard to evaluate what they really know…." "For us, we do not have many rules that are written in black and white and where you can say yes or no. It is more like maybe yes or maybe no." "Little is written on paper and the decision-making processes are kind of in-transparent. That is why there are so many rumors at HQ."
Others	"There are some behavioral issues, in particular their eating habits." "Having a Mercedes-Benz is a symbol of wealth, successful career, or something like that. It is a status symbol." "In China, as a matter of fact, we treat foreigners, especially Westerners, better than locals." "There is not 'one China,' there are many different regions and cultures within this continent." "The Chinese people are not been keen on high-quality standards. To put it bluntly: they don't care at all about quality."

These items were summarized as follows and provide a condensed view of the Chinese cultural characteristics from the perspective of the respondents:

Major characteristics (well-known in the literature) were confirmed

- Losing face
- *Guan xi* or relationship/trust
- Principle of seniority
- Willingness to learn
- Flexibility/speed of change
- Status symbols and respect for Western culture

⇨ These are key values in Chinese culture.

⇨ Remarkable is also the "willingness to learn" as it underlines the Chinese will and ambition to improve their knowledge and catch up with other nations.

⇨ Flexibility collides with the German black-and-white-thinking.

Once all codes were analyzed in this manner, the preliminary conclusions were abstracted, evaluated, and displayed as per the overview attached in the Appendix (see Figures A19 to A21). By contrasting the condensed interview results to key topics, the illustration provides transparency of congruencies and differences on each level of investigation. Five-point scales are used to reflect the results of the analysis on a very high level. It is important to note that the evaluation is based on qualitative data and, thus, the intervals between the values of each scale might not be equal and might not satisfy quantitative statistical methods (Jamieson, 2004). Nevertheless, this format seemed appropriate, because it allows researchers to visualize the focal points and conflicts.

The illustrations allowed me to derive further conclusions about the relationships between the involved stakeholders and units of analysis. Additionally, they provided the foundation for developing the theoretical model. Major areas of conflict are described in greater detail in the results chapter.

4.5.4 Interrater reliability

To address concerns about data reliability and validity, a second, independent coding was carried out by a research assistant. Since the research assistant was involved in organizing interviews, he had a fair understanding of the topic and the theoretical background including the conceptual framework. However, he was not involved in the coding process and the information on the code structure was not disclosed to him. The check-coding was carried out in May 2009 after all interviews had been conducted and transcribed. According to Miles and Huberman, a consistency rate of over 90 percent should be achieved before continuing with the research (Miles & Huberman, 1994). Hence,

the results of the check-coding were thoroughly evaluated before further data analysis was carried out. Tables 5 to 7 provide a brief overview of consensus and differences of both coding procedures.

Table 5: Check-coding: Headquarters level

Check-coding	***Original coding***	***Consensus and differences***
Tasks and functions of HR	Role and position of the HR function within the company	ok
Recruitment and evaluation procedures	Staffing policy of the company: selection and recruitment	ok
(Training) measures for HCNs	Career chances: locals	ok; allocation under different level (headquarters) and code
Reintegration in Germany	Reintegration	ok
Support of reintegration	Reintegration; Administrative and contractual parameters for expatriate assignments	ok; content was found in various categories in the original coding
Critique and improvement proposals for staffing policy	Staffing policy	ok
Cooperation with functional departments	Role and position of the HR function within the company	ok
War for talented staff	Staffing policy of the company; company rewarding policy and salary structure	ok
Support for family	Administrative and contractual parameters for expatriate assignments	ok
Making use of the expatriate experience	Expatriate as link between HQ and subsidiary	ok; allocation under different level (expatriate) and code
Staffing policy in other companies	Business influence factors: competitors in the market	ok; allocation under different level (subsidiary) and code
Preparation through intercultural training	Adjustment process: preparation of expats prior to assignment	ok; allocation under different level (subsidiary) and code

Source: Own illustration

Table 6: Check-coding: Expatriate level

Check-coding	***Original coding***	***Consensus and differences***
Network and link	Expatriates as link between HQ and subsidiary	ok
Supervision and control	Direct control through expatriates	ok
Influence from headquarters	Influence from HQ	ok
Fill empty positions	Filling positions: Shortage of qualified local staff	ok
Knowledge transfer and empowerment	Filling positions: Knowledge and know-how transfer and development of subsidiary	ok
How function is carried out	Expatriate performance and effectiveness	ok; allocation under different level (subsidiary) and code
Trust	Chinese cultural characteristics and minimize risk (no trust in local staff)	ok; allocation under different level (subsidiary) and code
Other reasons	Others; diversity and intercultural exchange; Impersonal control through process standardization	ok; content the same as in other categories in the original coding

Source: Own illustration

Table 7: Check-coding: Subsidiary level

Check-coding	***Original coding***	***Consensus and differences***
Chinese environment: culture Education/learning Losing face Working independently	Chinese cultural characteristics Willingness to learn Losing face Shortage of qualified local staff	ok ok ok ok; allocation under different level (expatriate) and code
Chinese environment: business	Business influence factors: economic growth and market environment China	ok
Chinese environment: political context	Chinese political system	ok
Language	Communication: language	ok
Relevance of local staff	Role and function of local staff	ok; allocation under different level (expatriate) and code
Impression of German culture	German cultural characteristics	ok
Perception of company culture	Company-specific environment: company culture and values	ok
Behavior of expatriates in regard to Chinese locals and working relationship to German colleagues	Cooperation between expatriates and Chinese locals	ok
Specific JV environment	See above	ok; differentiation between "majority shareholding" and "JV" was made in the analysis process
Filling of Management positions	Staffing policy of the company	ok; allocation under different level (headquarters) and code
Salary of HCNs	Company rewarding policy and salary structure	ok
Career chances of Chinese employees	Career chances: locals	ok; allocation under different level (headquarters) and code
Career chances of expatriates	Career chances: expatriates	ok; allocation under different level (headquarters) and code
Requirements of expatriates to adjust	Adjustment process: adjustment to Chinese culture	ok
Family as success factor	Adjustment process: family of expatriate	ok
Support through prior expatriate experience	Adjustment process: prior expatriate experience	ok
Motivations of expatriates	Personal goals of expatriates	ok; allocation under different level (expatriate) and code
Expatriate failure	Expatriate performance and effectiveness	ok
Support of expatriates by the company	MNC's HR support for expatriates and inpatriates	ok; allocation under different level (headquarters)

Source: Own illustration

The results of the second coding suggest consistency between the original structure and the check-coding structure. Thus, a high degree of data reliability can be assumed. In some cases, the codes were not assigned to the same categories, but were named similarly and contained comparable statements. In cases where there was uncertainty about meaning or relevance of coded items, I contacted the assistant for clarification. Consensus was reached concerning the content and coding structure. Besides confirming the original code structure, the second coding also added some new perspectives to certain categories. For instance, the "networking" aspect was added to the expatriate function as a link between

headquarters and the subsidiary. Such input was thoroughly studied before the results were reported and before the theoretical conclusions were derived.

4.5.5 Software support

The field data management process was an important function of this research project. In order to ensure efficient handling and filing of the interview records as well as facilitate professional data analysis, the computer-aided tool NVIVO (version 7) was selected. This tool allows researchers to define certain key words and categories that are relevant for answering the RQs. As explained earlier, the literature describes this process as coding, which means retrieving text that is related to specific themes and categories (Tharenou et al., 2007). Although software tools facilitate easier data handling and accelerate the process of documenting and clustering, every single data entry needs to be defined and initiated by the researcher. NVIVO served as the tool to store demographic and statistical data, create a code structure with a variety of so-called "nodes" (comprising a multitude of citations from the interviews) and to store memos, annotations and additional information (Bazeley, 2007). Another benefit of the computer-added analysis was that the original raw data were kept in the database even though the coded statements had been moved to a variety of categories. This process allowed making changes without losing the original information.

Even though working with NVIVO simplified the coding procedure, the major part of the analytical process was carried out manually. I structured the data and interpreted the relevance of the data with regard to the RQs. Once the final code structure was fixed in NVIVO, the results of the content analysis were documented and illustrated in Microsoft Excel spreadsheets. With Microsoft Excel, I was able to transform the statistical data into graphs and charts as well as to generate multiple worksheets with the relevant input. Finally, Excel enabled a well-arranged display of the citations.

In summary, the selected design, methods and procedures ensure that that the requirements of a high-quality research are fulfilled. The underlying principle of this research was to incorporate different perspectives from multiple data sources (i.e., data triangulation). This synergistic approach allows increasing the "scope, depth, and consistency in methodological proceedings" and, thus, supports the validation of the produced knowledge (Flick, 2009, p. 445). Following the principle of data triangulation was of particular importance for this case study, because the samples were drawn from a single MNC.

5 Results

Following the earlier described process to get from raw data to theory, the data have been analyzed and condensed to answer the RQs posed in Chapter 3. According to the structural set-up, each question and the distinct evaluations are illustrated separately on every level of investigation and corroborated by citations from the personal interviews. The verbatim quotes illustrate the key messages and results of the investigation. In a final step, the different levels are combined into an integrated model. This model consolidates the answers to the RQs and puts them on a theoretical level illustrating relationships, dependencies, and influence factors from an all-encompassing perspective. Areas of conflict were also identified and will be mentioned in this chapter.

5.1 Introduction

Based on the theoretical framework and model from Moore (2006), the results are split into three portions: headquarters, expatriate, and subsidiary level. This tripartite structure is the central concept for this case study and the guiding principle throughout the whole research process. Hence, the results will also be reported in this manner whereby relationships and interdependencies will be explained in a separate section. The distinct findings are combined in a comprehensive model depicting the influences on expatriates from various perspectives. This model aims at addressing shortcomings from previous research as well as at providing the foundation for future empirical work to test the validity of the derived theories.

5.2 Headquarters level

5.2.1 Overview

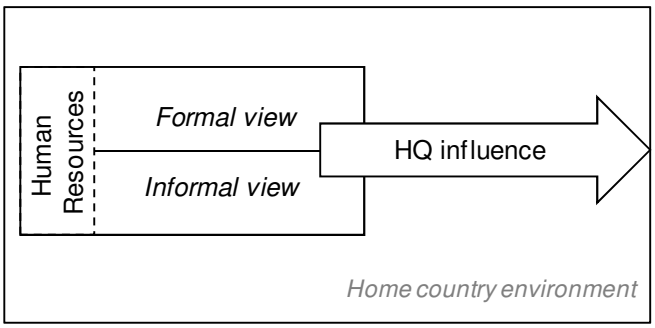

Figure 13: New model: Headquarters level

Source: Own illustration

The first area of interest is the headquarters environment, which is located in the parent country (Germany) of the MNC. At the beginning of every interview, the

participants were asked to describe their job scope and work environment as well as elaborate on the organization in terms of its structural set-up, strategies, and corporate values. Many of the participants' answers and statements suggested that the organizational set-up seems to be of great significance for evaluating the relationships between all stakeholders. The category "company background" provides a systemic overview of structure, processes, values, and company culture. This systemic overview is split into a formal and an informal perspective; whereas statements about structures and processes delineate the formal set-up of the firm, values, and cultural topics describe the informal rules and notions that are prevalent within it. As the company culture is embedded in the macroeconomic context, the German environmental and cultural characteristics were also investigated through a number of interview questions. These characteristics were considered because they influence the company's internal structure and business procedures.

The major part of the investigation on the headquarters level consisted of information regarding human resource strategies, international staffing, and expatriation policies. These topics provide extensive input from a headquarters perspective and build the basis for comparisons with the subsidiary level, which will be described later in this chapter. Besides corporate strategies, the role and position of the (I)HRM department was explored through indirect questions about the recruitment and selection process. The results directly inform the RQ about the role of HR and provide interesting insights into the company's organizational set-up, which is linked to the preceding category of "company background."

Another focal point of the headquarters level analysis is to understand the MNC influence on its subsidiary operations. The results are summarized under the header "Control of subsidiary" and are divided into a formal and an informal perspective.

All categories, which were informed by the earlier mentioned codes, delivered valuable insight to answer the RQ. Following the "Organizational-level diagnostic model" (see Figure 14 below) the organizational input, such as environmental aspects and industry context, are covered first, whereby organization design components like company culture, strategy, structure, and HR will be addressed subsequently. Each question will be assed individually and corroborated by typical quotations in the below paragraphs.

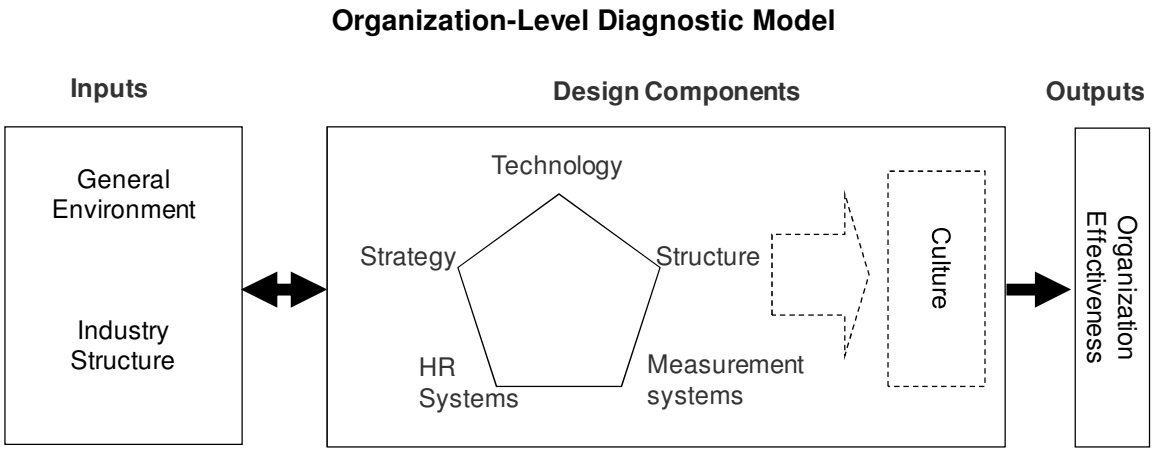

Figure 14: Organization-level diagnostic model

Source: Own illustration based on Cummings & Worley, 2001

5.2.2 Answering the RQs

RQ1: To what extent is there a good fit between HQ's structure, systems, and culture and its IHRM policies and procedures?

5.2.2.1 HQ structure, systems and culture embedded in the home country environment

According to the interview results, many of the statements provide support that the MNC is firmly anchored in its German environment and shaped by the tradition of its founding fathers. Thus, the earlier-described characteristics of the German culture have influenced the company setting and are strongly present through the employees at headquarters. The following section will subsume the respondents' impressions of the German culture and complement the scientific literature on German characteristics.

5.2.2.1.1 Home country culture and environment

Direct attitude: The interview results suggest that having a direct attitude and a rather blunt behavior are typical German characteristics, which is in accordance with Hall's description of German communication. However, some of the Chinese participants commented that they prefer this style of communication, because they would rather have open feedback, that lets them know where they stand:

> The Germans are very direct in their attitude. I prefer to get open feedback, because then I know where I stand and can decide for myself, whether I accept it or not. I prefer the German way in that sense.

Thus, the direct attitude was not considered an obstacle. Further, some of the Chinese employees emphasized that they liked the neutrality of their German bosses, which is different from some experiences they had with superiors from other cultures.

Very structured/high degree of regulation: Hall explains further that German effectiveness expresses itself in monochronic promptness, which means that Germans tend to complete one action chain first before embarking on another (Hall, 1976). The interviewees—in particular, the Chinese colleagues—described the German behavior as very structured, following fixed and precise procedures without leaving room for interpretation. The below citations illustrate the Chinese perception:

> The Germans are pretty straightforward and build on previous steps to achieve a certain goal.

> As Westerners, you are straightforward: either yes or no—direct communication. If you are happy, you are happy and if not, you are not happy.

> German colleagues are very structured in the way they work: 1, 2, 3. If you explain clearly 1, 2, 3 then they will easily understand, but if you present an issue, which is really flexible where there is no black and white answer, it is hard for them to understand.

Even though this "German" approach to management was recognized as very structured, efficient and reliable, the results also imply that there might be some challenges involved. For example, one (Chinese) interviewee indicates:

> Germans directly walk into the problem—deliberately, because they think they can solve it anyway. Chinese people would first evaluate the situation and if they have identified a problem, they would try to avoid or bypass it.

This monochronic attitude is underlined by a few comments describing the Germans' tendency to be too much focused on following predefined procedures, which leads to a high degree of bureaucracy. The compartmentalization of activities also results in the need for details concerning every aspect of a certain topic. This detailed information is a signal of a low-context culture, which requires extensive and explicit information before actions are taken or decisions are made. One Chinese interviewee described the difference between the German low-context and the Chinese high-context attitude as follows:

> In China you need to understand the relationships behind; in this sense the Germans are too strict sometimes. They always go straight from A to B and then to C. In China, we evaluate the circumstances and the involved people first and then we go ahead. We even make a detour if necessary, but in the end we will smoothly reach the goal.

Further, Germans tend to ignore the background or context of the situation and request everything in "black and white," whereas their Chinese co-workers rely on existing relationships or the person's background information:

> We as Westerners are used to having everything written on a paper—black and white. If someone violates a law, we would take a lawyer and take the case to court.

In addition to the high degree of regulation and bureaucracy, the interviewees also note that the German culture has admirable qualities, which are described below.

Role model/"Made in Germany": One of these distinctions is the high and reliable German product quality combined with admired brands. The Germans are considered role models in a variety of ways as they are well-known and respected for their high quality standards and excellent (technical) skills:

> Chinese see the Germans as so-called 'Musterschüler,'[40] from whom they can learn.

> (…) and also it is German made, real German quality. If it is locally made, the customers will have some doubts about the quality—whether it is as good as made in Germany.

> In Germany, quality is one of the top values. In China it is seen totally different.

The quotes concerning the respect for excellent products and the technical expertise were often accompanied by comments on the way Germans work. Although Germans earn great appreciation for the results of their work and the reliable high quality, conversely, their direct and straightforward behavior is criticized by some of the Chinese colleagues. But even though German and Chinese managers seem to approach things differently, they do not overrate these differences, as one of the interviewees confirms: "Actually, I do not see a big difference between Germans and Chinese." In general, both sides are aware of the prevailing differences and try to adjust their behavior accordingly. However, the underlying patterns of behavior have to be considered as important determinants of communication and negotiation practices between both cultures.

The following section outlines the respondents' perception of the economic situation in Germany. The input completes the market and industry overview, which is described in the literature review. A detailed comparison between Germany and China will be illustrated under the section of cultural and socio-economic influences in the Chinese context (subsidiary level).

Predictable market situation: Many of the interviewees underlined the stability of the German market environment as a major characteristic implicating that there is not much change or opportunity for growth:

> In a relatively slow market you have time to do analysis, the situation is stabilized and you understand the key difficulties and challenges.

[40] "Musterschüler" is a German expression for an excellent student being a role model for others.

> When you come from a predictable, regulated market environment, where changes take half a year or two years, where you have time to understand, then it is difficult to adjust to the Chinese speed.

In many statements, the stability in the home country Germany was evaluated based on its differences with the host country China. Hence, the focus of this section is on highlighting the variations in the two countries rather than on explaining further details of the home country circumstances. The market situation in Germany is considered saturated following established procedures in comparison to the constantly changing circumstances in China, which demand flexible responses and immediate, and sometimes unconventional, actions. Many interviewees suggest that using established parameters to start a business might lead to challenges in the dynamic Chinese market. Further, some of the respondents question whether employees at headquarters would even understand the situation as they have never experienced such an unprecedented growth before.

5.2.2.1.2 Company background

In addition to the cultural and economic influence factors, the company's internal parameters could have a substantial impact on the international business relationship and, hence, were part of the case study investigation. The interviewees were asked to elaborate on their job scope and work environment as well as to provide information on company structure, culture, and values. Having spent many years at headquarters, the company background seemed to affect most of the expatriates, and, thus, led to a variety of citations under this header. The *formal perspective*, which incorporates structural and procedural aspects, revealed that functional departments seem to be very influential and independent when carrying out their own HR processes. One interviewee suggests:

> The functional departments have a high autonomy also in terms of personnel decisions. I guess it is important that the supervisor makes the personnel decision, because in the end he will also be held responsible for it.

The dominance of functional departments was repeatedly mentioned by interviewees and is considered a potential obstacle for internal recruitment procedures and personnel development targets:

> In the meantime, there is an overall HR strategy, which certainly is not stringent yet. But I also claim that an overall, comprehensive HR strategy cannot solve the matter as long as the functional departments are much stronger. It only works if the functional departments cooperate and are in line with the strategy.

> Due to our 'company logic,' which is very process driven and where functional departments play a major role, I have to spend most of my energy on things that are not helpful to develop personnel.

> When I look at the functional structure, I see this issue everywhere, but I have never seen any other company having such a strong issue compared to what I experienced here.

Further, some responses indicate that there is a considerable reliance on processes and defined procedures, which limits the flexibility in terms of individual HR solutions. The respondents acknowledged the high importance of compliance policies, which safeguard the company's integrity, but also suggest that they increase complexity. In general, the company is regarded as "a big and complex group" as one of the interviewee's comments:

> The company[41] is very compliant. This means, before, you needed two people to get something done; now you need 10 people to get it finally solved.

To finalize the formal view, the interviewees highlighted the importance of achieving short-term (cost) targets versus long-term personnel planning. The quotes also reflect that certain topics within in the organization, such as achieving short-term cost-targets, seem to have priority over long-term personnel strategy:

> I guess we are still driven by short-term development and success and with such, empowerment of locals and long-term personnel planning are left behind. Currently, achieving cost targets is more important than personnel development targets; that is, it is not valued accordingly, if someone focuses on HR targets.

> In the first place we develop business models and products, but do not take care of staffing respectively recruitment.

A much richer set of data was provided on the *informal perspective* consisting of company culture and values. First, the interviewees commented on the company's reputation, the brand, and its products. Much of the employees' pride stems from the company's great legacy and renowned brand:

> The company has the big advantage that with xxx[42] it has a great brand, which is valued here in China.

> The company has a high reputation in China, our brand xxx is very strong and the company history is very good.

Second, a variety of statements describe the specific company culture and philosophy as rather conservative with fixed rules and procedures and, thus, not modern or innovative. It was emphasized that this deep-seated culture was a strong influence on the business procedures and, thus, should be considered by the company when establishing a business abroad. Even though the company culture was mentioned to describe the central head office environment, it seems to be consistent across the international network and has an impact on the workforce in the subsidiaries worldwide:

[41] The real name of the firm was replaced by "company" due to confidentiality reasons.

[42] The brand name is not disclosed due to confidentiality reasons.

> The company culture cannot be changed; therefore the only solution is to find a way for the locals to understand the culture.
>
> They (the locals) have to be trained to understand the company philosophy, culture, and communication style.

Further, the culture was termed "much too German" emphasizing that the company seems to struggle with its claim to be international, as one participant comments:

> We still think in our company by speaking English we would be international. But you do not get international by speaking a foreign language. You are only getting international if you understand and accept other cultures, processes, and relationships.

Dealing with cultural diversity was considered an area of improvement for the company as intercultural input and experiences from expatriates are not valued enough, according to a variety of statements:

> The company is not a learning organization when it comes to intercultural aspects.
>
> Our company is not known for being able to deal well with other cultures or values….
>
> At head office they do not value expat experience; they'd rather take someone who has stayed there being loyal to the department.
>
> The company must learn to listen to the colleagues abroad.

However, there were a number of testimonies referring to current initiatives and projects that have been initiated to enhance the internationality of the company's workforce. One participant underlined in this context that having many nationalities in one company would create a "fresh" (i.e., inspiring) environment and, hence, is one of the reasons why MNCs provide an interesting working atmosphere.

Having provided a comprehensive overview of the company's external and internal environment, the following paragraph reports the interview results in respect to the company's influence on its subsidiaries abroad. The analysis shows the use and application of systemic means (for example, procedures and standards) to exert influence from the MNC's head office on its subsidiaries.

5.2.2.1.3 Headquarters influence on the subsidiaries abroad (systemic view)

As shown in the conceptual framework (Figure 7), there are a variety of ways in which the head office enforces strategic actions among its international subsidiaries. Through a variety of questions, the interviewees were asked to describe the type of headquarters influence and its characteristics, whereby *control of subsidiary* was identified as a major topic. This systemic view revealed that control is enacted in a formal, explicit way as well as in an informal, more implicit way. Starting with the former, the explicit

control is represented by process standards and formalized, sometimes bureaucratic, procedures:

> Global standards are important especially in areas such as IT-security and -systems, communication methods, accounting and controlling, budget structure, etc. Even the HR database is centralized globally.
>
> Leadership quality has to be ensured based on German standards; the German philosophy concerning the company business has to be secured and passed on to the subsidiary.
>
> One the one hand it is good to have the same standard, same style and the same direction. On the other hand, we are not so efficient and lose chances….
>
> In our case, when you copy and paste everything without a systematic localization process—I am not only talking about people, but also processes, product, and mindset—the biggest risk is that you cannot manage the business.

The interviewees' answers suggest that centralization and close control of the worldwide operations are important factors for the company to safeguard its philosophy and ensure the same level of quality. However, the formalized procedures might also lead to a high degree of complexity, which could negatively affect the company's flexibility and efficiency, which is particularly important in emerging markets such as China. The interviewees also described the decision-making authority at the headquarters and referenced the potential risk for the subsidiaries:

> It happens that HQ makes a decision that has to be carried out, but which is not suitable for the Chinese market.
>
> All the decision-making was done by Germany. If the main business is decided by the holding company, obviously every other supporting function would follow the same rule and policy as in Germany. So I can feel that this is highly influenced by Germany.
>
> Our organization is still very much HQ driven. Every main decision HQ has to understand and decide, because in the end they are responsible—that is what they say.

The above-mentioned citations primarily reflect the circumstances in majority shareholdings; the joint venture in this case study is considered much more independent, because both shareholders have equal rights and authority in decision-making procedures—a more detailed differentiation between majority shareholdings and joint venture will be made on the "subsidiary level":

> Actually, there is some sort of influence, but I would wish it were bigger; I guess this is a specific JV issue, which also means that we do not have access to all systems due to security reasons.

Describing the informal mechanisms, the company relies on output control with less influence on operational procedures or day-to-day business, which is described by one interviewee as follows:

> On operational level, i.e., day-to-day business, we decide by ourselves. However, we always need to involve our HQ people concerning directional or strategic decisions, for example, investment budget, headcount, or our development plan, etc. If we would like to introduce some big IT system like, for example, xxx, then we certainly have to involve HQ in Germany.

The existence of both ways of control, formal and informal, illustrates that headquarters highly influences its branches in particular through process standards and decision-making authority aiming at consistency and reliable quality worldwide. However, the high degree of formalization might also result in the potential loss of efficiency.

Summarizing all the above-mentioned aspects covering HQ environment, internal company structure, systems, and culture as well as company standards and procedures, the following synopsis helps to answer the first question under the header of RQ1 (HQ structure, systems, and culture embedded in the home country environment):

The high standard of technical skills and engineering knowledge has earned Germany and its products an excellent reputation, which is admired worldwide. “Made in Germany” is an expression not only for superior quality, but also underpins Germany’s position as a role model in many areas. “Black-and-white-thinking” and structured procedures are considered key characteristics of the German culture and were confirmed by the interviewees. Even though these are major contributors to efficiency and reliability, they might also carry a negative side effect when they result in bureaucracy. The interviewees also identified one of the most common German characteristics as “direct and frank behavior.” However, this behavioral attitude does not seem to be a communication obstacle as long as everyone is aware of it. In summary, neither of the key characteristics was considered a major stumbling block for communication and cooperation, even though the participants acknowledged a variety of differences between both cultures.

Concerning the economic background, stability, and predictability were associated with Germany. The positive GDP development over the past decade (not considering the negative impact of the global financial crisis in 2009) and the country’s position within the euro zone underline its role as one of the leading global economies. Specifically, Germany is renowned for its technology leadership in the automotive industry and is admired for its car brands worldwide, which was highlighted by many interviewees.

With regard to the company background, the responses illustrate that the company is respected for its legacy and prestigious brand symbolizing high quality and reliable

products. The organization provides a framework for processes and business practices that are custom-made for a predictable market environment; central guidelines from headquarters also influence all branches. The highly structured and standardized operation of the MNC not only reflects German cultural characteristics, but also constitutes a major contributor to the company's success. The formal set-up is underlined by a strong role of the functional departments, which have a high level of autonomy and influence personnel and other HR decisions. Although the company has established a global network and operates successfully in many markets, the responses suggest that the company culture is regarded as conservative but not "international." The results further indicate that there seems to be a gap between being a global player and living with diversity in the organization, i.e., to value and nurture an international workforce.

Going beyond home country environment and general company background, the next central theme aims at zooming in on the company's staffing policies with particular emphasis on international aspects.

5.2.2.2 IHRM policies and procedures and their fit with HQ systems

IHRM: Through explicit questions, the interviewees were asked to comment on the company's staffing policies. Therefore, *IHRM* and in particular *expatriation* were two of the key topics, which were emphasized at headquarters level. These questions aimed at providing information about the company's strategic set-up and policies in this field. Starting from a general perspective on IHRM, the participants highlighted three major points concerning international staffing.

The first one, *International Management* or *Internationalization,* was the most prevalent one mentioned in a series of quotations and described as follows:

> A global company also needs to have a global set-up at HQ. It should have certain attributes within the Management team and this specific knowledge should be brought in by the expatriates, if this knowledge is then also valued in this context. However, we are far away from this scenario!
>
> The problem is that we do not have a target which would define the number of Managers with international experience on certain levels. This could be a start. (...) There is not a single target for the most important asset of our company….
>
> If the company would say that the principle of 'Kaminkarriere'[43] is fine, then it would prevent change within the company. But outside the company, the world is changing... So, if we want to ensure the company's competitiveness, then we have to internationalize our Management.

[43] German term expressing that someone in the company climbs the career ladder within the same department/division without having gained experience in other functional areas.

> One of the HR initiatives that have been started last year was to internationalize the management.

These answers suggest that the company is aiming at establishing an international management level, and promoting employees from their global network. However, almost every quotation refers to an optimized solution and emphasizes that the target scenario does not (yet) reflect the real situation within the company. This perspective is expressed by the last line of the first citation above: "However, we are far away from this scenario!"

Without exception, all of the interviewees stressed the importance of international management in order to compete successfully in the global marketplace, but their main concern is that the company seems to have some difficulties following its own claim:

> We should not only talk about valuing and promoting international experience, but we should live it and actively rotate within the organization.

The interviewees also shared their thoughts on the current *localization policy* of the company. Their points of views indicate that the guidelines are not stringent enough to enforce the localization of expatriate positions, even though most of the respondents would endorse them:

> It is a vicious circle: Expats come, you train a local, he gets impatient because the expat is still there, he leaves the company and a new expat comes and so on and so forth. This negative circle could be converted in a positive one, when the company could show that they really promote a local.

> The biggest issue of localization is that we do not have a clearly defined policy and no real binding contract to guarantee such kind of policy (...) and that leads to the succession problem again, again and again.

> Localization is the right approach in order to ensure the company's future competitiveness.

Further, a few participants mentioned that they would appreciate an increase in inpatriation efforts rather than only use international assignments as a "one-way street" from headquarters to foreign markets:

> Actually I can only find German colleagues coming to China, but there are no overseas assignments for local staff to Germany (HQ). That is the problem.

Even though German expatriates account for the majority of international assignees, there is also a subset of so-called international specialists, who are employed around the globe to transfer their specific knowledge and skills. Hence, the company has to maintain a balance between different types of employees and it has to integrate them in the respective environment, thus adding to the complexity of managing an international workforce.

In addition to the claim of internationalizing the management, the second major point that the interviewees addressed related to *defined positions for expatriates*. Many interviewees (Chinese as well as Germans) suggest there should be clearly defined criteria for positions that are supposed to be filled by expatriates. These positions should include key functions within the organization so that operations abroad could be controlled effectively without having to send a high number of assignees. Further, limiting the expatriate positions would also increase the career chances for local employees. Both ideas are expressed in the following citations:

> Expatriates should be put on the right positions; these positions should be clearly defined and considered key functions to ensure the company's success. The number of these positions should be limited to a few in order to save costs. Hence, it is really important to know where these strategic positions are. Any other job could then be taken by locals; so I do not see much conflict then.

> The ideal solution would be that I have dedicated and carefully selected expat positions only. These dedicated positions should then be filled with the best candidates with regard to their functional and intercultural qualification. (...) One integral part of their job portfolio would then also be to identify and develop a local successor.

By underlining the need for dedicated expatriate positions, the interviewees also acknowledge that the current situation within the MNC does not reflect the ideal scenario. A number of suggestions were made to revise the policy for the selection of international assignee positions in order to ensure a balance between local and expatriate employees.

The third theme that evolved under the header of IHRM was *(establish an) employer branding and image.* To strengthen its position as one of the leading employers worldwide, the company started an "employer of choice" campaign targeting talents around the globe, with particular focus on Asia and the emerging economies. This initiative is supported by top management and it attempts to sharpen the company's image as an employer. Further, the company cooperates closely with major universities and is present on motor shows around the world not only to promote its products, but also its value as an employer:

> We also have the initiative 'Employer of choice'; here we look into, what is important for potential candidates and what do we have to offer to get the best ones.

> Especially in Asia we were very active with the 'Employer of choice' campaign. We went to two Universities in China—Beijing and Shanghai—and we have cooperations with four more. Even a board member was there and we had a booth at the Beijing Motor show.

The interviews also revealed that despite these activities, the company's attractiveness as an employer could still be improved, especially in China: "We know that we are not one of

the top employers." Further, it was emphasized that recruiting and retaining highly qualified staff is one of the company's challenges in China, where competition and demand for skilled employees is extremely high.

Referring to the RQ, the findings concerning the company's international staffing strategy from a headquarters perspective can be outlined as follows: Internationalization of Management is acknowledged as a key target within the company's HR policy and many activities have been started to support this goal. However, there seems to be a considerable gap between the definition of the respective targets and their realization in practice. The respondents consider international assignments and expatriation a good approach, but would expect improvements toward clearly defined positions for expatriates. Further, they ask for a transparent localization policy to avoid a "vicious expatriation circle." Concerning the number of expatriates, a differentiation was found between majority shareholdings and the joint venture, because the influence by the German managers on staffing decisions is limited in the JV. Besides a stringent localization policy, inpatriation should also be used as a staffing tool, as a means to increase the number of international managers abroad and at the head office. To ensure future competitiveness, the company has initiated a campaign to promote and increase its employer attractiveness in markets such as China where local talent is highly sought after. This initiative is supported by global career programs, which aim at recruiting and developing a skilled international workforce.

Having realized that internationalizing management and promoting a diverse workforce are essential assets for future competitiveness, expatriation remains one important pillar to support these initiatives. Expatriation allows the MNC to acquire international experience by sending employees abroad and at the same time transferring knowledge from the home country to branches worldwide. The functions of expatriation are explained in detail under the header "expatriate level," whereby contractual parameters and policies are described in the section below.

Expatriation policy: The concept of expatriation was the core part of the analysis throughout the whole case study and, thus, the underlying policies and guidelines were focal points of the investigation. The answers to the related interview questions suggest four main categories of results: Contractual parameters, selection, and recruitment processes, support prior to and during assignment, and reintegration.

Starting with the first, *contractual parameters*, the majority of expatriates confirmed that the company offers an excellent and generous assignment package.

Depending on the executive level, the remuneration and benefits were appreciated and considered appropriate or even exceeded expectations:

> HR took care of everything, such as housing, visa, company car and they also provided all the templates. (…) And I also received kind of a catalogue where everything is explained and the expat can find answers to 99% of his or her questions.
>
> In general, the going global policy is good. I do still consider it as generous and also well-managed.
>
> Financially, the package is perfect. One is totally secured with all sort of insurances, etc. I guess you have to go a long way to find such a package.

Nonetheless, some concerns were raised regarding individual requirements, as the global policy cannot cover every single situation:

> There are situations where the support could be improved; for instance, when they think they can cover every individual situation with standard concepts. Saying that is pretty difficult to take care of individual demands by ticking off checklists.

One of the HR representatives commented in this context that some effort has been made to improve and make guidelines more flexible in order to consider changes in society, such as patchwork families and others. Overall, the financial aspect of the contract is appreciated and valued by the interviewed expatriates despite some critique on the amount of standardization. The respondents were more critical about the short length of the assignments in particular in the context of China. Many voiced concerns such as:

> Expats are expensive and stay here for a short term only; few stay more than five years. Normally you only know how the job works, but by that time, the expats have to leave and you start from scratch again.
>
> We do have a traditional structure and it does not help either, to exchange the CEO every two or three years!

Complying with the standard duration of three years for an international posting does not seem to be appropriate in China where long-term relationships are considered a basic precondition for a successful business. Hence, the majority of the interviewed expatriates questioned this policy and asked for adjusted premises concerning the country-specific requirements, in particular for assignments on a higher management level.

Summing up the input on contractual parameters, the participants provided positive feedback and acknowledged the excellent financial parameters. Some points that were critiqued were the standard assignment duration of three years (especially in the Chinese context) and the insufficient flexibility when individual solutions are required.

The second theme under the header of expatriation policy is *selection and recruitment* whereby perspectives from expatriates as well as HR representatives were

taken into account. Starting with the latter, the participants from the HR side confirmed that there are standard procedures and a variety of tools offered, such as assessment centers, which aim to find the most suitable candidate:

> We have developed an excellent tool, an assessment center, which helps to evaluate in cooperation with the functional department not only the functional fit, but also the intercultural skills.
>
> Process-wise, the earlier we (= HR) are involved, the smoother the process is, because we can create awareness of sensitive issues where the expats have to pay attention. Our standard preparation time is three months prior to the departure date.

Despite these formalized tools and processes, some interviewees questioned if the intercultural fit of the potential candidates is checked adequately before a decision is made. Additionally, it was highlighted that an overall HR strategy with according recruitment tools does not serve any purpose, if the functional departments do not incorporate them in their procedures:

> I do not think that the company checks the character profile or the personality in order to verify that it meets the requirements of a leadership profile for China.
>
> In most of the cases the functional departments make the recruitment decisions and if these departments do not check the cultural fit, you cannot do anything with a global HR strategy.

A number of comments were made about informal recruitment procedures. These highlight that internal networks and relationships (still) play an important role for filling positions:

> Based on my personal experience, vacancies are more or less filled according to the 'who-knows-who' principle and not according to personal qualifications.
>
> My selection process was based on my personal contacts. The former boss of the subsidiary, who I knew for many, many years, more or less screened potential candidates and then asked me, if I would like the job. And I said yes.

The different perspectives suggest that there seems to be a gap between formal and informal selection processes. Even though there are standards and tools in place to support professional recruitment, HR is not involved in many personnel decisions and, hence, the tools are not applied. This may cause a lack of intercultural fit and required skills for candidates that are chosen for their assignment. Further, the reliance on existing networks is still a common practice to find suitable candidates for certain positions. In many cases, it depends on the functional departments' willingness to involve HR actively in the recruitment process. This gap will be explored in detail in the section on the role and position of HR within the company.

The next topic focuses on *support prior to and during the assignment.* The support activities related to international assignments are provided by a specific division within the

company's HR organization, hereafter called assignment management[44] (AM). AM arranges the physical transfer from the home country to the destination abroad. It covers a broad range of organizational and administrative activities including preparation of contract, housing, relocation, preparation, and training. However, AM is not responsible for ongoing personnel development within the functional departments. Hence, career development, appraisal, and evaluation during the assignment are managed by the local HR teams and the individuals responsible, with standardized tools that are provided globally. It is important to note that the evaluation of support and performance of AM is strongly related to the expectations that the expatriates have toward the functions of AM. Some expatriates complained about having little support and the single focus on administrative functions only. However, according to the responses from the HR representatives, the official AM tasks are clearly limited to administrative functions.

Overall, the perception of the provided support was somewhat ambiguous and the interviewees gave positive and negative responses. One faction confirmed that everything went smoothly and that the respective department did an excellent job, whereas the other participants complained that standard requirements were not met, such as providing a contract prior to the start of the assignment. In general, the support was considered very much limited to administrative necessities and not related to personnel development. The following citations provide an overview of the main points under this category; positive, neutral, and negative statements were equally balanced:

> The support of AM was ok. Everything has worked well.
>
> Actually, they did a lot during the whole time. My trip to Germany was well organized by HR; they initiated the exchange program, which is good, but I do not know if it is still on.
>
> I was disappointed by the support of our AM department. The contract was not ready on time, sometimes you do not get up-to-date information, etc. (…) For me it is important that the expats get an excellent support to keep them motivated and to make them represent the interests of the company efficiently.
>
> The nature of the support is more administrative; organizational things such as house, visa, school—simply everything you need when you move to a new country.
>
> We ensure that the employees have the required documents and we would also go to the authorities/civil services and agents with them. That is not personnel development.

There was consensus that there are many activities from the HR side to facilitate the transfer from home to host country, such as trips to the destination abroad, which allow the

[44] The real name of the quoted department was not disclosed due to confidentiality reasons; "AM" stands for Assignment Management (the department that manages international assignments and provides support to the expatriates).

candidates and their families an opportunity to view their potential new home. Some interviewees commented that the so-called on-boarding process needed improvement and that more emphasis should be placed on welcoming the expatriates in the foreign environment and giving them further guidance.

In summary, the administrative support provided by AM is viewed favorably by some and unfavorably by others. Smooth interfacing between the functional departments of HR and AM requires close cooperation between all parties during the whole period of the assignment. Further, some comments were made concerning the application of global evaluation tools for management level: First, the situation in the joint venture makes it difficult to use these tools, because the Chinese partner might not be interested in German head office standards. Second, employees below management levels are not considered by some of these tools and, hence, face the challenge of being sufficiently supported in their personal development throughout their assignments and beyond.

Completing the overview of expatriation policy, *reintegration* was one of the most frequently quoted topics, because it affects the expatriates in terms of their future career and private plans. Thus, it is a significant part of the expatriation cycle. From a process perspective, the reintegration is standardized and no expatriate is sent abroad by the company without a document (signed by the responsible superior), which confirms his or her reintegration at a certain department or division. This process is considered a big improvement compared to previous years. In addition to the formalized reintegration letter, a variety of activities and tools, such as checklists to organize the return and regular communication between the AM manager and the assignee, are offered to facilitate a smooth transfer back to the home country:

> Since a couple of years back, nobody is sent abroad without a written confirmation on his or her reintegration.
>
> We also offer a guideline which is called “move on,” which you can get via intranet or is sent to you. This is a pretty complete brochure, which covers everything, such as checklists for leaving the host country, etc.
>
> After the return, we offer a so-called “Return and restart” seminar against the reverse culture shock.

Despite existing tools and processes, the practical re-entry seems to be more challenging for the individuals than the formalized procedures would suggest. Critical comments were made, for instance, about the lack of recognition of the expatriate experience at head office:

> What is missing is logic behind. I have the impression that one goes abroad, makes a lot of experiences and afterwards goes back to Germany, but nothing is done with these experiences.

> What bothers me most is that there is no backward loop. (...) This shows that there is no HR planning in our company. That is disappointing and also costs the company a lot of money.
>
> I find it sad that nobody is using the expat knowledge.

Further, returning expatriates find it difficult to utilize their reintegration confirmation because the previous manager has changed positions and, thus, has passed on the responsibility to somebody else. Additionally, some expatriates have challenges finding a vacant position after their contract ends. They suggest that they are under the impression that employees who work at headquarters have a better chance to obtain these jobs:

> Nowadays you never know, whether the division head or the director will still be in his function when you go back after four or five years. (...) That makes reintegration difficult.
>
> Mostly, the person who signed the reintegration document is no longer in his or her position; that is, the new one does not know you and shows no sense of responsibility to take you back.
>
> Sometimes there is simply no vacancy and, hence, they create a project as an interim solution, hoping that someone retires or goes abroad so that you can take his or her position; I think, it should not be this way.
>
> In times when reintegration positions are scarce, HQ people have the tendency to focus on the employees who they are working with on a daily basis rather than on those who come back from abroad.

In general, repatriation is considered a major obstacle for most of the expatriates, even though there is a formalized reintegration process in place, which includes a signed commitment. The primary reasons for this problem are: The contact person is gone, there is no available vacancy and expatriate knowledge is not valued accordingly.

The feedback on IHRM and expatriation policy that was used to answer the second part of RQ1 (IHRM policies and procedures and their fit with HQ systems) provides several key messages:

The company is considered strong in its operational procedures in general and in facilitating international assignments. Concerning IHRM and expatriation, it is consistent in its approach of implementing effective procedures to deal with assignments and the related people. In particular, the contractual and financial parameters of the expatriate package are perceived positively by the assignees; however, the responses also suggest that there is room for improvement regarding individual solutions as well as the standard length of the assignments. In line with the structured systems at headquarters, defined procedures, and tools are also in place for organizing international staffing requirements. However, a successful implementation of staffing services depends to a great extent on the acceptance

by the functional departments. Participants provided ambiguous answers when asked about the administrative support prior to and during the assignment. While administrative services and preparation were considered excellent, conversely, some expatriates complained about insufficient assistance. Those that complained about insufficient service may have had incorrect expectations about the scope of the services offered. Evaluating the reintegration process as a final part of the expatriation cycle, many expatriates expressed concerns about returning to headquarters in their home country. Reintegration remains a critical topic despite formal commitments and procedural standards, which should ensure a smooth re-entry. These difficulties are also closely linked with the comments on the company's internationalization policy. Even though there is a strong emphasis on diversity and on the "internationalization of management" from a strategic perspective, the realization in practice seems to lag behind. Thus, the fit between headquarters' directives and the practical implementation leaves room for further improvement. Even though the company is striving for diversity, the cultural background at headquarters still suggests a typical German environment being reflected in the company's mindset and culture. Paying tribute to an increased globalized world, the company acknowledges that internationality and IHRM have an important role to safeguard future success, especially in an emerging market like China. However, the responses identify the need to improve the people management and start implementing the same standards that the company proclaims to practice in order to minimize the misfit between theory and practice.

Successful AM and HR support are closely related to a good relationship between the personnel and the functional departments. Hence, the next key element of the interrogation addresses this topic in greater detail and discusses the role and position of IHRM within the company.

5.2.2.3 Position of IHRM within the company and fit with HQ set-up

To answer this part of the RQ, in particular, the HR representatives were asked to elaborate on their area of responsibility and the related competencies. A multitude of responses indicated that the influence of HR is limited because of the dominance of the functional departments as well as a lack of sufficient resources:

> Our influence is still very limited. Currently, we are having approx. 1,100 employees abroad and in around 30% of the cases, we are involved in the selection of the assignee. (...) We do not have the resources and, hence, we are not offering our support proactively. We simply do not have the capacity; that is a pity, but that is how it is.

> In our company you can only make offers as HR department—that is grassroots work. Some departments are convinced, some are not.

> In the meantime, there is an overall HR strategy, which certainly is not completely stringent yet. But I also claim that an overall/comprehensive HR strategy cannot solve the matter as long as the functional departments are much stronger. It only works, if the functional departments cooperate and are in line with the strategy. In most of the cases the functional departments make the recruitment decisions and if these departments do not check the cultural fit, you cannot do anything with a global HR strategy.

The strong reliance on functional departments leads to the conclusion that HR does not hold a central position within the company and, thus, Human Resource Management is not considered an important asset, as various statements underline:

> HR is a pure service provider, but not a central function in our company as for instance with General Electric. I guess that is the main problem why we send so many incapable people abroad.

> AM does not have a strong role compared with the functional departments. They can only support, but not establish themselves.

> HR should claim a higher level of responsibility and creativity when it comes to developing and managing "human capital".

> It looks like we are having decision makers whose interest is not focused on personnel development. Business topics or financial issues are paid much more attention to than HR.

Some of the interviewees commented that the HR department should position itself differently and try to acquire a more important role within the corporation in order to create a value added for better personnel decisions, in particular in the area of international assignments:

> I have a close co-operation with AM; I would like to avoid egoisms from functional departments and get an objective view as to whether someone fits into a certain position. Here, AM could have a very important function from my perspective.

The main HR functions include offering procedural solutions, tools, and administrative support to facilitate recruitment and selection. There is a strong dependence on functional departments and their willingness to involve and accept the HR services offered. Looking forward, some interviewees suggest strengthening the role of HR in order to avoid what they term as "egoisms of functional departments." In this new role, HR should empower management to develop and manage the most valuable asset: human capital.

Addressing the third part of RQ1 (Position of IHRM within the company and fit with HQ set-up), the analysis results suggest that the deficiencies in creating a diverse working environment are connected to the relatively limited influence of HR and respectively IHRM within the organization. The responses reveal an imbalance between the power of functional and HR departments, which constrains an effective implementation of the proposed concepts and processes. The role of HR can be described as a facilitator,

which makes offers to organize people management better within the functional departments. However, especially in terms of international AM, these offers are not always valued or integrated in business practice. Further, a lack of sufficient HR resources limits the access to all functional departments providing opportunities for individual procedures. The weak position of the HR function also negatively affects the implementation of a global HR strategy. Thus, there seems to be a variety of barriers that impede a consistent implementation of IHRM policies and procedures. Nevertheless, the results also highlight that there is an increased emphasis on various HR initiatives and projects, which suggests that the MNC Management has realized the underlying potential.

5.2.2.4 Consolidated answer to RQ1 (To what extent is there a good fit between HQ's structure, systems and its IHRM policies and procedures?)

In general, the results reveal that the high degree of formality and standards defines the company background and reflects the German socio-cultural environment. Efficient procedures and reliable systems are considered strengths of the organizations, but the high degree of formalization could potentially affect the company's effectiveness. The stable market environment in the home country is also characterized as reliable, thus, there is in general little necessity for change.

The (I)HRM policies and procedures are a logical consequence of the company set-up; they are well organized and specify defined rules for the administrative processes. However, a lack of individuality and a low degree of flexibility inhibit distinct solutions. Further, there is a limited strategic use of the human capital through according policies. Even though the company has realized the need to internationalize the workforce, the implementation of the required mechanisms is still lagging behind. This is closely related to the weak position of the HR function within the organization. HR is defined as a facilitator and not as a strategic partner for the management to pursue strategic goals.

In conclusion, the participants suggested that there is a good fit between the (I)HRM policies and the HQ systems and processes on the operational level—necessary and adequate tools are in place to administer (international) staffing matters. However, there is a significant misfit on the strategic level: the HR function seems to have a subordinate role in terms of strategy implementation.

5.3 Expatriate level

5.3.1 Overview

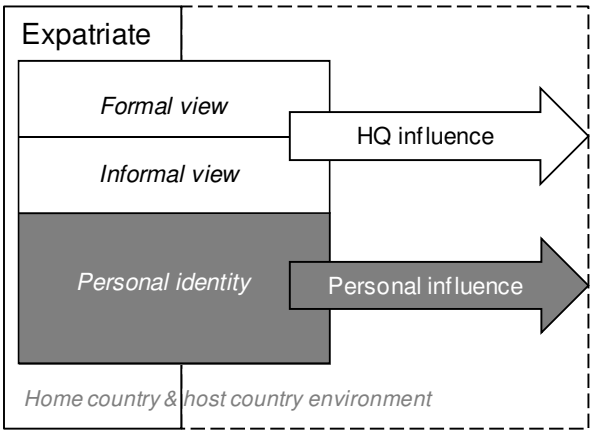

Figure 15: New model: Expatriate level

Source: Own illustration

The interview questions about expatriate functions were informed by Edström and Galbraith's (1977) seminal work on motives for international assignments as well as by Harzing (2001a) and Moore's (2006) research. The first theme that evolved was *control of subsidiary*, which is recognized in the literature as one of the major expatriate functions. The next section will further break down this category ("control of subsidiary") based on the interview results and provide a refined definition of the control function. As a second category, *filling positions* was named as an equally import motive for sending expatriates. Edström and Galbraith suggest that there should be a third major theme, *management development*; however, participant answers did not support this notion. *Individual goals* were also considered as a factor that influences the expatriates' motivations for an international assignment. Thus, the investigation comprises two major segments: the functional needs of the organization and the individual motives of the expatriates.

5.3.2 Answering the RQs

RQ2: What influences the assignment of expatriates?

5.3.2.1 Functional needs of the organization

Control of subsidiary: Starting with a formal and direct form of control, which is labeled as "bear" in Harzing's study (2001a), the statements produced a large number of statements that confirm this expatriate function. The responses acknowledge that

expatriates are sent to impose the company's will on the subsidiaries and supervise the implementation of headquarters strategies:

> They send expats, because they want to control the company.
>
> I think, in the sense of business control, it is necessary. You need to work together with the locals, but on the other hand you have to ensure that the interests of the company are represented and taken care of.
>
> The company has a certain tradition and aims at achieving specific goals; in order to realize this, it is necessary to supervise the development of a subsidiary abroad. The key positions are filled with expats and it is their task to impose the company's will on to the subsidiary.
>
> Expats need to ensure certain control functions. Focus on target achievement and giving directions concerning company strategy.

The reason for the control function was explained by the need to *minimize any kind of risk* in the foreign subsidiaries. The respondents highlighted that a lack of trust in local employees is one of the major drivers to send representatives from head office. The German expatriates were supposed to secure confidential information and facilitate specific results according to German standards:

> To minimize any kind of risk, because you know the expats are aligned, committed and trained accordingly. We simply take them to be on the safe side. I guess almost every Finance guy goes abroad due to this explanation.
>
> It is a trust issue. (...) In general, they say: Oh, we do not trust Chinese. Trust means, they might not be able to handle the business, they might not be loyal enough and so on. Hence, they decide to better send an expat, because then it is easier for them.
>
> Having many expats abroad means that you have a good transparency what is going on—Germans talk to Germans. You cannot approach the Chinese as easily as the Germans.
>
> (...) because you do not want to disclose sensitive information.
>
> One reason to send expats is to lead the processes according to company standards and to develop mechanisms to safeguard our brand.

Adding on to the above-mentioned lack of trust, many interviewees specified the desire to define certain positions in the organizations, which should only be filled with expatriates. The so-called *trustee positions* were particularly important in Finance and Controlling and the Executive Management. The company's main goal is to ensure compliance with head office standards and guidelines. The responses suggest that the company seems to have some concerns that achieving this goal might be more difficult, if local employees take responsibility for the dedicated positions:

> There is a group of employees, who take care of critical functions, which you cannot hand over to locals, such as CFOs. I guess 80% of those worldwide are Germans. There are compliance-relevant or critical positions, where the company wants to ensure that HQ as a very strong control.
>
> You do have so-called "trustee positions"; these positions are key for the company and they only put certain representatives on these positions. There are certain countries where it was decided that the company representative must be a German who comes from HQ.
>
> There are also some functions where we send employees abroad based on mutual trust especially to situations with compliance issues; for example, in Finance and Controlling. We cannot afford to take any risk and, hence, we send someone who is 100% trustworthy in comparison to someone who we would have to hire in a foreign country or someone who has just recently joined the organization.

Some answers even suggest that it is Western industry standard to have a Western boss in the subsidiaries abroad.

Even though there is strong support for the formal control function of the expatriates, it was also emphasized that there is less influence on the operational level. Day-to-day operations are more or less independent and are only marginally affected by headquarters surveillance as highlighted in the following citation: "For daily things we are on our own."

The control mechanisms are enacted through straightforward directions by expatriates being in leading functions or through definition and supervision of guidelines and procedures. However, the interview results also display a more subtle way of control, which goes along with Harzing's metaphors of "bumble-bee" and "spider." The informal influence is characterized by a variety of functions, out of which *bridging the gap* between headquarters and foreign branches seems to be the most significant one, as it was mentioned by the majority of the respondents. The expatriates act as bidirectional information channel and link to the home country and facilitate communication through their comprehensive network within the organization:

> (...) through our boss, we get to know these concepts and how to set up the business. And he can also reflect to HQ what is happening in China. It is about communication.
>
> Well, there are classic reasons for every company to send expats: to keep up the connection to HQ.
>
> Sometimes you need someone who can bridge the two different systems.
>
> They (= local staff) have to be trained to understand the company philosophy, culture, and communication style.

> As an expatriate, you have to keep the network together; you need to know the relevant people in Germany or in other countries.

Through their presence abroad, the expatriates also ensure that company image and values are transferred and incorporated in the organization:

> We are aware of the company values, because our CEO held a Management workshop, where he informed all managers. We had workshops and discussions to understand our four core values.

> The company culture is present here through the expats. However, you have to adjust this culture because sometimes it is not understood in the context here.

Besides connecting headquarters with its global subsidiaries, the expatriates also function as a *translator* between the home and host country world. For example, they transfer the central policies into a market adequate and adjusted version that suits local needs. This function has particular significance in countries where culture and environment differ considerably, such as between Germany and China. One interviewee comments that this function is "like preparing a local dish: you have to put all the local spices and herbs so that it tastes local."

Although there is additional value created through facilitating communication between head office and foreign subsidiary, some participants also had negative comments in this area. They complained that *communication is more or less a one-way street* from headquarters to subsidiary and that feedback from abroad is seldom heard or even valued. The headquarters does not seem to be interested in information from the subsidiaries or encourage an open exchange of ideas. The situation is even worse in the joint venture context, where employees are sometimes not even considered as equal members of the company family. The below citations illustrate this contradiction:

> We do give feedback to HQ from a market perspective; however, the question is, if anybody is interested in it?!

> Nobody wants to hear the feedback from the markets or even trying to understand it.

> Partially, I have difficulties to explain to Germany what challenges we are facing here. They simply cannot understand what I am talking about. Sometimes they can also be ignorant. They do not care about the time difference at all!

There was consensus among the participants that *internationality and cultural diversity* should be further encouraged within the organization. They highlight that intercultural exchange would not only increase the creative potential, but also enrich the company culture. Diversity is viewed as one means to support globalization, through which expatriates can play an important role in this context. They could contribute to generate a higher level of internationality within the organization and complement the existing

knowledge base. However, some comments also suggest there is still some potential for improvement, which was already reflected in the section on the company background.

> Wherever they assign German colleagues to China or local people to Germany that is always a very good arrangement, because the diversity will benefit the whole group. Staff coming from different countries can create a lot of creative ideas; they can motivate the team spirit.
>
> The company can only survive if its orientation is international.
>
> Expats bring know-how and internationality. They bring the intercultural aspect and that is a key ingredient for the company or it should at least be.

In summary, the case study provided extensive support for the expatriate function of control and also verified the different types of control varying from a direct influence to a more subtle interference through socialization and informal networks (see Table 8). The *lack of trust* in local employees was identified as the main reason for control and supported by the need for dedicated *trustee positions* held by loyal expatriates. The use of expatriates seems to be the most appropriate option to safeguard the company legacy and compliance. However, there is less control on an operational level where local units are rather independent. From an informal perspective, the interviewees named *smooth communication* and *facilitating information flow from and toward headquarters* as the core expatriate functions. Being able to rely on and use existing networks within the organization was considered a decisive advantage of the expatriates compared with the opportunities of most of the locals, whose contacts to headquarters are limited. However, the feedback from abroad does not receive sufficient appreciation and, hence, many respondents voiced their concerns about the company's internationality. Even though an international workforce was highlighted as a crucial element for a future-oriented firm, employing staff from various nations does not necessarily mean that the company has already incorporated a culture where diversity is valued and appreciated.

Table 8: Expatriate function of control

	Formal ('bear')	*Informal ('bumble-bee', 'spider')*
Reason	Safeguard company legacy	Facilitate communication between HQ and subsidiary
	Impose will on subsidiary	Provide link to bridge two systems
	Trustee positions have to be in German hands	Network and contacts to HQ
	Tight control in compliance relevant areas	Represent an international workforce
	No/not sufficient trust in local staff of being loyal enough	Explain the company world
	Direct influence especially on Management level	Establish company culture and values
	= Minimize risk of failure or disclosure of sensitive information	*= Impose values on subsidiary and establish same culture as in HQ*

Source: Own illustration

Filling positions: A second major driver and motive for expatriate assignments is the need to fill critical positions that require company knowledge and specific skills, such as engineering and production know-how. It allows the MNC to *transfer knowledge and know-how* to the operations abroad and utilize the expatriates' expertise from the German operation, which can hardly be obtained through local employees. Hence, knowledge transfer was underlined by a list of citations outlined as follows:

> There are some functions, where you need to understand the technical specifications of a car and, hence, you need people who are trained and have the required skills. You need technical experts.
>
> Know-how transfer does not only relate to functional knowledge, but also to understand the company organization and the networks within the organization.
>
> Although I am not a fan of expatriate assignments, I have to admit that we need them in certain cases, for example, for special know-how and to transfer knowledge.
>
> There are certain standards where you need expats with the right mindset and the necessary knowledge.
>
> With transferring knowledge one has a multiplier role as assignee.

In general, the expatriates should add value for the organization by applying their unique knowledge worldwide, which helps to facilitate better and faster procedures and subsequently leads to the *development of the subsidiary* abroad. Thus, they also play an important role to support the initial set-up of operations worldwide and to "master the business" as one interviewee commented. This topic was especially emphasized by the representatives from the joint venture who requested more expatriates to support the business set-up:

> Expatriation should always be a temporary solution to realize knowledge transfer, to find a bridge to the subsidiary and to define a starting basis to establish processes with the intention that in the end everything runs with locals.
>
> To be honest, we would definitely need more expats for this plant, because we just started.
>
> The role of the expats depends on the function they have to fulfill. For the JV,[45] it was very clear that they had to establish a production line, which produces cars according to the premium brand's standards and quality levels.

The development of the subsidiary operation is accompanied by the *empowerment of the local employees.* The case study results suggest that empowering locals is another motive for expatriate assignments, which also falls under the category of filling position. The idea is that the expatriates train local employees with the intention to hand over the business

[45] The name of the joint venture is not disclosed due to confidentiality reasons.

responsibility after a certain period of time so that the expatriates could return to the head office. Despite support for the idea of passing on knowledge to locals, the responses were twofold, indicating that there seems to be a gap between theory and practice. Not every expatriate is in a position to teach and empower a local successor; for example, expatriates would make themselves obsolete without having their own next steps outlined or confirmed.[46]

> There are many expats who pass on their knowledge and also develop and promote locals, but there are others who don't.
>
> Normally the expat has the task to train a successor, but in reality the system does not support this; the expats have to protect their own interest—why should they teach someone who is going to replace them one day?!
>
> My task is to train the local people so that they can control the business once I am gone.
>
> Expatriates are used to conduct trainings on-site in order to teach the locals in the new subsidiary. The assist in the learning-by-doing process.

To complete the picture of filling positions, *shortage of qualified local staff* was cited as another reason for international assignments. This factor poses a serious challenge for multinationals when they are not able to recruit the skilled workforce that they require. Since there are not sufficient local resources available within the required time-frame, the firms do not have an option, but to send expatriates from their home base:

> With the expats we buy people who master the processes and offer services, which we could not get short-term in the market. Urgently needed knowledge—also in the area of leadership capabilities.
>
> Another thing is that they cannot find adequate people in China who meet their business requirements within a very short period of time. They need knowledgeable people immediately to run the business. And also, as HQ had to cut down on people, many resources were available at HQ….
>
> Local staff still has a lack of required leadership or Management capabilities.
>
> Say you want to localize a product completely; there are basic things where we cannot find good people or a suitable person from the market.

The situation is even worse when competition for skilled professionals is high and young talents are scarce:

> Our local management package is not so competitive so it is very hard for our HR to find quality staff.
>
> It is difficult to get and retain good local staff. They know that they have good chances in the market and so they have all the options.

[46] This topic is closely related to the company's localization policy, which is explained on the headquarters level answering the second research question.

> I actually believe that we could do more with local managers in certain areas, but there is the other problem, that we are a facing an incredible shortage of good managers.

Outlining the key messages, filling positions was also confirmed as a motive for international assignments. Especially the need to transfer specific knowledge to the subsidiaries was considered one of the main drivers for expatriate assignments, whereby expatriates are multipliers and supposed to create an added value for the company. Besides improving the subsidiary business, the assignees also support the localization process by passing on the know-how to local employees. Additionally, the expatriates are used to fill positions because there is a lack of sufficient and adequately skilled local resources required by the company at short-notice.

Management development: In contrast to the above motives, the case study did not support the notion of providing managers who have long-term potential international experience and developing them (Edström and Galbraith). This function was hardly mentioned by the participants on their own initiative. Only on my enquiry would some interviewees acknowledge that there are rare cases where assignees are sent for development purposes:

> Compared to the overall number of assignees, the cases for management development are seldom. More so, that there is a vacancy which has to be filled as soon as possible. You will always find someone in Germany who could take over the job.

> If you look at the total number of expats, which is between 1200 and 1500, I do not think that the cases of "Management development" are even 10%, probably less.

Overall, there was no emphasis on management development, but the interviewees mentioned some *other reasons* as assignment motives. First, there are no appropriate jobs available at headquarters; second, there are better career chances to be expected abroad or more specifically in China:

> Sometimes, we send people just because we are tired of finding a job for them in Germany; which means, we do not need the person in Germany anymore and that is why we send him or her abroad.

> Another reason is that China is a booming market and there are many good job opportunities whereas at HQ it is very crowded….

In these cases, employees are not purposefully sent *to* a location but rather attempt to get *away from* headquarters.

Amalgamating the feedback on the functional needs of the organization, the following statements provide answers to the first part of RQ2 (Functional needs of the organization):

With reference to the prevailing academic literature in this field, the findings suggest that *control of subsidiary* and *filling positions* are major functions for international assignments. However, contrary to the literature, *management development* was not considered a motive for sending expatriates abroad and, thus, leaves room for further discussion. Specifying the forms of control, direct as well as implicit and subtle forms of control are existent in the MNC and are used as a means to influence the subsidiary operation on various levels. Within the category of direct control, two aspects have to be stressed as they received strong affirmation by the respondents: *minimizing risk* and *trustee positions*. Both indicate that the firm seems to have resentments with regard to assigning more responsibility to local staff, which underlines the importance of the control aspect as a functional need of the organization. From an informal perspective, the expatriates actively use their role as translators between two worlds (the home and the host country) and help disseminating the corporate values to the host country. However, the communication is described as rather one-directional from headquarters to subsidiary. That is, the feedback from abroad to the home country organization is limited or not valued accordingly.

5.3.2.2 Personal goals and motives

Adding on to Edström and Galbraith's understanding of international assignment reasons, Moore (2006) stressed the importance of the expatriates' personalities and individual goals in defining their roles. She does not consider the assignees "as passive recipients of head office policy, but as active agents in their own right," which was investigated further in this case study (Moore, 2006, p. 402). Thus, the expatriates were asked to talk about their personal goals and reasons for accepting an international assignment. Most frequently, an affinity for China or Asia was quoted as an intrinsic motivation:

> I came to China not only because of the career chances, but because I love the Chinese people and I love China.
>
> Based on my background I fancied coming to China or Asia.
>
> I have an affinity for Asia; I was in Singapore and Japan before and thought China might be an interesting environment, because it is an emerging market.
>
> There is a lot of personal motivation and euphoria to go to China.

In addition, the family background played an important role in the decision-making process, because the international assignment was considered a valuable experience and investment for the family. The responses indicate that accompanying expatriates' spouses

and children also benefit from living in a foreign society, which results in enrichment for the whole family:

> You have to see the investment you make for your kids when you go abroad.
>
> I would certainly make the same decision again as I have made so many new and enriching experiences… I can recommend to everybody that they should go their own way and even though the company might not value it, then another company definitely will!
>
> It was very important for me that my family is happy and that they feel comfortable. We as a family really enjoyed our time in China and we see it as enrichment.

Completing the personal perspective, there are a variety of other very individual reasons for leaving the home country. Some respondents mentioned their desire to adventure to a new and unknown environment, while others sought to start an interesting business operation abroad.

> I wanted to set up something new in an unknown/new environment.
>
> I thought I could set up a new, very special company, which I did before and found very exciting.

The case study responses confirm that individual goals have an impact on the decision for an assignment abroad, which supports Moore's perspective. Even though these factors only accompany the earlier-mentioned functions of expatriation, they seem to enable adjustment in the foreign context, which will be described in the subsidiary level section.

Answering the second part of RQ2 about the personal goals and motives, most of the interviewees referred to their personal interest in China or to the family benefit as driving forces when asked about their personal motives to go abroad. Compared with the functional needs of the organization, the personal motives seem to have second priority and only influence the decision on the location, not so much the primary intention to pursue an assignment abroad. However, with regard to cross-cultural adjustment, personal motivations are very important.

5.3.2.3 Consolidated answer to RQ2 (What influences the assignment of expatriates?)

Complementing the systemic approach of influencing the subsidiary operation (as described under RQ1), the expatriates are a useful means for the company to realize the development of its foreign branches. The transfer of knowledge and skills is also an important motive for international assignments, specifically in areas that require distinct technical know-how or other qualities that are not available locally. This indicates that the company has a strong desire to have transparency over all business procedures through

standards and through people. The case study results also revealed a lack of trust toward local staff with the effect that Chinese employees are often not assigned as much responsibility as their German colleagues. With reference to management development, the findings suggest that the company does not (or only to a limited extent) use expatriation as a primary instrument for developing their executives. Focusing on the personal goals of the expatriate, the study suggests that individual circumstances are considered before a decision about the assignment is made, albeit having less impact compared with the functional needs. Personal motives, however, do have an influence when initiating an assignment or when choosing the location; they also affect the adjustment process in the host country.

5.4 Subsidiary level

5.4.1 Overview

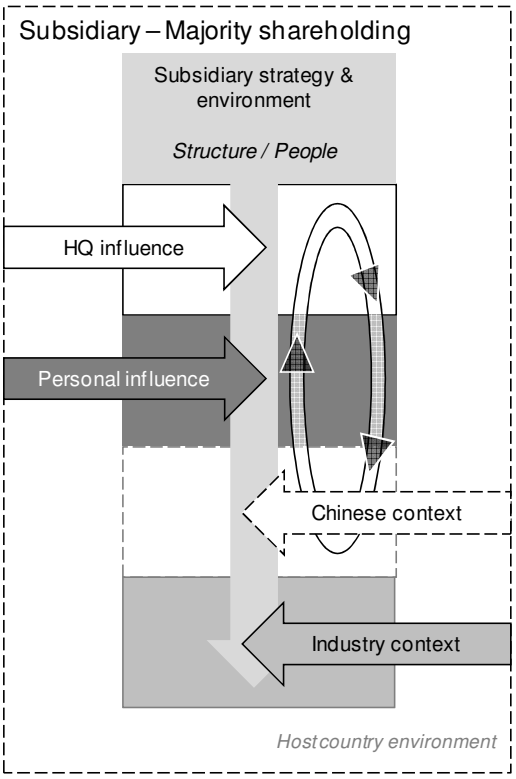

Figure 16: New model: Headquarters level

Source: Own illustration

Having investigated headquarters and expatriate level, this level of analysis—the most complex one—focuses on the host country environment, where all factors converge. The influence from headquarters through systemic means as well as through the expatriates has an impact on the subsidiary with its specific circumstances. Hence, the third level of

analysis provides the most complex set of parameters. Besides headquarters and expatriate-related influences, the subsidiary environment is also affected by cultural and macroeconomic factors as well as by the company-internal set-up. The reporting structure of this section follows the same sequence as used for the headquarters level analysis. In addition to the cultural background and the HR function in the subsidiary, this study emphasized the relationships and communication processes within the organization to learn more about the interaction between all stakeholders and the related effects. Further, a distinction was made between majority shareholdings and the joint venture, because significant differences were identified during the interview analysis in particular regarding communication matters.

5.4.2 Answering the RQs

RQ3: What factors influence expatriate performance in the host country subsidiary?

5.4.2.1 Cultural and socio-economic context compared with the parent country

5.4.2.1.1 Host country culture and environment

With reference to the earlier-described key concepts of cultural orientations and values, it should be noted that the following characterization of the Chinese culture does not intend to confirm or criticize either of the existing models. However, like the illustration of the German culture at the headquarters level, these models provide basic definitions that relate the interview results to a broader perspective. For instance, the values identified by the Chinese Culture connection (for example, ordering relationships, thrift, persistence, protect your face, or respect to tradition) are a useful skeleton to illustrate cultural specifics (The Chinese Culture Connection, 1987). Additionally, Confucian values are deeply rooted in Chinese society and also provide a useful framework to understand the Chinese environment. However, it should be highlighted that the main focus of this research is to present the respondents' feedback on their impression of the Chinese cultural traits that have an impact on business relationships and communication processes within the subsidiary. The following section displays the interview results, relates them to the basic principles of Chinese culture, and provides further information to answer the RQ.

Relationship (guan xi): Starting with the most prominent topic, the interviewees stated that relationship or *guan xi* is an essential ingredient and premise for communication in China, which is also suggested in existing research (for example, Hung, 2004). Good relations in China are considered the basic foundation for organizing business as well as

private life. However, it takes time to establish them, which is only possible if the involved parties trust each other:

> A lot of things depend on relation—what we call guan xi. If you have good relations, you can do whatever you want. But this takes time.
>
> In China, you have to understand the relationships behind. In this sense, the Germans are too strict sometimes.
>
> The Chinese are programmed on continuity. They established life-long relationships.
>
> You need to establish a good relationship with your dealers—almost like a friendship.

Emphasizing the value of relationships and the background knowledge about a person or a topic, the statements also confirm the taxonomy of high- and low-context cultures with the Chinese falling in the former category (Hall, 1976). However, since the Germans fall into the highly compartmentalized and low-context culture category, there might be communication conflicts and difficulties in the adjustment process. One of the respondents also emphasized the obligation to help other members of society even if physical or mental harm would be involved: "Chinese people believe that once you trust somebody, you would do anything for him and even suffer." This belief is reflected in the relational interdependence or reciprocity mentioned by Hung (2004).

Protecting your face: Closely linked with the concern about maintaining relationships and ensuring harmony, *protecting your face* or *yao mianzi* was also mentioned as another Chinese cultural characteristic. In particular, the Chinese respondents explained the meaning of protecting and, respectively, losing face and underlined the fatal consequences for the affected person:

> In Asia losing face would be the worst thing to happen.
>
> We are not used to giving open feedback; you have to notice it somehow. How? More or less in the sense of punishment, nothing major. But we try to make you understand that something was not right in a very subtle manner.
>
> When you discuss a certain topic, then nobody will lose face.
>
> For Chinese people it is hard to say 'no' face-to-face, even though they think 'no'. So, it does not work if you ask them to speak out what they think. They want to tell somebody beside you and tell him or her what they think. This person is then supposed to deliver the message to you. That is the truth.
>
> In China, for instance, it is ensured that the human being/the individual is valued and respected.

Based on their personal experience, some interviewees commented that this characteristic seems to have changed over the past several years. They were surprised how well their Chinese colleagues could deal with critique and provide open feedback.

> Actually, I was surprised how well the Chinese can deal with critique! I guess a lot of things have changed over the last 20 years. I like the way how they criticize; although it might be rather subtle, but they are nevertheless able to make their points quite clear.

Hierarchy/seniority: The interviews also provided support for the principle of hierarchy and seniority in the Chinese business context, but the evidence was less strong compared to the previous topics:

> Seniority is key in China.
>
> Hierarchy is seen differently compared to Germany; that is, boss-employee relationship is different.

Respect for the elder and superiors is deeply rooted in the Confucian tradition and results on acceptance of authorities as well as the given rules and tasks. This has a direct impact on the business relationship between Chinese and Germans especially when obtaining orders from superiors. Chinese subordinates are more likely to follow the orders as given whereas Germans are more likely to question instructions, when they have any concerns about complying with them. One respondent commented that out of respect toward their superiors, some Chinese are not willing to take responsibility because they are used to relying on instructions: "The Chinese colleagues are not willing to take responsibility sometimes. They delegate things back to the bosses."

Willingness to learn: The interviews revealed another interesting topic, which underlines the Chinese willingness and desire to acquire knowledge and to catch up with Western standards. In particular, German respondents highlighted the motivation and dedication of their Chinese colleagues to study and to get access to international knowledge. They are striving for a better education, which will give them the opportunity to succeed in business and compete with their Western peers:

> You can see the desire to learn more and be better than others. The people want to learn.
>
> Chinese people are very open and they are interested and are eager to learn. They like learning and they do it a lot. They invest a lot to learn English; they want to understand how Western countries are and how they are organized. They also travel a lot and they are very open-minded.
>
> They are eager to learn and are also open to Western Management methods. On the other side, they are proud of their history and won't let others tell them what to do and how to do it.

To relate *willingness to learn* to the principles of Confucian culture, persistence, and perseverance are similar attitudes that positively influence achieving the goal to become better than others.

Flexibility: In contrast to the German approach of detailed and explicit instruction, the Chinese have a more flexible approach. In many business areas, rules are more implicit and not necessarily written down, which requires a good network and excellent relationships to understand the whole picture. Hence, for Westerners it is sometimes very difficult to follow a decision-making process as a great amount of information might not be transparent to them:

> They are not thinking straightforward; they rather look at the whole picture and would adjust parameters, if they have to. So you have to be a little bit flexible.
>
> For us, we do not have many rules that are written in black and white and where you can say yes or no. It is more like maybe yes or maybe no.
>
> Little is written on paper and the decision-making processes are kind of non-transparent. That is why there are so many rumors at HQ.
>
> They like beating around the bush and it is hard to evaluate what they really know.

The need for flexible and sometimes improvised solutions is also related to the speed of change in the Chinese market. Rapid economic development and constant change pose a challenge to establishing rules: "The speed of change is extremely high in China, because nothing is stable right now. When in history have the Chinese ever experienced stability!"

Others: To complete the cultural picture, some other points were raised and are worth being mentioned, even though they were brought up only occasionally. For example, Chinese people seem to treat Westerners better than locals according to a Chinese interviewee. This might indicate that the status in society has an impact on interpersonal relationships. In addition to that, it was emphasized that the cultural context of China is very heterogeneous and cannot be captured by general values or principles. "There is not one China" as one participant stated and, thus, cultural values can vary across the country depending on regional customs.

In sum, the case study participants emphasized the Chinese cultural characteristics, which are widely accepted in the literature, such as relationship, protecting one's face and the principles of hierarchy and seniority. Besides these, "willingness to learn" was mentioned as a new attribute, which underlines the Chinese will and ambition to improve their knowledge and catch up with other nations. High flexibility and a tendency to improvise contrast with the German's "black and white" approach of formally defining everything.

Before moving on to the economic situation, political environment and government influence are described as both were considered important factors. Heilmann (2004) stated in this context that politics and economy are strongly interwoven in China based on the socialist understanding; hence, the interdependencies have to be analyzed accordingly (Heilmann, 2004).

Political/legal: Deeply rooted in Chinese tradition and history, the political landscape in China has been going through a change process, which affects all parts of society including "the governance of the country as a whole" (Yolles, Iles, & Guo, 2006, p. 148). Especially the WTO entry enforced structural changes and a transformation of the economic and political systems. However, despite market liberalization efforts and improved trade policies, the political system is predicted to remain strong over the next few years with the aim to ensure political stability (Economist Intelligence Unit, 2007). The interview results confirm the considerable government influence and describe its impact on the business environment:

> The government with its laws and its policy has a decisive impact on our business success. The government changes laws and rules without prior notice; that makes it difficult to get to know the market as the environment is constantly changing.
>
> China is still no Western-style country like France or Germany. Let's say it is still a communist country. The country has opened its doors for the last 30 years, made a lot of progress and is promising. (...) But the legal framework, the behavior, and the involvement of the government, the partners, and the customers is still very much "China-style" and very much related to the state-owned companies.
>
> China is a communist country and there are many things that are not in line with our (Western) value system. Death sentence still exists here, and the government has a massive influence on the private sphere, for example, internet pages are blocked, etc.

The statements also indicated that there is a strong reliance on government direction, even though official guidelines are not always available. This implicates that excellent contacts to the respective government bodies are indispensable in order to obtain all relevant information.

The authorities in general have a decisive impact on doing business in China and they define the legal context as well as tax, customs, and banking regulations. Especially for international firms, complying with these guidelines poses some challenges as outlined by the interviewees:

> In some areas we are facing challenges, such as foreign currency control and some special tax rules. (...) The company also has to comply with a lot of special China bank requirements and rules.

> You expect from your expertise that the customs officers have a clear policy which is written down somewhere so that you can check it. But here it is sometimes a grey area.
>
> I see a major influence from the following areas: Banking (Bank of China), investment, tax, and customs. The Bank of China is holding the banking power and approves whether you are allowed to do business or not. Also some investment and tax authorities are reluctant to see foreign faces.

The participants representing the JV enriched the general input with their specific experiences related to the subsidiary situation with an equal shareholding structure. This input is valuable because it underlines the discrepancies between the two distinct set-ups (i.e., majority shareholding versus joint venture with two equal partners) and allows further analysis and more precise answers to the respective RQs.

In state-owned companies or joint ventures with a Chinese partner, the level of government influence is supposed to be higher than in majority shareholdings of the German MNC. The interviewees reported that many of the local employees are government party members and, hence, have to fulfill party obligations that might collide with company internal goals. This makes it difficult for the Executive Management team to align all employees in one strategic direction:

> Maybe 40 or 50% of our employees are party members and the party leaders come together in party meetings; this means they all have two hats: one in the company and one in the party. They use these meetings to align everybody and then make their own decisions.
>
> What looks like an international joint venture is actually not one. (...) The old BJC state-owned enterprise world collides with the claim to lead according to a modern and strategic alignment.
>
> The influence of the party also has a negative effect on the employees, because they are not empowered. They are under constant pressure not to make any mistakes in order not to obstruct their political career.

One of the Chinese JV representatives further explained that, in general, superiors that are party members do not change position as frequently as non-party members and that this has an important impact on the subordinates' behavior provided they are also party members.

To summarize, political background and authority regulations are important factors for doing business in China, especially in a joint venture with equal partners. At the same time, companies have to manage the requirements of the rapidly growing economy in China if they want to succeed in the international market place. Hence, the business environment should to be considered as a decisive influence factor.

Rapid growth and constantly changing parameters: The major topic under this header is China's rapid economic growth and its increased power within the global economy. Leaving aside the impact of the financial downturn, which left its marks on all economies, China's business development is considered unprecedented with further potential in the coming years:

> China shows market development in record time and has still potential.
>
> China has become an important player in the global perspective.

This development contrasts the earlier-described German business environment, which is characterized by stable, but relatively small, growth rates. Further, the situation in China is constantly changing while the situation in Germany is rather predictable. This difference is highlighted by the interviewees with the following quotations:

> China is an emerging market; it is incredibly dynamic and there is constant change. Everything changes so rapidly.
>
> Such a market movement is unprecedented. Hence, it is difficult to make the right decisions, because nobody has a proper experience.
>
> China is in a stage of mix: a lot of Chinese/communists specials on the one hand and a lot of Western things on the other hand.

Looking at the automotive market from the respondents' perspective, they acknowledged that the automotive sector offers great opportunities in the coming years. They also stressed the underlying potentials:

> China provides many good business opportunities to build up new businesses, especially in the automotive sector.
>
> A lot of rich people. When they get rich, they have to buy their first luxury car of our brand to show off—this is a must.

However, they also acknowledge the high degree of regulation and other obstacles even though significant progress has been made since the entry to the WTO. One of the concerns is that China tries to get hold of technical knowledge and, hence, enforces certain rules and control systems affecting the operation of the foreign carmakers:

> Chinese copy a lot. They also have regulations that the data for the navigation systems must be provided and tested exclusively by a Chinese company.
>
> One of the regulations is the 2+2 rule. This means that a foreign company is only allowed to have two joint ventures in the passenger car segment and two JVs in the commercial segment.
>
> If you want to sell a car you have to go through a homologation and testing process in order to match the regulations. In addition to that, 40% of the parts should be 'made in China.' So the time is really critical if you want to launch a new car in China.

> Especially the automotive industry is highly regulated in China. It is one of the industries that is in constant focus/observation of the government.
>
> Everything is stringently organized and controlled; one reason is to get a hold of technical know-how as fast as possible, in particular in the automotive industry.

Besides the general industry environment, many of the interviewees also commented on the competitors in the markets and highlighted the business practice of other German brands in China. They noticed that the competitors seem to be quicker to bring products to the market as well as more flexible in their processes. Even though the statements represent the subjective view of the case study participants, I decided to include them as they were repeatedly mentioned. However, it is important to note that the statements are not verified by a neutral market study. One respondent commented: "Whenever we do not have a unique product, the others are faster than we are." This indicates that there might be a lack of process efficiency, which negatively affects the competitiveness of the MNC. Other interviewees received the impression that some of the other competitors seem to have a different personnel strategy with much more emphasis on localization than the chosen company. However, these statements have not been verified by a neutral investigation and, hence, will be considered assumptions.

Summarizing China's economic development, the growth over the past years is unprecedented and it affects all major business sectors including the automotive industry. Slightly hit by the economic downturn, the upwards trend could be sustained with the help of effective government stimuli. The car industry is also characterized by a high degree of regulation, which makes a prediction difficult. However, given the high domestic demand, China's market will still offer great opportunities in the years ahead. In order to stay on top of the development, local as well as international companies need to offer fast and flexible solutions to address changing market and consumer needs. This poses a variety of challenges for international firms, especially if they are used to operating in and dealing with mature markets.

Taking all aspects of China's development into consideration, Yolles, Iles, & Guo comment that "China is passing through a process of social and cultural change that is transforming not only its traditional values, but also the way that it makes decisions and creates and distributes its products" (Yolles et al., 2006, p. 147). The interviewees supported this by saying:

> The Chinese customer will not accept everything anymore. They are much more modern now and everything is transparent.
>
> People know Western standards because they have more access to internet and they travel.

China's social landscape and culture have changed as a result of economic reforms and Western influences. The Chinese value system is being reshaped under the fast moving environment.

The following paragraphs reflect the interviewees' perception of the specific circumstances within the Chinese subsidiary and human resource-related matters as well as complement the information provided by the analysis at the headquarters level.

5.4.2.1.2 Subsidiary background

Like the structure at the headquarters level, the reporting of results will be conceptualized from a *formal* and an *informal perspective*. Concerning the former, the responses reflected a high complexity regarding internal procedures as well as the organizational structure of the subsidiaries. In addition to a regional headquarters, there are two organizational units that have overlapping responsibilities, for example, in sales and marketing. The interviewees emphasize that this set-up potentially leads to conflicts of interest and constrains an efficient and professional market support:

> Here in China we do have three different company organizations: "Regional Center" as headquarters, "Majority" and "JV." This is also a very interesting topic. Even the expats are treated differently!
>
> We have two sales organizations: 'Majority' for imported cars, which covers the complete product range; "JV" covers part of it for the locally produced cars, which are sold through the same sales network.
>
> But we are so hierarchical in a way that people totally forget about this good thing. They only look at the negative things.

However, it was also acknowledged that a "China Executive Board" was established to consolidate the business activities in the market.

Shifting the focus to the joint venture, the respondents felt that the JV is treated differently by the headquarters compared to the majority shareholdings. Some interviewees were under the impression that the JV is not truly a part of the company because of the involvement of a Chinese JV partner. Both joint venture partners have equal rights and, hence, it is not easy for the JV to deal with instructions from the German headquarters. In particular, the expatriates reported difficulties in representing both sides—the headquarters perspective as well as the joint venture perspective with a very strong Chinese influence:

> The company is treated differently, because here at the JV, 50% belong to the company and 50% belong to the Chinese partner. Currently, HQ always says, "you are only having a 50% share, you do not really belong to us." They consider the JV to be a very unique child of their family.
>
> We have two partners with equal rights; we have to be careful that the same information is provided and that they receive the same treatment—that is a

> balancing act and I have to avoid becoming a "henchman." If I put on the subsidiary hat, I get in trouble with HQ, if I put on the HQ hat, I face difficulties in the subsidiary.
>
> Although the company holds 50% of the shares, I feel that the Chinese partner has predominance as we are here in China. I would consider us as being guests here.

To gain insights to the informal aspects, the interviewees were asked to elaborate on company culture and values. The purpose of this question was to understand to what extent the corporate values are prevalent in the subsidiary. The answers to this question provided support for the informal control function of the expatriates as explained earlier in the analysis of the expatriate level. The results suggest that the employees are aware of the core values through input from headquarters and local management on-site:

> We know the company values; the company even gave us a brochure to get to know the concept. There are also regular town hall meetings where we are informed about the company's performance and plans from HQ.
>
> We had an Excellence Workshop here to talk about the four core values and we were asked to pass these values on and work according to them also in our daily business. In this regard, the managers have to be good role models and follow these values; that is more important than distribute papers.

Even though the corporate values seem to be widely known and accepted within the organization, a differentiation has to be made in the case of a joint venture. As described above, the influence of the Chinese shareholding partner has an effect on the JV business and procedures. Thus, this is also reflected by a variety of informal aspects. The interviewees reported that the company culture and values in the JV are strongly influenced by the Chinese partner resulting in the fact that the values from headquarters become less important; they also consider the JV to be unique compared with the majority shareholdings:

> Even within the majority, the colleagues have hardly understood what challenges we are facing in the JV.
>
> The basic difference comes from the culture; even more from the specific company culture of the JV, which is to a great extent influenced by the Chinese JV partner and thus by omnipresent politics.

To summarize both perspectives, the organizational structure of the MNC's China operation is characterized by different legal entities (for example, majority shareholdings, joint venture, and others), which creates a number of interfaces and, thus, might potentially lead to a loss of efficiency. However, company values are actively communicated and established in the subsidiary by the expatriates as a way to influence the foreign branches. Nevertheless, the situation is slightly different in the joint venture, because the directives

from headquarters are confronted with resistance and/or alternate strategic solutions from the Chinese partner.

After reviewing the aforementioned input, several points provide an answer to the first part of RQ3 (Cultural and socio-economic context compared with the parent country):

From an external perspective, the "classic" Chinese cultural characteristics were observed and reported by the interviewees, with *willingness to learn* being named as a key attitude of the HCNs. Additionally, corporate and private communication rely on establishing relationships as well as the principles of hierarchy and protecting face. Further, the dynamic Chinese market needs high flexibility, which contradicts the German market, which relies on predictability and formal processes. This contrast introduces the risk of miscommunication and lack of understanding. Additionally, the political background plays a bigger role in China than in the MNC's parent country. The firm not only has to comply with Chinese rules and regulations, but it also has to deal with the fast pace of economic development, which requires swift actions for capturing market share. Owing to the shareholding structure in the joint venture, the political influence is even stronger; there is a higher risk of conflicts when the two different systems collide.

Concerning the organizational structure, the company's presence in China is considered rather complex including a high number of interfaces between the different legal entities. This leads to a loss of efficiency and to some frustration for expatriates and local staff. From an informal perspective, the headquarters' influence is present in the subsidiary through the shared values that are central to the organization. Hence, the central influence of the MNC extends far beyond the borders of the home country. However, the corporate values are less dominant in the joint venture as the Chinese partner also tries to maintain its identity.

5.4.2.2 Disparity between expatriates and locals (for example, in terms of HR policies)

The analysis under this header focuses on the situation of local employees including HR managers and their respective functions in the subsidiary. The investigation sought to uncover disparities if any between expatriates and HCNs with regard to remuneration and career opportunities.

Salary and benefits: Many of the respondents commented on *salary and benefits* and positive and negative answers were balanced. For example, some participants emphasize that Western companies in general pay adequate or even higher salaries than their Chinese competitors; however, other participants questioned the competitiveness of the local remuneration:

> Generally speaking, I would say that the company pays quite reasonable/good starting salaries.
>
> The salary in Western companies is better than in local ones; the salary is quite competitive. And also the rewarding policy is quite clear. There is transparent performance evaluation and rewarding system; in local companies there is more uncertainty.
>
> Our local Management package is not so competitive so it is very hard for our HR staff to find quality people.

Considering the above statements, the local respondents' benchmark for comparing the salary was not primarily the expatriates, but rather the market environment. The interviewees, in particular the HCNs, were concerned whether they are paid adequate market prices and they noted a variety of positive initiatives, such as salary adjustments and training opportunities, which underline a positive trend toward improving competitiveness of remuneration and benefits:

> We had high fluctuation until two years ago and, hence, we analyzed and evaluated the salary level together with Mercer Consulting. Result was that the company paid below market level. As consequence, salary limits were adjusted twice and now the average is around 70% of market level. This had a positive impact and fluctuation could be reduced.
>
> I found that the company has improved a lot, especially with regard to employee benefits.

However, the importance of adequate salaries also implies that the MNCs might lose talent, if the pay is not competitive with the market. Concerning the role and function of local personnel management, one interviewee suggested that "the HR policy aims at creating loyalty for the company with the locals," which is seen positively. Further, the HR managers see themselves as coaches for expatriates to help them deal with intercultural people issues:

> In the local HR team, we have used a lot of resources to coach the expats in terms of dealing with intercultural people issues. (...) If the expats are open enough, we have very good support for them to be more integrated in the culture.

Career chances of locals and expatriates: *Career chances of locals and expatriates* are two additional topics that were discussed at length during the interviews. Participants acknowledged that the company has intensified its effort to identify and develop local talent. By setting positive examples and promoting local staff, other locals would also be encouraged and, thus, be motivated to stay with the company:

> We try to identify and develop local talents; I think these two are the key issues. For instance, we sent four of our talents to the EMBA program.

> I joined in 2001 and then I participated in the AMAP program, which is kind of a talent program. (...) After a couple of years I got promoted to General Manager Strategic Planning. I am a good example, but in total we have only four locals on E3 level. But if it happened to us, it can definitely happen to anyone.
>
> I do see that there is emphasis on developing locals; this kind of effort has increased drastically in recent years, but it is difficult to compare the chances of locals and expats.

In this context it was also highlighted that local employees would like a transparent and defined career plan including concrete next steps in their development. However, the requested level of detail is often not provided by the company as indicated in the below citations. This understanding differs from the expatriates' view on career planning as they do not seem to expect such a detailed roadmap of their next steps:

> As far as I know, we do not talk often about development plans of locals in terms of how good they are, what can they achieve in five years and so on. If they want to get a better job, they have to leave the company.
>
> What I have learned is that the locals expect a very concrete and tangible career plan (something like a roadmap), which our company cannot provide in this sense. I guess we would have to make an attempt to set up a more formalized process here, if we would like to keep the locals.

In contrast to the promising activities to stimulate development and promotion of locals, there are also other arguments that are less promising. Despite a few positive examples, the general scenario suggests that manager and executive positions are filled with expatriates, which deprives the local staff of further career chances. According to the locals, there is hardly any possibility to get hold of expatriate positions, which negatively affects the motivation and moral of the local employees:

> In fact there are positions, which are passed on from expat to expat. I think that is a mistake. Because the locals are de-motivated and thus, you lose talents. The competitors will headhunt the good ones.
>
> We have an issue here with employee retention and this is also because the development opportunities for locals are not so good. Most of the manager positions are taken by Germans or foreigners. This might give the impression that there is no chance for the locals to get these jobs and, thus, they leave the company.
>
> In general I would say there is a big gap between the career chances for locals and expats. Most of the manager positions are occupied by expats and the communication to Germany goes through these guys; the normal, local staff does not have a platform to present themselves to the top or to Germany.

As demonstrated, personnel development and career planning in the subsidiary are very complex topics, which have to be examined from various perspectives. While there is a desire to improve the career chances and increase the retention rate of local talents, conversely, there are many examples that illustrate that most of the manager positions are

filled by expatriates and thus, out of reach for local employees. To improve the situation, a more stringent career planning for locals would be required including the option to advance into expatriate positions. One of the local respondents suggested fostering an exchange between subsidiary and headquarters for talented local employees: “From my perspective, if the Management team wants to promote locals, then they have to send them to Germany for a certain period of time.”

Nonetheless, the existing positive examples are an encouragement for local employees and they suggest that the company has recognized that local career development may be a way to increase employee motivation, which leads to the next topic.

Employee motivation: Providing good and realistic career opportunities was identified as one factor that influences employee satisfaction and motivation level. Additionally, the interviewees proposed that empowerment and additional decision-making abilities could enhance employee commitment and support the company’s goal of having an “inspired” workforce. The respondents claimed that the involvement of local staff could be improved by providing more responsibility and competencies. To get better insights into employee satisfaction and dedication, the company conducted a survey to analyze the status quo, identify improvement potentials and define appropriate measures. One of the respondents acknowledged that the results of the survey confirmed the need for action in this area:

> Local people are not inspired and they do not make use of their local expertise.
>
> This issue very much depends on leadership. If the leadership gives a strong message that it takes care of all employees—not only expats—the management also shows a good example to empower locals. The employees have freedom to perform their work and management gives them opportunities and decision-making competence.
>
> The staff needs to get full trust from the CEO; it would be good for them to see that the locals can also participate in the decision-making process.
>
> We monitor the employee satisfaction also via “GECS” (Global Employer Customer Satisfaction index). With this tool, we went directly to the employees and asked them about their commitment to the company. (...) The results were everything but brilliant and each division started different initiatives in order to tackle this issue.

To deal with and manage the specific JV challenges also affects the employee motivation and working atmosphere within the joint venture. It is challenging for the expatriates to explain their particular work environment in the joint venture to the headquarters, while at the same time dealing with the requirements of the Chinese shareholder. This demands a lot of stamina, according to the respondents:

> In the JV I felt like a second-class expat compared to the colleagues of Regional Center and Majority, who all sit in a nice office tower, have beautiful offices and certainly do not make the experience within a state-owned enterprise. (...) After four years there is not much energy left.
>
> Sometimes you are on the verge of giving up where you ask yourself how far you still would be going.
>
> You need two virtues: High degree of frustration tolerance and an above-average ability to motivate yourself.

The feedback illustrates that personnel development in the subsidiary is a success factor to ensure high employee commitment and retention. Even though most of the arguments relate to the local personnel, some comments also concern the expatriates' situation. A lack of expatriate motivation was mostly due to uncertainty about the reintegration back in the home country. Further, the specific challenges in the joint venture add further stressors to the expatriate environment and, thus, increase the strain to manage the business accordingly.

Consolidating the above input on the disparity between expatriates and locals suggests answers to the second part of RQ3 (Disparity between expatriates and locals):

The HR policies within the subsidiary are in place in order to recruit and maintain the right (local) employees and to ensure a high level of motivation and dedication. Transparent career planning and adequate remuneration are crucial for a high retention rate of HCNs. Chinese employees compare their salaries with market level pay more than they do with their expatriate colleagues' pay. This offers opportunities, but also requires the organization to monitor constantly the latest market development to stay competitive in terms of salary.

Concerning career chances, there is also a competition between the expatriates and the local employees. Despite positive initiatives by the management, the career opportunities for locals seem limited in comparison to their German colleagues. Specifically, most of the executive positions are filled by expatriates leading to a loss of motivation for the local staff. Thus, there are disparities between how positions are filled and where candidates are recruited. Besides asking for a transparent career planning, Chinese employees are also requesting higher empowerment, which is based on more responsibility within the subsidiary organization.

With respect to the specific JV situation, it is significantly different from the majority shareholdings because of the high influence of the Chinese partner that affects internal procedures and standards. Personnel decisions and career management have to meet the standards of both partners, and, thus, headquarters' directives are less dominant in

the JV. Further, some expatriates experienced an unequal treatment compared with their peers in the other subsidiaries, which might suggest that the majority shareholdings have priority over the joint venture from a corporate perspective.

5.4.2.3 Interpersonal relationship and communication between expatriates and HCNs

Considering the variety of aforementioned factors, it seems that the interaction between all involved parties in the subsidiary is a complex and multidimensional phenomenon. Hence, this section carefully evaluates the aspects that shape communication and relationships between local and expatriate staff. The selected interviewees reported positive as well as negative aspects of day-to-day communication and cooperation. Especially the complex situation in the joint venture with its two equal shareholding partners leads to a variety of conflicts concerning interpersonal relationships. However, there are also positive examples of trusting relationships.

5.4.2.3.1 Positive

Both German as well as Chinese employees emphasize that the communication works well. Some of the locals mentioned that they are used to working with German superiors and, hence, are familiar with their style and leadership:

> The contact and communication with the locals works well.
>
> Working with my German boss is not difficult. I think it is quite easy with them—my current and my previous boss. From business side, we are talking business language and both sides know it. There are no differences and no communication problems on this level. Culture is secondary here.
>
> I am used to working with German bosses (...) To be honest, I prefer working with a German boss rather than with a Chinese. Maybe I was only lucky so far, because my bosses were all very open to me.

Further, it was highlighted that once trust is developed, there are fewer communication or negotiation problems. Some of the comments suggested that the gap between departments seems to be bigger than the gap between the nationalities:

> We know each other, we trust each other—this is a very good basis for negotiations.
>
> Once you have an old expat and one old Chinese guy, they mostly work together very well—easy area.
>
> The cooperation between nationalities is quite good—much better than between or among departments.

The importance of trust and establishing good relationships were stated as success factors for doing business in China; relying on good relationships enabled Chinese and German

colleagues to work closely together. However, some respondents also underlined that the establishment of a trustful relationship takes time:

> I think the level of trust of my (German) boss placed on me was very high compared to other employees. We worked very closely together, had lunch together. We went through tough times and that is where we built this relationship. (...) I think trust is the most important thing.
>
> A lot of things depend on relation—what we call guan xi. If you have good relations, you can do whatever you want. But this takes time.

5.4.2.3.2 Negative

Besides these positive and encouraging comments, there was a series of statements that describe the communication difficulties as well as other challenges. First, the interviewees acknowledged the *language barrier* between Chinese and German staff and explained the related consequences. Thus, Chinese and German employees speak in English when they communicate with each other. Communicating in a third language (English) can lead to misunderstandings about the message intent:

> We speak English with the Chinese; we are all non-native speakers and communicate in a language that we had to learn. Most of the Chinese started learning English quite late.
>
> Maybe sometimes the language is a bit difficult, because you do not know the exact meaning. (...) Sometimes you have to think about it before you get the real meaning.
>
> We use a third language to communicate; it is ok, if both parties are fairly good in English, but it does not work if one is excellent and the other one has a poor knowledge. Further, the Chinese and Japanese use much more pictures or animal stories to describe and explain certain things whereas we would use more arrows and geometrical shapes and thus there is a big difference in the way we communicate.

Fluent English is thus an important requirement for daily communication. However, one respondent pointed out that the best manager is not necessarily the one with the best English skills: “Also language is an issue. (...) but some of the top locals are not the best in terms of language (English). And some, who are the best in language, are not good in Management!”

Additionally, some Germans expressed their concerns about communication barriers with the operation level staff who only speak Chinese. Thus, there is a need for translators, which makes the communication process much more tedious and error-prone:

> I just had a few interviews with a new applicant; in most of the cases I need my secretary to translate. And then they are nervous and are totally overstrained so that you cannot talk to them in English. Amongst themselves they would speak Chinese anyway.

> I am able to talk about the weather in Chinese or about soccer, but I cannot talk about business; that is, I always have someone with me, who has to translate. That makes the relationship complicated.
>
> On operational level it can be quite tough, because they do not speak English and I do not speak Chinese.

Some of the bilingual staff (Germans who speak Chinese or Chinese who speak German, besides English) emphasized the positive impact that language has on their relationships with foreign colleagues. One expatriate highlighted that being able to speak Chinese has helped his interpersonal relationships. It allows him to get the real meaning of what his Chinese colleagues would like to express.

Besides the language issue, *different negotiation practices* can also be a barrier in the communication process. The expatriates and locals stated discrepancies between the Chinese and German business behaviors. Some comments suggested that Germans do not pay sufficient attention to the relevant environment and background information, which the Chinese consider crucial. These comments support Hall's taxonomy of high- and low-context cultures and the related differences. Further, the expatriates argued that some of the Chinese employees lack creativity and entrepreneurial thinking:

> One important thing—which many tend to forget—is our Western negotiation culture: When I give you something here, you give me something there. But for Chinese, it is different: When you give them your little finger, they would take the whole hand without giving anything back.
>
> It is not so easy to persuade our German colleagues to cooperate with us and understand it. It takes a long time to communicate with them. They do not know about the environment and the requirements behind.
>
> The Chinese are formally even better or higher qualified. However, they still lack the entrepreneurial thinking and some kind of open creativity.

Referring to the earlier-described characteristics of monochronic and polychronic attitudes toward time, the respondents also acknowledged difficulties introduced by the systematic German approach, which conflicts with the flexible Chinese way of doing things:

> The maturity of the Germans is based on their systems, their people, and their systematic approach to make decisions. The locals come from another direction; they are not process driven and sometimes they are too flexible. So you need to find the right balance.

Further, relationships can be damaged and communication can be interrupted when one party shows a *lack of respect for the local cultural environment*:

> Sometimes I miss some respect for our culture. For instance, we had one boss who made the whole team wait at Chinese New Year—you should not do this. I understand that when it comes to business you have to be strict and establish an

> authority, but the bosses should also show that they are normal persons—human beings like you and me.
>
> If you come here with the understanding—which quite a number of expats do—that your counterpart has to adapt to your opinion then it does not work; then we will face a big problem with our Chinese partner.

Shifting the focus to the joint venture, some statements also highlight *conflicts between the involved cultures, nationalities, and company profiles*. The original set-up of the joint venture added complexity to the situation because there were Germans, Chinese, and Americans involved and decisions had to be reached that satisfied all parties. Cultural matters, such as the aforementioned language barrier, increased the tension:

> I found it quite challenging, because we had Americans, Germans, and Chinese in the Management team: they have different cultures, behaviors, and different ways of doing business.
>
> So, if you want to make a concrete decision to satisfy everybody in this meeting, normally there is no way. Eight people have different opinions. This is a struggle; by law the CEO has the right to overrule, but everybody knows, if you make a decision without the people behind you, you cannot be successful.
>
> This is a big conflict of interest! Currently, it is getting a little bit better, but previously, the colleagues always had one knife in the stomach and one in the back (= one from the Chinese partner and one from HQ). It is an important question, which role you want to play in these negotiations.
>
> For us it was important to know what the Chairman understood and not what we thought he understood.; that is, they totally talked at cross-purposes and then I have to deal with the consequences in my board meeting—not much fun.

The expatriates in the joint venture have to handle the above-mentioned influences on top of the daily business requirements, which increase the level of stress they experience.

Evaluating both positive and negative feedback, the statements suggest that there is a smooth and effective communication once both sides have found their "business language" and trust each other. However, there are also varieties of obstacles that complicate the daily cooperation. Especially the fact that communication is held in a third language leads to misunderstandings and a loss of efficiency. Further, different business practices create challenges for both sides as they are only used to following their own approaches. Another factor that adds on to the difficulties is the lack of sufficient time to sort out the described challenges, as one of the interviewees described: "Basically, you have to work together and deliver immediately without having time for tolerating any kind of conflict."

Finalizing the analysis of the subsidiary environment, the *role and functions of local staff* will be outlined. On the expatriate level, the interviewees described "providing a

link between headquarters and the foreign branches" as one of the expatriate functions. On the subsidiary level, the Chinese locals—especially at the managerial level—perform a similar function. They consider themselves to be mediators between the German and the Chinese culture because they facilitate communication between German superiors and Chinese subordinates:

> My role is a joint role; I am in between. I need to get the understanding of the boss and then I have to think about how I could deliver the message to my staff. It is a little bit difficult, regardless of culture. I also have to explain certain China-specific circumstances to my boss.
>
> I was a middleman and made sure that I kept my fingers out of certain conflicts; my key function was to bring everybody together.

Completing this function, the HCNs also act as informants for the German bosses who might face difficulties to get access to and understand relevant information from Chinese sources. Hence, they play a significant part in providing necessary information for management decisions and also relay information to their superiors about intangible cultural matters, which are equally important:

> I have to explain why things are the way they are in China. (...) It is important to build trust.
>
> My boss needed a Chinese to understand the culture better and I could help him solving some problems much easier.

Based on the above statements, the third part of RQ 3 (Interpersonal relationship and communication between expatriates and HCNs) is answered as follows:

The relationships between the employees and the communication in the subsidiary are positive after both parties have developed the necessary trust in each other. In some cases, disparities between functional departments are more critical than differences in nationality and culture. However, there are a variety of obstacles, such as the language barrier and different negotiation practices, affecting the interpersonal relations. Further, in many instances, there is a lack of time, which does not allow sufficient reflection on communication issues and behavioral patterns. Thus, it is difficult to learn from situational matters and adjust accordingly. HCNs often facilitate communication between locals and expatriates and provide access to the relevant information sources.

Concerning the joint venture set-up, internal communication seems to be even more challenging, because the Chinese influence is stronger. In fact, it seems that both cultures have more trouble with communication in the JV than in the majority shareholdings where headquarters has a strong grip on policies and procedures. Nevertheless, there are many positive examples to signal that good communication processes exist in the majority

shareholdings and the joint venture, especially where there are trust and good relationships ("guan xi").

5.4.2.4 Adjustment factors and processes affecting expatriate performance

Reviewing the long list of circumstances affecting the subsidiaries, irrespective of their shareholding structure, gives rise to the following the question: how do the involved persons deal with these circumstances (for example, such as distant cultural environment, different market conditions, and new job) and what are the success factors making some more effective than others? With reference to the literature in this field, expatriate adjustment is a key element to explain behavior and performance in an alien environment. Hence, a variety of factors that influence the expatriate adjustment mechanisms will be described in the next section and the related impact on performance will be explored. Subsequently, the focus will be shifted to the local employees in order to analyze their contribution to the adjustment procedures.

There is general support for the three dimensions of adjustment: work, interaction with HCNs, and general or cultural adjustment (Black et al., 1991). In this case study, the participants were asked to elaborate on their experiences with the anticipatory and in-country adjustment process, which have an impact on all three dimensions. The study was designed to capture all aspects of adjustment by letting the respondents identify the major influences based on their personal situations. In addition to the inductive approach, they were explicitly asked about pre-departure training and preparation. By leaving the answers open-ended, I intended to capture a multitude of aspects; however, established frameworks from previous research were considered during the interrogation. Shaffer et al. (1999) for instance, provide a comprehensive overview of relevant drivers behind adjustment. They underpin the model of Black et al. with anticipatory and in-country factors, such as job, organizational, non-work, and individual, and create additional value by identifying moderators, such as language fluency and prior expatriate experience (Shaffer et al., 1999). Besides that, I emphasized personality traits that expatriates should have to facilitate the adjustment process as investigated by Shaffer et al. (Shaffer et al., 2006). Finally, *cultural intelligence* was also taken into account "as a continuum of capability explaining why some individuals are more effective in this regard than others" (Thomas et al., 2008, p. 138).

Prior expatriate experience: Confirming the positive effect on adjustment processes in an alien environment, many respondents acknowledged the value of previous international assignments. They specify that prior expatriate experience increases the

efficacy and efficiency to get familiar with new circumstances and to create routines. Further, previous international assignments also helped the expatriates adjust their behavior and adopt foreign habits more easily:

> Previous expat experience in Hong Kong helped for China. You get a certain routine, which has a positive effect and you need less adjustment time.
>
> My general observation is, if a person is open-minded and has eventually worked abroad before coming to China, it will be easier for them to adjust to the culture. With abroad I mean outside Europe.
>
> I think HR should use previous expat experiences. They should much more focus on those, who have already been abroad. If someone was successful abroad, then I would take him rather than someone who has never been abroad, because I would have to prepare him first.
>
> Generally speaking, an assignment is always a good preparation for the next one, independent of the country. You can learn from it and it gives you some input for your future behavior.

However, some respondents critically reflected on the value of prior expatriate experience and questioned the applicability of the experience in a new setting. They also highlight that every country is unique and thus, specific cultural knowledge might not be transferable:

> I guess this is a personality or type question. Not necessarily do prior expat assignments help. Let's just say I was in the USA or in Denmark, nevertheless I could feel very uncomfortable in China. More importantly, I have an interest and fancy going to China.
>
> In how far prior assignments help for China in particular, I doubt that. You are certainly familiar with Hofstede and Trompenaars; if you go into details about the Asian countries you will notice that Asia does not exist when it comes to behavior.

CCT: In addition to prior expatriate experience, *CCT* should also contribute to prepare the assignees for their international postings and facilitate their adjustment in the host country. In this case study, the interviewees commented on HR's initiatives to provide intercultural trainings as well as their personal preparation activities. The feedback on the intercultural seminars was somewhat ambiguous because both positive and negative aspects were mentioned. The below quotations reflect some favorable replies:

> From an HR perspective, it is our intention to prepare the expats for the dos and don'ts. In most of the cases, this seems to work.
>
> I participated in a one-day seminar—it was for me alone. The trainer taught me again the basics for negotiations with Chinese. As I had a lot of previous knowledge, it was very enriching for both of us.
>
> We had a very good intercultural seminar with an excellent trainer. We met up with the trainer again afterwards and reflected upon our experiences. That was really good.

However, some candidates were critical about the value of the offered training and suggested that the training quality and content did not meet their expectations:

> Actually, there was an intercultural training as preparation for China, but I think you cannot be properly prepared for China. What you experience is anyhow different to what you have read.
>
> I had a preparation course with someone who had never been in China before and wanted to explain China to me!
>
> Our HR is very fast with offers on trainings and seminars concerning intercultural competence. However, what they do not have in their portfolio is a specific preparation for the unique situation in a JV, such as political background, communist party, etc.

Since participation in the intercultural training is voluntary, a number of respondents did not make use of the offer for various reasons. They were tied up either with other business meetings or felt adequately prepared already: "I did not participate because there was another important meeting so I could not join. Anyway, I was not really keen either, because I felt quite well prepared." From a HR perspective, it was highlighted that the assignees should not be pressured to attend any kind of training; the seminar should rather be seen as an opportunity to assist them in their preparation.

Whether they participated or not many of the interviewees made suggestions for improving the intercultural training programs to better suit the expatriates' needs. One of the proposals included providing more specific information about the Chinese culture and the working area of the individual assignee:

> It would help to give the expats a sufficient training on the Chinese business environment also for their particular field of work, for example, After-Sales, F&C, and the according policies. They only learn something about general behavior. The business behavior and the environment, regulations, policies, and what is going on in the economy are portions, which nobody is teaching the expats.
>
> Expatriates need to get some cultural background. They also should fit in this environment and try to communicate in a language that the locals understand.
>
> If it is properly carried out, such a seminar is good. However, it should go beyond teaching Dos and Don'ts.

Expatriates also requested that training sessions be offered once the expatriates are on-site. This way, assignees could be provided with practical knowledge that they could instantly apply in their new environment rather than theoretical input *a priori*:

> I think it would be better if the people would come to China first and then are properly taken care of and supported. Rather than trying to prepare them in Germany for China, which is hardly possible anyway.

> We should actually offer seminars after the expats have been in China for three to six months—after they got settled. I think we should simply allow the culture shock to happen, because it is anyhow completely different to what they told you in the seminar. I think we should then offer specific trainings for employees who work in the area of conflict between politics, culture, and JV.

The suggestions also included changes to the current seminar format, such as an information exchange with other assignees. Some participants proposed that the duration of the training be even extended: "Actually, I think we could do much more. Eventually an experience exchange with employees who have already been abroad. The company should organize this and it should be mandatory for the assignees. From my point of view, we could also expand the training—why do we have to pack everything in a two-day seminar?"

One of the expatriates highlighted that the two key success factors for effective adjustment are preparedness and knowledge of what to expect, because they minimize uncertainties and help deal with unfamiliar situations. Further, a sound functional and managerial foundation also positively supports the adjustment process, because assignees have more time to pay attention to the social environment and absorb new behavioral patterns: "My huge experience in the functional area allowed me to listen and to observe in order to understand the environment here in China. It is easier in an intercultural context, when you have different recipes you can make use of."

Summarizing the anticipatory factors, prior expat experience was considered a positive enabler for subsequent assignments. However, not every experience might be helpful as each culture has unique characteristics and, hence, acquired knowledge might not be transferable. The feedback on the intercultural trainings that are offered on a voluntary basis was ambivalent and yet, the majority seems to have benefited from it. To improve quality and content of the trainings, the following suggestions were made to better suit the practical needs: (1) Comprehensive training in specific business areas and a more in-depth preparation in terms of culture and functional requirements (incl. specific business context), (2) on-site training in the host-country environment, and (3) a top-down decision to make the preparatory seminars obligatory.

Moving from anticipatory to in-country adjustment, the interviewees focused primarily on non-work and individual factors; work- or job-related factors did not have equally salient roles.

Spouse and family of expatriate: In the non-work context, the adjustment of accompanying spouses and family contributes notably to successful international assignments. The well-being of family members and their psychological comfort have been

widely discussed in the literature and are considered important predictors for successful assignments (Harvey, 1985; Shaffer et al., 1999). The interviewees confirm this interdependency and underline the relevance of the family situation with the following statements:

> The decision for an expat assignment is approx. to 50% influenced by the family situation. (…) and you have to consider the school situation of the kids.
>
> It is a decisive aspect that the family is comfortable otherwise you will have difficulties. If my wife was not comfortable, I would not be working here.
>
> I am happy here. My family is happy and feels comfortable; I could actually stay for another 10 more years.
>
> The commitment of the family is very important and also the attitude to understand such a change as a chance. For us, the assignment is a personal enrichment and we seize the opportunity. If the family is not supportive and does not see it as a chance then the expat assignment could become pretty counterproductive.

According to Black et al. (1991), "cultural novelty" completes the non-work factors that affect adjustment. However, the results of this case study do not explicitly confirm the impact of cultural novelty. The interviewees placed much more emphasis on individual characteristics and personality traits that seem to facilitate or inhibit adjustment.

Individual factors and personality traits: First, *respect for the foreign culture* as well as *empathy* were considered vital preconditions for successful adjustment. The interviewees claimed that a sensible behavior is essential in order to get access to a foreign culture's habits and traditions. The above-mentioned personality traits are similar to "agreeableness" and "conscientiousness," which were identified by Shaffer et al. as stable personality traits enabling adjustment (Shaffer et al., 2006). These characteristics are accompanied by *emotional or cultural intelligence*, which further improves the integration process in a different cultural setting. Culturally intelligent behavior helps the expatriates to adjust their behavior according to the situational circumstances in a foreign context (Thomas et al., 2008):

> Some of my colleagues can speak few sentences of Chinese. Even though he can only speak a few words, we as locals appreciate this, because we see that he wants to understand us and that he tries. These are little gestures, but this helps a lot.
>
> You read a lot about cultural differences, but actually, I have not come across these in that sense. For instance, the issue about 'losing face' or 'open criticism,' I did not discover these! I guess, if you keep in mind that 'losing face' is an important issue here, then nothing can go really wrong.
>
> You need sensitivity. And you also need emotional intelligence, when you have to adjust.

Respect and cultural sensitivity should be accompanied by a *conservative or modest behavior*. The feedback suggests that a cautious approach is appreciated by the HCNs and allows both sides to get acquainted slowly:

> Most of the German colleagues are rather cautious at the beginning and a little bit conservative in order not to make anything too fast or too strict.
>
> You should be a little bit conservative at the beginning. Only after a while you should start changing things.
>
> One thing is very important in China/Asia: modesty and you have to listen; be authentic. These attributes are very important.

Additionally, *openness*, *curiosity*, and *interest in the new culture* were identified as important attitudes to facilitate adjustment. With reference to the above-mentioned personality traits, these attitudes are similar to intellectance (= openness to experience) as suggested by Huang et al. (2005). The respondents emphasized that having the right mindset is a crucial precondition to discovering and accepting a foreign culture:

> You need to have flexibility, openness (open-mindedness) and you have to be able to adjust to your Chinese partner. That is very important.
>
> The country offers so much, if you approach it with the appropriate curiosity, openness and tolerance.
>
> And most importantly: they need to be enthusiastic about the culture and the country.

The expatriates' *willingness to adjust* was another attitude that emerged from the analysis as a considerable factor for adjustment. For instance, the results corroborated the importance of making an attempt to understand the Chinese culture and adopt certain habits. Specifically, a few interviewees critically commented that this attitude is sometimes missing, which they interpreted as lack of cultural competence. Hence, willingness to adjust is a positive predictor for successful adaption to the host country culture and for good relationships with the HCNs:

> Show willingness to understand the culture and the way how we do business—the Chinese will definitely accept it.
>
> And he or she should be flexible enough to adjust to it (= the Chinese culture). He should not believe that he can simple go on with what he did or how he did it in Germany.
>
> If new expats come to China, they have to learn the way of China very fast, otherwise they are lost.
>
> The expats are willing to work with the locals, but there is obviously a lack of cultural competence and tolerance in each and every case.

This willingness to adjust is closely linked with *cultural flexibility*, which indicates that someone is able to abandon familiar behavioral patterns and substitute them with distinct patterns (Shaffer et al., 2006). Numerous responses suggest that humans are all similar regardless of their nationality, culture, or religion. Thus, humans should be perceived and treated as unbiased individuals and not segregated by nationality, culture, or religion. Accepting diversity would be another enabler of adjustment and represent the opposite of ethnocentrism (i.e., home country orientation), which negatively affects the adjustment process. The following citations underline this aspect:

> I am of the opinion that people are everywhere the same. We might speak different languages or have different cultures and customs, but that does not mean that we are not allowed to make mistakes. (…) I think you are a human being in the first place and you have respect for another person. You do not have to make everything perfect. For me it works like that: I am a normal person, I try, but I can also make mistakes. And if I make a mistake I would be more than happy, if you give me an open feedback so that I can make it better next time. Then the adjustment would not be a problem, I guess.

> You should not hide behind nationalities. (...) They can say "You are an idiot." I can take that. But I cannot take it, if they say "You are a Chinese idiot." This is against all my principles and I told all my expat friends.

> There is not so much difference compared to Germany. These are all people/human beings who have families and want to pursue their own interests.

Besides the variety of influences confirming existing and empirically tested adjustment models, a new factor was also discovered in this case study: the influence of *time*. Many statements illustrate the importance of time as a major determinant in the acculturation process. Interestingly, the earlier-described speed of China's economic development is in contrast to the slow pace of establishing relationships with Chinese people. The respondents stressed that becoming acquainted with the particular host country environment and its business practices requires ample time. Hence, they conclude that having sufficient time facilitates a more successful adjustment:

> The Chinese people do not open up so easily and that is why you need enough time. That is sometimes hard for Westerners.

> You need to give the employees trust and time so that they can adjust. China does not run as fast as Germany or Europe; you have completely different negotiation practices, a different history how trade and business relationships are being developed.

> There is nobody who really gives them a chance to understand so they have to figure that out in the day-to-day business and, thus, many people have already lost their credit within the first half year. Because it is a long process until you have finally learned the business behavior of your partner or your customer or whoever.

> My problem at the beginning was that there was simply no time to reflect upon what is going on.
>
> The companies are not ready, the market is not ready, the employees are not ready—they have also been thrown into the situation. And now you would like to establish processes—you need to understand the situation first. And that is also true for the employees. (...) That is the factor time and patience. You need patience.

To sum up the wide range of identified influence factors, individual characteristics and certain personality traits seem to play a—if not *the*—decisive role for successful adjustment. Specifically, the two dominant points are (1) willingness to adjust and respect for the Chinese culture and (2) sufficient time and patience.

These are accompanied by a modest and authentic behavior, which supports the adjustment to the host country circumstances. In addition, having a sound preparation as well as being open and interested in the culture, the country and the people seem to be significant contributors to successful adjustment. Similar to the study of Thomas et al. (2008), the interviewees also highlighted the importance of emotional intelligence as a helpful mechanism to interact appropriately in a foreign context. Thomas et al. describe cultural intelligence as "a system of interacting knowledge and skills, linked by cultural metacognition that allows people to adapt to, select, and shape the cultural aspects of their environment" (Thomas et al., 2008, p. 126). Their definition goes beyond previous explanations of emotional intelligence or global mindset as they accentuate the importance of the metacognitive component to initiate proper cultural behavior. They present a model of relationships between cultural knowledge and cultural metacognition, which consequently results in enhanced cultural intelligence. Similarly, my study results suggest the need to reflect upon what is going on in the outside environment and this underlines the need for a cognitive component in the adjustment process in order to evaluate possible responses before initiating the appropriate behavior. When there is not enough time for extensive considerations, cultural intelligence plays a vital role as it allows for effective cross-cultural interactions. The metacognitive element as an enabler for cultural intelligence is complemented by a high degree of integrity, as one interviewee explained:

> In order to be accepted by the Chinese partner, you have to fulfill two preconditions: You need to have absolute integrity as a person—it does not work if you are unstable and hopping from here to there. And you should be able to remember what you said or did the day before; you need to be stringent in the implementation of certain tasks. You are also very much evaluated based on your functional competence.

All these factors build a solid basis for effective adjustment and contribute significantly to a positive expatriate performance. The next section discusses the degree to

which the factors mentioned above affect the effectiveness of the expatriates in fulfilling their function and duties. In addition to illustrating the relevant adjustment factors, the participants also mentioned critical factors that negatively affect performance and assignment success. The statements below corroborate both the effect of adjustment and the crucial success factors. The responses add further perspectives to the complex expatriate environment and help discover more parameters through the personal perceptions of the interviewees.

Impact of adjustment on expatriate performance: As mentioned earlier, the willingness to adjust was one of the decisive enablers for adjustment. Examining it from a failure perspective, the results confirm the negative consequences if expatriates lack willingness to adjust. Thus, the expatriates might not be able to achieve their goals or establish a good working relationship with their Chinese colleagues leading to resignation and frustration:

> If the expats come with the attitude that they "show the locals how Germans work" then they will definitely fail, because the Chinese would offer resistance, which would subsequently result in resignation and frustration of the expats. This can even go so far that their only wish after two years is to go back.
>
> If you want to push things through without being willing to convince and build trust, then it will not work.

Further, a lack of intercultural competence is closely related to unwillingness to adjust. One of the participants explicitly linked the absence of both characteristics to the failure of one of the company's projects in China:

> The company also has to take a certain responsibility concerning the failure of this joint venture project. Why? Because of lack of intercultural competence of the expats who went there, because of insufficient support from HQ and because of unwillingness to adapt to the local environment and to respond to the requirements of the Chinese partner.

Additionally, some respondents underlined that the Germans are under pressure to get adjusted as quickly as possible in order not to lose respect from their subordinates or colleagues. The factor of time was again highlighted in this context acknowledging that insufficient time to reflect and understand the underlying concepts of the foreign culture could have perilous consequences when decisions are not given enough consideration:

> If the expats think they have to make and execute decisions right in the first week, then the decisions are mostly wrong, because they understand nothing. Not the processes, not the system, not the culture and also not the relationships and then they make mistakes. You need a certain time factor.
>
> You have to start sorting everything—also the daily things and routines—from scratch and you would need time to reflect upon it, but most of them don't do this.

Besides the personal characteristics, a rather simple reason for negative performance or adjustment problems was described as limited access to the necessary information sources (for example, Chinese media). For example, one of the Chinese respondents highlighted that most of the expatriates only have access to certain in-country media, such as the *China Daily*, which they do not consider sufficient for getting a complete picture of the market circumstances. Hence, the expatriates are dependent on input from locals who are willing to provide them with insider knowledge. Again, a trustful relationship between expatriates and locals is a crucial and necessary requirement in this context.

Completing the picture, the interviewees referred to a number of other issues, which might have an impact on expatriate performance as well. First, how expatriates are primarily concerned about their reputation at headquarters and how they do not focus enough on the real situation in the host country as expressed by the following statement: "The expats want to give the impression to the bosses in Germany that they know everything, but these discussions are far away from the real problem in the market." Hence, the expatriates might not be able to contribute adequately to creating an added value for the subsidiary operation.

Second, the interviewees complained about the frequent change of managers and employees, which is also counterproductive in achieving sustainable performance and continuity in the subsidiary, especially in the Chinese context.

Third, the fact that some expatriates are promoted with their assignments in China is seen as being critical as they might be overextended and not be able to cope with the complexity of their tasks and the additional intercultural challenges. The responses suggest that it might be better not to promote the expatriates when sending them on their assignments abroad as it might be too risky for the business success:

> In Germany they might not have a senior management position, but when they arrive in China they will automatically be increased by one level, but they are not ready.

> Very often, we use international assignments for a promotion. (...) That is very risky; these people really would need to be trained systematically. Due to the job nature, they arrive here and face all the challenges so that they will not have a chance.

In addition to the challenges listed above, the specific situation in the joint venture presents further challenges for the expatriates potentially compromising their performance as well as affecting their personal well-being:

> Everyone has to decide in how far they want to fight that battle and jump right into the conflict. The company leaves you totally alone here. (…) But this does not help

> a thing if the two shareholders do not have a common understanding of their position in the JV and, hence, you end up being the one to solve these conflicts.
>
> Sometimes I feel like the last man standing and ask myself whether it is worth all that effort. In the end I am the guy who always delivers bad messages to HQ.

Even though the performance of expatriates seems to depend significantly on the factors described above, there are no specific tools or mechanisms to monitor and control the implications. The respondents explained that there are no explicit instruments to measure expatriate performance except for the standard HR evaluation tools, which are used for all employees. Further, it was emphasized that there is no strict control whether the budget spent on expatriates correlates with the additional value they are supposed to generate:

> In this sense, we do not ensure that the money for expat assignments is well spent. It is the obligation of the functional departments to decide what he or she does with the respective budget; we have a decentralized structure and those who have to bear the costs also have the responsibility for it.

Summarizing the results above, there are a number of factors that influence performance and determine whether some expatriates are more successful than others are: (1) Unwillingness to adjust and a lack of intercultural competence resulting in inappropriate behavior and resistance (on the Chinese side). (2) Not enough time and insufficient access to relevant resources to understand the circumstances leading to wrong decisions. The fast and constantly changing environment adds on to the pressure and leaves insufficient time for adequate adjustment. (3) Wrong personnel decisions: Promoting expatriates to a higher level with the start of their assignment is risky as they might be overwhelmed by the new responsibility in a foreign environment. Frequent change and replacement of management positions does not allow the opportunity to build the sound relationships required for doing business in China.

Being affected by the multitude of parameters that support or inhibit adjustment, the expatriates might not be able to perform their functions accordingly and face a number of obstacles when trying to fulfill their duties. Pinder and Schroeder's (1987) study explored a number of circumstances that have an impact on the time to proficiency (i.e., the time until the assignee has reached an acceptable performance level). They suggest keeping this time as short as possible not to burden the organization with relatively high costs compared to the output the expatriates generate. They also claim that further research still has to discover whether organizations "indeed provide the support that is needed to make career transitions like transfers both humane and effective, how they do so, and the degree to which they succeed" (Pinder & Schroeder, 1987, p. 350).

Contribution of HCNs to the adjustment process: Besides the expatriates' adjustment procedures to the Chinese environment, the HCNs also go through a process of adapting to the interaction with their German supervisors and colleagues. Further, they face a company environment that is strongly influenced by the home country culture and governed by headquarters' strategies. Hence, they are not only contributors to the adjustment of their German colleagues, but also involved in their own adjustment process to both the company and national culture. Since the company culture largely defines the framework for conducting business, at least in the majority shareholdings, the locals are also required to adopt the respective procedures and negotiation practices:

> We expect from the locals that they—to certain extent—adjust to the company culture and that they try to be part of it.
>
> We are an intercultural company in China and the Chinese culture is the decisive one, but we do also have our company culture. And I think we should teach the locals in a professional manner how this culture works.
>
> Local Chinese have more problems to adjust to Hong Kong Chinese or Singaporeans; they would accept similar behavior much easier from Europeans, especially when they came from the mother company. Because then they would say: Ok, I have to accept this, because they (= the company) bring their business over to China and would like to establish their know-how, management concepts and methods here as well.

Trying to comply with the predetermined company policies, some locals change their behavior and copy the Western style of their German colleagues. One Chinese commented in this context:

> When I deal with my German colleagues, the way of doing things is different compared to the way I would deal with Chinese. I can directly tell my German colleagues: "I do not accept this, no matter what you do." The language can be really straightforward. Afterwards we still can be friends (...). But if you do that to Chinese, you would need a long time to recover it.

Other locals report that their Western education and their previous experiences with other foreign organizations helped them to get used to the company culture. Additionally, they emphasized that especially younger people profit from their Western-oriented education and are able to understand better Western corporate culture:

> Before I joined the company I also worked for other foreign organizations, like the Embassy of Australia. So I had some experience to work with Westerners.
>
> Our days, young people get a more Western education, so it is easier for them to understand.

Concerning the language, one Chinese participant who was fluent in German underlined the advantage of understanding the Germans in their mother tongue.

Besides these attempts to customize behavior and comply with Western company culture, some respondents argue that more training for local staff should be offered, which focuses on improving the integration of local employees within the MNC organization. Further, the trainings should include intercultural aspects to facilitate familiarization with and adjustment to the German culture. Locals are an equal part of the subsidiary organization and, hence, should benefit from the training offers to enhance communication and cooperation from both sides:

> We believe that not only the expats require intercultural training or preparation but also the locals.
>
> At least from what I see, there are not organized efforts to train the local staff in that way. We simply hope that the guy will automatically learn that and can play the game—hopefully.
>
> If I am not mistaken, there should be a language training that we offer, but I do not know how many take the offer. I have a feeling that they (= locals) are kind of left alone here.

In conclusion, the locals are also forced to undergo an adjustment process in order to comply with the company culture, which defines the framework for doing business in the subsidiary. They also adopt Western behavioral patterns to facilitate cooperation with their German colleagues on the basis that Western-oriented education and previous experiences provide useful background and input. However, concerted preparation of the locals would foster the intercultural adjustment even further and complement the CCT of the expatriates. By adjusting to the Western style, the HCNs not only change their personal behavior, but also change the preconditions for the expatriates. With a better understanding of the German and company culture, the locals contribute to an easier, and probably faster, adjustment for the expatriates. Thus, the adjustment process is not a one-way street, but a very complex process that depends on the persons acting and the prevailing contextual parameters.

Overall, the adjustment process illustrates the importance of bringing together different nations, cultures, habits, and negotiation practices. In particular, regarding the relationships in the subsidiary, the adjustment mechanisms seem to play a vital part as all facets are united collectively. For instance, if everyone who is part of the organization understands, accepts, and applies the rules and regulations of adjustment, communication should not create any challenges. However, there are many obstacles that affect or even inhibit good cooperation and trustful relationships illustrated by the following citation of one expatriate, who acknowledged that he had not achieved the level of understanding he had wished for: “In the meantime, the atmosphere in the team is really bad; this has

probably to do with my personal character and behavior, but also with the mindset of the Chinese."

Condensing the input above, the answer to the fourth part of RQ3 (Adjustment factors and processes affecting expatriate performance) would suggest that the most critical point for successful adjustment is having transparency and an excellent understanding of the circumstances as well as the mental ability and motivation to get involved in the foreign culture. If this precondition is in place, the expatriate is most likely to feel comfortable in his or her new life. Further, the chances that he or she will perform well on the job are also higher as they have a clearer idea of the expectations. However, there is a variety of influences that could hinder this desired setting, such as family background, factor time, personal capabilities, or level of support provided by HCNs.

5.4.2.5 Consolidated answer to RQ3 (What factors influence expatriate performance in the host country subsidiary?)

The first notable statement relates to the cultural and economic context in the host country. China presents itself with unique cultural characteristics and an unprecedented market dynamic, which has a significant impact on the subsidiary operation. Besides the market environment, political, and legal frameworks play a significant role for doing business and shaping the operational procedures. Considering China's opening policy toward Western models, the results suggest that the increasing Western orientation influences all aspects of social life and also affects the traditional cultural values. Nevertheless, the circumstances are significantly different compared to the situation in Germany and, thus, require a high degree of adjustment and flexibility to develop and maintain successful business operations.

Focusing on the subsidiary context, the MNC's organizational set-up in China is rather complex, with different legal entities. Additionally, a significant difference was reported between majority shareholdings and the 50–50 joint venture. The difference was evident in the presence (or absence) of company culture and values, as the majority shareholdings display a much closer connection to corporate standards.

The human resource management within the subsidiary is another aspect that deserves closer attention. The company puts a lot of effort in managing and retaining local employees. Nevertheless, there is still an imbalance of career opportunities between locals and expatriates as certain positions are more or less "reserved" for expatriates; this also has an impact on employee motivation in general. Thus, given the fierce competition for

qualified local staff, people management is a crucial parameter for a successful subsidiary operation.

Concerning interpersonal relations between expatriates and locals, communication works well provided that the people involved have a clear understanding of potential stumbling blocks and the capabilities to deal with them. The negative message is that there are challenges that put a strain on the relationships and demand a fair share of flexibility, adjustment, and self-reflection to manage them successfully. Especially in the joint venture, communication is rather delicate as the Chinese partner plays a decisive role and decision-making procedures tend to be more tedious as the requirements of all shareholders have to be fulfilled. In general, the JV environment was described as rather challenging for expatriates as well as for locals. For instance, expatriates need to have a high frustration tolerance while locals face the conflict of obeying two systems within one company.

Considering adjustment as a major lever for successful assignments, the investigation revealed a multitude of factors having an impact on the expatriate performance. First and foremost, the relevance of certain personality traits, namely *willingness to adjust* and *patience*, has to be emphasized as those enable (amongst others) a thorough and successful involvement with the unknown circumstances. Besides those, anticipatory (for example, CCT) as well as in-country adjustment factors (for example, spouse and family) have an influence whereby the individual situation of every expatriate has to be taken into consideration. In addition to that, the HCNs also contribute to the adjustment procedure as they themselves adopt different behaviors because of their experience in working with Westerners. Thus, adjustment is not only focused on the individual expatriate, but also colleagues, family, and friends as well as the whole social network.

5.5 Integrated model

5.5.1 Overview

Considering the complexity of the various levels that have been analyzed in the preceding sections, the question remains, how far could the influence factors in or from each level be combined in an integrated model that covers all relevant aspects and interdependencies? Referring to the conceptual framework, this study attempts to specify the variables of Moore's model and define their relationships and dependencies. For this purpose, the analysis results of each separate level of investigation were combined and evaluated from an integrated perspective. Besides Moore's framework and Harzing's

functions of control, the recent research of Cerdin and Pargneux (2009) also provides valuable insights into the complexity of international assignments. Their study investigates the success factors by combining aspects of personal career expectations and achievement of organizational objectives considering pre-expatriation, expatriation, and repatriation (Cerdin & Pargneux, 2009). Even though Cerdin and Pargneux (2009) incorporate major components of successful assignment, they acknowledge that further variables, such as individual characteristics, environmental circumstances, or organizational specifics were not taken into consideration. Thus, I created the integrated model illustrated below.

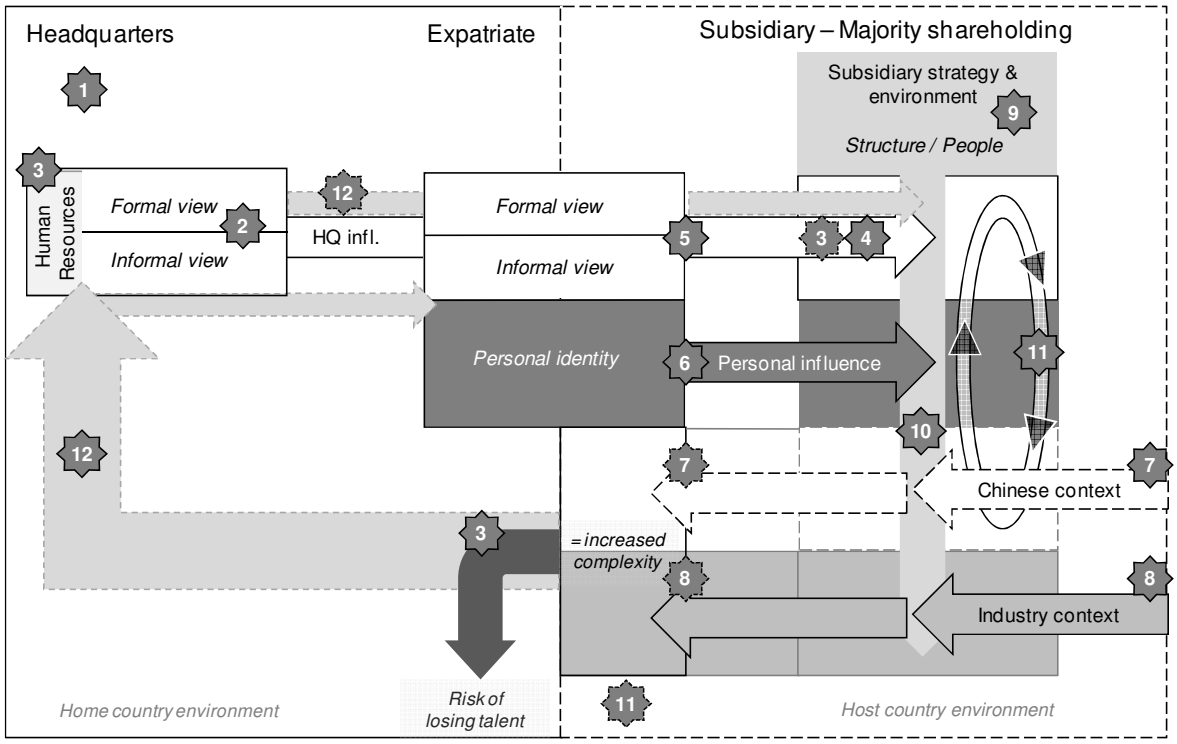

Figure 17: Integrated model

Source: Own illustration

5.5.2 Relationships and dependencies

Starting the overview with the MNC and its home country location, the German culture and socio-economic environment are influential factors for the business set-up of the organization (1). Prevailing research and feedback from this case study acknowledge German cultural characteristics such as black-and-white-thinking, highly structured procedures, direct behavior, open feedback, high-quality standards, and reputation of German products. The monochronic approach toward time and the compartmentalized working procedures shape the organization and its business practices. From an economic perspective, Germany holds a central position within Europe, with its stable but modest growth rates. Export plays an important role in the economy as German products and

brands are highly valued because of their excellent reputation (technology and quality leadership). Germany is also renowned for its automotive industry and luxury car manufacturers. Being part of this industry environment, the company has a high reputation based on its legacy and renowned brands, which stand for high-quality products (2). The operation is characterized by a high degree of formalization and strong functional departments, which characterizes the set-up of organization and procedures from a formal perspective. From an informal perspective, the company culture is deep-rooted in the German culture and is reflected in the corporate values. Even though the company claims to be a global player in an international network with branches worldwide, living and managing diversity is still considered an area that needs improvement.

In accordance with the general IHRM perspective (3), the company aims at improving its international orientation and has recognized "internationalization of management" as one of its key targets. As accompanying initiative, identification of positions that should only be held by expatriates was suggested as a move to improve transparency in personnel decisions. The current practice indicates that there is no rigorous localization policy with only little effort to increase inpatriation on the headquarters side, which does not support the goal of achieving a higher degree of diversity. Regarding the subsidiaries, the habit of replacing one expatriate by another one bears the risk of creating a "vicious expatriation circle." Hence, there are many creditable initiatives with regard to IHRM, but according to the case study results, there still seems to be a gap between theory and practice. Further, the IHRM practices also interfere with the personnel management in the subsidiary and might collide with the development targets of local staff. Thus, an integrated view on both international and local HR is a decisive component for successful personnel management and development.

Under the header of IHRM, expatriation is still considered one of the major strategies for MNCs. A close examination of the interview responses revealed that the contractual parameters are very attractive and that the company provides excellent financial benefits. Critical comments related to the more or less fixed duration of three years and the insufficient flexibility are sought. Concerning selection and recruitment, HR offers a variety of standard procedures and tools to support professional recruitment processes. Unfortunately, HR is not involved in many personnel decisions, and hence, the respective standards are not applied (i.e., necessary intercultural checks are not carried out). During the assignment, the respective HR department that is responsible for AM offers primarily administrative support, which was perceived ambivalently by the case study participants; some were pleased, whereas others were disappointed with the

assistance. Regarding the end of the expatriation cycle, a major point of criticism was the repatriation process. It was considered a major challenge by the majority of interviewed expatriates. As main reasons for a complicated reintegration, the respondents mentioned "no vacancies at headquarters," "contact person no longer in charge" or "no interest in the knowledge of the expatriates." Despite the criticism, it was confirmed that the company had established a formalized reintegration process. For instance, every assignee that is sent abroad has a signed commitment that the respective department will take him or her back. However, there is also a significant gap between theoretical procedure and practical application, leading to the "fear factor reintegration" as indicated by some of the respondents. The uncertainty related to reintegration is a critical stressor for many of the expatriates potentially resulting in withdrawal cognitions. Hence, the final section of the assignment cycle has to be considered as equally important as the preparation and the on-assignment part.

In addition to the influences of IHRM from above, the role and position of the respective HR departments within the organization have to be explained in order to understand the related processes. The interviewees commented that IHRM or HR in general does not have a central function in the company and, thus, the influence on personnel decisions is rather limited. Their acceptance very much depends on the functional departments' willingness for cooperation. Additionally, limited resources on the IHRM side minimize the chances of achieving a higher involvement in recruitment and selection processes. Some interviewees acknowledged the increased level of professionalism, especially if HR is involved in the context of international selections. However, HR remains in a supporting role as the functional departments are still held responsible for the final personnel decisions. From a company perspective, the relatively weak position of HR might potentially inhibit any stringent and long-term internationally focused personnel planning.

Considering the company's international network, the next area of interest concentrates on the connection between headquarters and global branches. In order to ensure standardized procedures and control over the operations abroad, the company exerts a strong influence on its international subsidiaries (systemic view; 4). The influence can be divided into a formal (explicit) and an informal approach, whereby the formal control is dominant. Both affect the subsidiary operation in a variety of ways. For instance, decision-making processes are highly influenced by headquarters directives (especially on the Management level) and global process standards are implemented in the subsidiaries. Less control is exerted on the operational level where the focus is placed on output control (i.e.,

operational units are more or less independent in organizing their daily tasks). The high degree of formalization results in complex constructs, which affect the efficiency of operational processes. This is an important parameter insofar as the complexity of internal procedures collides with the demands of the dynamic Chinese economy, which requires a high degree of flexibility.

Moving on to the central part of the proposed model (5), the expatriate functions supplement the systemic view with a personal perspective through the persona of the expatriate. With reference to Edström and Galbraith's (1977) motives for international assignments covering coordination and control, filling positions and management development, and Harzing's (2001a) specification of the control function, the case study results are closely linked to existing research. Starting with the most dominant function of expatriation, *coordination and control* was widely confirmed by multiple statements. The formal control incorporates aspects such as safeguarding the company legacy, imposing the headquarters' will on the subsidiary, holding trustee positions in German hands, and ensuring compliance in critical areas. Minimizing the risk of failure or disclosure of sensitive information was mentioned as one of the key drivers for the tight control of the subsidiaries carried out by the expatriates. According to the interview results, local staff was not considered loyal enough to be handed over certain functions and responsibilities. Thus, the company prefers to fill certain positions with head office representatives. The degree of formalized control and direct influence was considered higher on the management than on the operational level. From an informal perspective, the influence comprises functions like facilitation of smooth communication, ensuring of regular and consistent information flow between HQ and subsidiary, providing an extensive network and established connections at head office as well as transferring company culture and values in the subsidiary. The expatriates build a bridge between two distant systems and act as a link between the respective cultures. However, critical comments highlight that the communication is considered a one-way interaction toward the subsidiaries, whereas input addressed toward headquarters is minimally appreciated. Another point of critique relates to the expatriates as representatives of an international and diverse workforce; staff coming from various nations does not necessarily imply that the company has a culture where diversity is valued and appreciated. To continue with *filling positions* as the second motive for expatriations, the interview results also confirm this function with two essential drivers: know-how transfer and shortage of qualified local staff. The main purpose of the former is to transfer specific knowledge in order to set up an operation or develop the subsidiary. The expatriates take over a role as multipliers and are supposed to generate added value.

The knowledge transfer goes along with the training of local staff to pass on relevant skills aiming at localizing the operation abroad in a mid- or long-term perspective. Even though functional training does take place, the respondents raised the question, whether locals are really empowered. This again significantly affects the subsidiary environment and the local personnel management.

The urgency of the business needs in the foreign branch and a lack of time were quoted as the main reasons for the shortage of qualified local staff. Additionally, the required skills are not available on the market, which leads to an increased number of expatriates who have to fill in with their expertise. Adding to the scarcity of high-quality local personnel is the fact that the highly skilled and well-educated workforce in China is heavily sought after ("War for talent"). Even though the prevailing circumstances in the dynamic Chinese market environment are challenging, one assumption might suggest that the company does not put forth enough effort in the recruitment process, well knowing that an expatriate is assigned and sent abroad more easily.

Completing the expatriation functions, *management development* (i.e., sending expatriates abroad for development purposes to prepare them, for instance, for a career move) could not be confirmed as a key motive for international assignments. Although some expatriates experienced a promotion or an enhancement of their responsibilities, there are no concerted measures to actively use the international assignment as a career step. Comparing this fact with the earlier mentioned weak position of HR/IHRM within the organization, this area might hold potential for improvement concerning strategic HR planning and management.

In addition to the functions imposed by the company, individual goals of the expatriates and their personal career plans are also an integral part of the suggested framework (6). Considering the input from Moore (2006) as well as Cerdin and Pargneux (2009), individual motivation and career planning complement the expatriate functions and interrelate with the corporate functions. The expatriates indicate various reasons motivating them to go abroad. Two of the most quoted ones were affinity to China and the personal enrichment resulting from stepping out of one's comfort zone. Some highlighted the desire to discover new areas as their driver to leave the home country. Even though these factors are existent, they only seem to be accompanying the earlier identified corporate functions and play a secondary role in the decision-making process. However, the significance becomes much more evident in the adjustment process where the supplementing factors seem to play a decisive role in enabling a smooth acculturation. The expatriates' attitude and expectations are closely linked with the personality traits being

identified as major contributors for intercultural adjustment. Hence, the personality of the expatriate is of vital importance for a variety of processes and relationships in the suggested framework.

Switching from the expatriates' perspective toward the environment in the host country, the Chinese cultural context and its impact on subsidiary operation and expatriate behavior was the first field of investigation (7). To start with, the major cultural characteristics that are well-known and widely explored in the literature were confirmed: Protecting one's face or respectively losing face is one of the decisive values in the Chinese society. Further, guan xi or relationship is another key characteristic that affects both personal and professional life. Strongly related to the Confucian understanding, the family structures and the respect for seniority and hierarchy are other important cornerstones. Willingness and eagerness to learn underlines the will and ambition of the Chinese to improve their knowledge and catch up with other nations. Their business and negotiation practices follow the polychronic approach, which results in simultaneous actions and a high degree of flexibility. Chinese people also show great appreciation and respect for Western culture and value status symbols (including Western brands).

Comparing German and Chinese cultural characteristics and behavioral patterns, substantial differences emerge bearing the potential risk of conflicts, for instance, when the structured and formalized German approach collides with the rather flexible Chinese structure. Another area of conflict arises between the open (and direct) communication practice of the Germans and the rather subtle and polite Chinese approach of communication. Besides that, the differences between low- and high-context cultures add on to the complexity of communication between both sides. However, it has to be emphasized that most of the participants underlined that being aware of the above-described characteristics minimizes the risk of conflicts and enables constructive communication despite huge differences. Hence, being sensitive to these discrepancies is an essential precondition for Germans and Chinese who have to work together in the subsidiaries. Awareness and openness for each other's culture is also an integral part of the adjustment process, which will be described later.

Moving from the cultural context to the political environment, there is a strong government influence on the business operations in China, which results in an enhanced role for political circumstances. Legislation and authority influence are fundamental parameters and help create the framework for doing business. Sometimes these parameters lack a certain degree of transparency and reliability, which makes it difficult especially for foreigners to follow the respective rules. The political background is even more important

in local Chinese companies or in joint ventures with a Chinese shareholder. This adds another level of complexity to the JV operations and creates a challenging environment for the employees. The political and legal framework in China is a notable factor for the subsidiary operation insofar as certain policies and guidelines transferred from the German head office to the Chinese subsidiary might not be compatible with it. Hence, the subsidiary management has to be aware of the circumstances and incorporate them in business planning and operation.

From an economic perspective, China's rapid business growth is unprecedented and represents the dynamic development of an emerging world power. Even through the financial crisis in 2009 the Chinese economy has proven to be resistant unlike most other countries. Since the entry to the WTO in 2001, a liberalized market environment further stimulated China's growth mainly driven by a huge domestic demand. However, some respondents commented that the country is not yet comparable to a Western economy even though a lot of progress has been made. China is in a unique position: not purely communist anymore and yet not quite Western. The orientation toward Western markets also implicates a rapid change in consumer expectations and demand. In particular, the local interviewees underlined that the Chinese consumers are well informed about product and quality features and expect the same value as elsewhere. Hence, the range of products on offer has to meet the rising expectations of the customers, which has a direct influence on product and marketing strategies. In general, China's rapidly growing and flexible market environment is the direct opposite of the predictable and stable situation in Germany and, hence, has to be considered in the company's decision-making processes.

Shifting the focus on the automotive sector (8), the industry environment can be described as highly regulated with predefined rules for MNCs that attempt to enter the local market. Firms have to comply with the legal framework, if they intend to set up their businesses. This can be particularly challenging for Western companies that do not have access to the relevant local contacts. However, the industry offers great prospects for the coming years and, hence, attracts many MNCs as they want to claim their share in the market. Evaluating the company's market position and chances, the interviewees reckon that the competitors are in a stronger position. The main reason quoted was the competitors' assumed flexibility and higher localization rate in China, allowing them to react faster to market and customer requirements. This notion is also reflected in the interviewees' perception of the subsidiary environment (9). The complex organizational structure of the Chinese subsidiaries goes along with a high number of interfaces leading to a loss of efficiency (formal perspective). Various legal entities in the same business field

complicate the situation and potentially create redundant responsibilities. Considering company culture and values (informal perspective), the case study results show that corporate values are established through the expatriates and are actively communicated by the Management in the subsidiary. Evaluating local HR management and employee satisfaction, the responses reflected different views on salary and benefit packages for the locals. Despite some critique, the interviewees also highlighted that many positive initiatives have been started in order to analyze and improve payment conditions for local staff. Further, extensive training and development programs were perceived positively to enhance skills and know-how of local employees. The initiatives to identify, analyze and improve salary and benefit structure of locals aim at increasing employee retention.

Focusing on communication and people-related aspects (10), a multitude of parameters has to be considered. Although there is the daily cooperation between locals, expatriates and international staff who come from different cultural backgrounds, in contrast, there are directives from headquarters and IHRM practices that affect both the subsidiary and the Chinese socio-economic environment. Starting with daily communication and cooperation, the respondents emphasized that there are no major obstacles if both parties have found their business language. Being aware of certain differences in communication and negotiation patterns, the employees try to adjust their behaviors accordingly. However, the interview results also revealed a list of obstacles that could potentially inhibit a smooth communication if people do not know how to deal with them. One critical aspect is related to a lack of trust, which creates a negative atmosphere between the involved individuals. Further, not enough respect for the host country culture would worsen the situation, as some of the Chinese interviewees report. One critical factor is the language barrier as communication is held in a third language: English. Even though the interviewees acknowledged that they get along well in English, there is a potential risk that important details might not be accurately understood by either side. The importance of language skills will be further elaborated in the context of adjustment. Another stressor that affects communication is insufficient time (i.e., high operational pressure does not ensure sufficient time for lengthy discussions and extensive explanations). Hence, effective and efficient communication is a challenging task in the intercultural environment is. In this context, the local employees play an important role as mediators as they facilitate communication between the expatriates and the local environment. Further, they translate the Chinese environment for their bosses or German colleagues and, thus, contribute to a better understanding of the local circumstances.

Moving to employee motivation and career chances in the subsidiary, the case study results have to be evaluated taking both the earlier mentioned expatriate functions and headquarters influence into account. Referring to the formal control function, the expatriates seem to carry a supervisor role not only over the business abroad, but also over the involved people. This set-up directly affects roles and responsibilities of local employees, who have to step back in the second row, because they are not trusted enough. Hence, their creativity is limited, which potentially results in a lack of motivation and a reduced employee satisfaction. The earlier mentioned difficulties in establishing a transparent localization policy adds to this conflict as the local employees only see limited chances for their personal career development. Another aspect relates to the knowledge transfer function, which aims at providing the subsidiaries with required functional and managerial skills. Contributing significantly to the success and the fast establishment of the operations abroad, this function could also carry a slightly negative effect, if the locals are not really empowered by the expatriates. Empowerment is considered a basic precondition aiming at passing on a higher responsibility to HCNs, subsequently resulting in higher positions for the locals. Currently, most of the managerial positions are taken by expatriates and are replaced by other expatriates after the term has ended preventing locals from getting promoted. This is another reason why many locals think that their career chances are rather limited, leading them to look out for better opportunities in the market. In the worst case, the locals who have been trained and developed leave the company and take their knowledge with them.

The positive message in this context is that the company has recognized empowerment of locals as an major lever for “inspired and motivated employees.” Many activities have been initiated to improve employee satisfaction and retention, such as measures to increase the company’s attractiveness as an employer. Additionally, the local employees requested for a stringent and concrete career planning that would provide them with more tangible prospects for their personal development.

The claim for a better empowerment of local staff is underlined by the fact that locals are playing an important role for the company as intermediaries between their own Chinese and the German culture. The Chinese employees see themselves as partners for the expatriates who can explain the local characteristics and, thus, facilitate the business operations significantly. Comparable with the expatriates’ role as a link between headquarters and subsidiary, the locals bridge the gap between the expatriates and the Chinese environment. Even though this function is acknowledged as an enabler for successful negotiations, the local expertise could be valued even further by providing the

locals with more competencies in this context. Currently, they are considered as consultants of the German expatriates depending on the trust of their bosses; the local expertise and insight knowledge could and should play a much more prominent role in organizing local business operations.

Moving on to the rather complex circumstances defining the expatriates' environment, adjustment (11) is an essential ingredient to successfully manage business and private life. With reference to the literature review, much importance is attached to the complexity of expatriate adjustment having multiple facets and dimensions. In this research, adjustment was explored as an enabler or constraint for behaving successfully in the Chinese environment. Further, emphasis was laid on the impact of adjustment on business effectiveness and efficiency in the subsidiary (i.e., adjustment was not considered a goal per se, but put into perspective with the business outcome). Hence, the effects interrelate with the earlier-described functions of expatriation, which define the frameworks and targets of the expatriates. Starting with anticipatory adjustment referring to the pre-departure stage of an assignment, most of the responses confirm a positive relationship between prior and subsequent assignments. However, a differentiation has to be made between the assignment locations, because mastery of a certain culture does not necessarily mean that someone can cope equally well in another cultural context. Concerning intercultural trainings, the feedback depends very much on personal experiences, documenting positive as well as negative aspects. Overall, the interviewees suggested an enhanced training that should be tailored for the specific requirements of the assignee's position (i.e., it should go beyond a pure cultural preparation). Besides that, an on-site training was proposed to complement the pre-departure activities to create a higher learning effect in the "real" environment.

In terms of the in-country adjustment process, the study reveals a variety of factors enabling positive cultural integration as well as effective business behavior. Personality traits such as respect and willingness to adjust and also patience were highlighted as factors with the biggest influence. Hence, there seems to be a strong relationship between the personality of the expatriate and his or her approach toward adjustment. A high degree of sensitivity and emotional intelligence were named as major enablers for entering a new cultural field and decoding its specific characteristics. Combining sensitivity with modest behavior and a fair share of personal interest and curiosity seems to be a promising "recipe" for facilitating cultural adjustment. As an accompanying factor, a positive indicator also was the capability to change familiar behavioral patterns. So-called cultural flexibility allows assignees to embark on new roads suitable for the new foreign

environment. This attitude also shows a relationship to the earlier-mentioned openness to a new culture. Thus, only by accepting and embracing new circumstances can successful adjustment take place.

Besides the variety of personality traits, the well-being of the family plays a decisive role in the context of adjustment. Many of the respondents underline that their own well-being is strongly related to the situation of their spouses and/or family members. The psychological comfort of the whole family is an essential precondition for the expatriates to settle in a new environment. However, this adjustment process is more or less limited to the private life and does not necessarily indicate how far an expatriate has adjusted in the corporate world and his or her ability to cope with the business requirements.

In addition to the aforementioned factors and enablers, there is one underlying parameter affecting all areas of adjustment: time. Owing to the lack of time for learning and understanding relevant processes and standards, the expatriates are often overwhelmed by the requirements and do not have enough space for explicitly concentrating on their acculturation. There is no time for reflection or critical analysis, which would be the basis for improvement. Thus, there is a high pressure on the individual to comply with new circumstances without having a real change to realign their behavior. In this context, the value and benefit of cultural intelligence as a specific ability has to be highlighted again as it allows the individual to apply appropriate cultural actions in a given situation.

Initiating the right behavior in a distinct environment paves the way for a smooth and uncomplicated integration into a new culture. However, considering the expatriate functions, the adjustment also plays a decisive role in terms of effectiveness in doing business. The ability to quickly and effectively adjust to new circumstances is a key success factor for a high expatriate performance when controlling subsidiary operation. Hence, adjustment goes beyond a mastery of the cultural circumstances; it acts as crucial ingredient for the expatriates to perform and succeed in their functions.

The question of doing business effectively in the JV is even more critical as the influence by the Chinese partner (holding an equal share in the company) creates a balance of power, which significantly affects business relationship and limits the German dominance. The corporate culture is not as easily shaped according to head office standards because the Chinese influence is much stronger and political aspects are much more evident. This poses additional challenges for the assigned Germans who experience pressure from both cultures (from the Chinese partner and the German head office). This increased Chinese influence is also reflected in the adjusted integrated model (see

Appendix Figure A22) in order to illustrate the difference in comparison with the situation in majority shareholdings.

So far, the description of adjustment was focused on the expatriates' approach to deal with the prevailing circumstances in the cultural and corporate context. However, this process is also shaped by the interrelations between expatriates and locals. Hence, the role of the Chinese locals has to be evaluated as well in order to better understand this reciprocal process. Similar to their German colleagues, the local employees are also undergoing an adjustment process even though they are located in their home country. In fact, they have to familiarize themselves with the behavioral patterns of their German colleagues and, thus, need to rethink their own attitudes and patterns. The interview responses showed evidence of behavioral changes in locals as they adapted to the "German way of doing things" as well. Previous working experience with Westerners or a Western education facilitates the adjustment from their side, but additional support from the company side could and would professionalize this process further. The locals also assume an important position in bridging the gap between the Germans and the local environment: they act as valuable information providers as the expatriates' access to the relevant sources is limited (also because of the language barrier).

Overall, the wide field of adjustment depicts the multitude of influences not only within the subsidiary, but also in the expatriate's private life. Thus, the expatriate has to carry a high amount of stressors, which result from this environment in addition to his or her operational tasks and duties. This leads to an increased complexity[47] of the expatriate function compared with a similar function in a familiar environment. Equipped with a wide range of experiences, one would think the expatriates are highly interesting candidates for a position at headquarters. With reference to the earlier explained process of repatriation (3), however, many of the expatriates face serious obstacles in finding a new job at the head office after their assignments are over. Despite a wealth of experience, most of them report that headquarters does not value their knowledge appropriately leading to a high level of frustration on expatriate side. Sometimes, the reintegration problems have very simple reasons, for example, there are no vacancies at the time of return. Even though this might sound plausible, it also indicates that there is room for improvement concerning a structured mid- or long-term personnel planning. The risk of losing highly qualified and experienced talents at the point of transition from abroad back to the home country is very high, if the assignees are not provided with adequate propositions back in their home base.

[47] Even more so in the joint venture situation where the expatriate faces a much stronger influence from the Chinese side due to the equal shareholding structure; the political dependency is higher as well leading to a higher risk of conflicts.

In order to fully utilize the expatriate experience and incorporate the internationally acquired knowledge, a feedback loop has to be established (12). A successful integration loop should be considered a vital and necessary part to enhance the company's knowledge base and international orientation. The obtained knowledge should then find its way into various functional areas including IHRM as a basis for further developments. In particular in the area of IHRM, the input from the expatriates should be used to revise and improve existing selection and preparation models to enhance the qualifications of the future assignees leading to a higher level of quality. As illustrated in the model, the feedback cycle, albeit being implemented, leaves room for improvements concerning a more stringent use of the knowledge from the global network. Ideally, the full circle of information and communication flow enables the company to continuously and professionally adjust and improve their policies and practices according to the market requirements. Thus, the expatriates not only serve the purpose of developing the international subsidiary network, but could also be used as a valuable means to retrieve information on market and consumer needs as a basis for tailor-made products and services. Having a functioning integrated model in place would also contribute to achieving a competitive advantage compared to other players in the field.[48]

The next section explores potential areas of conflict arising when headquarters policies are transferred to the subsidiary and collide with an alien environment.

5.5.3 Potential areas of conflict

Following the cycle of the integrated model, a comparison of strategies and functions at headquarters and in the subsidiary allows further insights concerning the alignment of the processes and identifies whether these processes are suitable for the respective environment. Based on the research results and the respondents' evaluation of certain parameters, I identified a number of potential areas of conflicts (see Appendix Figures A19 to A21) . By explaining these topics, the study aims at two objectives. First, it seeks to uncover more details about parameters affecting expatriate performance and providing suggestions for academic research. Second, it intends to create more transparency about the operative challenges and contribute to practical knowledge for international firms.

Starting with the analysis at the headquarters and subsidiary level, there is a high congruency in both headquarters and subsidiary with regard to the degree of formalization

[48] Even though the integrated model is focused on China, the concept should be viable for settings in other countries as well. However, empirical evidence would have to be obtained through future research.

and the establishment of company values and culture. This reflects the interdependence between both locations and underlines the high central influence that is present in the foreign branch. Focusing on the IHRM practices of the MNCs, the findings reveal that the degree of internationality is rather low within the company; in other words, diversity has yet to be established or is not yet perceived as an integral part of the organization.

The issue of promoting diversity is closely linked with the local staff policy in the subsidiary. Putting more emphasis on the retention and development of local employees might not only reduce fluctuation, but also contribute positively to the goal of internationalization. Like the activities on the headquarters level, the firm has already initiated various measures related to improve incentives and career chances for locals as well as to increase the level of internationality within the company. Especially in the context of China, recruiting and retaining local talents will be one of the crucial success factors for the operation abroad and, thus, requires adequate attention from the MNC.

A second area of interest is the comparison of expatriate functions with the situation of local staff and the communication in the subsidiary. As described earlier, the major motives of Edström and Galbraith (1977) could be confirmed with this case study except for Management development. In fulfilling their strategic goals, the expatriates create a value for the company. However, the trade-off is that the locals within the subsidiary have limited opportunities to progress in their careers, which collides with the international staffing policy of the MNC. Even though many of the interviewees acknowledge that a certain number of expatriates seems to be logical and reasonable, there still seems to be room for improvement in providing local staff with better career opportunities resulting in a higher degree of motivation. Potential risks also lie in the expatriates' motives as they suggest that the local employees are not sufficiently trustworthy and, thus, the positions have to be filled with assignees from headquarters. Further, a lack of real empowerment of local staff also has a negative effect on the employee satisfaction in the subsidiary. Thus, if the MNC does not carefully evaluate these challenges, the communication within the subsidiary will suffer and could affect the effectiveness of the operation abroad. In a worst case scenario, the local employees leave the company taking valuable knowledge with them. The company could further benefit from actively utilizing the local staff as information source providing them with insights in the local circumstances as unique proposition and competitive advantage.

The third comparison addresses cultural differences that affect the communication on a subsidiary level. When cultures collide, one might expect a wide range of conflicts resulting from cultural differences. Considering the two categories *degree of formalization*

and *open feedback/direct behavior*, it is obvious that both the Chinese and the German culture stem from a different background defining a specific set of behavioral rules and procedures. However, as both sides are aware of the differences, the interview results suggest that the potential for conflicts is rather low. Thus, there should be an emphasis on making the differences transparent as a basic precondition to enable a smooth and functioning communication.

More critical than the cultural aspects are the economic circumstances that affect the business operations. Given the unprecedented growth and high purchasing power, the existing procedures may not be effective limits as they have been developed and approved in a rather modest and stable context. Thus, the given policies and strategies might not be adequate for the situation in China.

The need for suitable, market-specific solutions also requires a fast and detailed understanding of the relevant parameters of the subsidiary location. The situation becomes critical if we compare the high degree of formalization and standardization at the headquarters level with the flexibility required in the Chinese context. This is a significant constraint when operating in an emerging market with an extremely high development pace. The locals could take over an important function, but still seem to play a subordinate role compared to the assignees from Germany (see conflict on empowerment). The predominant expatriate roles of control and knowledge transfer and the systemic approach of standardization make it difficult for the locals to promote their knowledge. The potential consequences are manifold. One is that the company might only get limited access to the relevant data to operate successfully in China and to gain a competitive advantage. Another negative aspect is the risk of losing excellent local employees, because the company does not offer them promising career paths. The trade-off of this situation might not be seen immediately when the business is still growing and standard procedures are followed according to head office principles, but in the mid- and long-term, market potentials might not be activated in the way they could be.

6 Discussion and conclusions

The discussion chapter contains an evaluation of the findings based on the background of the existing research, highlights consistencies and/or inconsistencies and explains and evaluates surprising discoveries. In this particular case the discussion covers a review of the research findings, including: the identified themes, the relevance of a comprehensive model, the strategic fit between company goals and IHRM strategy, the expatriate adjustment and performance predictors as well as the home and host country environment and culture and their relevance for communications and business operations. In addition to describing the shortcomings and limitations of this case study, the author provides directions for future research, such as transferring the case to different settings, including other assignment types or exploring the field of diversity. In the following section, contributions to academic literature and to practice are explained. In conclusion, the study highlights core themes evolved from this research and summarizes their implications. This chapter also contains a figure, which illustrates the critical success factors on each level of investigation adding additional value to the integrated model, which primarily displays the relationships and dependencies between the different levels.

6.1 Discussion of results

This study responds to calls by expatriate researchers to create a model that would enable MNCs to use the means of international staffing more effectively (for example, Collings et al., 2007; Shaffer et al., 2006). The results illustrate the complexity of the full expatriate cycle, which affects all parts and levels from headquarters to expatriate and subsidiary. The identified factors range from external environment to internal company-related matters or characterize personality traits of the involved persons. In particular, their ubiquity accounts for the challenging background of expatriate assignments and requires a sound understanding of all circumstances (for example, Björkman et al., 2007).

In a first step, the fit between HQ's structure, systems, and culture and its IHRM policies and procedures (**RQ1**) was analyzed to explore whether the company is aligned to master future staffing requirements. The last couple of years have seen a considerable tendency to invest and gain fast market access in emerging markets, with particular focus on China. This priority shift also left its marks on the MNC's strategic alignment and required a rapid establishment and development of the premises in China. Thus, the company realized that their international staffing policy needed to be adjusted to the new parameters. First, *internationalization of management* was identified as one of the firm's major goals to address the global business demands. This is in line with the literature that

underlines that it is crucial to find managers with the desired skills to take on the challenges abroad (for example, Collings et al., 2007). Further, the latest research stresses the importance of linking international HR policies with organizational strategy (for example, Brewster et al., 2005) to facilitate the implementation of development goals abroad. Thus, this study also investigates whether the company has realized such an alignment. The results reveal that from an operational perspective, there are many tools, procedures, and mechanisms in place that would support achieving the set targets. Nevertheless, their strategic relevance has not quite received the according recognition. Consistent with the literature (for example, Sparrow, 2007), the MNC does not utilize the full potential that lies in the IHRM function or use it as a strategic partner supporting its global endeavors. Despite some positive results where executives successfully apply the provided tools, there is no consistency throughout the corporation, which relates to the weak position of HR. Confirmed by many interviewees, the high influence of functional departments in the organizations inhibits a more prominent role of HR. HR functions more as a service provider rather than a strategic partner or "change agent" as described by De Cieri et al. (2005).

Concentrating on the various options under the header of international staffing, expatriation was identified as the most important tool to build up and develop the subsidiaries abroad. The use of expatriates as the link between the head office and foreign branches is widely confirmed in the literature (for example, Collings et al., 2007; Selmer, 2010) and is also utilized in the selected MNC for this purpose. Having a closer look at expatriation and the according company policies, the interviewees acknowledge that the firm has excellent procedures in place and provides an attractive "all-inclusive" package for the assignees. Even though some of the answers contained negative experiences, in general, the interviewees were satisfied with the offers. However, a big disparity was reported between the administrative support and personnel management including personal development goals and career planning. The expatriates raised concerns that their career comes to a halt once they have left the head office doorstep, indicating that the company does not yet tap the full potential in terms of utilizing their human capital and integrate it in the OD process (for example, Hocking et al., 2007).

Another aspect in connection with the expatriation policy is the company's claim to increase the localization efforts in the subsidiaries abroad. While acknowledging the importance of having a certain amount of expatriates in the foreign branch, especially the Chinese respondents raised concerns that the local employees would not be sufficiently empowered. Further, they do not seem to get appropriate opportunities to take over higher

management positions, which are almost without exception reserved for German managers. Again, the MNC has initiated activities to increase localization efforts, but still needs to find the balance between local and global staff as suggested by Schuler et al. (1993). The effects of this claim are twofold: Although the company would improve employee motivation, at the same time, it would increase the pool of talented staff within the organization through the integration of local experts. In particular on the background of the shortage of manpower and the claim to strategically manage talent pools (for example, Collings & Mellahi, 2009), this topic should be a priority on the firm's international staffing agenda, because the right staffing composition has a positive impact on organizational effectiveness (for example, Mäkelä et al., 2009; Tarique & Schuler, 2008).

The findings suggest that the paradigm shift toward Asia could only partially be confirmed in terms of the company's international staffing policy. While there are positive initiatives toward the goal of internationalizing its management and fostering diversity within the organization—the company has even established a dedicated function for diversity management in order to emphasize this topic—the company's international staffing approach is still rather ethnocentric, i.e., home-country-oriented. According to Perlmutter's (1969) typology, this illustrates that there is an obvious gap between theory and practice. The responses suggest that increasing diversity not only requires structures and procedures, but also the right mindset on all levels and the acknowledgment that human capital is of strategic relevance. According to Schuler, Budhwar, and Florkowski (2002, p. 49), "ethnocentric forces can compromise the MNE's ability to identify and benefit from cultural synergies in their operating units," underlining that a homogeneous mindset might delay internationalization efforts (Scullion & Collings, 2006).

Human capital is a decisive asset for future competitiveness and, thus, the HR function should be involved in the early stage of the company's strategy development process in order to achieve a strategic fit between the company's goals and its IHRM policy. As recognized by the recent literature (for example, Harvey et al., 1999b; Tarique et al., 2006, Shen, Chanda, D'Netto, & Monga, 2009), creating and managing a diverse workforce should deserve greater attention to gain and sustain competitive advantage in a globalized world. With reference to Perlmutter's typology, the logical consequence for the MNC would be to increase its internationalization efforts by embarking on the road toward a polycentric or even geocentric orientation in terms of international staffing.

Discussing the outcome to **RQ2** (What influences the assignment of expatriates?), the findings are twofold and focus on corporate aspects as well as personal expatriate-related reasons. Referring to the prevailing literature on the motives for expatriation, this

case study confirms the well-known function of control and the function of filling positions (see Edström & Galbraith, 1977; Harzing, 2001a). Concerning the former, the findings provide strong evidence that the MNC uses expatriate assignments to exert control (direct and indirect) over the operation abroad in addition to the systemic influence through procedures and standards. By installing Germans at crucial positions in the subsidiary, the MNC creates a familiar set-up (similar to the one in Germany) and, thus, the Management feels certain that the subsidiary operation is in good hands, as far as headquarters standards are concerned. Besides the explicit control, the subtle forms of control described by Harzing (2001a) as "bumble-bee" and "spider" are also present in the selected cases. The assignees are a way to facilitate information flows from headquarters to subsidiary and also transfer corporate values abroad. Nevertheless, from a negative perspective, communication flow is seldom bi-directional, limiting a real exchange of information, know-how, culture, and values. This finding is another indicator that the strong desire to control has the potential trade-off that relevant input from the foreign branches might not be recognized or valued accordingly (for example, Paik & Sohn, 2004). By consequently developing a bidirectional exchange, the expatriates could make a substantial contribution to facilitating cultural diversity as proposed by many scholars (for example, Hocking et al., 2007).

Respective to the motive of *filling positions*, *knowledge transfer* was assigned similar importance as the control functions. For the company, transfer of technical as well as managerial know-how is a crucial success factor to develop its operations abroad and set up production facilities according to home county standards. However, because of limited local resources with the required qualifications and skills, sending expatriates seems to be the only (short-term) option for MNCs to fill the void and meet the local market demands (for example, Edström & Galbraith, 1977; Minbaeva & Michailova, 2004). Despite these benefits, there is also the negative side that access to market and customer-specific know-how might be limited as expatriates typically do not have the required capabilities or network compared with the HCNs.

Referring to Harzing's (2001a) claim to further specify the circumstances in which the different functions of control are most effective, this research supplements the existing literature by underlining that the explicit influence supports the transfer of headquarters standards and enables easy access to information through the presence of expatriates on-site. When it comes to disseminating values and establishing a global network, the implicit ways of control are more suitable whereby all dimensions of control are united in the persona of the expatriate. However, this case study did not reveal new insight concerning

the effectiveness criteria of each function as the company does not explicitly measure the effectiveness based on pre-set targets. It certainly does evaluate the performance of the expatriate by company-internal evaluation tools, but those are not particularly made for the multiple dimensions of an international assignment and, thus, might not reflect the correct picture.

With regard to the third motive of expatriation—*management development*—the surprising finding of this research is that this function only plays a subordinate role for the company, if at all. The fact that management development did not occur under the header of expatriation is another indicator that the value of using IHRM as a strategic tool for personnel development has not yet obtained the appropriate recognition. This might be because of the limited fit between IHRM and the company strategy as well as the weak position of HR. Nevertheless, it shows that there is a huge potential for the company by utilizing international assignments as a means for management development. This could create a substantial value added for the company especially concerning the strategic target of internationalizing its management.

Finalizing the view on expatriate motives, the personal perspective of the assignee was also part of the investigation because Moore (2006) suggested that the individual has an important role in actively defining his or her role as an expatriate. The study results confirm the influence of personal goals for an international assignment. In particular, with regard to the location, many of the assignees pursue their individual interests for a specific country or region, in this case Asia or China. Another decisive parameter is the family situation and well-being of spouse and family members. This is not only important for adjustment mechanisms in situ (for example, Shaffer et al., 1999), but also has an effect on pre-assignment considerations. Further, the findings suggest very personal motivations, such as the desire to discover unknown business territory, as a reason to go abroad. In conclusion, the analysis reveals that the functional needs dominate over the personal factors, despite the latter being of great importance for the individual. Hence, aligning the functional needs of the organization and the personal motives of the expatriate seems to be an excellent means to ensure commitment and a high level of engagement to succeed in the chosen location, both from a corporate and a private perspective.

The most comprehensive and complex investigation of this case study deals with the influence factors on the subsidiary level that affect the expatriate and his or her performance (**RQ3**). Starting with the environmental factors in China, the case study findings highlight the economic differences between home and host country. The dynamic, flexible, and unpredictable market situation in China is considered a huge contrast to the

stable German market conditions increasing the complexity for the expatriates as they are not quite used to the high pace and constantly changing parameters in China. In line with the market dynamics, the interviewees also consider flexibility (i.e., reacting based on the given circumstances without having standard procedures) one of the major characteristics of Chinese behavior contrasting the German desire of having everything clearly spelled-out (for example, Hall, 1976). While this case study confirms well-known traditional Chinese characteristics, in contrast, there was also a strong support for *ambition and willingness to learn* as the Chinese attitude aiming at catching up with Western competitors and reflecting a future-oriented and modern China. The co-existence of rather paradoxical values is in line with findings by Fang (2010) and Tung (2008) who underline that globalization and foreign investment can cause new and old values—even contradictory ones—to exist concurrently in the same culture (Tung, 2008). Fang goes even further in saying that, "in the twenty-first century, management faces new challenges because people in the twenty-first century are increasingly no longer bipolarized and isolated creatures but of multicultural identities and multicultural minds" (Fang, 2010, p. 155). Thus, the expatriate and also the MNC have to deal with changing values, which makes doing business in China even more challenging.

Focusing on communication aspects within the subsidiaries, the majority of interviewees were able to get along rather well, albeit knowing that there are a variety of potential obstacles, such as language barrier, different negotiation practices and a lack of respect of some German colleagues. In line with the literature (for example, Shaffer et al., 2006), the findings also stress the importance of the necessary capabilities or so-called cultural intelligence to enable a cultural-sensitive behavior (for example, Huang et al., 2005; Thomas et al., 2008). Despite the above-mentioned hurdles, interpersonal relationships are, in general, not considered as critical as the complications resulting from the company's set-up in China. The need for excessive interfacing and different organizational units deprives the MNC of an optimal fit with the highly flexible environment in China. The interviewees complained that the MNC does not sufficiently emphasize the localization and empowerment of local managers, which leads to disparities in terms of career management within the subsidiary. As mentioned above, the reliance on expatriate managers and the strong connection to headquarters and its procedures is considered a hindrance in terms of market access and competitiveness.

This is closely linked with the issue of strategic human resource management and the question how to find the right person for a specific task and position in the global network of a multinational firm. In this context, Tarique, Schuler, and Gong (2006, p. 221)

propose to consider exogenous factors, such as competitors and macro-economic as well as socio-cultural environment and "relate these dimensions to subsidiary staffing composition." The findings further suggest a revision of the established HR policies and practices in order to suit the changing requirements of a global firm; it is no longer sufficient to focus on the management of international executives in one instance and concentrate on local staffing issues in another. There is a need for an integrated, nuanced, and systematic approach to globalize people management (Sparrow, 2007). Another aspect is the utilization of HR to support the establishment of knowledge stocks in the subsidiary and enable a know-how transfer also from the subsidiary to the head office (Yamao, De Cieri, & Hutchings, 2009).

In addition to the general parameters of the subsidiary setting, the differences between majority shareholdings and a joint venture with an equal shareholding structure are noteworthy, as the literature proposes to have a closer look into different types of subsidiary ownership (for example, Harzing, 2001a; Schuler, Budhwar, & Florkowski, 2002). The findings reveal a higher degree of complexity within the JV owing to the following reasons: (1) greater influence of the Chinese partner on business processes and practices makes the implementation of head office standards more challenging in the JV than in the majority shareholdings, (2) the responses suggest different standards between the majority and JV in terms of how they are treated by headquarters, and (3) political influence is more dominant in the JV, compounding the complexity for expatriates. Thus, there is a need for the MNC to acknowledge this situation and establish a better understanding of the prevailing circumstances, which can be characterized by an old Chinese saying: "Same bed, different dreams" (Selmer, 2005; Walsh, Wang, & Xin, 1999). This goes along with a better support of the assignees, which tend to feel alienated and overwhelmed by the challenging environment.

In terms of expatriate performance, the results highlight that effectiveness and success related to achieving corporate and personal goals depend on multiple factors influencing the adjustment process: prior experience, role and function of the expatriate, personal capabilities and contextual parameters in the subsidiary. In line with Black's research (Black et al., 1991), the respondents acknowledge the positive effects of anticipatory aspects, such as previous assignments or training, but they also suggest a differentiated view as not every experience might be helpful for the particular context of China. They also request for a more specific approach toward training efforts as the standard cross-cultural preparation might not satisfy the needs to cope with job and cultural requirements. Once on the assignment, the situation and well-being of the family play an

important role for the adjustment progress. Even more decisive were personal characteristics of the expatriates, such as *willingness to adapt* and *patience*, in order to cope well in the alien environment. This also underlines the relevance of certain personality traits and the right mindset (for example, Harrison et al., 2004; Shaffer et al., 2006). Completing the view on adjustment, the results suggest that local employees should be assigned greater attention as they are also part of the acculturation process within the subsidiary: While they themselves undergo an adjustment process and at the same time they can facilitate (or hinder) the adjustment of their Western colleagues (for example, Toh & DeNisi, 2007).

Concluding, the case study findings cover all relevant stages of the expatriation cycle and allow an integrated view on the underlying processes and interdependencies. Moreover, the feedback includes the perspectives from local employees and, thus, adds additional input to the existing literature, which rather concentrates on the expatriates' point of view. Through a different angle, the Chinese locals enlighten the circumstances and processes within the subsidiary and make suggestions how to use local expertise more effectively in the context of international staffing. As such, the involvement of locals in the investigation also makes an original contribution to academic research and has implications for practice which is further explained in section 6.2.

The multitude of factors and their identified dependencies led to the development of a new and integrated model, as visualized in Figure 17. The inclusion of all steps of the expatriate cycle starting with the underlying international staffing policy and ending with successful repatriation marks the major benefit of the integrated model. In contrast to previous research where single aspects have been explored, this model describes the overall interplay of influential factors on headquarters, expatriate and subsidiary levels.

Figure 18, depicted below, summarizes the crucial success factors and desired qualities on each level and illustrates focal points as orientation for international firms attempting to improve their international staffing decisions. As such, the model is also prescriptive as the findings illustrated in Figure 18 represent concrete suggestions for MNCs to adjust their policies and processes. When following these prescriptions, MNCs are likely to master the challenges in the international context and thus, generate a competitive advantage in a challenging environment. Even though some of the illustrated factors might seem rather mundane when considered individually, it is their combination that deserves greater attention. Only if international firms focus on all these factors in their attempt to recruit and mange their international workforce, will they be able to establish successful and sustainable IHRM policies and practices. Based on the setting of this case

study, the findings are primarily designed to suit the Chinese environment. However, the model offers plenty of options to be further advanced and transferred to other contexts which is suggested and explained in section 6.2.

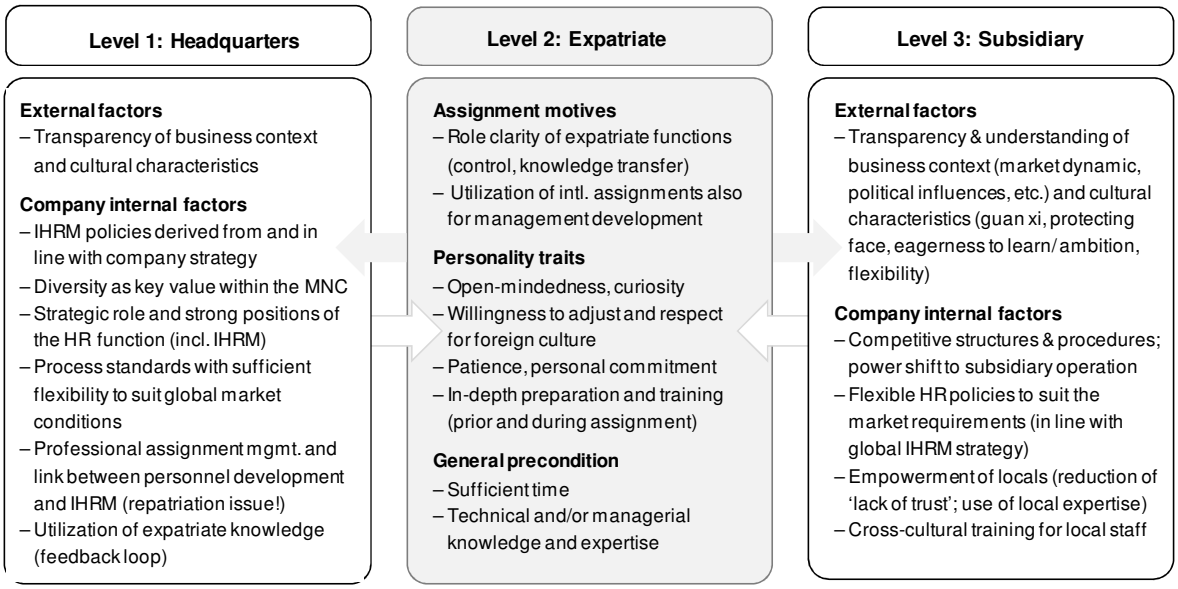

Figure 18: Critical factors and qualities for successful international assignments in China

Source: Own illustration

6.2 Limitations and directions for future research

Although offering a great potential to acquire detailed insights in the context of international assignments, this research also has some limitations.

First, this case study approach with a single firm and a limited number of interviewees within each case does not allow drawing conclusions and creating theories with general validity. However, data quality and reliability were major concerns while conducting this research to ensure a plausible and transparent derivation of the conclusions. To address the issue of external validity, the research design was first of all based on an existing theoretical framework that provided the skeleton for the RQs (Harzing, 2001a; Moore, 2006). Applying the analytical procedure based on the grounded theory approach and following the steps illustrated by Carney's "ladder of analytical abstraction" (Carney, 1990) was another measure to underpin the thorough data handling and evaluation. As far as reliability is concerned, a second coding was carried out by a neutral person to verify the identified structure and allocation of themes. The results showed a high degree of congruence and corroborated the originally derived codes minimizing the risk of flaws in the analytical process. They also proved that the second

investigator was able to follow the described methodology, which indicates that every step was comprehensively explained as requested by Yin (2003).

Nevertheless, even though these procedures were carried out with utmost care, there is still a potential to verify the identified conclusions and to further underpin the reasoning of this study. The author encourages future researchers to consider the findings as suggestions for other empirical studies aiming at testing the data validity and enhancing the scope of the results. This would help minimize any kind of bias related to the format of a case study research.

As a first suggestion, future research could replicate the case study approach using different home and host countries as this case only reflects one single setting: A German MNC in China in the automotive sector. This set-up was chosen because of its relevance and to limit the scope of the investigation. Being aware that the specific characteristics of a German MNC might not be applicable for firms representing other nationalities, the fact that firms are becoming more global in nature underlines the need to engage in any culture to master globalization and boundless careers. Future empirical research could transfer this case study design to other cultures and countries to enlarge the area of validity. India, for instance, as one other emerging market with great future potential, would offer a variety of options to test and verify the socio-economic and cultural influence factors and compare them with the circumstances in China. Further, cross-section comparisons with other industries would complete the information on environmental influences and enlarge the perspective of this case study, which was limited to the automotive sector.

To further validate the findings, future studies are also encouraged to adopt a quantitative approach and formulate hypotheses that reflect the identified relationships. Data can be collected through interviews or preferably large-scale surveys to test the so far tenuous dependencies within and between the three levels of investigation. To provide some examples, the following propositions would address the identified findings and make them testable. Referring to the first level of analysis, the propositions could target the role and position of the IHRM function and the benefits of a strategic alignment within the organization: (1) “An influential and powerful HR function promotes efficient and sustainable staffing decisions”; (2) “An integrated and strategically aligned IHRM at the top management level is a necessary precondition to ensure the future competitiveness of MNCs”;

At the expatriate level, the findings suggest further testing of the involvement of personal and contextual factors prior to making staffing decisions as well as the strategic use of international assignments for management development: (3) “Personal goals that are

in line with the MNC's staffing decision positively support and expedite the adjustment process in the host country"; (4) "Using international assignments as an instrument for management development allows MNCs to improve and enlarge their internal talent pool".

Considering the subsidiary level findings, the propositions could focus on the preconditions for successful adjustment and on the role of HCNs in this context: (5) "Personality traits like open-mindedness and willingness to adjust are positively related to the adjustment process of expatriates in the host-country"; (6) "HCNs positively influence the adjustment and performance of expatriates through sharing their knowledge of local circumstances and characteristics".

Besides these, this research offers a variety of other relationships along the expatriation cycle that could be further pursued: (7) "Understanding and addressing all influence factors within the full cycle of expatriation allows firms to use their human capital more effectively and to recruit the most suitable candidates for positions abroad"; (8) "The utilization of expatriate knowledge (through returning expatriates) helps MNCs to design strategies and products with a better fit in the host country"; (9) "An integrated IHRM and a strong HR function ultimately lead to higher employee commitment and satisfaction on all levels". Verifying such propositions would not only increase the reliability of the findings, but also support the generalizability of the respective conclusions.

Second, the focus of this study was based on integrating all levels of investigation to achieve one comprehensive framework rather than diving deep into the separate levels. As the all-encompassing view on the concept had the highest priority, the interview questions were designed to cover a wide range of aspects and, hence, there are some shortcomings concerning the depth of analysis on the individual levels. Some items deserve a closer look to complete the input. The area of cultural characteristics, for instance, could be further explored based on the latest research by Fang (2010) on the changing phenomenon of culture triggered by the institutional transformation of Asian markets, especially China. He comments that the Yin-Yang philosophy would allow Asians to perceive culture as dialectical and, thus, Hofstede's pi-polar paradigm might no longer adequately reflect the cultural values in the twenty-first century. Instead she proposes the metaphor of the ocean symbolizing that there are visible cultural aspects comparable to the wave patterns, but there are also numerous "ebbs and flows underneath of amazing depth," which can be stimulated to come up to the surface shaping new value patters from then onwards (Fang, 2010, p. 164).

Another area of interest could be the issue of diversity and the value for MNCs to gain competitive advantage by establishing and promoting an international and diverse workforce. While diversity management has been acknowledged as a strategic issue for global organizations, since it leads to higher creativity and enhanced decision-making (Wilson & Iles, 1999), Shen, Chanda, D'Netto, and Monga (2009) argue that further investigation is necessary to better understand how diversity contributes to the company's success or whether it acts as a center of conflict, at least in the short term. Moreover, they request for further empirical research as "there is, so far, no study statistically examining the contribution of diversity management in HR to organizational performance from financial and non-financial perspectives" (Shen et al., 2009, p. 247). In this context, one particular area of diversity also needs to be addressed: gender differences. This case study neither explicitly emphasized differences or congruencies of male or female perceptions nor analyzed the particular situation of either male or female in their respective functions. As indicated earlier, the primary focus of this research was the general framework in which the expatriate holds a central role independent from gender. Based on the growing importance of "feminine" skills and attributes in the workplace, such as cooperation and responsiveness to others, it would be worth examining the context of female expatriates in greater detail (for instance, Haslberger, 2010; Selmer & Leung, 2003). Simpson, Ross-Smith, and Lewis (2010, p. 200) describe the feminine orientation as an "asset that is well suited to the modern work environment" where changing consumer needs and a high competitiveness demand "a style with a need for skills such as good communication, participation and team working."

Third, the main motivation of this research was to become immersed into the field of expatriation and explore every step of the staffing cycle by taking the relevant parameters into consideration. Thus, other types of international assignments, such as inpatriation,[49] short-term assignments or employment of international specialists were only briefly touched upon. On the background of the increasing importance of international staffing in the MNC's IHRM portfolio, other (more flexible) types and their various facets should be integrated in future research (for example, Mayerhofer, Hartmann, Michelitsch-Riedl, & Kollinger, 2004). With regard to inpatriation, Harvey, Speier, and Novicevic (2001) comment that an inpatriate candidate pool would enable MNCs to better manage their global staffing needs and address future requirements of the business environment. However, they also emphasize that "in order to benefit fully from the climate of multiculturalism created by the inpatriate, the parent organization must ensure that

[49] The term inpatriation is defined as sending host country nationals to the home country of the MNC.

inpatriates are legitimized as a part of the core management team necessitating cultural acceptance of an 'outsider' within the parent organization" (Harvey, Speier, & Novicevic, 2001, p. 911). As this case study reveals a disparity between the firm's wish to internationalize its Management and the reality concerning implemented and lived diversity, this area represents another avenue for future study. Further, recent research emphasizes the growing importance of talent management on a global scale that demands innovative solutions in terms of sourcing and managing talents to address the needs of globalized operations (Farndale, Scullion, & Sparrow, 2010). Thus, future studies should continue exploring the options and opportunities of talent management for multinational corporations.

Fourth, the literature base informing this research is primarily focused on the core areas of interest, such as (S)IHRM, expatriation, cultural models, and dimensions, excluding many other streams of research. However, the topic of international staffing and preparing organizations for their endeavors abroad is not limited to the boundaries of the IHRM literature and the sphere of cross-cultural relations. It is, for instance, a substantial and vital part of OD and, thus, the author suggests including more OD literature to enlarge the scope of the investigation. Cumming and Worley elaborate in the latest edition of their book *Organization Development and Change* that international firms need to use OD to help them initiate the required changes to operate in a globalized world (Cummings & Worley, 2008).

Fifth, the fact that I am an employee of the selected company has to be recognized as a potential limitation. Even though I was not part of the Chinese subsidiaries during the interview process and also not involved in the daily operation, a potential source for bias remains. To address this potential limitation, I explicitly explained my role prior to every interview and clearly distinguished it from business-related topics. Further, I emphasized that the data obtained are solely used for the purpose of academic research and do not have any influence on the operational business. However, the difference between being an "in-group" member or an outsider has to be highlighted in this context as this has a decisive impact on behavioral patterns in the Chinese society. Being aware of the lack of trust towards outsiders, which is endemic in the Chinese culture, I attached utmost care in explaining the purpose of my research in order to build a certain level of trust prior to starting with the interview. None of the interviewees—neither Germans nor Chinese—raised concerns about this issue. Additionally, the case study was designed and conducted according to the standards of high quality research to ensure an objective data analysis and

evaluation. Thus, it is safe to assume that the risk for potential bias through my involvement with the company is very low.

The integrated model introduced here should be seen as a skeleton and orientation for academics and practitioners, offering with a variety of ideas for future research projects. I acknowledge that a model based on a single exploratory case study might need many more iterative loops and revisions to withstand future scrutiny. However, I also believe that this study reveals many measures to improve the expatriation cycle and offers helpful suggestions for corporations and their subsidiaries abroad concerning international staffing, by guiding them toward utilizing their internal knowledge base especially for culturally distant markets.[50]

6.3 Contributions and implications

6.3.1 Contributions to theory

The primary goal of this study was to explore and understand the mechanisms of international assignments against the backdrop of emerging markets—in this case China—that attract and challenge multinational companies. The viewpoints were manifold as they cover headquarters, expatriate as well as subsidiary aspects leading to the development of an integrated model that depicts the according influences factors and relationships.

Contributing to the expatriation literature, this research first of all addresses the strategic fit of the (I)HRM function within the international organization and investigates the IHRM contribution to manage staffing challenges abroad (investigated through RQ1). There is sound evidence that the organization still follows the headquarters standards when determining the recruitment and selection mechanisms resulting in limited flexibility for addressing the prevailing circumstances in the subsidiary. This is particularly important when home and host country cultures differ substantially as it is the case in this study. The findings contribute to existing literature (for instance, Brewster et al., 2005; Pudelko & Harzing, 2007) by corroborating the need for MNCs to meet local requirements through adjusted HR policies and practices. International firms are encouraged to find the right balance between global standards and individual solutions as requested, for instance, by Schuler et al. (1993). Further, this study highlights the related risks, if MNCs are not able

[50] Note: Business environment, market conditions, and company structures change extremely fast in China and so might the impressions of the interviewees. The expert interviews for this research were conducted between the end of December 2008 and spring 2009 and, thus, reflect the situation at that particular time. Nevertheless, through the abstraction of results and the development of an integrated model, this research ensures that the framework and the conclusions are relevant and up-to-date independent from the time of data collection. All references and quotes from the literature were updated before this thesis was submitted.

to recruit employees with the desired skills or lose talents as this might have a significant negative impact on their global competitiveness.

Another contribution is made to the literature on (S)IHRM (for example, Brewster et al., 2005; Taylor & Beechler, 1996), providing evidence for the advantages of a strategic and integrated HR approach for the international firm. By contributing to the recently emerging area of global talent management (Collings & Mellahi, 2009), this research further underlines the importance of international staffing (for example, Mäkelä et al., 2009). Further, this study enhances claims to value the importance of the IHRM function as key success factor for the global organization (Sparrow, 2007). A significant contribution is made by highlighting the discrepancies between the HR tools that are in place to administer international staffing and the underlying strategies. The identified misfit on strategic level indicates that the HR function does not hold a strategic position within the organization; it is seen as facilitator rather than a strategic partner, which would be crucial to actively support the MNC in its attempt to gain a competitive advantage.

Concerning RQ2, this research verifies the motives for expatriation by Edström and Galbraith (1977) with the exception of *management development*, which did not play a notable role, and tests the *functions of control* by Harzing (2001a), underpinning their relevance in the context of global staffing. At the same time, the study advances Moore's (2006) model by identifying and specifying the external and internal influence factors as well as the underlying dependencies. A notable contribution was made concerning the reasons for sending expatriates abroad under the control function with identifying "lack of trust in local staff" as one of the major reasons. This finding indicates that a limited understanding of the host country circumstances—especially in culturally distant markets—and the accompanying reservations influence staffing decision and, thus, might not lead to optimal candidate selections. The potential consequences of avoiding risk through the assignment of expatriate rather then local managers are twofold: On the one hand, MNCs might be successful in filling the position with an expatriate who meets their requirements, on the other hand, they might miss out on opportunities by not employing skilled local managers who have an insight market knowledge.

Another contribution related to RQ2 was the acknowledgment of expatriates' individual goals and their impact on the adjustment processes in the host country. Albeit functional needs of the organization are still much more dominant in the staffing process for international assignments, the study suggests that personal preferences for host country culture and environment should be considered as enablers for better expatriate adjustment.

Focusing on the answers to RQ3, which cover the literature gaps concerning the multitude of influences factors in the subsidiary environment and their impact on the expatriate, this study identifies a variety of factors that are crucial in this context. First, cultural and societal characteristics of home and host country are the underlying basis to understand communications and relationships within the subsidiary and, thus, mark an important influence factor for international assignments. With choosing Germany and China, the study provides new insights in socio-economic parameters and communication processes between German and Chinese managers (and employees). In addition, the input on the Chinese context is of high relevance for future research, because mastering business there demands a sound understanding of the prevailing circumstances and behavioral patterns (e.g., Selmer, 2010).

Further, this study advances the broad portfolio of adjustment literature (for example, Black et al., 1991; Harrison et al., 2004; Liu & Shaffer, 2005, Selmer, 2006a; Shaffer et al., 1999) in many ways. First, it consolidates the separate aspects of adjustment (contextual parameters and personality traits) into one framework. Second, the relationships and dependencies are further explored and updated in the table proposed by Harrison et al. (2004). Third, it provides evidence that the company set-up (majority shareholding or 50–50 joint venture) plays a decisive role in evaluating adjustment procedures and hence, should be incorporated in future research. Fourth, it incorporates the views of HCNs and thus, generates a number of ideas how HCNs can contribute to a more efficient adjustment. In addition, this research suggests attaching greater importance to the HR practices within the subsidiary and linking them to the MNC's global staffing strategy. This would be a decisive precondition to establish an effective and sustainable HR management worldwide as well as ensure employee commitment and retention on all levels.

Addressing the shortcomings of previous research (for example, Collings et al., 2007), the major theoretical contribution of this study is the development and introduction of the integrated model visualizing the contextual parameters of an expatriate assignment and providing links between headquarters, expatriate, and subsidiary level. It offers information about critical success factors and highlights potential areas of conflict covering the full cycle of expatriation. The contribution lies particularly in the fact that various levels of analysis and a broad range of research streams (for instance, organizational development, IHRM, expatriate performance, etc.) that are linked to the field of international staffing are incorporated in the investigation. Further, this study builds upon the approach of multilevel theory building and helps to "illuminate the steps organizational

actors may take, individually and collectively, to yield organizational benefits" (Klein et al., 1999, p. 234). It enlightens company internal and global processes whilst including the views of individuals and organizational units, such as expatriate, Chinese local or HR managers. Thus, it enhances the understanding of the complexity of international staffing, especially in an alien environment and, at the same time, offers input for how MNCs can manage the related challenges. A summary of practical implications is provided in the following section.

6.3.2 Implications for practice

The practical knowledge created by this study has a number of implications for multinational organizations, its top level representatives, and HR practitioners and should encourage them to revisit their global staffing policies and practices. Further, it offers advice for expatriates and potential candidates who are in preparation for their assignments. The implications explained below draw on the findings illustrated in Figure 18 (see page 193).

6.3.2.1 For top executives

Drawing upon the disparities between company strategy and IHRM, the findings imply that the MNC should review how far the existing alignment effectively supports the implementation of its strategic goals. If recruiting and retaining highly qualified people are decisive success factors for future competitiveness as widely acknowledged by the literature, the company should pursue a strategic stance on international staffing being embedded on the top strategic level (Mäkelä et al., 2009). Thus, this research recommends rethinking the role of HR within the company, which should include functions such as "champions of process, guardians of culture, network leadership and intelligence, and managers of internal receptivity" as suggested by Farndale, Scullion, and Sparrow (2010, p. 166). The commitment from the top executive level would also facilitate a better balance between HR and the functional departments, encouraging HR to establish an identity that goes beyond the role of a service provider.

Further, the results suggest that top level support is mandatory to promote a culture where diversity is valued and employees of any kind or culture feel accepted. As indicated by Shen et al., top management attention is required "to have a philosophy and foster organizational culture that recognizes diversity, and commits resources and leadership so as to implement diversity policies" (Shen et al., 2009, p. 246). Thus, the initiated measures will only fall on good soil, if equipped with appropriate resources and backed-up from the

top. However, there are certainly more aspects to generating a culture of diversity, such as the initiative of every single employee, sufficient time or tangible examples, but *without* management commitment the prospects of success are undoubtedly very low.

6.3.2.2 For HR practitioners

As the study findings reveal, the MNC has developed a comprehensive system of tools and procedures to support international staffing and HR matters. To improve the effectiveness, the following tips might be useful. First, the MNC should clearly define the positions that are reserved for expatriates for the following reasons: it would enhance role clarity and inform the expatriate of the expectations associated with a particular position (for example, Fenwick, 2004) and it would create transparency within the subsidiary to avoid unrealizable expectations among local employees. Further, it would help the company to differentiate between positions where HQ knowledge is crucial and those where local expertise is required. This is a precondition for the MNC "to build a core competence of being able to transfer capability across multiple countries" as suggested by Farndale et al. (2010, p. 166) and promote a capability-driven perspective (Sparrow, Brewster, & Harris, 2004; Collings et al., 2007).

Another benefit of clearly defined positions and roles is the fact that MNCs could easily monitor the effectiveness of the expatriates—an area of concern for many firms, especially because of the substantial costs associated with international transfers. It could also be the first step to measure the return on investment (ROI) of expatriate assignments, helping HR practitioners to either justify the assignment value or provide indications to look out for cheaper alternatives (McNulty & Tharenou, 2004).

Focusing on selection and recruitment procedures, the study recommends concentrating more on the individual characteristics and personality traits of potential candidates, in particular their cultural intelligence. It might not be easy to find the "natural disposition to succeed" (Shaffer et al., 2006), but it has to be ensured that the assignees fulfill a set of crucial parameters to avoid unpleasant surprises once they have reached their target destination. This is of particular importance for the 50–50 joint venture, where challenges and uncertainties are even bigger than in majority shareholdings.

To better prepare expatriates for their tasks abroad, the MNC or the respective HR departments should also offer more training programs specifically tailored for the respective functions. According to Selmer (2010), specific CCT is especially important and beneficial for culturally distant markets such as China; a simple, generic cross-cultural introduction does not meet these requirements. In line with recent research (for example,

Kühlmann & Hutchings, 2010), the results also propose more on-site training to facilitate a better and faster adjustment to and adoption of the prevailing circumstances.

Much emphasis was put on the issue of repatriation and the use of expatriate knowledge. HR practitioners should have a stronger role (and the necessary means) to better support return processes, i.e., not only limited to administrative support. This would enable an effective use of the expatriates' knowledge base and integrate it into the company development process (Hocking et al., 2007). By enabling the according systems and procedures, HR could in fact act as builder of the future international firm based on a differentiated HR architecture (Collings & Mellahi, 2009; Mäkelä et al., 2009).

6.3.2.3 For expatriates

Referring to the critical success factors identified by this research (see Figure 18), expatriates are invited to carefully consider the expected circumstances in the host country and evaluate in how far their personal motives fit with the functional needs of the organization. Clarifying expectations from both sides—the expatriate and the company—are an important precondition to facilitate a successful performance and to avoid disappointment. Prior to accepting an assignment, a thorough self-assessment could also support the expatriates in making the right decision by taking all relevant aspects into consideration, such as personal expectations, capabilities, spouse, and family situation or intercultural experience. In this respect, open-mindedness, curiosity, and the willingness to adjust are considered important personality traits to enable the integration in a distant cultural setting (for example, Huang et al., 2005; Shaffer et al., 2006; Peltokorpi, 2008).

On-site expatriates are well-advised to have patience with the adjustment procedures as the learning curve may not be as easy as expected, especially in establishing relationships (for example, Takeuchi, Marinova, Lepak, & Liu, 2005). Time is important to allow for sufficient reflection on the encounters and experiences made; many of the respondents underlined that operational duties sometimes do not allow the necessary time to review behavioral issues. Another aspect positively related to adjustment is language proficiency (for example, Puck et al., 2008; Selmer, 2006c). The study suggests that the language barrier is a potential stumbling block for effective communication and, thus, language skills should be a crucial precondition for all potential assignees. In this particular case, Chinese might not be the easiest of all languages to learn, but even showing the attempt of learning the language sends a positive signal to the host-country nationals and supports the relationship-building process. As most of the time a third language (English) is used to communicate, again, a high level of proficiency is a crucial prerequisite to

minimize communication difficulties. Finally, the expatriates are encouraged to make use of the knowledge and support of their Chinese colleagues and create a social network helping them to get familiar with the host country, its culture, habits and people (Wang & Kanungo, 2004; Toh & DeNisi, 2007).

6.4 Conclusions

Aiming at a successful market entry and profitable business operations in China, German multinationals, and probably many other international firms, need to adapt to the pace and power of the Chinese economy. In particular, in the automotive sector, there is not only a high degree of regulation, but also a fierce competition including international and local firms, whereby the latter have made tremendous progress in catching up with their Western rivals. Thus, German MNCs need to have the right people and procedures in place to master the challenges and fully utilize the opportunities of the Chinese market. Transferring their knowledge, standards, and renowned brands from the home country environment to their subsidiaries provides them with an excellent starting position in terms of know-how, technical skills, and expertise. However, the Chinese market holds a variety of challenges that make operating a business different from following established home country practices. Cultural, economic, and political circumstances demand swift and suitable actions affecting both: people and procedures. Especially expatriates, who are sent to represent and enact headquarters directives and values, face a challenging environment as they are caught between two stools. They need to adapt their behavior to the culture and pace of the host country whilst ensuring that company objectives are met. This demands not only a toolbox of adequate behaviors, but also the right attitude and mindset. And the same is true for the company (specifically, its Management); it also needs the right strategy and policies to master the challenges in China and achieve a competitive advantage.

"Bear meets panda"

Setting up a business in a foreign market might previously have been an ordinary task for multinational companies following their global expansion plans. With China being on top of the FDI list and considered a "must-win market," the ordinary task has become by far more multifaceted and adventurous. External and company-internal factors produce a complex mixture of ingredients for an international assignment and, thus, demand distinguished skills from expatriates in carrying out their functions in the subsidiary. Referring to Harzing's metaphor of the "bear" reflecting the direct and explicit form of control, one could have expected a clash of cultures in the land of the panda where consensus-oriented behavior dominates negotiation practices. And yet, culture does not

seem to be the most critical issue for expatriates when they are pioneering on their own paths in China. Also for the local employees, any obstacles can be overcome once both sides have found their business language. However, this does not mean that cultural differences should be underestimated. Being aware of them and showing respect and willingness to adjust (from both sides) enables a constructive and fruitful cooperation and dialog.

"The right stuff for China?"

When we talk about the right people choices for Chinese subsidiaries, the question arises of what exactly defines a suitable candidate and what qualities does he or she need to have? Considering the identified influences, there are not only many external and socio-cultural aspects, but also a great deal of individual characteristics affecting the expatriate. Thus, the question can only be answered by having a detailed look at the expatriate's personality traits and specific preconditions. Fernandez and Underwood (2006, p. 4) rightly ask whether the assignees have "the right stuff for China" including qualities such as professional experience, international expertise or the right mindset. This case study shows that open-mindedness (combined with the necessary flexibility), curiosity and interest in the Chinese culture facilitate the adjustment process as they display the intrinsic motivation of a person to get to know a foreign culture. This goes along with a natural respect for the country, its heritage, the people and their customs. Once the assignees approach the acculturation with the required patience and personal commitment, they are most likely to succeed.

"What to do with the China hands?"

Considering the multitude of skills and capabilities and the plethora of experiences, it seems logical that MNCs should make use of the huge knowledge once the "China hands"[51] have returned to their home base. And yet, many MNCs struggle with the repatriation task as well as the utilization of the China experts' information. First, the process of finding an adequate position at headquarters is rather difficult for most of the returning assignees even though there are formal procedures in place. Second, the expatriates carry extensive knowledge in their baggage, which would be of great benefit for headquarters in their desire to become a global player. However, once back home, the expatriates often realize that nobody seems to be interested in the package they bring

[51] "China hands" is a common expression for Western business experts (for example, see Fernandez & Underwood, 2006; Selmer, 2010).

along. The consequences are twofold: The expatriates feel alienated in their home base, and the company wastes valuable input from their international network. Referring to the integrated model, the company needs to realize the potential that lies in a strategic use of human assets; the international assignees could carry valuable knowledge from and toward headquarters and contribute to improve and develop strategies and processes.

"It's all about trust"

Looking at one of the major motives for expatriation identified in this research, "minimizing risk" or "no trust in local staff," it becomes obvious that there still is a disparity between a strategic view on staffing and the current practice of filling positions. In fact, it has to be acknowledged that there *are* valid reasons for international firms to be cautious about their localizing efforts and rather keep certain positions in their own hands. One of the reasons is the infringement of intellectual property rights (IPR) in China posing a substantial threat for many firms. Even though the government has started initiatives to help domestic enterprises to comply with international IPR, breaches of these rules are still common. Nevertheless, the lack of trust accompanies the risk that international firms potentially miss opportunities by not considering local talents for filling key positions. The reliance on expatriates is often triggered by presenting a positive picture about the situation in the subsidiary. Ensuring that the right person is at the right place often only has second priority. In conclusion, the motive of minimizing risk involves satisfying headquarter requirements, rather than focusing on the specific situation in the subsidiary and the best fit for a specific position.

"Brain-drain reversed–China's grip on talent"

In a recent work conference on talent in China, President Hu Jiantao emphasized the country's transition from a labor-intensive nation to a talent-driven one by saying: "Talent is the most important resource and it is a key issue that concerns the development of the Party and the country" (Chen, 2010b). China has a huge base of managers who went abroad to study or obtain Western-style working experience and are now returning to their home country increasing the Chinese talent pool and reversing the "brain-drain." The impact for MNCs is twofold: While it creates greater opportunities to recruit suitable managers on the local market, competition is getting fiercer. Further, the expatriates who were originally recruited to establish business operations owing to lack of qualified local staff might be disadvantaged as the Chinese talents are miles ahead in terms of China specific know-how and market knowledge.

Thus, MNCs should rethink their international staffing approach and review whether their IHRM strategies are still appropriate to meet the (rapidly changing) challenges in China. This goes beyond the optimization of expatriate assignments or the recruitment of the right people for the right positions. It demands a strategic view on IHRM as a vital part of the company's strategy.

Strategic view on international staffing: The "virtuous circle" of HR policies

Continuing with the above, a strategic view on staffing demands that human capital is considered a crucial asset contributing to the company's success and competitive advantage (not only in emerging markets). International assignments will still play an important role in this context, but will only be successful if the organization creates a "virtuous circle," as Collings et al. (2007, p. 210) comment:

> The utilisation of congruent HR policies should result in a *virtuous* circle whereby successful completion of expatriate assignments and repatriation into the home organization will result in employees becoming more amenable to being sent on assignment and organizational experience will mean increasing competence within the MNC in managing expatriation.

Answering the following questions might help MNCs to make the right staffing decisions based on the best fit with regard to the circumstances in a specific cultural context considering all potential staffing options including expatriates, international specialists, inpatriates, project-based assignees, local employees, or virtual teams:

- What is our strategic goal in the respective country (short- and long-term perspective)?
- What specific knowledge and skills do we need?
- Where do we get those and from whom?
- What are the strategically relevant positions to be held by headquarters representatives?
- How do we ensure a pool of staff meeting the required parameters to sustain long-term success of the operation?

With widening the scope of potential staffing options, the company needs to be aware that this demands a certain company culture that values and promotes diversity. Otherwise, it might face a serious risk of creating internal conflicts. Especially for traditional companies making most of their business in the home country, internationalization of the workforce is a challenging task even though it offers a number of advantages (for example, such as fresh work environment, enriched knowledge base with a variety of new perspectives). MNCs should realize that expatriates could be the key to diversity in their organization and "agents of learning, acquiring knowledge and disseminating it back to headquarters or to other subsidiaries" (Selmer, 2006a, p. 2003)

resulting in less mistrust and uncertainty toward foreign cultures. This would probably also encourage MNCs to develop their branches with the help of local employees rather than sending representatives from headquarters. Such a positive spiral would foster diversity and create an inspiring and enriching working atmosphere. In addition, it would support the company in its endeavors abroad as it could then count on a huge base of expertise provided by their most important asset: human capital.

On a final note

I hope that with this case study I have taken one of the "myriad opportunities to help international business organizations develop and sustain HR-based competitive advantages. Researchers and firms that chart these waters effectively will secure enviable market positions in the decades ahead" (Schuler et al., 2002, p. 63).

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8 Appendix

Application letter



Barbara Holzer

[redacted]

Phone: +65-6880-8830

February 11th, 2008

[redacted]

HPC Z233

Re: Application for company approval

[redacted]

I'm writing in relation to a research project run by the International Graduate School of Business at the University of South Australia.

I have been working at the [redacted] since May 2006, being responsible for Wholesale Customer Management. As my job scope requires doing business with a variety of nations and cultures in the Asia-Pacific regions, may interest arose in getting a deeper insight in these circumstances in order to optimize the business relationships.

Hence, I started a research project in this area in order to identify cultural and business influence factors on the expatriates in their international assignments. My major focus is aimed at China as its economy is continuously growing and global firms seek to participate in the dynamic market development and claim their share in the booming economy.

The purpose of the research is to explore the expatriates' behaviour with particular focus on their role of carrying out the company's strategy in a foreign subsidiary. Besides an intensive literature review, a qualitative case study is supposed to deliver deeper insights in expatriate environment and provide the basis for the analysis.

The research will be conducted by myself, Barbara Holzer, and shall involve approximately 30 face to face interviews with German expatriate and local Chinese managers as well as relevant Human Resource Managers to generate a comprehensive picture. The data collection process would be scheduled for the second half of this year, after which the data will be analyzed and published in form of an independent dissertation.

The case study design will be developed in compliance with established ethical procedures and the confidentiality of all data will be reliably ensured. A more detailed description of the research project can be found in the attachment.

I am convinced that the research may deliver valuable insights pertaining to international assignments and successful expatriation and hence, I would seek your kind approval for conducting the case study within our company. I would be more than happy to answer further questions from your side and provide additional information, if required.

Thank you very much in advance for your support and I am looking forward to your favourable response.

Yours sincerely

Barbara Holzer

Barbara Holzer

Enclosure

Table A9: Interview questions: Expatriates and locals

Interview questions *(Target group: German expatriates/Chinese locals)*	***Major Themes***	***Level of investigation***
What is your area of responsibility? Could you explain what are you doing in your current position and who are the persons you are dealing with? As a subsidiary, this organization is linked to HQ. How do you perceive the influences of HQ in terms of strategy or other guidelines? How would you describe your information/communication channel between the colleagues at HQ and in the subsidiary?	Job scope and work environment (company background)	HQ and subsidiary level
In some multinational firms, expatriates are assigned to subsidiaries to ensure that headquarters' policies are carried out. Others do not send out expatriates or do this for other reasons. Could you please indicate the degree to which headquarters uses expatriates to directly control this subsidiary's operations? _HARZING Some multinational firms have a very high degree of informal communication among executives of the different subsidiaries and headquarters. Other firms do not foster that kind of informal communication and rely exclusively on formal communication channels. Could you please describe the level of informal communication between this subsidiary and headquarters/other subsidiaries of the group? _HARZING Some multinational firms attach a lot of value to a strong 'corporate culture' and try to ensure that all subsidiaries share the main values of the firm. Others do not make these efforts (or, having made it, have had no success). To which extent do the executives in this subsidiary share the company's main values? _HARZING	Influence from headquarters	HQ and expatriate level
Why do you think the company sends expatriates to foreign subsidiaries? How important would you consider knowledge transfer and filling of positions (besides control of subsidiary) as motives for international assignments and why? What are the benefits and/or challenges of sending expatriates abroad?	Influence from headquarters	HQ and expatriate level
What are your personal goals for the period of this assignment? How have you been chosen/recruited for your current position? Does the job scope tally with the expectations you had? If yes, in how far and if no, what are the gaps? Do you think your career chances are equal to those of local /expatriate managers?	Personal goals	Expatriate level
What cultural specifics would you consider relevant for doing business with your Chinese/German colleagues? Could you think of an example that would illustrate a typical situation? Is there a difference between colleagues on the same level and your subordinates? Do you know about or are you aware of German and Chinese stereotypes? If yes, how would you describe those?	Cultural context	Macroeconomic environment (HQ and subsidiary level)
How would you describe the relevance of cultural aspects for your business? Have you discussed any cultural matters with your colleagues? Is there a difference compared to your last position at Headquarters (in terms of cross-cultural influences)? What are the initiatives from your side to deal with the cultural circumstances (and the earlier described situations)?	Cultural context	
Focusing on your area of responsibility, how do you perceive the impact of the Chinese business development on your daily business? Could you specify the characteristics of this development? (e.g., speed, high competition, etc.) Which one would you consider the most influential and why?	Business context	
How have you been prepared for the assignment abroad? Have you participated in any cultural training before you took over the position? If yes, please explain. If no, please indicate why and whether you would consider it as helpful? Was the preparation successful pertaining to the cooperation with your Chinese/German colleagues? What support did you receive from HR departments before and during the assignment (HQ as well as local office)? Would you have any suggestions concerning an adequate preparation for international assignments in general and in particular for the Chinese context?	Preparation/support before and during assignment (HR policy)	HQ and expatriate level

Source: Own illustration

Table A10: Interview questions: HR Managers

Interview questions *(Target group: HR managers)*	***Major Themes***	***Level of investigation***
What is your area of responsibility? Could you explain what you are doing in your current position and who are the persons you are dealing with? As a subsidiary this organization is linked to HQ. How do you perceive the influences of HQ in terms of strategy or other guidelines? How would you describe your information/communication channel between the colleagues at HQ and in the subsidiary?	Job scope and work environment (company background)	HQ and subsidiary level
In some multinational firms, expatriates are assigned to subsidiaries to ensure that headquarters policies are carried out. Others do not send out expatriates or do this for other reasons. Could you please indicate the degree to which headquarters uses expatriates to directly control this subsidiary's operations? _HARZING Some multinational firms have a very high degree of informal communication among executives of the different subsidiaries and headquarters. Other firms do not foster that kind of informal communication and rely exclusively on formal communication channels. Could you please describe the level of informal communication between this subsidiary and headquarters/other subsidiaries of the group? _HARZING Some multinational firms attach a lot of value to a strong 'corporate culture' and try to ensure that all subsidiaries share the main values of the firm. Others do not make these efforts (or, having made it, have had no success). To which extent do the executives in this subsidiary share the company's main values? _HARZING	Influence from headquarters	HQ and expatriate level
Why do you think the company sends expatriates to foreign subsidiaries? How important would you consider knowledge transfer and filling of positions (besides control of subsidiary) as motives for international assignments and why? What are the benefits and/or challenges of sending expatriates abroad?	Influence from headquarters	HQ and expatriate level
What cultural specifics would you consider relevant for doing business with your Chinese/German colleagues? Could you think of an example that would illustrate a typical situation? Is there a difference between colleagues on the same level and subordinates? Do you know about or are you aware of German and Chinese stereotypes? If yes, how would you describe those?	Cultural context	Macroeconomic environment (HQ and subsidiary level)
How would you describe the relevance of cultural aspects for the business? Have you discussed any cultural matters with your colleagues? What are the initiatives from your side to deal with the cultural circumstances (and the earlier described situations)?	Cultural context	
Focusing on your area of responsibility, how do you perceive the impact of the Chinese business development on your daily business? Could you specify the characteristics of this development? (e.g., speed, high competition, etc.) Which one would you consider the most influential and why?	Business context	
Concerning the expatriate assignments, could you explain the process of recruitment and selection of suitable managers? In how far is the company's strategy influencing the choice of staff? Are there any guidelines concerning an expatriate/local staff ratio? What are the specific requirements/processes pertaining to the environment in China? Could you elaborate on the expatriate preparation, for example intercultural trainings? What support do HR departments provide prior to and during the assignment (HQ as well as local office)?	Preparation/support before and during assignment & HR policies and strategies & Role of HR	HQ and expatriate level

Source: Own illustration

Table A11: Interview questions: Intercultural training

Interview questions *(Target group: Participants of intercultural training)*	***Major Themes***	***Level of investigation***
You are supposed to participate in an intercultural training in preparation for your expatriate assignment. May I ask where your assignment will be? Have you been there before? What do you know about this country/culture? How have you been chosen? What expectations are you having in general? And more specifically about the foreign culture? Could you explain the expectations of the company with sending you abroad? Did you receive any kind of advice or guidelines? Why are you participating in this training? Have you spoken to expatriates/former expatriates for the purpose of information exchange? If yes, could you elaborate further?	Preparation/support before assignment & HR policies and strategies	HQ and expatriate level

Source: Own illustration

Information sheet

INFORMATION SHEET

University of South Australia
Division of Business, International Graduate School of Business

Project Title: **Cross-cultural influences on the functions of expatriate managers: A case study of a German multinational company in China.**

Researcher: **Barbara Holzer, University of South Australia**
Degree in Business Engineering
Phone: +65-94597584
E-mail: Barbara.holzer@postgrads.unisa.edu.au

Supervisor: **Dr. Margaret A. Shaffer, University of Wisconsin-Milwaukee**

You are invited to participate in a research project that investigates cross-cultural and business influence factors on expatriate managers in foreign subsidiaries.

The purpose of the research is to explore the expatriates' behaviour with particular focus on their role of carrying out the company's strategy in a foreign subsidiary. The major focus is aimed at China as its economy is continuously growing and global firms seek to participate in the dynamic market development and claim their share in the booming economy. Besides an intensive literature review, a qualitative case study within [redacted] is supposed to deliver deeper insights in the expatriate environment and provide the basis for the analysis.

The research will be conducted by Barbara Holzer, [redacted], being supervised by Dr. Margaret A. Shaffer, University of Wisconsin-Milwaukee. The case study has been approved by [redacted] and will be supported by [redacted] as representative of the company's International Human Resource Management team.

The study will involve approximately 30 face to face interviews with German expatriate and local Chinese managers as well as relevant Human Resource Managers to generate a comprehensive picture concerning the above-mentioned topic. The data collection process is scheduled for the second half of 2008, after which the data will be analysed and published in form of an independent dissertation.

If you agree to participate in this study you will be interviewed at a time and location that is convenient for you. The duration of the interview will be approximately two hours and you will be asked to describe questions in the following key areas:

- Job scope and work environment
- Cultural and business context
- Influence from Headquarters
- Personal goals
- Preparation for and support during assignment

Your participation in this study is entirely voluntary and you are of course free to refuse to answer any questions or to withdraw from the study at any time. The interview will be audiotaped and later transcribed. The typed interviews and all data will be stored on CD ROM and secularly kept in a safe at the researcher's private home for a period of 5 years as per University policy, and then be destroyed. All records containing personal information will remain confidential and no information which could lead to identification of any individual will be released. Only the researchers working on the project will have access to the data.

Upon your request, you can obtain a copy of the final thesis. You will be asked to indicate whether you would like to receive a copy on the consent form, which will be handed out to you prior to the interview.

The research project has been assessed in compliance with the conduct of Australian research and in accordance with high ethical and scientific standards. There will not be any foreseeable risk of harm or discomfort involved in this research.

The University of South Australia's Human Research Ethics Committee has reviewed this study. Should you wish to discuss the project with someone not directly involved, in particular in relation to matters concerning policies, information about the conduct of the study, or your rights as a participant, please contact:

Ms Vicki Allen, Executive Officer
Human Research Ethics Committee
University of South Australia
GPO BOX 2471
Adelaide SA 5000
Email: Vicki.Allen@unisa.edu.au
Tel: +61 8 8302 3118



CONSENT FORM

University of South Australia
Division of Business, International Graduate School of Business

Project Title: **Cross-cultural influences on the functions of expatriate managers: A case study of a German multinational company in China.**

Researcher: **Barbara Holzer, University of South Australia**

Supervisor: **Dr. Margaret A. Shaffer, University of Wisconsin-Milwaukee**

- I have read the Participant Information Sheet, and the nature and the purpose of the research project have been explained to me. I understand and agree to take part.
- I understand that I may not directly benefit from taking part in the project.
- I understand that I can withdraw from the study at any stage and that this will not affect my status now or in the future.
- I confirm that I am over 18 years of age.
- I understand that I will be audio-taped during the study.
- I understand that the tape will be destroyed after the data have been transcribed and analysed.
- I understand that the interview is carried out with permission of [redacted].

Name of participant .....

Signed .....

Dated .....

I would like to receive a copy of the final thesis. Yes ☐

I have explained the study to subject and consider that he/she understands what is involved.

Researcher's signature and date .....

Table A12: Summary of detected relationships—updated table based on Harrison et al., 2004

Summary of Detected Relationships

Correlates	**Cultural Adjustment**	**Interaction Adjustment**	**Work Adjustment**
Stressors			
1. Personal Factors			
a. Demographic Characteristics			
Gender	Florkowski & Fogel (1999) (F>M) Shaffer & Harrison (1998) (F>M)	Hechanova, Beehr, & Christiansen, (2003) (F>M)	Florkowski & Fogel (1999) (F>M) Shaffer & Harrison (1998) (M>F)
Age (-)			Selmer et al. (2000)
Education (+)		Shaffer & Harrison (1998)	
Nationality (+)	Parker & McEvoy (1993)	Selmer (1998)	
Assignment duration (+)	Caligiuri (2000b) Florkowski & Fogel (1999) Gregersen & Black (1990) Gregersen & Black (1992) Kraimer et al. (2001) Li (1995)	Gregersen & Black (1990)	Florkowski & Fogel (1999) Gregersen & Black (1990) Kraimer et al. (2001)
Type of assignment: self-initiated (SIE) or organizational expatriation (OE)		Peltokorpi (2008) (SIE>OE)	

Previous international experience (+)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Caligiuri (2000b) Holopainen et al. (2005)[52] Kraimer et al. (2001) Selmer (2001a) Selmer (2002) Takeuchi, Tesluk, Yun, & Lepak (2005)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Holopainen & Björkman (2005) Selmer (2001a) Selmer (2002)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Holopainen & Björkman (2005) Selmer (2001a) Selmer (2002) Takeuchi, Tesluk, Yun, & Lepak (2005)
Lack of previous experience (-)			Takeuchi, Wang, & Marinova (2005)[53]
Tenure (+) (= Time on assignment)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Puck, Kittler, & Wright (2008) Takeuchi, Tesluk, Yun, & Lepak (2005)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Hechanova, Beehr, & Christiansen (2003) Puck, Kittler, & Wright (2008)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Hechanova, Beehr, & Christiansen (2003) Puck, Kittler, & Wright (2008)[54] Shaffer & Harrison (1998) Takeuchi, Tesluk, Yun, & Lepak (2005)
Promotion (+)		Shaffer & Harrison (1998)	Parker & McEvoy (1993) Shaffer & Harrison (1998)
b. Personal Traits			
Introversion (-)		Parker & McEvoy (1993)	
Extraversion/agreeableness (+)	Downes et al. (2010) Huang, Chi, & Lawler (2005)	Downes, Varner, & Hemmasi (2010) Huang, Chi, & Lawler (2005)	Downes, Varner, & Hemmasi (2010) Lee & Sukoco (2008)

[52] Holopainen and Björkman (2005) relate the impact of "previous international experience" and "communicational ability" to expatriate performance rather than the categories of adjustment; they indicate in their article that the causal link between adjustment and performance has not yet been clearly defined.

[53] The research of Takeuchi et al. (2005) focuses on the direct measurement of strain without the stressor-strain relationship as they state that stressor does not always lead to strain. Due to the design of the table, this cannot be visualized accordingly. Lack of prior experience has an effect on psychological workplace strain rather than on the workplace adjustment.

[54] Modest impact compared with significant impact to cultural and interaction adjustment.

	Lee & Sukoco (2008)[55] Shaffer et al. (2006)[56]	Lee & Sukoco (2008)	
Conscientiousness (+)	Lee & Sukoco (2008) Shaffer et al. (2006)	Lee & Sukoco (2008)	Lee & Sukoco (2008)
Intellectance (+) (= Openness to experience) Openness (+)	Huang, Chi, & Lawler (2005) Lee & Sukoco (2008) Downes, Varner, & Hemmasi (2010)	 Lee & Sukoco (2008) Downes, Varner, & Hemmasi (2010)	Huang, Chi, & Lawler (2005) Lee & Sukoco (2008) Shaffer et al. (2006) Downes, Varner, & Hemmasi (2010)
Cultural empathy (+)	Peltokorpi (2008)	Peltokorpi (2008)	
Emotional stability (+)	Downes, Varner, & Hemmasi (2010) Lee & Sukoco (2008)	Downes, Varner, & Hemmasi (2010) Lee & Sukoco (2008) Peltokorpi (2008)	Downes, Varner, & Hemmasi (2010) Lee & Sukoco (2008)
Reduced self (not feeling valued) (-)	Brown, (2008)	Brown (2008)	Brown (2008)
Work self-efficacy (+)	Harrison et al. (1996) Hechanova, Beehr, & Christiansen (2003)	Harrison et al. (1996) Hechanova, Beehr, & Christiansen (2003) Palthe (2004) Shaffer et al. (1999)	Harrison et al. (1996) Hechanova, Beehr, & Christiansen (2003) Palthe (2004) Shaffer et al. (1999)
Task orientation (+)			Shaffer et al. (2006)
Social self-efficacy (+)		Harrison et al. (1996) Shaffer et al. (1999)	
Self-monitoring (+)	Harrison et al. (1996)	Harrison et al. (1996)	
Locus of control (-)			Black (1990)
Ethnocentrism (-)	Florkowski & Fogel (1999)	Black (1990b) Shaffer et al. (2006)	Florkowski & Fogel (1999)

[55] Lee and Sukoco (2008) not only confirm the influence of personality traits on adjustment, but also highlight the impact on the expatriate's operational capability; they did not find evidence for a direct influence of personality on performance.

[56] Shaffer et al. (2006) do not only consider the effects of stable and flexible personality traits on adjustment, but also consider all three dimensions of expatriate effectiveness: Adjustment, Withdrawal cognitions and Performance. In this table, only the relevant relationships for adjustment are included.

Positive affectivity (+)	Kraimer et al. (2001)	Kraimer et al. (2001)	Kraimer et al. (2001)
Cultural flexibility (+)	Black (1990b) Shaffer et al. (2006)	Black (1990b)	Black (1990b)
Cultural intelligence (incl. cultural metacognition) (+)	Thomas et al. (2008)	Thomas et al. (2008)	Thomas et al. (2008)
Expatriate's personal change[57]	Shay & Baack (2006)[58]		
Communicational ability (+)	Holopainen & Björkman (2005)	Holopainen & Björkman (2005)	Holopainen & Björkman (2005)
Willingness to communicate (+)	Black (1990b) Takeuchi et al. (2002b)	Black (1990b) Takeuchi et al. (2002b)	Black (1990b)
People orientation (+)	Shaffer et al. (2006)		
Cultural acceptance (+)	Friedman, Dyke, & Murphy (2009)	Friedman, Dyke, & Murphy (2009)	Friedman, Dyke, & Murphy (2009)
Psychoticism (-)	Ditchburn (1996)		Ditchburn (1996)
c. Knowledge/Skills/Abilities/Others			
Language ability (+)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Caligiuri (2000b) Florkowski & Fogel (1999) Hechanova, Beehr, & Christiansen (2003) Hutchings (2003) Kraimer et al. (2001) Puck, Kittler, & Wright (2008) Shaffer et al. (1999) Takeuchi et al. (2002b) Zimmermann, Holman, & Sparrow,	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Nicholson & Imaizumi (1993) Peltokorpi (2008) Puck, Kittler, & Wright (2008) Shaffer et al. (1999) Takeuchi et al. (2002b) Zimmermann, Holman, & Sparrow (2003)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Florkowski & Fogel (1999) Kraimer et al. (2001) Puck, Kittler, & Wright (2008) Takeuchi et al. (2002b)

[57] Inverse relationship between degree of change and the effect of adjustment (i.e., the higher the perceived degree of change, the lesser the adjustment).
[58] Shay and Baack also consider the effects of general adjustment on work adjustment (i.e., relationships and effects between the adjustment modes).

	(2003)		
Learning orientation (+)	Palthe (2004)	Palthe (2004)	Palthe (2004)
Relational (interpersonal) skills (+)	Black (1988) Black (1990a) Black (1990b) Black & Gregersen (1991a) Caligiuri (2000b) Gregersen & Black (1992) Hechanova, Beehr, & Christiansen (2003) Kealey (1989) Selmer (1999a)	Black (1990a) Black (1990b) Black & Gregersen (1991a) Nicholson & Imaizumi (1993) Selmer (1999a)	Black (1990b) Black & Gregersen (1991a)
Guan xi (+) (Chinese context)	Selmer (2001b)	Zimmermann, Holman, & Sparrow (2003)	Zimmermann, Holman, & Sparrow (2003)
Showing tolerance and patience (+)	Selmer (1999a) Selmer (2001a) Selmer (2001b)	Selmer (2001a)	Selmer (1999a) Selmer (2001a)
Cultural acceptance (+)	Friedman, Dyke, & Murphy (2009)[59]	Friedman, Dyke, & Murphy (2009)	Friedman, Dyke, & Murphy (2009)
Respect (principle of seniority) (+) Politeness (+)		Zimmermann, Holman, & Sparrow (2003)	Selmer (2005)
Responsible problem solving (+)	Selmer (2001b)		Selmer (1999a)
Indirect communication (+) (China focus)		Zimmermann, Holman, & Sparrow (2003)	
Parent county escapism (-)	Selmer (1999a) Selmer (2001a)	Selmer (1999a)	

[59] Friedman, Dyke, & Murphy (2009) also discuss the phenomenon of culture shock, which is more complex than just a period of poor adjustment in their understanding.

Expatriate refuge (-)	Selmer (2001a)	Selmer (2001a)	Selmer (1999) Selmer (2001a)
Predeparture knowledge (+)	Black (1988) Takeuchi et al. (2002b)	Takeuchi et al. (2002b)	Black (1988) Takeuchi et al. (2002b)
Conflict resolution (+)	Black (1990b)	Black (1990b)	Black (1990b)
Met expectations (+)	Caligiuri et al. (2001)		
Expatriate career intentions (+)	Selmer (1998)	Selmer (1998)	Selmer (1998)
Meeting career goals (+)	Selmer (1999b)	Selmer (1999b)	Selmer (1999b)
2. Workplace Factors			
a. Job Features			
Role clarity (+)	Black (1990) Florkowski & Fogel (1999) Gregersen & Black (1992) Lance & Richardson (1988) Shaffer et al. (1999) Takeuchi et al. (2002b)	Black (1990) Shaffer et al. (1999) Shay & Baack (2004)	Aryee & Stone (1996) Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Black (1988) Black (1990) Black & Gregersen (1991) Florkowski & Fogel (1999) Lance & Richardson (1988) Li (1995) Palthe (2004) Shaffer et al. (1999) Shay & Baack (2004) Taylor & Napier (1996) Takeuchi et al. (2002b)
Role ambiguity (-)		Hechanova, Beehr, & Christiansen (2003)	Hechanova, Beehr, & Christiansen (2003)
Role discretion (+)	Gregersen & Black (1992) Shaffer et al. (1999)	Hechanova, Beehr, & Christiansen (2003)	Anderzen & Arnetz (1999) Aryee & Stone (1996)

		Shaffer et al. (1999)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Black (1988) Black & Gregersen (1991) Hechanova, Beehr, & Christiansen (2003) Palthe (2004) Shaffer et al. (1999) Taylor & Napier (1996)
Role conflict (-)	Black (1990a) Gregersen & Black (1992) Lance & Richardson (1988) Shaffer et al. (1999)	Black (1990a) Shaffer et al. (1999)	Aryee & Stone (1996) Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Black (1990a) Black & Gregersen (1991a) Hechanova, Beehr, & Christiansen (2003) Lance & Richardson (1988) Selmer (2005) Shaffer et al. (1999) Taylor & Napier (1996)
Role novelty (-)	Kraimer et al. (2001) Stroh et al. (1994)		Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Black (1990a) Kraimer et al. (2001) Nicholson & Imaizumi (1993)
Role overload (-)	Lance & Richardson (1988)		Lance & Richardson (1988)
Job demands (-)			Anderzen & Arnetz (1999)
Job level (-)			Hechanova, Beehr, & Christiansen (2003)

Scheduling clarity (+)			Aryee & Stone (1996)
Performance criteria clarity (+)			Aryee & Stone (1996)
Participation (+)			Li (1995)
Skill variety (+)			Li (1995)
Accepting responsibility/taking initiative (+)			Zimmermann, Holman, & Sparrow (2003)
Systematic approach (+)			Zimmermann, Holman, & Sparrow (2003)
Outcome expectancy (+)			Hechanova, Beehr, & Christiansen (2003)
Decision autonomy (+)	Takeuchi, Shay, & Li, (2008)	Takeuchi, Shay, & Li (2008)	Takeuchi, Shay, & Li (2008)
b. Social Context			
Supervisor social support (+)	Shaffer et al. (1999)	Shaffer et al. (1999)	Aryee & Stone (1996) Shaffer et al. (1999)
Coworker social support (+)	Shaffer et al. (1999) Zimmermann, Holman, & Sparrow (2003)	Shaffer et al. (1999)	Aryee & Stone (1996) Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Shaffer et al. (1999)
Socialization at the host company (social networks) (+) Forming ties/support relationships (+)	Palthe (2004) Wang & Kanungo (2004) Farh, Bartol, Shapiro, & Shin, (2010)	Palthe (2004) Wang & Kanungo (2004) Farh, Bartol, Shapiro, & Shin (2010)	Wang & Kanungo (2004) Farh, Bartol, Shapiro, & Shin (2010)
Isolation (-)	Brown (2008)	Brown (2008)	Brown (2008)
Home national social support (+) HCN ability forms of social capital (+)	Black (1990a) Toh & DeNisi (2007) Liu & Shaffer (2005)	Black (1990a) Toh & DeNisi (2007) Liu & Shaffer (2005)	Black (1990a) Black & Gregersen (1991a) Toh & DeNisi (2007) Liu & Shaffer (2005)
Opportunity/motivational forms of social capital (+)	Liu & Shaffer (2005)	Liu & Shaffer (2005)	Liu & Shaffer (2005)

Frequency of HCN support	Hechanova, Beehr, & Christiansen (2003)		Hechanova, Beehr, & Christiansen (2003)
Home national social support (+) (depending on the HCN perception of the expatriates' demographics)	Olsen & Martens (2009)	Olsen & Martens (2009)	Olsen & Martens (2009)
LMX (+)	Kraimer et al. (2001)		Kraimer et al. (2001)
Psychosocial work climate (+)			Anderzen & Arnetz (1999)
c. Organizational Context			
Recruitment parameters (cultural and adaptability demands) (+)	Chew, (2004)[60]	Chew (2004)	Chew (2004)
Logistical support (+)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Kraimer et al. (2001) Shaffer et al. (1999)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Kraimer et al. (2001) Shaffer et al. (1999)	Kraimer et al. (2001)
Realistic assignment preview (+)	Florkowski & Fogel (1999)		Florkowski & Fogel (1999)
Compensation (+)			Parker & McEvoy (1993)
Corporate career development (+)			Selmer (2000)
Cross-cultural training – neutral Specific CCT (+) CCT (prior + in-post) (+) Pre-departure training (+)	Puck, Kittler, & Wright (2008) (Selmer (2005)) Hutchings (2003) Chew (2004)	Puck, Kittler, & Wright (2008) Selmer (2005) Chew (2004)	Puck, Kittler, & Wright (2008) Selmer (2005)[61] Selmer (2010) Chew (2004)
Adjustment perceived organizational support (POS) (+)	Kraimer & Wayne (2004)	Kraimer & Wayne (2004)	Kraimer & Wayne (2004)
3. Family/Friends Factors			
Spouse adjustment (+)	Bhasker-Shrinivas, Harrison,	Bhasker-Shrinivas, Harrison, Shaffer,	Bhasker-Shrinivas, Harrison, Shaffer,

[60] Chew does not explicitly specify the impact of the stressor/strains on each of the adjustment categories.

[61] Slightly positive impact in the joint venture context.

	Shaffer, & Luk (2005) Black (1988) Black & Stephens (1989) Black & Gregersen (1991a) Caligiuri (2000b) Hechanova, Beehr, & Christiansen (2003)[62] Nicholson & Imaizumi (1993) Palthe (2004)[63] Shaffer & Harrison (1998) Shaffer et al. (1999) Stroh et al. (1994) Takeuchi et al. (2002b)	& Luk (2005) Black & Stephens (1989) Black & Gregersen (1991a) Hechanova, Beehr, & Christiansen (2003) Nicholson & Imaizumi (1993) Palthe (2004) Shaffer & Harrison (1998) Shaffer et al. (1999)	& Luk (2005) Black & Stephens (1989) Black & Gregersen (1991a) Caligiuri et al. (1998) Hechanova, Beehr, & Christiansen (2003) Nicholson & Imaizumi (1993) Shaffer & Harrison (1998) Takeuchi et al. (2002b)
Spouse satisfaction (+)	Shaffer & Harrison (1998)	Shaffer & Harrison (1998)	
Accompanying spouse (+)	Selmer et al. (2000)		Selmer et al. (2000)
Absence of spouse (-)			*Takeuchi, Wang, & Marinova (2005)*[64]
Presence of at least one child (-)			*Takeuchi, Wang, & Marinova (2005)*[65]
Supportive spouse (+)			Lauring & Selmer (2009)
Spouse/family situation (+) or (-)	Chew (2004)	Chew (2004)	Chew (2004)
Expatriate spouse (+)			Selmer et al. (2000)
Family responsibility (+)			Shaffer & Harrison (1998)
Time spent with expatriates (-)	Parker & McEvoy (1993)	Parker & McEvoy (1993)	
Social networks (+)	Wang & Kanungo (2004)	Wang & Kanungo (2004)	Wang & Kanungo (2004)
Relationship strains (-)	Brown (2008)	Brown (2008)	Brown (2008)

[62] Family and spouse adjustment.
[63] Family and spouse adjustment.
[64] The absence of the spouse would rather lead to psychological workplace strain than to workplace maladjustment; see footnote 51.
[65] The presence of at least one child would also affect the psychological workplace strain rather than the workplace maladjustment.

4. Environmental Factors			
Culture novelty (-) Cultural distance (-)	Black (1990a) Black & Gregersen (1991a) (+) Kraimer et al. (2001) Parker & McEvoy (1993) (+) Shaffer & Harrison (1998) Shaffer et al. (1999) Selmer (2002)	Black (1990a) Black & Gregersen (1991a) Hechanova, Beehr, & Christiansen (2003) Kraimer et al. (2001) Parker & McEvoy (1993) Shaffer & Harrison (1998) Shaffer et al. (1999) Takeuchi et al. (2002b) Peltokorpi (2008)	Black (1990a) Takeuchi et al. (2002b) Peltokorpi (2008)
Spouse culture novelty (-)	Takeuchi, Lepak, Marinova, & Yun, (2007)[66]		
Cultural similarity (+)	Palthe (2004)		
Culture novelty (neutral)	Selmer (2006a) Selmer (2006b)	Selmer (2006a) Selmer (2006b)	Selmer (2006a) Selmer (2006b)
Standard of living (+)	Florkowski & Fogel (1999)		Florkowski & Fogel (1999)
Living conditions (+)	Shaffer & Harrison (1998)	Shaffer & Harrison (1998)	
Local pressure (-)	Brown (2008)	Brown (2008)	
<u>Strains</u>			
1. Satisfaction			
Job satisfaction (+)	Li (1995) Shaffer & Harrison (1998) Stroh et al. (1994) Takeuchi et al. (2002a)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Shaffer & Harrison (1998)	Aryee & Stone (1996) Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Shaffer & Harrison (1998)

[66] Takeuchi et al. (2007) suggest in their research that spouse culture novelty has an impact on spouse general adjustment and crosses over on expatriate adjustment.

			Takeuchi et al. (2002a)
Nonwork satisfaction (+)	Lance & Richardson (1988) Shaffer & Harrison (1998) Takeuchi et al. (2002a)	Shaffer & Harrison (1998)	Lance & Richardson (1988) Shaffer & Harrison (1998) Takeuchi et al. (2002a)
Psychological well-being (+)	Wang & Kanungo (2004)	Wang & Kanungo (2004)	Wang & Kanungo (2004)
2. Withdrawal Cognitions (-)[67]	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Black & Stephens (1989) Caligiuri (1997) Caligiuri & Tung (1999) Florkowski & Fogel (1999) Gregersen & Black (1990) Harrison & Shaffer (2005) Shaffer & Harrison (1998) Takeuchi et al. (2002a) Takeuchi et al. (2002b) Takeuchi, Tesluk, Yun, & Lepak (2005)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Black & Stephens (1989) Gregersen & Black (1990) Shaffer & Harrison (1998) Takeuchi et al. (2002b)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Florkowski & Fogel (1999) Shaffer & Harrison (1998) Takeuchi et al. (2002a) Takeuchi et al. (2002b) Takeuchi, Tesluk, Yun, & Lepak (2005)
Repatriation problems (no effective strategy to facilitate expat. return) (-)	Chew (2004)	Chew (2004)	Chew (2004)
Voluntary turnover (-)	Chew (2004) Takeuchi, Marinova, Lepak, & Liu (2005)		
3. Performance			
Task performance (+)	Bhasker-Shrinivas, Harrison,	Bhasker-Shrinivas, Harrison, Shaffer,	Bhasker-Shrinivas, Harrison, Shaffer,

[67] According to Bhanugopan and Fish (2004) withdrawal cognitions and turnover could also be caused by "job burnout" in which role conflict, role ambiguity, and role overload are the key factors potentially leading to job burnout.

Task completion Job performance[68] (+)	Shaffer, & Luk (2005) Liu & Shaffer (2005)	& Luk (2005) Liu & Shaffer (2005)	& Luk (2005) Harrison & Shaffer (2005) Kraimer et al. (2001) Liu & Shaffer (2005) Parker & McEvoy (1993) Takeuchi, Wang, & Marinova (2005)
Psychological workplace strain (-)	Takeuchi, Wang, & Marinova (2005)		Takeuchi, Wang, & Marinova (2005)
Relationship performance (+)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Caligiuri (1997) Kraimer et al. (2001) Liu & Shaffer (2005) Sinangil & Ones (1997)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Harrison & Shaffer (2005) Kraimer et al. (2001) Liu & Shaffer (2005)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Kraimer et al. (2001) Liu & Shaffer (2005)
Overall performance (+)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Caligiuri (1997) Sinangil & Ones (1997)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005)	Bhasker-Shrinivas, Harrison, Shaffer, & Luk (2005) Nicholson & Imaizumi (1993)

Source: Own illustration based on Harrison et al., 2004

[68] According to research of Downes et al. (2010), agreeableness (as one of the "big five" personality traits) has a positive impact on job performance.

Table A13: Cultural characteristics: Germany and China

Cultural framework/dimension	**Germany's rating**	**China's rating**	**Author, Year**
High- and low-context culture	Low context	High context	Hall, 1976; Hall & Reed Hall, 1990
Attitude toward time	Monochronic	Polychronic/synchronic	
Intellectual autonomy (vs. embeddedness)	High	Low	Schwartz, 2006
Egalitarianism (vs. hierarchy)	High	Low	
Harmony (vs. mastery)	High	Low	
Power Distance	Low (score 35)	High (score 80)	Hofstede & Hofstede, 2010
Uncertainty avoidance	Medium-high (score 65)	Low (score 30)	
Individualism	Medium-high (score 67)	Low (score 20)	
Masculinity	Medium-high (score 66)	Medium-high (score 66)	
Long-term orientation	High (score 83)	High (score 87)	
Universalism (vs. particularism)	High (87%)	Medium (47%)	Trompenaars & Hampden-Turner, 1997
Individualism (vs. Communitarianism)	Medium (53%)	Low-medium (41%)	
Neutral (vs. emotional)	Low (35%)	Medium (55%)	
Specific (vs. diffuse)	High (83%)	Low (32%)	
Achieved (vs. ascribed)	Low-medium (40%)	Low (28%)	
Inner-directed (vs. outer-directed)	Medium-high (66%)	Low-medium (39%)	

Source: Own illustration

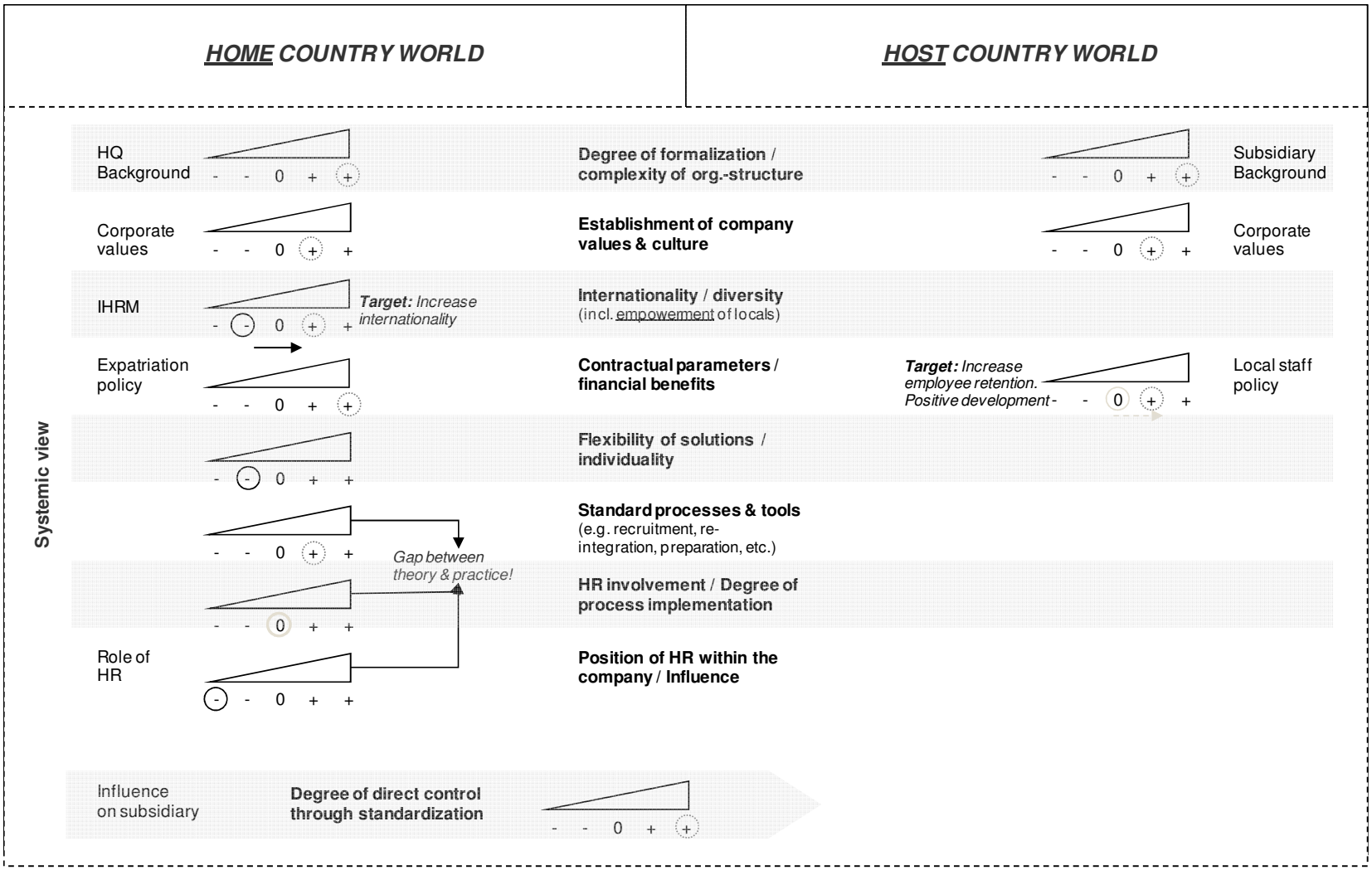

Figure A19: Illustration of analysis results: Headquarters and subsidiary level

Source: Own illustration

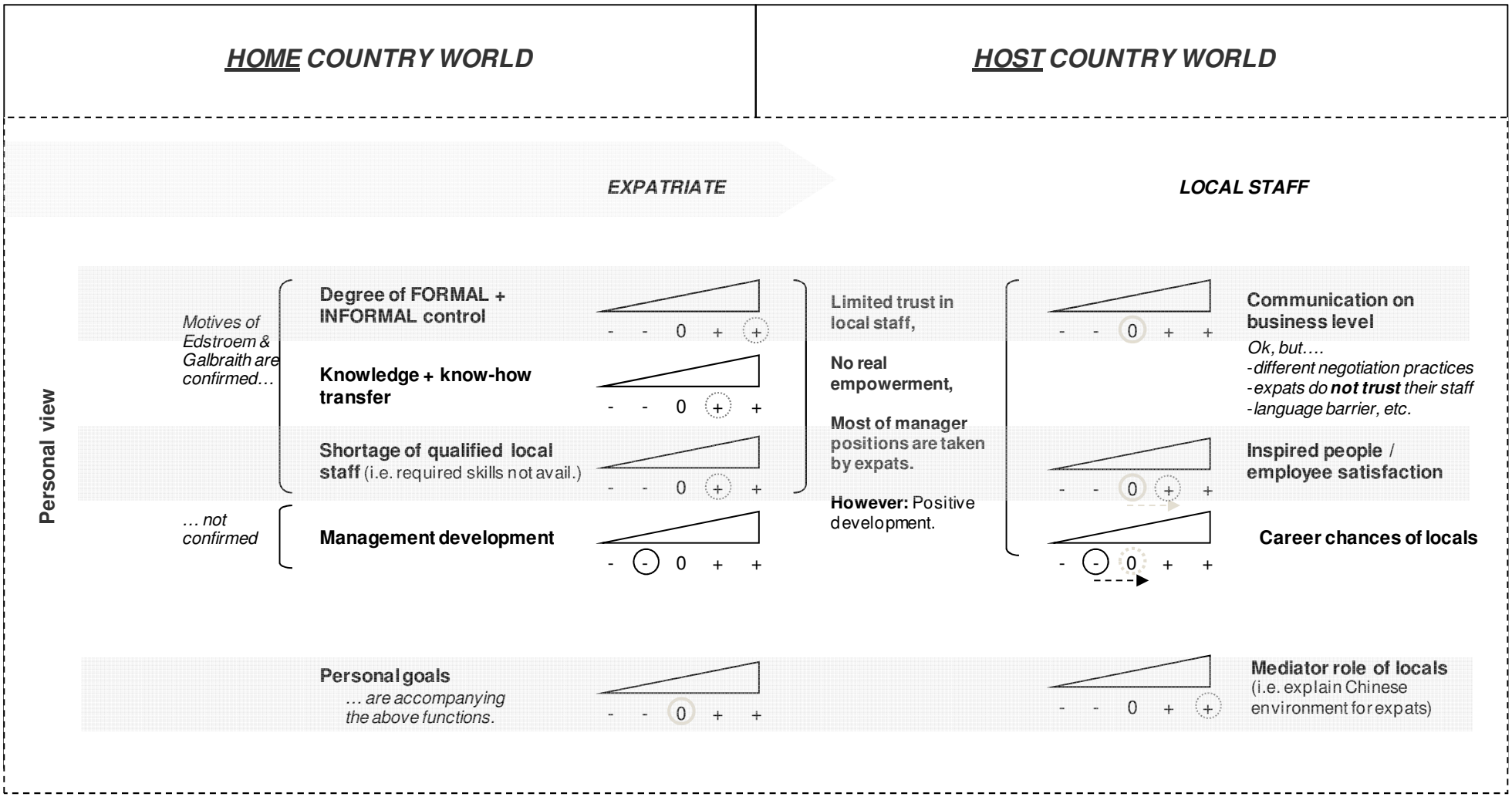

Figure A20: Illustration of analysis results: Expatriate and subsidiary level

Source: Own illustration

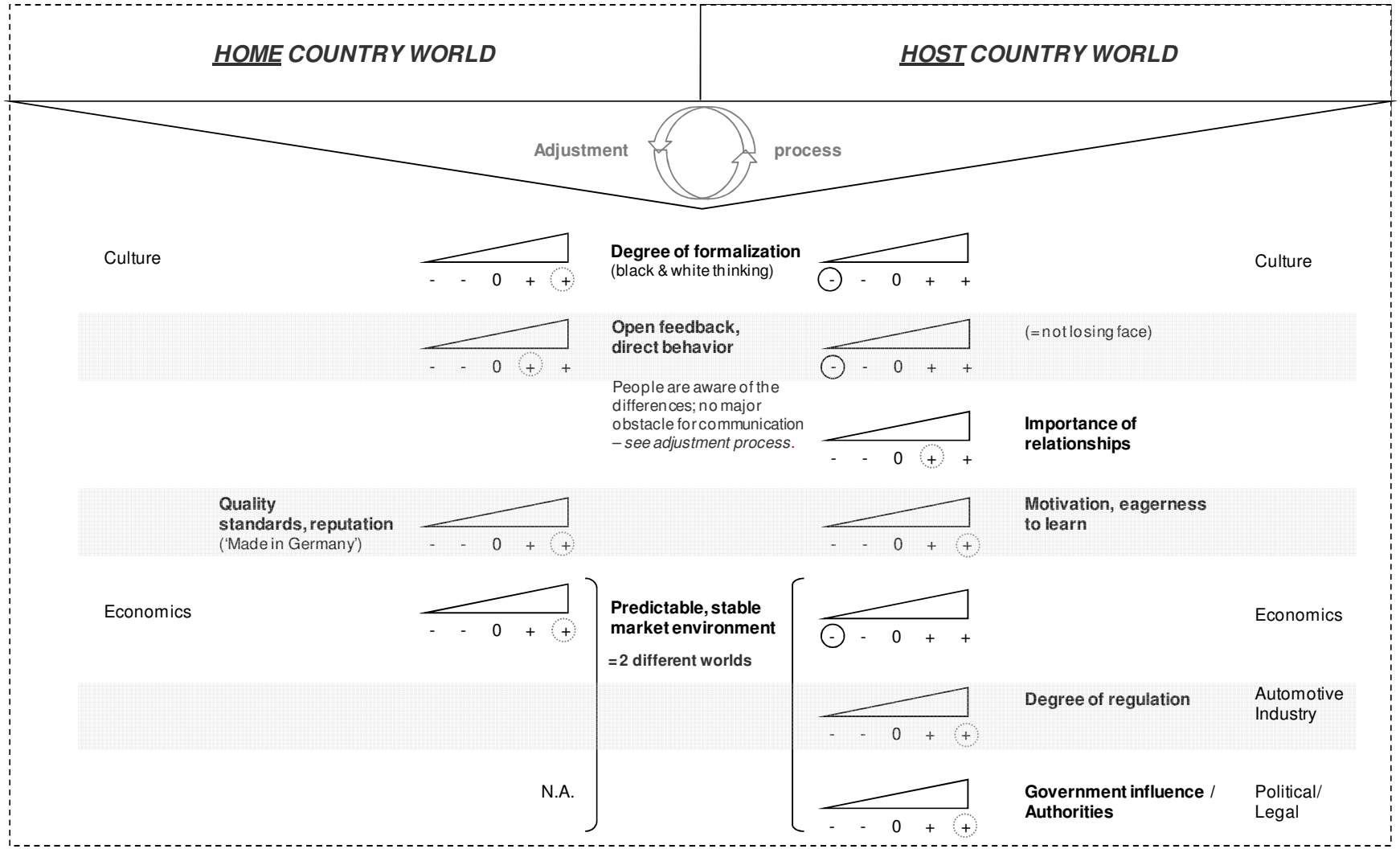

Figure A21: Illustration of analysis results: Subsidiary level

Source: Own illustration

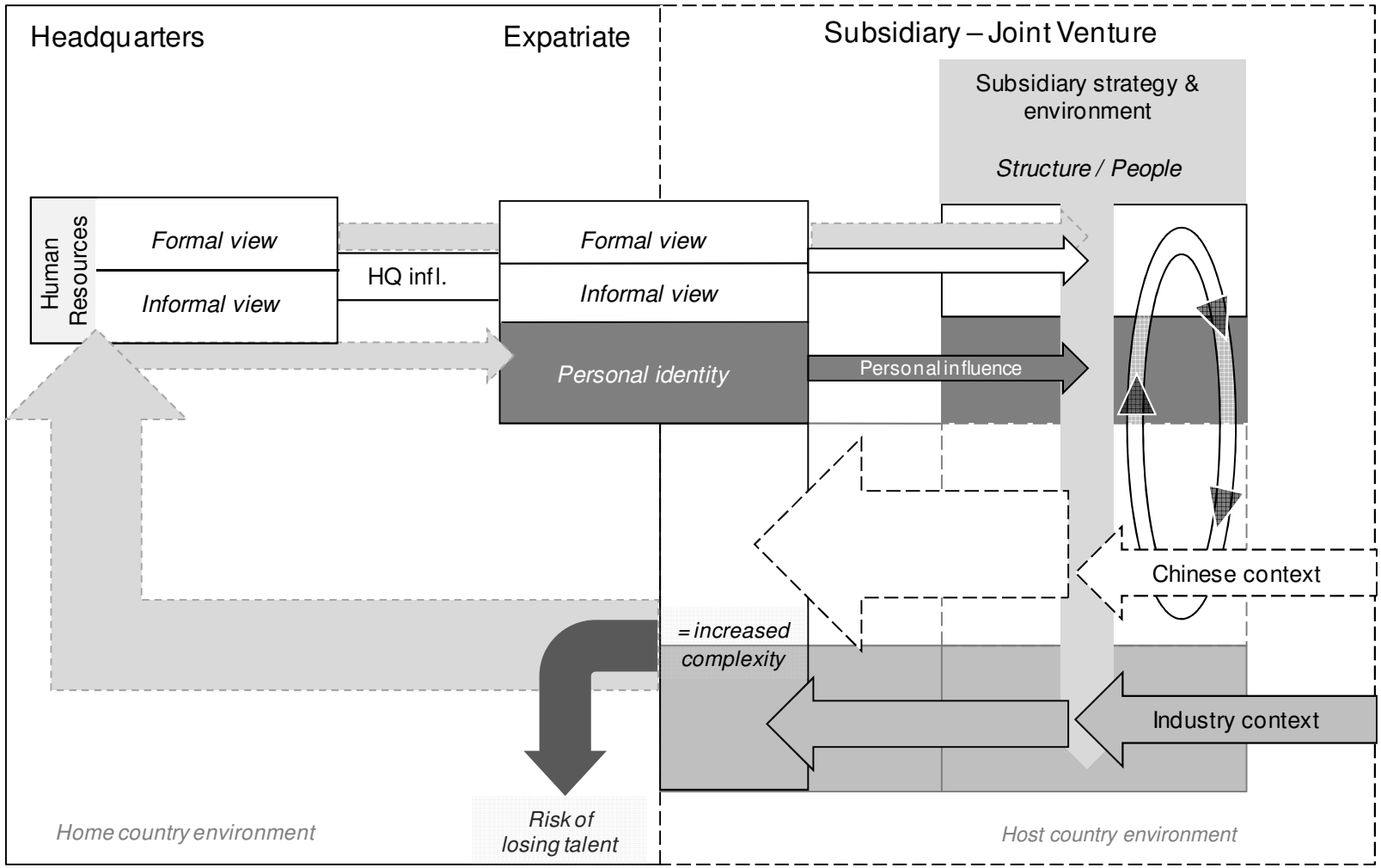

Figure A22: Integrated model: Increased complexity in the joint venture

Source: Own illustration