AN INNOVATIVE GLOBAL MANAGEMENT STAFFING SYSTEM: A COMPETENCY-BASED PERSPECTIVE

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Significant demands are imposed on corporate management of multinational corporations (MNCs) to develop a strategic orientation of their global human resource management systems (SGHRM). This strategic orientation, which should balance the need for both global stability and local flexibility, necessitates a more pronounced multicultural management membership. The competency-based SGHRM system proposed in this paper combines an innovative global management staffing practice of inpatriating foreign managers with the extant practice of expatriating domestic managers. The competency-based criteria are used to identify global manager candidate pools capable of executing an integrated global management system © 2000 John Wiley & Sons, Inc.

For all practical purposes, all business today is global. Those individual businesses, firms, industries, and whole societies that clearly understand the new rules of doing business in a world economy will prosper; those who do not will perish. (Mitroff, 1987)

Introduction

Although Professor Mitroff's observations appeared prophetic over a decade ago, many organizations have not yet internalized the influence of global markets and global competitors on their operations. To compete in a global market place, organizations must create an effective means to develop a global core competency which translates into a sustained global competitive advantage (Minehan, 1998). There is a growing consensus that globally competent organizations will depend on the *uniqueness* of their human resources and the *system* of managing human resources effectively to gain global competitive advantage (Bartlett & Ghoshal, 1994, 1995; Ghoshal & Bartlett, 1997). Developing a human resource system designed to identify, attract, and retain an adequate complement of global managers who are capable of coordinating the global strategic efforts of the firm while at the same time controlling local host country strategies is a daunting task. Many organizations attempting to globalize find that there are a limited number of qualified leaders to manage in a global context thereby inhibiting the globalization process. In a recent survey of *Fortune* 500 firms, 85% of human resource managers indicated that they do not believe they have an adequate number of global leaders (Gregersen, Morrison, & Black, 1998).

Developing a human resource system designed to identify, attract, and retain an adequate complement of global managers who are capable of coordinating the global strategic efforts of the firm while at the same time controlling local host country strategies is a daunting task.

Organizations rely on different types of foreign managers based on the degree to which global operations have been embedded into organizational processes and procedures. Organizations having a predominately domestic focus developed ethnocentric human resource management practices and procedures due to the narrow geographic scope of their overseas business. Personnel from within the organization who expressed interest in the international sales of the company's product were typically selected for the limited number of overseas assignments.

As businesses evolved to an international perspective, the number and frequency of foreign assignments increased, necessitating the development of an organizational program to prepare and manage home country nationals (expatriates) for overseas assignment success. United States-based organizations have almost exclusively utilized expatriates in this early stage of internationalization given the need to formally and informally control foreign operations (Roberts, Kossek, & Ozeki, 1998). Expatriate failure rates have been high and costly, however, and have been blamed for a variety of issues including difficulties in adjusting to and managing across cultures and for work-family conflict (e.g., dual-career conflicts) (Webb & Wright, 1996; Dowling, Welch, & Schuler, 1999). For example, Motorola, Inc., an Illinois-based world-known exporter of telecommunication and semiconductor equipment, calculates that a mid-level foreign assignment of a $75,000-a-year expatriate runs $600,000 to $2.25 million for a three-year posting. Linda Kuna, Motorola's global assignment manager, explains the risks of over-reliance on expatriates:

> *These are very expensive mistakes to make and money is only the tip of the iceberg. By sending the wrong kind of individual you can damage your relationships with a host country, you can lose business opportunities, and you damage the career path for individuals who probably should not have been sent overseas.* (Mervosh & McClenehan, 1997: 69)

Once entrenched in international business orientation, many organizations developed a multi-foci perspective leading to a multinational orientation (e.g., involved in overseas businesses across multiple nations) (Pucik and Katz, 1986; Doz & Prahalad, 1987). The evolution from international to multinational necessitates integrating each specific host country's environmental requirements into the general operating style of the multinational organization. The country-specific contextual adaptation to legal, cultural, social, and individual psychological dimensions of "doing business in" requires local managers with social knowledge of host countries'[culture and institutions (Aguirre, 1997; Reynolds, 1997). An over-reliance on local managers, however, can result in other problems as discovered by Tellabs, Inc., a Chicago-based designer and manufacturer of telecommunication products. When the company opened its facility in Ireland and staffed it with local managers, parent company management did not take time to adequately communicate Tellab's corporate culture (i.e., informal, flexible, and entrepreneurial) to the Irish staff that operated differently. As a result, when an American executive went to Ireland, the Irish managers would appear to agree with suggested changes yet would not always proceed in the anticipated manner. The problem was a major cultural and communication gap despite the use of the same language (Solomon, 1995a).

Multinational organizations face a series of challenges as they progress into a more global perspective and as rivalries for global competitiveness intensify. The evolution to a global orientation requires organizations to develop the ability to amass top management teams (TMTs) in both the headquarters and subsidiary locations with converging competencies and a multicultural strategic orientation (Sambharya, 1996). This multicultural orientation enables management to strategically act globally while addressing the competition in local markets effectively (Ghoshal & Bartlett, 1997). Although this multicultural orientation facilitates effective global management, it also creates cognitive diversity across the TMT that needs to be managed proactively. Managing this cognitive diversity of orientations, domains, and memberships necessitates the reevaluation of the centric strategic orientation present in the global management systems and practices of many multinational corporations (MNCs). What is needed is a global management staffing strategy that enables global consistency among various managerial pools and the foreign subsidiaries (Harvey, 1997; Harvey & Buckley, 1997).

This article examines the MNC transition to a global orientation and thus, the development of a global management staffing system capable of developing an adequate pool of management candidates to insure organizational efficiency and effectiveness in the global market place. The paper is comprised of three sections: (1) a competency-based perspective on global staffing; (2) the introduction of innovative global staffing practices through the use of inpatriate managers as a means to augment the multicultural dimension of the management team; and (3) the design of an integrated competency-based approach to global management staffing to create a sustained competitive advantage. It is anticipated that applying strategic international human resource management (SIHRM) in a global context will not adequately address the unique requirements of staffing a global organization; instead a strategic global human resource management (SGHRM) system will be required to meet the challenge of global competition in the 21st century.

A Competency-based View of SGHRM

Alternative Perspectives on SIHRM

Prior research examining the globalization of business and the corresponding influence on strategic international human resource policies and practices has tended towards either a behavioral or resource-based approach. Although these perspectives have provided insights into the HR process, each approach has limitations. The behavioral view assumes that SIHRM has a role in strategy implementation but has a very modest influence in strategy formulation. In other words, the global organization's environment and strategy drive SIHRM configuration (Cappeli & Singh, 1992; Wright & Snell, 1992). Specifically, this viewpoint assumes that corporate HR departments select candidates having skills consistent with the chosen corporate strategy. Dynamic strategies in global organizations, however, may create situations in which a behaviorally oriented SIHRM cannot offer or ensure the managerial resources to implement the preferred strategy (Gregersen, Morrison, & Black, 1998).

Contrary to the behavioral perspective, the resource-based view focuses on the resources internal to the firm (i.e., the identification and creation of internal resource bundles of both tangible and intangible assets to achieve a sustained competitive advantage) (Barney, 1991; Roth, 1995). The resource-based perspective focuses on the underlying mechanisms needed to deploy resources effectively but tends to ignore the potential value of external market relationships and opportunities. The resource-based approach is therefore limited in fully explaining a human resource system capable of matching the complexity of staffing a global organizational strategy.

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A Competency-based Approach Leading to SGHRM

An integrative perspective leading to a SGHRM view is a competency-based perspective (Lado, Boyd, & Wright, 1992; Lado & Wilson, 1994). A competency-based view of the relationship between human resource management and strategy suggests that input, managerial, and transformation-based competencies operate interdependently creating firm-specific competencies that converge to produce a sustained competitive advantage. A competency-based perspective explicitly addresses the dynamic nature of the global environment by acknowledging that an initial set of global organization competencies should be renewed by the development of new competencies. This renewal suggests that a firm should formulate its strategic intent to discover and develop new competencies of strategic relevance (Sanchez, Heene, & Thomas, 1996). This competency-based perspective also acknowledges that the external environment can act as a source for firm competencies.

Figure 1 illustrates the basic components of a competency-based strategic choice process. Competencies are divided into three distinct categories: (1) input competencies—capital, labor, physical assets, and other factor inputs to the organization; (2) managerial competencies—TMT capabilities, social knowledge, informal internal/external networks, and personal

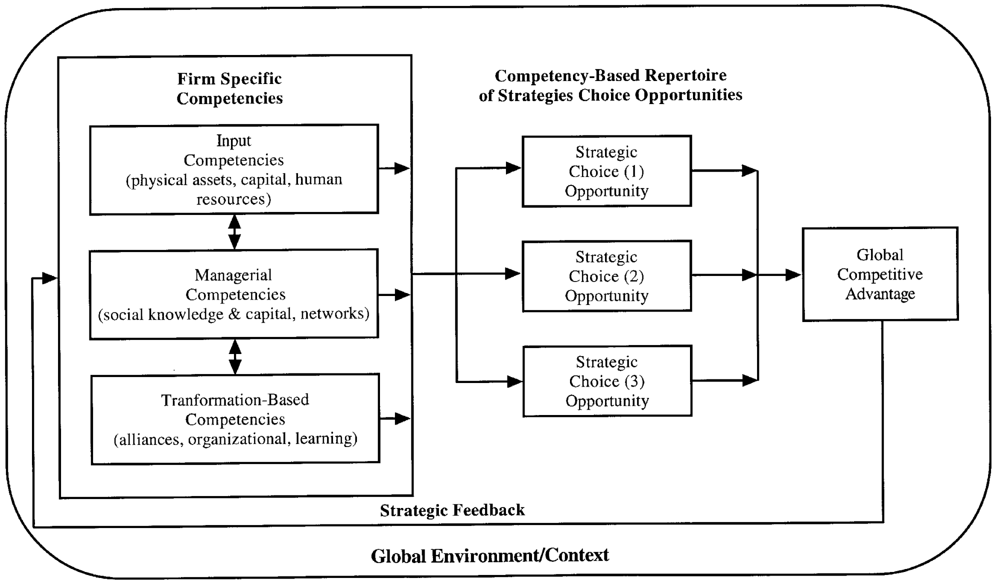

FIGURE 1. Competency-based strategic choice process.

social capital of individual managers that can be used to accomplish the mission of the organization; and 3) transformation-based competencies—the ability of management to accomplish the tasks necessary to gain a competitive position in the market place, which assumes adaptability and learning capabilities embedded in the organization. As is depicted in Figure 1, the three types of competencies can be bundled to provide the TMT a myriad of strategic-choice opportunities. The greater the stock of competencies, the larger the amount of strategic options that can be executed by management. The strategic choice opportunities are weighed against the opportunities in the host country environmental context. As the stock of competencies increases and the environmental context is modified, management may make future strategic choices to position the company dynamically in the global market place. The continuous reassessment of competencies and market changes allows the firm to develop a global competency unique from other organizations. Each of the specific types of organizational competencies will be briefly discussed.

1. Input Competencies: One source of firm specific competency that plays a critical role in developing a sustained competitive advantage are the input resources to the firm. These are the same competencies that would be identified in a resource-based view of the firm: the bundled tangible and intangible internal resources (Oster, 1990) that are valuable, rare, imperfectly mobile, and inimitable (Barney, 1991). These input resources may include physical assets, organizational capital, and specific human resources that enable an organization to supply customers with valued products and services (Lado & Wilson, 1994). Specific to SGHRM, these assets may be the employees who have a strong desire or interest in managing an overseas operations (e.g., expatriates). These input human resources may also include managers employed in overseas subsidiaries who are able to share their social knowledge of the local context with members of the headquarters organization. Allentown, Pennsylvania-based Air Products and Chemicals, Inc. an international manufacturer of industrial gases, chemicals, and environmental and emergency systems, makes a point of hiring a small number of foreign-born scientists and managers to augment their knowledge of emerging market countries. Mobil Oil of Fairfax, Virginia has been following this procedure of globalizing their management for over a decade.

2. *Managerial Competencies:* Managerial competencies focus on the organizational vision of the TMT and the decisions and actions this team takes in bringing this vision to fruition (Lado, et al., 1992). Managerial competencies, in and of themselves, may create sustained competitive advantage directly if the TMT is able to exploit unique firm-specific competencies. These competencies are particularly valuable to the organization if they provide an institutional bridge between the cultural, social, and political divide often found between the domestic and global operations of an organization (Gabby & Zuckerman, 1998). A number of MNCs (e.g., Atlas Copco A.B., Bull S.A., Coca-Cola, Colgate-Palmolive, Fuji Xerox Co., Ltd., Rank Xerox) have "salted" their managerial ranks with key foreign function managers to provide the link between headquarters control and local market differences. These foreign managers provide the social knowledge of local networks to insure implementation of their MNCs strategies in emerging markets. They have specific competencies which include institutional social knowledge acquired from their interactions with social, financial, and political institutions in the home and host countries, as well as from their ability to formulate issues within a global frame-of-reference (Sohn, 1994). As these managerial competencies develop, the resulting outcomes from implementing the new vision may reshape the thinking, actions, and even the constituency of the TMT, making it ultimately more global.

Specific to human resource management, a competency-based perspective would suggest that a diverse and heterogeneous set of cognitive perspectives (Mahony & Pandian, 1992) and managers' coordination capabilities (Sanchez, Heene, & Thomas, 1996) can influence firm superior performance. A competitive SGHRM system should therefore strive to create such a managerial capital to yield a TMT with multicultural competencies facilitating effective implementation of global strategies. Developing this multicultural competency may result in a superior performance, as an organization's global strategies would be consistent with its unique stock of managerial competencies. (Wright & Snell,1994).

3.*Transformation-based Competencies*: The TMT may also need to acquire and develop competencies to more effectively address issues and collaborative relationships with constituencies (e.g., suppliers, customers) external to the firm. Lado, et.al. (1992) have labeled this broad set of competencies as transformation-based. Transformation-based competencies are those that enable the organization to transform inputs into outputs and may include alliance-based technology or marketing innovations that facilitate new product development and customer relationships (Lado, et al., 1992). Similarly, these competencies may create a collective experience base and/or organizational learning capability resulting in an organizational culture and a learning environment that are difficult to replicate and that can create competitive advantage (Taylor, Beechler, & Napier, 1996; Roth & O'Donnell, 1996).

Expatriates are frequently only expected/required to undertake one foreign assignment, limiting their social knowledge input to the organization in its global market orientation.

Transformation-based competencies can play a specific role in SGHRM. First, there may be human resources outside a firm's headquarters or even outside the organization who have developed local and social knowledge regarding business relationships and opportunities in a specific geographic area or culture. These individuals are likely to have specific social capital that, if integrated into the existing competencies of the organization, facilitate the organization's ability to effectively support and leverage the capabilities of overseas subsidiaries, customers, and suppliers. Social knowledge may also facilitate the development of a control system that can provide the domestic organization with greater control than can bureaucratic control systems, particularly in situations where the organization's ownership position does not effectively support control (Egelhoff, 1984; Tolbert, 1989). Furthermore, this knowledge, if brought back and embedded into the existing firm-specific routines, can facilitate organizational learning regarding the norms of various overseas locations thus increasing organizational effectiveness. Developing this knowledge may be a problem in organizations with sole reliance on expatriate-based staffing practices. Expatriates are frequently only expected/required to undertake one foreign assignment, limiting their social knowledge input to the organization in its global market orientation. Furthermore, the frequency of expatriate failures contributes to abbreviated assignments that limit the development and effective transfer of social knowledge. Thus, expatriates are non-renewable resources with limited accumulated experience in foreign assignments (Harvey, 1997).

Just as with organizational learning, organizational culture can develop into a transformation-based competency. It is believed that a corporate culture emphasizing multicultural management is essential for developing and implementing global strategies in multinational networks (Welch, 1994). These local and social knowledge-laden human resources may therefore facilitate the development of a socially complex organizational culture that can lead to sustained competitive advantage in a global environment. AT&T grew from 50 managers in 10 countries to 52,000 overseas employees in 105 countries after its alliance with NCR. Today, the managers from a number of countries commingle throughout the alliance providing the global human resource diversity to provide the alliance with a global mindset.

By combining the three types of competencies effectively, the global organization can configure a repertoire of strategic choices based upon the national competitive environment, while at the same time being mindful of the need to maintain network consistency between subsidiaries and headquarters. The development of a TMT global mindset facilitates the creation of an adequate pool of global managers with complementary competencies and necessitates a proactive posture relative to the value of assembling, motivating, and retaining a multicultural management team. This SGHRM system thus facilitates effective combining and deploying of the firm-specific competencies.

Inpatriation as a Means to Increase Global Competencies

An innovative practice for developing a flow of globally competent managers between foreign subsidiaries and the headquarters is through the inpatriation of foreign managers (Harvey, 1997). Inpatriation is a formalized process of transferring and/or hiring local or third country nationals into the parent organization on a semi-permanent or permanent basis (Harvey, 1997). The use of inpatriate managers, however, presents a unique set of problems for MNCs who are bringing these individuals to the MNC's home country. A multicultural work force necessitates a flexible, dynamic human resource system that can accommodate the differences presented by inpatriate managers from a multitude of different cultures. To better understand the use of inpatriate managers, a model of inpatriation has been developed.

The model depicted in Figure 2 proposes a proactive utilization of inpatriates to accelerate globalization of an organization's business activities. It is anticipated that MNCs will in the future exhibit a declining growth rate in their use of expatriate managers. This belief is based on five critical issues:

1. Expatriates' cost/failure/performance record is questionable.
2. Expatriation will become more complex due to the increased number of dual-career couples and female expatriate candidates.
3. Future emerging markets will be more difficult to attract expatriates to serve in (higher expatriate refusal rates), and these countries will present greater adjustment problems due to differences in culture and level of economic development (higher expatriate failure rates).
4. Inpatriate managers have the cultural/economic background to more effectively address the problems in emerging markets.
5. Global competitors have and will continue to adopt a multicultural perspective to the global operations.

Expatriate managers can be effective overseas manager candidates when stationed in developed countries as it is anticipated that the level of adjustment will be less in these countries and, therefore, the probability of attracting/retaining expatriate managers will be higher. It is important that there is a formal process for headquarters' managers to have an opportunity to become expatriates in order to

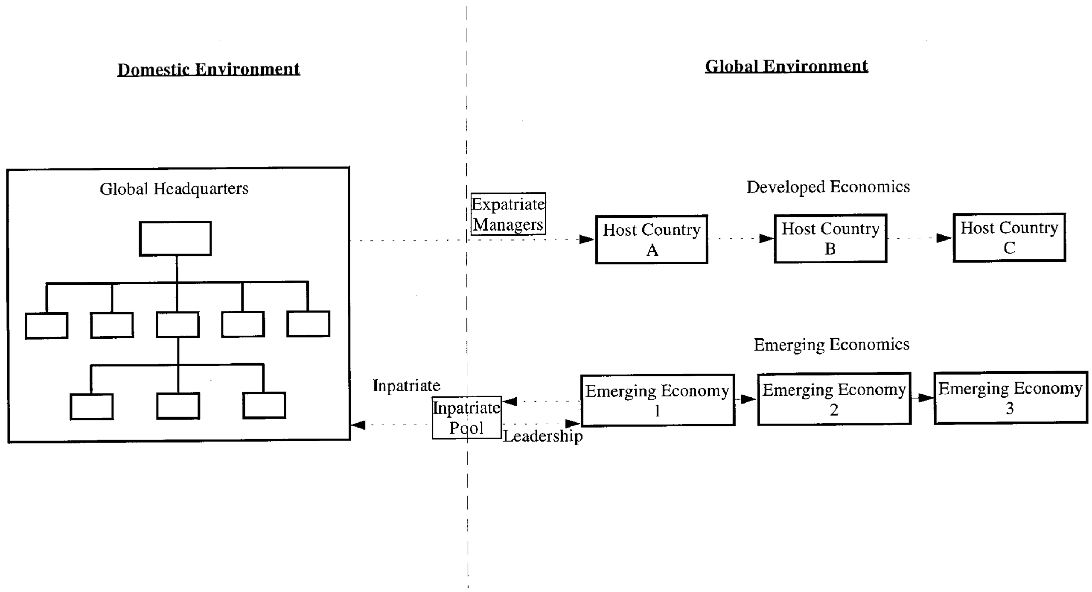

FIGURE 2. Flow of managers during globalization.

develop competent skills needed in the global organization. Utilizing expatriates also helps to insure that domestic managers can play a significant integrating role in the future of the organization. If domestic managers were not expatriated, over time the organization would become innovation and control-dependent on inpatriate managers for their knowledge of global business. The need for a global experience base becomes more apparent when one considers the influence of top management's background on the resulting organizational strategic orientation (Wiersema & Bentel, 1992). "Dominant logic" (i.e., the attitudes, beliefs, and mindsets of the top management team) strongly influences the entrenched strategic thrust of the organization (Prahalad & Bettis, 1986). In addition, career experiences beyond functional orientation can be expected to have a significant influence on organizational outcomes (Michael & Hambrick, 1992). If domestic managers were not allowed to expatriate, their contribution to organizational globalization would be limited. The expatriates' contribution to the multicultural TMT provides the stabilizing control factor that most headquarters management prefers in the development of the firm's competitive strategy. For 20 years, Gillette has been developing its core competency consisting of some 350 expatriates and inpatriates who know Gillette, can work in a variety of foreign locations, and can move quickly throughout this global organization (Zeien, 1995).

The second critical dimension of the model depicts the inpatriates' boundary-spanning role in the globalization of organizational management. Inpatriate managers play an important "linking pin" role between the domestic headquarters and emerging markets that the organization is attempting to penetrate. When they are selected and transferred to headquarters, inpatriates perform an integrative, boundary-spanning role between headquarters and the foreign subsidiaries and their cultures (Thomas, 1994). Organizationally, inpatriate managers should provide competent leadership to the expansion efforts in developing/emerging markets including the development of relationships and alliances in these novel contexts. Inpatriate managers would be formally located in the headquarters organization but would make frequent overseas trips to provide direction thereby facilitating organizational expansion into the emerging markets. By locating inpatriate managers at headquarters, top management would not experience the loss of control generally felt and partially experienced when using host country nationals located in their own countries.

In addition, by having inpatriate managers domicile in the domestic organization, the process of both multiculturalism and transculturalism can be activated in the MNC. By utilizing their cultural input, the organization has undertaken the first strategic step in developing a multicultural management group and global learning organization that is needed to compete effectively in the global market. For example, Texas Instruments (TI) typifies a global organization with an inpatriation-based staffing orientation. Pallab Chaterjee from India is the President of TI Calculator and Personal Notebook Group, whereas, Keh-Shew Lu from Taiwan is the President of TI Asia. Steven Leven, TI's Senior Vice President of HRM, explained the TI orientation toward inpatriates:

> "*These individuals provide expertise and knowledge that strengthens the American corporation. They are also able to bring an understanding of business, culture, and language that allows a company to compete successfully overseas*". (Greengard, 1996:54)

Inpatriate managers can also generate invaluable input to the development of the human resource function in emerging markets by providing accurate advice on the adaptation of specific technical dimensions of the human resource process (i.e., selection criteria, compensation plans, performance evaluations, and training/development for host country nationals). They can also provide a means for transferring the appropriate dimensions of the home organization's culture to the host country subsidiary. The culturally sensitive "exporting" of corporate culture (i.e., roles, norms, values, climate) to organizations in emerging markets allows control to be exercised in an acceptable and effective informal manner. Rather than enforcing an "outside" organizational culture, following the inpatriate's insights into the host country culture allows the organizational climate in an emerging market subsidiary to evolve over time. Johnson Wax, a Wisconsin manufacturer of household cleaning, personal care, and insect-control products, has 12,000 employees worldwide. In 1995, Johnson Wax had 15 inpatriates working in its headquarters and 85 expatriates deployed internationally. Michigan-based Chrysler Corp. has a focused program of 45 inpatriates dedicated to coordinating the operations of its Mexican subsidiaries (Solomon, 1995b).

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

1. The specific issues the inpatriate manager pays attention to, measures, and controls.
2. How the inpatriate manager reacts to critical differences between the two organizational cultures (domestic/host country).
3. An inpatriate providing a role model (mentoring) for other host country nationals.
4. Inpatriate manager's operationalization of rewards and status appropriate for host county nationals.
5. Inpatriate managers recommendation of operating criteria for recruiting, selection, and promotion of host country nationals (adapted from Schein, 1983).

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

Inpatriate managers can also provide mentoring to high potential managers from host country nations to insure a succession plan when new inpatriate managers are moved into the core of the home country organization. It is important for a career path to be established for inpatriate managers that allows them a full opportunity to become an integral aspect of the home country organization. Inpatriate managers must be viewed as a potential part of the core management team and not as a peripheral group for the organization to fully benefit from the multiculturalism created (Harvey, 1997; Harvey & Miceli, 2000). This process thus opens a career path for high potential host country nationals to become future inpatriate managers. This career pathing has been successfully implemented by Applied Materials, Inc. (AMI), a $3.1 billion global company from Santa Clara, California—the world's largest producer of semiconductor manufacturing systems. More than 50% of AMI's senior management team is foreign-born, including the company's president and several top executives (Greengard, 1996).

Implications for HR: Strategic Utilization of Inpatriate Managers in SGHRM Systems

The introduction of inpatriation practice should be envisioned and planned as an organization-wide process. The effective implementation of this innovative practice can have important influence on the strategic planning of the firm's operations in emerging markets. Specifically, inpatriates' cognitive flexibility would be invaluable when contextualizing functional aspects of various strategic elements in the firm's business plan for expansion into emerging markets. This innovative inpatriation practice appears to be an effective means to operationalize multiculturalism—a key element in developing a global organization.

Inpatriate managers can provide unique cultural/social/political insights into developing coherent strategies for creating competitive advantage across emerging host country markets. Inpatriates can competently support global strategies and are keenly aware of the need to coordinate and maintain compatibility between local strategies and those of the global network, given their knowledge of the shared norms in the home and host countries. Like any firm-specific resource, however, inpatriates need to be assigned to situations in which the impact of their distinctive competencies can be maximized.

There appears to be three underlying factors that should be considered in determining how and when to utilize inpatriates most effectively:

1. The organizational stage of globalization (i.e. the strategic needs of the organization vary by the level of its involvement in the global market place).
2. The existing heterogeneity of global operations (i.e. "path dependency" is established by the past strategies of the organization engendering heterogeneity in its internal organizational capital resources, organizational structure, planning, coordinating, and controlling mechanisms and HR systems, as well as in its responses to host country environments, contingent to level of economic development and cultural novelty) (Barney and Wright. 1998).
3. Future strategic thrust (i.e. the strategic intent of the organization to influence a change in the present level/ course of the firm's existing globalization strategy).

This innovative inpatriation practice appears to be an effective means to operationalize multiculturalism—a key element in developing a global organization.

It is important to note that each of these dimensions of strategy is continuous but is simplified as dichotomous (i.e., early vs. mature level of globalization). The resulting matrix, presented in Table One, identifies how the polar extremes of each dimension influences the inpatriate staffing choices for different managerial levels.

Table I depicts the varying importance of inpatriation practice across managerial levels for different stages of internationalization, heterogeneity of the firm's global operations, and the future strategic intent of the management. Companies that are in the early stages of entering the global market arena may rely on proven global managers to institute the internal changes in the organization to launch the company's overseas strategies. For example, when Quaker Chemical Corp. of

TABLE I **Inpatriation Program Implementation Matrix.**

	Influences on Use/Appropriateness of Inpatriate Managers					
	Stage of Globalization		*Existing Heterogeneity of Global Operations*		*Future Strategic Thrust*	
Inpatriates at Organizational Levels	Early	Mature	Low	High	Concentrated	Diversified
Top Management Team	Low	High	Low	High	Low	High
Senior Functional Managers	Low	High	Low	High	Moderate	Moderate
Middle Managers	Low	High	Low	High	Moderate	Moderate
Operations Managers	Moderate	High	Low	High	Moderate	High
“Specialists”	High	Low	Low	High	Low	High

Low = Less applicable for inpatriates
Moderate = Moderately applicable for inpatriates
High = Highly applicable for inpatriates

Conshakocken, Pennsylvania identified its future growth opportunities in the global market place, the firm’s board decided to hire S.W.W. Lubsen as the firm’s president. This Dutch citizen was viewed as having the necessary global perspective and competence to accelerate the internationalization of the company. As the importance of the global market for the firm increases, the complexity of performance expectations increases (i.e., higher levels in the organizational hierarchy); therefore, the integration of the social and functional knowledge of the inpatriate skill base becomes more crucial (Adler & Ghader, 1989). Specifically, inpatriate managers can provide new insights of how to develop competitive advantage in the local market place and at the same time have a global perspective to insure compatibility with the global network.

The greater the heterogeneity of the firm’s global operations, the more important the development of senior management-level inpatriates is to the global organization. The complexity of operations associated with the high operational diversity necessitates management’s contextual social knowledge of host country contexts to insure that the generic strategic thrust of the organization is translated and executed into an effective, concrete program in the host country. ABC Laboratories, Inc. of Columbia Missouri appointed Jake Halliday, an Irish Ph.D., to become president of the company due to the differences in regulations and the complexity of dealing with governmental regulations throughout the world. The environmental testing company was dependent on obtaining regulatory clearance in each country in which it intended to operate. Dr. Halliday, as the company’s president, understood the technical and governmental ins and outs better than any domestic candidate for the position. As a part of the SGHRM system, inpatriates facilitate the customization of corporate plans in such a manner as to create a competitive edge and are more likely to generate a dynamic competency than when a expatriate makes an independent decision in an economic and/or culturally distant host country (Harvey & Buckley, 1997).

The more similar the host country environment is to that of the home country, the more likely a variation of a “generic” corporate strategy will fit the environmental context. In such situations, control and consistency in these markets/subsidiaries become of primary concern to headquarters’ management. In these cases, an expatriate manager would provide the necessary managerial skills to implement the corporate plan effectively because the environment does not dictate a major modification of the corporate strategy.

If competitor organizations are domestically modifying their present positioning in the global market place and moving to new culturally/economically distant host countries, the need for inpatriate managers who can accelerate and facilitate the firm's competitive response will increase. K-Tron International, Inc., Cherry Hill, New Jersey, hired an inpatriate manager, Marcel Rohr, to expand the firm's international operations in Europe, South America, and the Far East. The company converted its international focus into a global strategic orientation of increased complexity with very few growing pains. The successful transition to a global company has been attributed to Rohr's foresight and experience in global business; therefore, the ability of benchmarking competitors' future strategies in new markets should also be taken into consideration when assessing firm-specific development of inpatriate managers. Global management staffing needs not only to match present competitive strategies but also to reflect on responses to the future intentions of global competitors (Schuler, Dowling, and De Cieri, 1993).

Summary and Conclusions

Effective global management staffing practices are designed to simultaneously exploit complementarities in expatriation and inpatriation practices and to achieve synergies in bundling these practices to influence the corporate global mindset advantageously. When this SGHRM system is designed in a firm-specific way, it helps to insure that the strategic competencies of the organization are unique due to the personnel in the system. The competency-based perspective of the SGHRM system examined in this paper, posits that a pool of managerial capital in a global organization can be leveraged to provide a source of competitive advantage provided the pool is a unique, firm-specific bundle of competencies.

Performance effects generated by this competency-based SGHRM system are value-adding because they are based on selectivity in global managerial staffing followed by comprehensive training, socialization, and compensation programs that encourage a positive interface between expatriates and inpatriates (Milkovich & Bloom, 1998). By exploiting complementarities in expatriation and inpatriation practices, the global management staffing system accelerates learning and develops commitment and trust in a global organization through enhanced managers' identification with the global organization's goals.

The competency-based perspective posits that the international management staffing structure can no longer be determined by the dichotomy between the headquarter-based managerial competencies (expatriates) and subsidiary-based managerial competencies (host country and third country nationals). Instead, this structure is determined by the global organization's competencies as dynamic capabilities accumulated through individual expatriate and inpatriate trial-and-error learning during assignments or through their social learning during socialization processes in headquarters and in and among subsidiaries.

Global management staffing needs not only to match present competitive strategies but also to reflect on responses to the future intentions of global competitors.

It is the development of managerial competencies into an integrated global system that influences the corporate strategic choices and forms the firm's global strategic positioning. The competency-based view of a staffing system fosters a more change-oriented model of global management in which cost-reducing static efficiency is replaced by value-adding dynamic effectiveness. This involves extending the view of expatriates and inpatriates as passive role adapters to a view of these managers as active role creators. The competency-based perspective suggests the development of expatriates and inpatriates as bundles of interrelated resources, capabilities and competencies can be viewed as the accumulation of "compound assets" (Schendel, 1994). The relationship among these complementary sets of global HR practices may diversify the strategic orientation of the corporate TMT, expand the repertoire of the TMT strategic choices, and, eventually affect competition leading to a sustainable advantage.

Future research should address the contextual influences on SGHRM staffing systems particularly the influence of the configuration of the firm's resources, corporate culture, and organizational learning as well as the influence of controls employed in global diversification strategies. A more specific line of research could address the design of an inpatriation process in global organizations in terms of their structure, incentives, communication processes, and member composition. The issues of global strategic leadership are critical particularly in strategic alliances and joint ventures as well as, in the long run, in TMT succession plans. The proper integration of a transcultural emphasis in the leadership development of expatriate- and inpatriate-led global teams is likely to be the most intriguing future research topic related to the SGHRM staffing systems development.

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