

CRANFIELD UNIVERSITY

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The Organisational Value of International Assignments

School of Management  
PhD Programme

Doctor of Philosophy  
Academic Year: 2015 - 2019

Supervisor: Prof. Michael Dickmann  
Associate Supervisor: Prof. Emma Parry  
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the degree of Doctor of Philosophy

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## **ABSTRACT**

Our theoretical understanding and knowledge of the field of international assignments (IAs) has expanded enormously since Edström and Galbraith's (1977) seminal paper evaluating the reasons that organisations use expatriation. In that time many underlying features and our understanding of the IA landscape have changed. This includes the reasons to use IAs, the recognition of and increasing use of more flexible IAs such as short-term and commuter assignments, as well as a move away from the traditional HQ-subsidary IA. Despite this, academic knowledge regarding the value that is generated for organisations using IAs is unclear. More surprisingly perhaps, practitioner consultancy surveys of Global Mobility consistently report a desire to address this issue with relatively little success. Rather the practitioner field focuses on cost issues even though they are unable to place this in a value context.

As a step to resolving this imbalance, this thesis contributes to understanding the organisational value of IAs through four interconnected studies written as journal articles. The context is first established using a systematic literature review (SLR) of the field. This is then built upon by a paper addressing the confusions regarding the definition of 'organisational value', applying and extending an existing framework using the IA construct. Together these provide a detailed understanding of the literature field emphasising a relational perspective, an extended model for understanding organisational value, and research propositions to move the field forward. The final two papers use empirical case study interviews in the public sector to demonstrate how two different theoretical lenses, the Dynamic Capabilities View and Real Options Theory respectively, extend our theoretical understanding of the underlying phenomenon.

The over-riding contribution of this thesis is its explanation of the organisational value of IAs. This value arises through the positive impacts of IAs on the microfoundations of dynamic capabilities and hence their contribution to the long term competitiveness of the organisation. Furthermore, IAs are shown to be types of real option. This theoretical positioning adds significantly to the understanding of how IAs affect organisations and offers explanations for some of the issues in

the IA literature such as the negative impact of high attrition. Furthermore, this thesis demonstrates that IA organisational value needs to be considered from the combined perspectives of the home (sending party) and the host (receiving party) whilst taking a relational view. In other words the relationships between the home and the host are affected by a wide range of factors all of which have the potential to change the value to each of these parties as well as the combined total value. These factors also extend to the relational context within which the home and host sit including the value implications for other parties within their intra-organisational system. This is a distinct change to extant research which empirically considers either the host (subsidiary) or the overall organisation when assessing the organisational value of IAs.

From a practitioner perspective this bifurcation of the home and the host within their relational context creates significant consequences for the implementation of IAs, the HR practices managing them and the determination of the value they create.

Keywords:

Expatriation; Global Mobility; Dynamic Capabilities; Real Options Theory; Real-Options-Reasoning; International Assignments; Public Sector

## **ACKNOWLEDGEMENTS**

Given the consistent feedback that a very tiny number of people are ever likely to read my thesis, I find the dedication and tradition of writing acknowledgements in one's PhD thesis a fascinating concept! This is magnified by the fact that I am writing a thesis by paper, so if I publish successfully there'll be even less reason to read this. Of course, I wish to maintain the traditions nonetheless and, more importantly, seek to avoid upsetting anyone that may read this in the expectation of a mention! On the other hand, there's always a risk, so if you read on and do not get a mention, my sincere apologies – in truth there are too many influential people to be confident that I hit all the targets.

The key acknowledgement goes to my wife Alison. We've been together 25 years now and it's been great fun. Her support in general, and specifically with respect to my doctoral journey, has been irreplaceable. Her willingness to listen to my woes, my highs and lows, time and time again is magnificent. Her willingness to let me enjoy this whole experience, some might say indulgence, is something I am truly grateful for. In addition, Buzz the miniature schnauzer, who joined the team in 2017 has been super family support. Whether snoozing on the sofa in my office or demanding we play or take him for a walk, he has been a super companion in keeping me healthy and with my feet on the ground. He'll be pleased to be getting more attention once I finish this.

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## **LIST OF ABBREVIATIONS**

BAM	British Academy of Management
CAE	Corporate Assigned Expatriate
CSO	Case Study Organisation
DC	Dynamic Capabilities
DCV	Dynamic Capabilities View
EIASM	European Institute for Advanced Studies in Management
EURAM	European Academy of Management
GM	Global Mobility
HCN	Host Country Nationals
HR	Human Resources
HRM	Human Resource Management
IA	International Assignment
MNC	Multi-National Corporation
NDA	Non-Disclosure Agreement
NGO	Non-Governmental Organisation
RBV	Resource Based View
ROI	Return on Investment
ROR	Real-Options-Reasoning
SIE	Self-Initiated Expatriate
SLR	Systematic Literature Review
SNE	Seconded National Expert

# 1 INTRODUCTION

A series of academic papers authored by Yvonne McNulty and various colleagues, starting with McNulty and Tharenou (2004), investigated the value that IAs generate through the concept of ROI (Return on Investment). These were built on McNulty's extensive PhD research. This series of papers offered definitions for the ROI of IAs, extending beyond the value to the organisation to include the individual assignee. Significantly it identified a lack of practitioner evaluations of this ROI. More than a decade later practitioner surveys created by various consultancy organisations operating in the Global Mobility field continue to report this same issue (see, for example Brookfield Global Relocation Services, 2016; RES Forum, 2018; Santa Fe Relocation Services, 2018). These surveys show an ever-increasing activity to manage costs alongside an increasing yet mostly unfulfilled desire to understand the value of IAs. It therefore seems that the opportunity remains to deepen our theoretical and practical understanding of the organisational value of IAs.

Several reviews of the academic field of IAs have been written and published recently (Baruch, Altman and Tung, 2016; Caligiuri and Bonache, 2016; Dabic, González-Loureiro and Harvey, 2015; Kraimer, Bolino and Mead, 2016). Whilst commenting upon the need to understand the value of IAs and suggesting this as an area for further study, the pages dedicated to existing research on the subject in these reviews are extremely limited, and in some cases, non-existent. This presented an opportunity to coordinate and explicate existing knowledge through a systematic literature review (SLR) before taking steps to address any gaps in our knowledge this identifies. Hence my SLR research question was: what is known about the organisational value of IAs?

As explained in Section 1.5 below, the outputs of my programme of research are presented in paper format. Chapters 2 to 5 each provide a standalone paper drawn from my research with the aim that each can achieve successful publication in an academic journal.

The SLR (paper 1) identified several complications in the relevant IA literature which my thesis seeks to address. These include the challenges in defining and identifying organisational value (addressed in paper 2); the significance of taking a relational dyadic view of the IA when considering the organisational value they generate (addressed in the SLR itself and also fundamental to papers 3 and 4); and the failure to find a clear suitable theoretical lens to explain the organisational value of IAs (addressed in papers 3 and 4 through the Dynamic Capabilities View (DCV) and real-options-reasoning (ROR) respectively).

## **1.1 Research Rationale**

The initial rationale for commencing this research project is now explored from both an academic and a personal perspective to explain why I originally thought it offered the potential to contribute to theory and practice. As this thesis journey originated from a non-academic perspective I start with that.

### **1.1.1 Personal Rationale**

My PhD journey began from an unusual career and personal journey. Having spent 20 years working in banking and finance, including in treasury and finance director roles on the corporate side, I transitioned into the field of leadership development and, more importantly, into management coaching. As a professionally trained and qualified coach through the International Coaching Federation, I started to work in the field of coaching individuals on secondment and IA. This seemed to be an ideal area for the practice of coaching given the intention of helping participants identify and work towards achieving their organisational and personal goals established for the IA. Surprisingly to me, however, many assignees were extremely unclear as to the original, current and even future organisational goals relevant to their IA. At best they were clear on their own assignee goals, yet even these were often vague.

Given the generally recognised considerable cost of organising and sending employees on IA (Doherty and Dickmann, 2012) and my personal career history in finance including as an international assignee, I found this lack of clarity as to the goals of IAs thoroughly disturbing as it demonstrated that the overall value of



these interventions was not understood. Who, I asked myself, is agreeing to fund these expensive exercises if they do not know the value of them to the organisation? And so my research journey began.

In 2014 I was awarded a small grant to investigate the organisational value of IAs within the financial services sector by the Henry Grünfeld Foundation administered through the LIBF (the London Institute of Banking and Finance). Henry Grünfeld is not a well-known name and yet he was a co-founder of S.G. Warburg (the G representing the Grünfeld name). This grant led to a second larger one in 2015 also from the Henry Grünfeld Foundation and to the opportunity to undertake research regarding IAs in one of the bodies responsible for the financial regulation of the EU. Through these processes I identified the ROI (Return on Investment) literature and the important papers of Yvonne McNulty and colleagues. These reinforced my initial understanding and findings that organisations, despite often having sophisticated HRM and Global Mobility (GM) teams of professionals, do not appear to measure nor understand the value that is achieved through their IA activities. Shockingly, to me, these GM teams appeared to be hell bent on reducing the costs of IAs despite not understanding their value and hence how that cost management might affect that value.

I admit to having a presumption that IAs ought to be valuable to organisations as, coincidentally, this aligned with my own personal experience having been seconded to New York, USA (1994) and Sydney, Australia (1996) respectively. However, such anecdotal evidence is weak. I was motivated to understand the organisational value of IAs in order to improve their future usage to ensure organisations spend judiciously and effectively to achieve the most value for their businesses, organisations and, where appropriate, their employees. Hence I look forward to continuing to share the findings from this research not only with my fellow academics, but also through my teaching at Cranfield and especially with Global Mobility practitioners.

### **1.1.2 Initial Academic Rationale**

The positive value of IAs is an assumption that seems implicit in much of the IA literature. Articles regularly consider important issues that are assumed to add to

the value of IAs, for example determining the adjustment of the individual assignee (see, for example, Hippler, Caligiuri and Johnson, 2014; Selmer, Luring and Kittler, 2015) evaluating time to proficiency in role (see, for example, Harrison and Shaffer, 2005; Selmer and Luring, 2016) or investigating how family support might impact assignee performance (see, for example, De Sivatte et al., 2019). These implicitly assume that IAs are already having a positive net effect on organisational performance. This is not to question the validity of this research, it is simply to question whether any potential improvements are justified if IAs are not delivering overall value.

As noted earlier, four recent reviews of the whole field of IA literature did not offer much insight into the organisational value of IAs. This seems to be a surprising oversight. For example, Kraimer, Bolino and Mead's (2016, p.1.19) review offers ten recommendations for practitioners 'to better select, train and retain' international assignees, but does not recommend taking steps to validate that IAs are actually a valuable investment. Harrison and Shaffer (2005, p.1454) may offer an alternative view: 'For the last two decades, the expatriate literature has been dominated by efforts to gauge international assignment success in terms of two major criteria: expatriate adjustment and expatriate return decisions'. However, the research they refer to investigated the constructs of Expatriate Success and Expatriate Effectiveness which focused on the individual level of analysis and not at the macro organisational level nor the value derived by the home and host. Furthermore these constructs a) included assumptions that the early return of an assignee is a sign of failure, the validity of which has been questioned for some time (Caligiuri and Bonache, 2016; Harzing, 1995), b) ignore the cost factors of IAs, and c) incorporate calculations of adjustment extensively based on Black's work with various colleagues and in particular the model proposed by Black, Mendenhall and Oddou (1991) around which significant theoretical and methodological doubts have since been raised (Hippler, Caligiuri and Johnson, 2014).

Baruch, Altman and Tung (2016, p.869) specifically identify the contentious nature of identifying the value of IAs in a context where they may be instigated

as a parental control measure akin to that identified back in 1977 by Edström and Galbraith. They acknowledge the greater potential levels of challenge to identify the benefits of IAs in comparison to the costs. Nonetheless they call for further research to explicate this important issue including in different contexts, e.g. non-white ethnic minorities. Finally, research which considers only the cost side of a value equation remain incomplete without considering the benefits, see for example Bonache and Zárraga-Oberty's review of IA compensation models (2017). Hence the research in this thesis concentrates on the overall organisational value of IAs.

## **1.2 Definitions**

### **1.2.1 Defining Organisational Value**

An initial challenge faced in progressing this research was the definition of 'organisational value'. Papers across many fields of research regularly refer to the concept of value, value creation or value capture when investigating organisational level issues without offering definitions of the terms. They also use the terms inconsistently (Lepak, Smith and Taylor, 2007). The practitioner field of Global Mobility often refers to the term ROI to address the concept of value (see, for example Brookfield Global Relocation Services, 2016; Santa Fe Relocation Services, 2019). In addition, definitions for expatriate ROI have been offered by McNulty and Tharenou (2004) and McNulty (2014). However, as acknowledged in this literature, ROI is used both as an umbrella term and a specific term which causes confusion. And, more importantly, as I address in paper 2 the academic ROI definitions warranted further development in line with the findings of my SLR. It is for these reasons that I use the term 'organisational value' rather than ROI to guide this research and, hopefully, future discussion of the issue. Furthermore, a distinction is required to recognise that the organisational value being investigated here is the overall 'net' outcome, i.e. the positive impacts less the negative impacts.

As explored further in paper 3, to define organisational value I have drawn from the strategy and economics literature and position my papers in line with the definition of value offered by Pitelis (2009, p.1118). Hence organisational value

is defined as the 'perceived worthiness of a subject matter to a socio-economic agent that is exposed to and/or can make use of the subject matter in question.' The term 'perceived worthiness' implicitly assumes that value incorporates not simply the benefits or positive impacts, but also the costs. Hence 'organisational value' as defined herein is a net construct. This remains an important distinction not considered, for example, in terms such as 'Expatriate Success' (see Section 1.1.2 above). It is also interesting to note that the separate literature considering the value of IAs specifically to the assignees, for example in the career capital literature, (e.g. Dickmann and Cerdin, 2016; Dickmann and Harris, 2005) tends to consider the benefits rather than an overall net value implication.

### **1.2.2 Defining International Assignments**

The literature addressing IAs and expatriation is hindered in some respects due to the inconsistent use of definitions regarding the fundamental underlying focus or unit of analysis, namely the type of IA itself (Tharenou, 2015). A recent paper by McNulty and Brewster (2017) sought to address these issues by providing a definition of the individual taking part in an IA ('business expatriate') around which the literature may in future be able to coalesce enabling greater opportunities to generalise or compare findings. In accordance with that paper I use their definition as the starting point in this thesis and hence within each paper for consistency. Self-Initiated Expatriates (SIEs) are excluded in this study however, as the initial investment in SIEs is distinctly different to that of a corporate assigned expatriate (CAE), i.e. the individual SIE organises their own overseas work opportunity and normally funds that initial process (Suutari and Brewster, 2000). Similarly, IAs where direct employment in a host country is offered to the assignee does not include the same initial organisational investment as a CAE. Hence I define an International Assignment (IA) as "an event involving 'legally working individuals who reside temporarily in a country of which they are not a citizen in order to accomplish a career-related goal, being relocated abroad...by an organization' (McNulty and Brewster, 2017, p.20).

Andresen, Bergdolt, Margenfeld, and Dickmann (2014, p.2307) offer an alternative and similarly useful definition where a CAE 'is initiated by the current

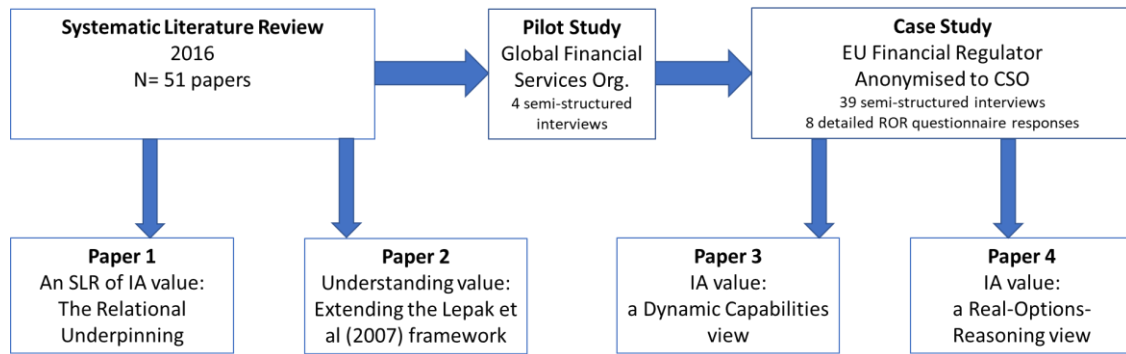
organization that takes the first key binding action by offering an employment contract for a temporary work assignment abroad'. However, they take the position that the IA is internal to the organisation. As is explained in Section 1.4.3 and Chapter 4 below, my research extends extant literature by using a public-sector case study, within which the IAs are not internal to a single organisation – rather they are internal to the meta-organisation that is the EU financial regulatory system (Murdoch, 2015).

### **1.3 Research Aims and Objectives**

In line with my initial aims to understand the organisational value of IAs, my SLR sought to answer the research question, what is known about the organisational value of IAs? This identified several areas where extant literature was conflicting or lacking and hence offered the potential for further research. The significance of the underlying relationship between the home (sending) and host (receiving) organizations emerged as a finding from this first paper. Whilst some research referenced the possibility that both home and host might benefit from an IA between them, for example Gonzalez and Chakraborty (2014) consider the knowledge transfer benefits to multiple parties in their conceptual paper, the empirical research focuses primarily on the benefits to one party – either the host or the organisation as a whole. In other words, the distinct value implications for the home as compared to the host are not considered in conjunction. As a result, I chose the following overall research questions to guide my remaining thesis journey:

- What is the organisational value of IAs?
  - What value is there in IAs for both the Home (sending) organisation and the Host (receiving) organisation?
  - How and why is this value generated?
  - What is the relationship between the value of IAs to the Home and the value of IAs to the Host?

This research project generated the four papers in chapters 2 to 5 respectively. The relationship between these and their derivation is shown in Figure 1-1.



**Figure 1-1 Overview of Research Design**

An overview of the respective aims and the relevant methods of each paper is provided in Table 1-1. Paper 1 in this thesis is an SLR which addresses the lack of focus in recent reviews of the field on the important issue of understanding existing knowledge on IA organisational value. In doing so its main contribution is the identification of a relational framework between the home and the host that underpins the IA organisational value question.

Paper 2 responds to the need to understand the different constructs of value, value creation and value capture using IAs as the context. It does so operationalising Lepak et al.'s (2007) highly-cited framework for understanding value creation and addresses a number of shortfalls in that framework. As a result the framework is extended to include, for example, the need to recognise different organisational sub-levels (e.g. home and host) and the need to identify value measurement constructs.

Papers 3 and 4 draw on my empirical work and respond to the need for a new theoretical lens to bring clarity to the understanding of the organisational value of IAs. Paper 3 explains the IA organisational value for each of the home and the host through the microfoundations that arise for each party for their sensing, seizing and reconfiguring capabilities within the Dynamic Capabilities View (Teece, 2007). In so doing it reduces the ambiguity surrounding both what is IA organisational value and how it is created. The conditions which affect these microfoundations also demonstrate the importance of the relationship between the value to the home and the value to the host as an integral component.

**Table 1-1 Paper Objectives and Research Method**

Paper 1	The Organisational Value of International Assignments – The Relational Underpinning	<b>Objectives:</b> to systematically review extant literature to identify and synthesise what is known and what is not known about the organisational value of IAs.	<b>Systematic Literature Review:</b> Evidence from 51 papers is synthesised using a relational framework which emerged from reviewing the literature.
Paper 2	Value Creation and Capture. The Application and Extension of Lepak et al.'s Value Framework	<b>Objectives:</b> to demonstrate the usefulness of Lepak et al.'s (2007) value framework using the IA construct and to extend the framework.	<b>Conceptual Paper:</b> Lepak et al.'s (2007) value framework is applied to IAs at the organisational level of analysis. Literature on IAs is then used to show how this important framework can be extended to improve its usefulness elsewhere.
Paper 3	The Value of International Assignments Explained Through the Microfoundations of Dynamic Capabilities	<b>Objectives:</b> to explain the organisational value of IAs to the home and host using the dynamic capabilities view, in particular applying the microfoundations construct.	<b>Empirical Paper:</b> Evidence from 21 semi-structured interviews within a public sector based case study organisation (CSO). (This is a subset of the Paper 4 data).
Paper 4	The Value of International Assignments through the lens of Real-Options-Reasoning	<b>Objectives:</b> to explain the organisational value of IAs to the home and host through the lens of real-options-reasoning.	<b>Empirical Paper:</b> Evidence from <ul style="list-style-type: none"> <li>• 4 semi-structured interviews in a pilot study at a global bank;</li> <li>• 34 semi-structured interviews within a public sector based case study organisation (CSO), and</li> <li>• 8 written responses to a follow-up survey on the above 34 interviewees.</li> </ul>

Finally Paper 4 provides a further new theoretical interpretation using real-options-reasoning (Ragozzino, Reuer and Trigeorgis, 2016) as a lens to explain the IA organisational value. Again it responds to the importance of the relational dynamic in IA organisational value and in particular the complexity of the intra-relationship between the home and the host which is generally over-looked in extant literature. Real-options-reasoning, supported by my data, resolves this by explicating how both the sending and receiving parties are owners of real options over the IA. This creates a conflicting relationship regarding the value that each party is able to derive from their respective investments.

## **1.4 Overview of Research Design**

### **1.4.1 Philosophical Perspective**

An important step in the doctoral process is establishing one's philosophical perspective or paradigm for the research. In my case I take a critical realist view. A detailed explanation of this viewpoint and its impacts upon my research design is included in Appendix C. This includes an explanation and justification of my case study design. The rationale for the case study being within the financial services sector is also further explained and justified in Chapters 4 and 5.

A critical realist perspective considers positivists as ignoring context, personal meaning and individual interpretations and social constructionists as overly subjective and relativist. It explores and explicates the world from an ontologically realist view (the world is out there independent of the human mind) and yet it can only be explored via that very human mind in an epistemologically constructionist fashion (Blaikie, 2007). As Fleetwood (2005, p.199) argues, critical realists believe that there is 'no unmediated access to the world: access is always mediated .... by a pre-existing stock of conceptual resources, which we use to interpret, make sense of, understand .... and take appropriate action'. Hence critical realists see many things as real and researchers need to be aware of these different perspectives and mediators affecting both the research participants and the researcher.

Critical realists are also referred to as depth realists (Blaikie, 2007) arguing that there are different depths of reality. In Bhaskar's terms these are the empirical (researchers/actors can see and measure it), the actual (as yet unobserved by researchers/actors incorporating invisible laws and structures where mechanisms exist) and the real (unobservable and where the causal mechanisms sit which generate events in the empirical). Researchers may theorise as to the causal mechanisms in the real domain to explain empirical events. A useful approach with respect to the organisational value of IAs is to theorise as to what is causing the high and increasing use of IAs despite their high cost (for a discussion of this high cost see, for example, Doherty and Dickmann, 2012). My research questions seek to understand the deeper hidden



domains in order to generate theory to explain this conundrum and are based on the actualisation that the value of IAs is inherent to this understanding. Resolving this requires access to the perspectives on IA value currently hidden within the assumptions of the parties involved. Hence this demands participant interviews to determine what that value may be and how it is created – to understand the reality, it is necessary to interview those involved or affected by the process.

Taking a critical realist perspective, I believe there is no constant explanation of the relationships between observable events such as an IA programme and the value it generates to the organisation. There are too many potential complexities involved derived from human instinct, much of which may be unobservable. However, researchers can investigate and theorise to gain ever-increasing levels of understanding in a journey to identifying tendencies or explanations of this phenomenon. Accordingly, as described in papers 3 and 4 my empirical data is explored through a retroductive method and thereby identifies useful explanatory theoretical perspectives through which to explain the mechanisms which may be generating and hence identifying the organisational value of IAs.

Blaikie (2007) offers the idea that the professional researcher has three choices they can make regarding their relationship with the actors they are researching. First one chooses between insider and outsider or impartial observer. On balance I regard myself as an impartial observer as whilst I have an opinion based on anecdote or belief regarding the positive nature of IAs in general, I am seeking to clarify whether this is indeed the case when investigating the organisational value of IAs. The second choice is between expert and learner. My aim is to be a learner by revealing the interviewees' interpretations in order to explain the circumstances. Finally one considers whether the research is 'on, for or with people', i.e. 'on' (acting as an external expert researching on the participants), 'for' (acting in a joint researcher/consultancy role producing outputs for the parties being researched) or 'with' the people (acting in a form of ethnographic and potentially emancipatory capacity). In my case, whilst several interviewees expressed interest in learning about the findings and the main case study

organisation welcomed the offer of a summary report, I was researching 'on' the participants.

#### **1.4.2 Research Design**

My SLR provided insights into the many different theoretical lenses used to explore the question of IA organisational value to date (see Appendix B). This provided a number of ideas and possibilities to influence my own research lens. Some of these theoretical lenses offered a clear link to the construct of value. For example, the Resource Based View (RBV) and the Dynamic Capabilities View focus on resources and their inherent value, cf. Barney's (1991) definition of a resource as having value, rarity, inimitability and non-substitutability. However, the considerable uncertainty and conflicting findings within the SLR research did not inspire the choice of limiting the overall research through a single theoretical lens. Furthermore, such an approach did not align well with my critical realist philosophy. However, my exploration of literature considering the construct of 'value' itself, identified a framework by Lepak et al. (2007). The core to this framework is the distinction between what value is, how it is created and how it is captured, in addition to the different micro, meso and macro implications of understanding value. This offered a useful framework for a pilot study.

In line with taking a case study approach (see Appendix C) I undertook a pilot study to test the interview protocol. This pilot study took place in a global financial services organization in which large numbers of IAs occur every year ranging from short-term to long-term, from junior to senior individuals and from imposing local terms to the more traditional balance sheet method of remuneration. Purposeful sampling identified parties willing to be interviewed with highly varied levels of seniority and IA experience. The interview protocol was based upon the Lepak et al. (2007) framework and learning from the SLR process. This pilot study provided useful insights, for example demonstrating that sufficient time had been allowed for rich and detailed responses, and enabled minor changes to the interview protocol. The final interview protocol used in the main case study is attached as Appendix D.

Relevant individual descriptions of the research method are provided in each of the four papers included in this thesis.

### **1.4.3 Research Context**

My principal case study organisation is referred to as the Case Study Organisation or CSO to protect the anonymity of the institution as agreed in a research-enabling Non-Disclosure Agreement (NDA). The CSO was a body responsible for administering part of the EU financial regulatory system. The public sector offered an interesting case study given the recognised paucity of research outside the multi-national corporation (MNC) norm (McNulty, Vance and Fisher, 2017; Selmer and Fenner, 2009). As described in paper 3 it also provided a specific type of IA which has distinctive characteristics which may bring emphasis to important issues that are more generally relevant. This type of IA is known as a Seconded National Expert (SNE).

My preparatory research into the CSO, using preliminary interviews and reading publicly available documentation, brought attention to the fact that the SNE does not fit directly into any of the existing IA typologies in academic literature. For example two distinguishing features of SNEs compared to traditional CAEs are that the home organisation continues to pay their salary during the assignment and that the home and host are part of the overall EU and national regulatory systems which is not directly analogous to the traditional HQ-subsidary IA relationship in IA research (further detail is provided in Appendix C).

These circumstances presented an opportunity to publish an article exploring the differences between SNEs and existing IA typologies and what this might mean for a continuing IA research agenda in the *Thunderbird International Business Review* (Renshaw, Parry and Dickmann, 2018). It is excluded from this thesis as its main focus is not on the organisational value of IAs. The paper also extended the theory for using IAs in a public-sector setting which, as already mentioned, is generally under-represented in the IA literature (McNulty, Vance and Fisher, 2017). As such it supported the use of a case study based empirical analysis of the organisational value of IAs in a public-sector setting.

#### **1.4.4 Data Collection**

In total I completed four pilot study interviews at a global financial institution, 39 semi-structured interviews at the CSO and a post-interview open-text questionnaire specifically about the application of real options theory (see Chapter 5) to the CSO interviewees which created 8 responses. The questionnaire questions are attached as Appendix E. Five of the CSO semi-structured interviews were not included in any of the papers due to poor quality recordings inhibiting transcription (two interviews) and interviewees who were or managed SNEs who were on intra-national assignments, i.e. within the same country and hence not IAs as defined within this thesis.

As detailed in chapters 4 and 5, the Dynamic Capabilities paper draws on 21 of the CSO interviews (those who were on or had experienced an IA) whilst the real-options-reasoning paper draws on the four pilot study interviews, the 34 CSO interviews and the 8 questionnaire responses.

### **1.5 Thesis Structure**

This thesis is organised in paper format. In other words the core of the thesis is structured to deliver its contributions through a series of four separate chapters each in the style of a journal article with the underlying aim that each of them will be successfully submitted for academic journal publication. At the time of writing this thesis the papers are at different stages of journal submission. Each chapter in this thesis represents a self-contained description of part of the overall research activity including, where relevant, a literature review, methodology, findings and discussion. Taken together the chapters describe a single programme of research contributing to the overall aim of the thesis. The rest of this thesis proceeds as follows:

Chapter 2 (paper 1) addresses the first research objective, namely an SLR, to identify what is known about the organisational value of IAs. The SLR process often advocates a database search mechanism using keywords and their synonyms. Such an approach was inadequate in my case given that the three core terms of any appropriate search string, namely 'value', 'organisation' and

'IA', are so broad that very little from the IA literature would be excluded from such searches. Hence a novel approach was taken while still maintaining consistency with Tranfield, Denyer and Smart (2003).

Chapter 3 (paper 2) uses the SLR findings to extend the existing Lepak et al. (2007) framework on value. It uses the IA construct in order to demonstrate both the usefulness of this framework, thereby explicating the organisational value of IAs, and the opportunity to extend it. Whilst it does so in several ways the most significant is probably that the framework did not originally consider the concept of value measurement. Through adding this to the model, my paper not only provides a useful theoretical construct which can be applied in other fields, but also extends the extant definitions for the value of IAs, namely those provided by McNulty and Tharenou (2004) and McNulty and De Cieri (2016).

Chapter 4 (paper 3) is the first paper to use the empirical data gathered from my case study research. Details of the CSO are detailed therein. This research focused on the views of those interview participants who were or had been international assignees within the CSO system. My paper explains the organisational value of IAs in terms of the microfoundations of Dynamic Capabilities that the IAs generate. In so doing it extends the application of the Dynamic Capabilities View and provides useful managerial and practitioner insight to be able to consider measuring and increasing the organisational value of IAs.

Chapter 5 (paper 4) brings Real Options Theory and real-options-reasoning to the realm of human capital and specifically IAs. It extends the strategic literature by theorising that IAs are forms of real option of value to the organisations involved. The findings support the view that, in addition to the assignee themselves holding a real option, both the home and the host also have real options over the IA which are potentially conflicting in nature. Hence the organisational value of IAs is theoretically explained. And, through the application of the theoretical principles of real-options-reasoning, this offers the potential for practitioners to manage IAs more effectively and hence to generate more

organisational value. A range of research propositions are also offered seeking to explain some of the IA practices described in the literature.

Finally, chapter 6 provides a series of conclusions drawn from across the four papers. This includes a summary and discussion of the theoretical and other contributions of the papers both individually and as a whole. Finally, the limitations are also summarised. Suggestions for future research, in addition to those in each of the individual papers, are then considered.

As the four core chapters in this thesis have been submitted to US based academic journals they each use American English. This contrasts with the rest of this thesis which uses British English, as this fits with my own upbringing and, of course, that of Cranfield University.

## **1.6 Research Independence**

This thesis is my own work and has not been submitted to any other university or higher education institution, or for any other academic award. The limited contribution of others to each stage of the research, the four individual papers and this overall thesis, is as follows:

In line with normal Cranfield University processes my journal submissions are co-authored with my supervisors. As a result each paper in chapters 2 to 5 is written in the third person plural. However, the vast majority of the work and hence the underlying theoretical contributions and additions to knowledge are my own. I have been the lead author in all cases, including in related conference papers. A summary of the papers and the dissemination of the research as at the date of this thesis is shown in Table 1-2.

I proposed the overall topic of this thesis from the initial broad research ideas prior to commencement and the subsequent over-riding research questions drawn from my SLR. The resultant scope and objectives of each paper were my own, subject to discussion and refinement from my supervisors. Similarly, I designed the research method, including the creation and negotiation of the opportunity for the data collection at both the pilot study organisation and at the CSO. I undertook all the data analysis through NVIVO, guided as appropriate by

my supervisors. I collected and analysed all the data alone including the quality assessment in the SLR. The only exception to this is that when I approached the panel of experts for input to the SLR (see paper 1) I did so via my main supervisor's email account anticipating that his professional name recognition would generate a higher response rate. However, I drafted all those emails in my name and subsequently followed up directly with the parties as appropriate. Finally, I drafted each of the papers in this thesis in full, with advice on structure and feedback on early drafts from my supervisors and, where relevant, from friendly reviewers, conference reviewers and journal submission reviewers. In the final stages my supervisors offered editorial/grammatical/stylistic amendments which I accepted if I agreed.

The role of my co-authors in writing the four papers was consistent with conventional supervisory support. This involved the provision of feedback on content and style, the offering of corrections where appropriate and suggestions for grammatical adjustment to the final drafts.

**Table 1-2 Research Dissemination**

<b>Paper</b>	<b>Journal Submissions/Status</b>	<b>Related Conference Papers</b>
Paper 1 (Chapter 2)	<b>Target HRMR, IJHRM, IJMR and JGM. Currently submitted to HRMR.</b> Renshaw P St J, Parry, E. and Dickmann, M. (2019). The Organisational Value of International Assignments – The Relational Underpinning.	<ul style="list-style-type: none"> <li>Renshaw P St J, Dickmann, M and Parry, E. (2017) The Organisational Value of International Assignments – A Systematic Literature Review. [Conference Paper] EURAM 2017, Glasgow, UK</li> </ul>
Paper 2 (Chapter 3)	<b>Target HRMR, IJMR and JGM.</b> Renshaw P St J, Parry, E. and Dickmann, M. (2019) Value Creation and Capture. The Application and Extension of Lepak et al.'s Value Framework.	<ul style="list-style-type: none"> <li>Renshaw P St J, Dickmann, M and Parry, E. (2017) The Organisational Value of International Assignments – A Systematic Literature Review. [Conference Paper] EURAM 2017, Glasgow, UK</li> </ul>
Paper 3 (Chapter 4)	<b>Target JWB and JGM. Currently submitted to JWB</b> Renshaw P St J, Parry, E. and Dickmann, M. (2019) The Value Of International Assignments Explained Through The Microfoundations Of Dynamic Capabilities	<ul style="list-style-type: none"> <li>Renshaw P St J, Parry, E. and Dickmann, M. (2018) The Value of International Assignments as Microfoundations of Dynamic Capabilities. [Conference Paper] EURAM 2018, Reykjavik, Iceland.</li> </ul>
Paper 4 (Chapter 5)	<b>Target HRMJ, HRMR, IJHRM and JGM. Currently submitted to HRMJ</b> Renshaw P St J, Dickmann, M. and Parry, E. (2019) The Value of International Assignments through the lens of Real-Options-Reasoning.	<ul style="list-style-type: none"> <li>Renshaw P St J, Dickmann, M. and Parry, E. (2019) The Value of International Assignments through Real-Options-Reasoning. [Conference Paper] EURAM 2019, Lisbon, Portugal. <b>Awarded</b> First Runner-Up for the Journal of Global Mobility Best Paper Award in the Expatriation Track.</li> </ul>
Practitioner Articles: Supporting all the above	<ul style="list-style-type: none"> <li>Renshaw, P St J. (2019) Commentary in Santa Fe Relocation Annual Survey.</li> <li>Renshaw, P St J, and Rason, J. (2018) Global Mobility ROI – The Bridge of Credibility. White Paper for Santa Fe Relocation.</li> <li>Renshaw, P St J. (2017) Trends in Managing International Assignments – It's All About Value. ADIT Voice Issue 2. p5-7.</li> <li>Renshaw, P. (2016) A surprising link between creating global leaders and social value. Social Value and Intangibles Review, April 2016, p42-44.</li> <li>Renshaw, P. (2016) The value of an international assignment is as important as the cost. Professional Outsourcing Resources.</li> <li>Renshaw, P. St J., Dickmann, M., and Holland, D. (2016) Between two worlds: coaching employees on international assignment. Coaching Today. Issue 19. p20-24</li> </ul>	



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## **2 THE ORGANISATIONAL VALUE OF INTERNATIONAL ASSIGNMENTS – THE RELATIONAL UNDERPINNING**

### **ABSTRACT**

Despite rising numbers of international assignments (IAs), their organizational value is unclear and it is rare for organizations to measure it. This systematic literature review combines separate strands of research from the fields of Human Resource Management, International Business and Global Mobility. We identify the significance of the relational dynamics underpinning the organizational value of IAs. A relational framework emerges from the literature enabling clarification of existing knowledge and illuminating the contradictions, uncertainties and areas for further research. As a result, we offer propositions and a future research agenda to improve our knowledge and understanding of this fundamental topic. Through explicating extant knowledge of IA value, its creation and capture, we enable HR departments to refine their global mobility strategies and guide their choices amongst assignment options. Value insights may also improve HR practices in the field including expatriate selection, preparation, rewards, performance management and repatriation.

### **Keywords:**

**Expatriation, ROI, Global Mobility, International Business, International Management**

## 2.1 Introduction

The number of expatriates on international assignments (IAs) continues to grow rapidly (Santa Fe Relocation Services, 2019) despite an associated cost premium estimated at 40-110% of local hires (Doherty and Dickmann, 2012). Regardless, the value to organizations is rarely measured (McNulty, De Cieri and Hutchings, 2013) and consequently largely unknown. Practitioners regularly report that identifying this value is important (RES Forum, 2017) and yet this is seldom covered explicitly in academic literature despite calls for more research (Baruch, Altman and Tung, 2016; Bonache and Zárrega-Oberty, 2017). This paper reports on a systematic literature review (SLR) seeking to address this oversight by analyzing extant literature on the organizational value of IAs. In contrast to previous literature, we identify the underlying significance of the relationship between the home (sending) and host (receiving) organizations. Fundamentally, IAs are an intra-organizational relational event, the understanding of which is fundamental to our theoretical understanding of the organizational value they generate. Accordingly, we offer a relational framework which emerges from the analysis enabling a synthesis of current knowledge, a series of research propositions and a future research agenda.

There is no one strand of literature that examines the value of IAs. For example, one part of the literature looks at the reasons why organizations use IAs (Edström and Galbraith, 1977) thereby taking an ex ante perspective on value. Another approach has been to focus on the costs of an IA (Nowak and Linder, 2016) but not the benefits. Most IA literature does not join up the totality of their costs with their benefits. Improving our understanding of what constitutes IA value, where, when, how and to whom it accrues, is fundamental to guiding global mobility decisions and enabling HR and business efficiency.

The research question in this manuscript is: what is known about the organizational value of IAs? In line with McNulty and Brewster's (2017, p.20) definition of 'business expatriates' IAs are defined as events involving 'legally working individuals who reside temporarily in a country of which they are not a citizen in order to accomplish a career-related goal, being relocated abroad...by



an organization'. In contrast to the 'business expatriate' definition, self-initiated expatriates are excluded as the investment dynamics and initial employee transfer expectations are distinctly different.

We make several contributions. First, we demonstrate the theoretical importance of taking a relational view when investigating the organizational value of IAs. Second, we provide an integrative relational framework to explicate extant knowledge. This focuses on the home-host intra-organizational relational dynamics which have been undervalued in relevant research. In focusing theoretical attention on this we identify the strengths and weaknesses of our current knowledge and emphasize the significance of several critical points. For example, it appears that value can accrue to different parts of the same organization through an IA at different times and this is dependent upon their relationships. Third, this manuscript contributes by bringing together three separate streams of literature. We name these streams Subsidiary Performance, CEO/TMT (Top Management Team) Impact and ROI (Return on Investment) respectively. Fourth, we provide research propositions using the relational framework and a research agenda to move our understanding of this vital topic forward. Finally, we identify key issues for HRM and global mobility professionals to address in light of our analysis.

The paper first explores the definitional challenges of organizational value and the grounds for taking a relational perspective when considering the organizational value of IAs. We then share the home-host relational framework that emerges from this SLR before explaining our method. Thereafter we explicate IA organizational value using the intra-organizational relational framework. This draws attention to the weaknesses in our knowledge and hence enables an initial set of research propositions and a future research agenda. Finally, the implications for HRM practitioners are reviewed before a summary of research limitations and conclusions.

## **2.2 Organizational Value – A Relational View**

Many articles in academic research use the term 'value' without consideration for its definition (see, for example Vandermerwe, 1997; Zhu, Xia and Makino, 2015).

Terms such as ‘expatriate success’ appear regularly in the Talent Management and HRM literature which may appear to address organizational value and yet they predominantly consider the individual performance of the expatriate at a task level (see, for example Harrison and Shaffer, 2005; Zhao, Liu and Zhou, 2016). Furthermore, the systemic nature of organizations (Ackoff, 1971) and intra-organizational relationships (Birkinshaw and Morrison, 1995) raises further complexity when considering organizational-level value.

The field of organizational strategy offers some assistance in clarifying the value construct. Nonetheless, authors have grappled with its definition (Ambrosini and Bowman, 2009; Pitelis, 2009; Ramírez, 1999). Ultimately, value is a subjective term and given its simplicity and clarity I draw on Pitelis to define organizational value as the ‘perceived worthiness of a subject matter to a socio-economic agent that is exposed to and/or can make use of the subject matter in question.’ (2009, p1118). Perceived worthiness is interpreted as a net construct, i.e. considering both the positive and negative impacts. This definition also implicitly assumes the relational aspects of value given that both the relationship between agents and their position within systems may affect their perception of the worthiness of any subject matter in question.

This paper identifies relational issues affecting the value of IAs to organizations. Relational models have been found to be crucial in guiding the theoretical interpretation of data in HRM research which cuts across macro, meso and micro levels of analysis (Syed, 2008). Given the interaction between individual assignees and the organizations involved these meso issues apply to IA value. More importantly, to support the significance of our relational approach and its theoretical contribution, we draw on the concept of relational rents first identified by Dyer and Singh (1998) who explored inter-relational advantages that could be exploited to generate supernormal profits. Their definition of relational rents relied on the combination of resources and capabilities between independent firms in a way that results from their relationship and could not be achieved in isolation. This offers a parallel given that IAs normally require two intra-organizational entities (home and host) which will have different legal entity status, even if co-

owned, given that they are in separate countries. Hence an IA, and the value it generates, cannot be achieved in isolation. Furthermore, it can be assumed that the underlying intention is to generate organizational value for one or both parties, or for the ultimate parent entity. Hence we suggest IAs have the potential to generate value as a form of intra-organizational relational rents.

A relational perspective also enables careful consideration of the factors which may affect value creation as distinct to value capture (Lepak, Smith and Taylor, 2007). Value capture assists in distinguishing between the act of creating value and that of accruing or retaining it. Value may be created by one party and yet captured by another (Bowman and Ambrosini, 2000a; Pitelis, 2009). In an IA context, the findings that assignee attrition is high (Lazarova and Tarique, 2005) demonstrates how the assignee may capture value rather than the organization. In contrast, the employee retention capabilities of the home/host organization may prevent this (Newton, Hutchings and Kabanoff, 2007). Hence the relational differences and similarities between the home and the host need to be understood to evaluate the potential consequences for value creation and value capture.

The IA literature considers many research areas which have an underlying relational aspect. For example, literature comparing Host Country Nationals (HCNs) to traditional international assignees (Toh and DeNisi, 2003) and literature considering Self Initiated Expatriates' (SIEs) performance in different types of organization or to other types of assignees (Baruch et al., 2013; Selmer et al., 2015). More specifically on the IA value question, McNulty et al. (2009) took an HR Systems approach and McNulty and De Cieri (2011a) took a systems theory approach to identify and question the different organizational aspects potentially affecting the ROI of IAs. However, these approaches fit within a general approach identified in this SLR whereby the organization is treated as a single entity and critically there is no direct acknowledgement of the range of fundamental relational aspects between the host and home. Similarly, as we will illustrate below, whilst research has considered the benefits of IAs to subsidiaries, this consistently ignores the impact on the home organizations and hence the

relational implications. In effect only one party to the relationship is normally considered when determining the value of IAs.

We next explain our method before turning to the findings and subsequently the research agenda based on our relational framework.

## **2.3 Method**

Searching online databases using keyword search strings is the basic step in many SLRs. This was not tenable for this project because the core search terms (organization, value, international assignment) generated very large response sets. For example, searches in EBSCO and ABI ProQuest each produced almost 10,000 responses. Whilst reviewing such a large list of articles' abstracts is feasible in principle, researchers have previously acknowledged the risk of relying on database search mechanisms (Greenhalgh and Peacock, 2005) and in practice there is risk of missing important articles through researcher fatigue. Accordingly, whilst retaining the core elements of a systematic and hence replicable and robust evidence-based approach, we designed an innovative search process as follows:

1. A citation review for Edström and Galbraith (1977) using the Social Science Citation Index (SSCI) database of the ISI-Web of Knowledge was carried out. We theorized that research considering the organizational value of IAs would cite this paper because it is widely recognized as the seminal paper on why organizations use IAs (Caligiuri and Bonache, 2016). The seminal status of this paper and its relevance to the research question was identified through an initial scoping study prior to commencing this research. This included discussions with academics in the field at relevant academic conferences. All titles and abstracts of articles citing this paper in SSCI were analyzed.
2. A citation review for McNulty and Tharenou (2004) was undertaken. This paper was chosen in the belief (subsequently ratified) that it was the first to discuss expatriate ROI and that this ROI is consistently referred to where organizational value is considered in IA literature. As this paper does not appear in either ISI-Web of Knowledge or Scopus databases, the

journal publisher's website (Taylor and Francis Online) and Google Scholar were used.

3. Snowballing or reference-tracking (Nijs et al., 2014) was used. Greenhalgh and Peacock advise that the 'Systematic review of complex evidence cannot rely solely on predefined, protocol driven search strategies, no matter how many databases are searched.' (2005, p.1065). Accordingly the reference sections of all articles included at any point in this SLR were checked and the abstracts of all potential articles were reviewed.
4. An expert group of senior academics provided lists of the most influential articles providing insights into the organizational value of IAs. The scholars were chosen through purposeful sampling as a cross section of authors from those listed in the articles found in steps 1 and 2 above. These authors were widely spread around the world, thereby seeking to overcome the network citation effect (Jo et al., 2009). A total of 16 scholars were contacted of whom 11 provided responses.

This review included only literature that explicitly discussed IA value. An Inclusion-Exclusion protocol was defined to guide the search (Tranfield, Denyer and Smart, 2003) and is available on request. The review focused on full length articles published in peer-reviewed academic journals thereby ensuring the knowledge has been certified by appropriate scholars (Podsakoff et al., 2005). Monographs or chapters in edited volumes were excluded from the review because these generally describe the field with a low likelihood of including original research.

The term 'expatriate success' is used predominantly to consider the individual performance of the expatriate at a task level (Porter and Tansky, 1999) and generally researches individual adjustment or acculturation, see for example Silbiger et al. (2017). Research is included in this review only where a link to organizational success is included. Similarly, papers which considered the correlations between IA numbers and different traits of countries, subsidiaries or parent companies have been excluded from this analysis unless they conceptualize the relationships using theories directly linked to value constructs

and their implications (in contrast to a presumed relationship noted in a literature review).

The reasons or drivers behind the use of IAs are an *ex ante* construct and excluded from the search. There is no certainty that the value to an organization is consistent with the reasons that triggered the decision to use IAs, especially given widespread identification that their instigation may happen in *ad hoc* discussions 'by the coffee machine' rather than through business case evaluation (Harris and Brewster, 1999).

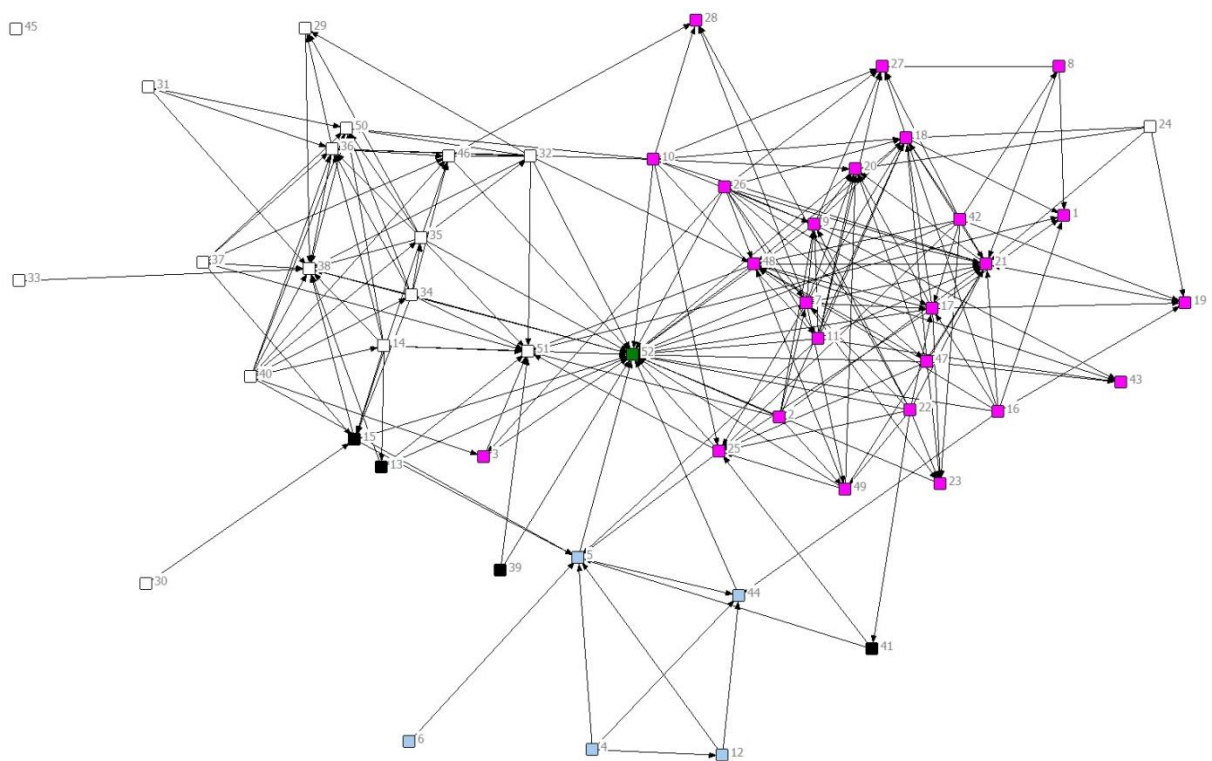
A summary of the outcomes of the article identification and inclusion-exclusion process is shown chronologically in Table 2-1. Upon full reading, 47 of the 106 articles identified for detailed analysis were rejected due to lack of relevance. At this stage subjective quality criteria were considered by reference to Daft (1995), e.g. insufficient theory or amateurish style and Pittaway et al. (2004), e.g. contribution to knowledge and methodological rigor. After applying these criteria, a total of 51 articles were retained for full analysis (see Appendix 2.1 below in Section 2.10).

**Table 2-1 Summary of Article Identification and Inclusion-Exclusion Process**

Source	Initial Total	Duplicates	Exclusions at Title & Abstract	Included to Read	INCLUSIONS Post reading
1. Seminal articles	2	N/A	N/A	2	1
2. Edstrom and Galbraith (1977) (Web of Science)	360	N/A	333	27	20
3. McNulty and Tharenou (2004) (Taylor & Francis)	9	1	6	2	2
4. McNulty and Tharenou (2004) (Google Scholar)	90	6	73	11	7
5. Cross referencing	36	N/A	N/A	36	18
6. Scholar recommendations	40	21	2*	17	2
7. Cross referencing from scholars' recommendations	9	N/A	N/A	9	1
GRAND TOTALS	546	28	412	106	51
NUMBER REMAINING	546	518	106	106	51
* Books were excluded. N/A = Not Applicable					

### 2.3.1 Overview of Articles

All papers focused on multi-national corporations (MNCs) and were published after 1988. Initial observation suggested three distinct categories of literature each with a different focus. We named these in line with that focus: Subsidiary Performance (25 papers), ROI (17) and CEO/TMT Impact (on firm performance) (5). Four papers did not fit into any single category. This categorization and the seminal influence of Edstrom and Galbraith (1977) was confirmed via network analysis (see Figure 2-1).



**Figure 2-1 Network Analysis of SLR literature**

**Item 52 (in the center) = Edström and Galbraith (1977)**

- **White squares = ROI literature**
- **Red squares = Subsidiary Performance literature**
- **Blue squares = CEO/TMT literature**
- **Black squares = Other literature**

The three categories of literature can be summarized as follows:

*Subsidiary Performance:* These articles investigate the performance of subsidiaries including or focused upon the impact of IAs. They are predominantly hypothetico-deductive quantitative studies evaluating wholly owned subsidiaries (Colakoglu and Caligiuri, 2008), international joint ventures (IJVs) (Lyles and Salk, 1996) and a combination of the two (Konopaske, Werner and Neupert, 2002).

*CEO/TMT Impact:* These mostly hypothetico-deductive empirical papers consider the impact the IA experience of the CEO/TMT has on overall firm



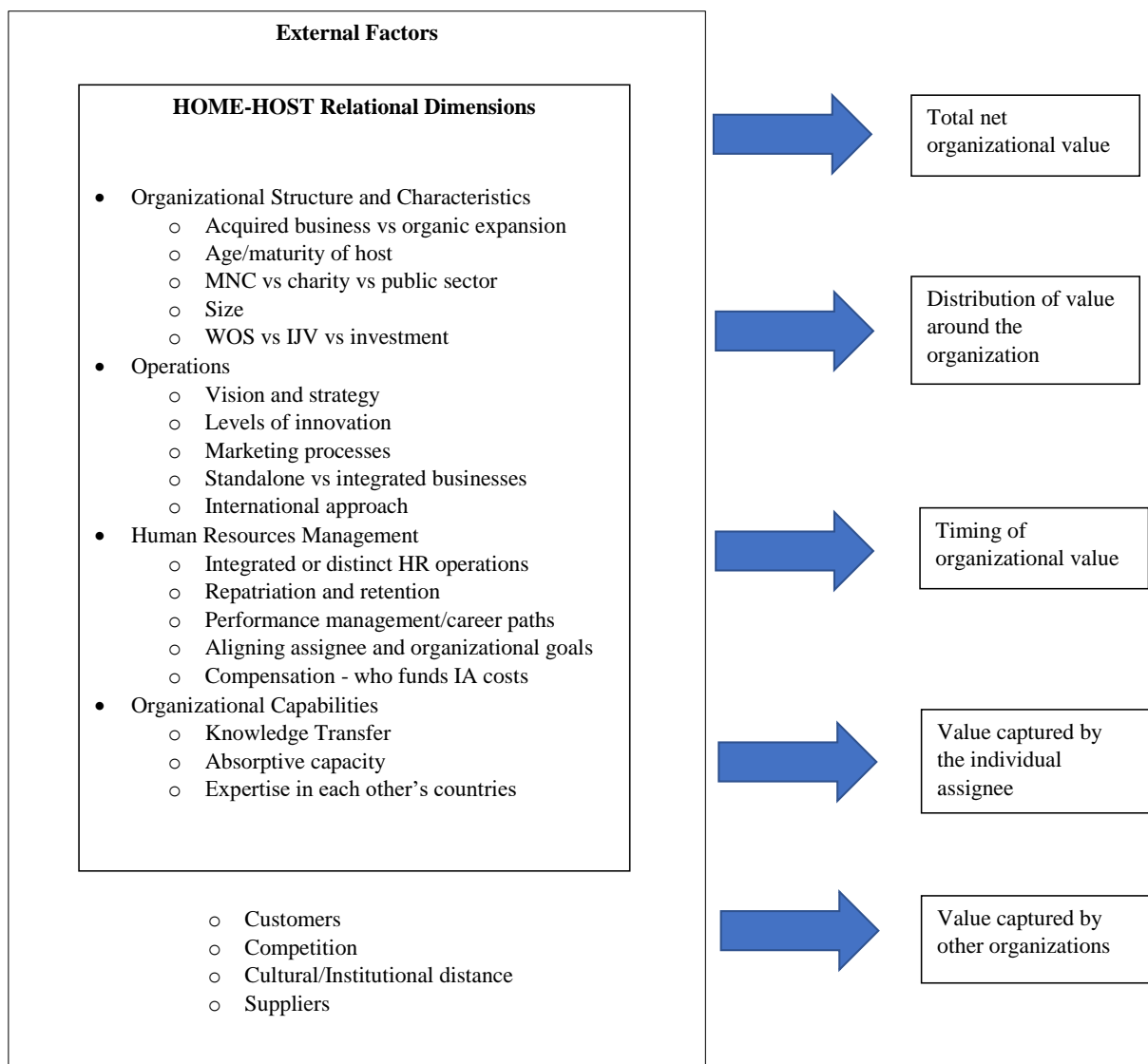
performance. These articles fit within a wider field of literature scrutinizing the connections between CEO/TMT attributes and organizational performance (see, for example Carpenter and Sanders, 2004; Le and Kroll, 2017).

*ROI:* This literature focuses on how the value of IAs should be measured and the elements that contribute to this both at the individual and organizational levels of analysis. This literature includes a significant percentage of conceptual papers (47%): six of the nine empirical papers appear to be based on the same set of underlying case study data.

### **2.3.2 Relational Framework**

The key findings and the critical variables or mechanisms of each of the 51 articles were noted and analysed. These were then summarized to represent the underlying factors involved. This identified the core underlying concept of the home-host relational construct and the many different implications these had for organizational value. The identification and representation of these factors continued on an iterative basis until a comprehensive and distinct categorization had been achieved within five themes. This iterative analytical process also identified the organizational value outcomes arising by reference to these five themes.

The five core relational themes between the home and host are shown in the framework in Figure 2.2. The first theme is Organizational Structure incorporating issues such as the investment relationship of the parties, e.g. is the host a wholly-owned subsidiary of the home or an IJV. The subsequent themes look at the localization versus globalization distinctions under two categories: Operations and Human Resource Management. Following on from these functional perspectives, the fourth theme considers the Organizational Capabilities of the home and host, for example their knowledge transfer competencies. The final theme, potentially impacting each of the first four categories, considers External Factors such as customers and suppliers.



**Figure 2-2 Relational Framework for the Organisational Value of IAs**

As shown on the right-hand side of the framework, these five themes all have the potential to affect the total organizational value created, how this value is distributed internally, the potential for different internal and external parties to capture this value (including the assignee) and the timing of this value.

We now turn to interpreting the literature following this relational framework, starting with the organizational value itself.

## **2.4 The Organizational Value of IAs**

### **2.4.1 What is the Value?**

Turning first to the types of organizational value that IAs create indicates the importance of taking a relational view. We found that this value has been interpreted from two primary perspectives: the host, and the organization as a whole, which we refer to as the group (assuming, as relevant literature tends to, that the host and home are in the same group of companies). Despite recognition that they may be affected (Welch, Steen and Tahvanainen, 2009) there was no clarity found in the papers as to whether value occurs simultaneously in different organizational parties as extant empirical research analyses the parties separately and has not investigated the home as a distinct entity. As we show below, relational aspects are regularly acknowledged, for example in considering the moderators that may affect value, yet research effectively ignores one half of the home-host relationship in their value calculations in addition to the parties beyond this central dyad.

Value to the host is primarily identified through the Subsidiary Performance literature. This literature stream focuses on Asia, with 17 of the 21 empirical papers researching subsidiaries or MNCs in that region. Notably several papers relied on language techniques to interrogate surnames of subsidiary workers, (see, for example, Gaur, Delios and Singh, 2007) and hence define them as expatriates of the parent company. Whilst this may correctly identify them as IAs it cannot identify that the assignees came from the same home entity. Nonetheless, the underlying theme indicates that an increase in the number of international assignees in a subsidiary increases the performance of that subsidiary. However, whilst there is mainstream support for this direct relationship (see, for example Chung and Beamish, 2005; Gong, 2006; Hyun, Oh and Paik, 2015), the majority of the findings establish that this relationship only exists if certain relational characteristics are present and the insights regarding these characteristics are highly uncertain.

The value to the host includes increases in labor productivity, profitability, generic business performance, sales volumes, market share, performance compared to

parent company expectations, long term subsidiary survival, ROI and return on equity (ROE). The CEO/TMT Impact literature identifies value at the overall organizational level in similar terms to host value: average income growth over five years, ROI, pre-tax ROE, market-to-book ratio, return on assets, return on sales and total stock market returns. In contrast, the ROI literature identifies non-financial factors with capability development, incorporating improved knowledge transfer (KT) and networking capabilities as a primary example (McNulty, De Cieri and Hutchings, 2013). The other benefits included internationalization, developing cultural understanding, managing corruption, bringing leadership skills, improved global staffing and, in a small number of cases, financial gain (McNulty, Hutchings and De Cieri, 2011).

The value identified in the Subsidiary Performance literature exists both during (Fang et al., 2010; Konopaske, Werner and Neupert, 2002) and after the IA (Chang, Gong and Peng, 2012; Hebert, Very and Beamish, 2005) and, whilst variations exist, evidence supports a positive effect at the subsidiary workforce, CEO and TMT level. For example, Hocking, Brown and Harzing, (2004) tested the relationship between the intended purpose of assignments from across the workforce to subsidiaries and their outcomes. They identified a positive relationship which increased as the duration of assignments increased. However, this study did not validate any relationship between the desired outcomes and organizational value and similarly ignored how the costs of the IAs are borne. This cost issue is a critical relational question. If, for example, costs are borne centrally then any host value ascribed to an IA may be misleading when compared to total net organizational value giving a different outcome for business efficiency.

The CEO/TMT Impact literature suggests there is 'consistent evidence that CEO international experience is positively related to corporate financial performance' (Daily, Certo and Dalton, 2000, p.520). However, this value arises after the IA experience and may be in different organizations to those in which the IA occurred. Given that the home in IA research is in most cases the parent organization, the CEO/TMT Impact literature suggests the home is more likely to

benefit from the IA after rather than during the assignment. However, without time series data including costs and benefits there is a risk that the total net value of the IA experience is not being fully documented. The consequences for global business may be substantial.

#### **2.4.2 Value Assessment**

Businesses do not appear to calculate the organizational value of IAs, (McNulty, 2008; McNulty, De Cieri and Hutchings, 2009; Schmidt and Minssen, 2007). The most nascent stream of literature identified in this SLR focuses on this agenda. The factors limiting the evaluation of IA organizational value have been reported as operational (e.g. the lack of data), cultural (e.g. the view that such a calculation is not required) and strategic (e.g. that no party is accountable for this) (McNulty, De Cieri and Hutchings, 2009). Furthermore there is some confusion given that literature suggests ROI should be both a singular concept and a mind-set or generic umbrella construct (Doherty and Dickmann, 2012; McNulty, Hutchings and De Cieri, 2011; McNulty and De Cieri, 2013).

There are two definitions offered for the organizational value of IAs. Both of these implicitly ignore the significance of the relational view. The most recent definition is formulaic, 'Expatriate ROI':  $eROI = cROI + iROI$  (McNulty and De Cieri, 2016, p.9). This asserts that total IA ROI is a function of two additive and separate elements: cROI which is the value to the corporate and iROI which is the value to the individual. By treating these as additive elements it simplifies the extent to which the value between these parties is inter-related. More importantly, it overlooks the relational home-host implications as well as the external competition for value (Hemmasi, Downes and Varner, 2010). The earliest definition of IA organizational value in the extant literature takes a more holistic approach: 'a calculation in which the financial and nonfinancial benefits to the MNC are compared with the financial and nonfinancial costs of the international assignment, as appropriate to the assignment's purpose.' (McNulty and Tharenou, 2004, p.73). This also suffers from the same implicit assumption that the MNC can be treated as a single entity without consideration for its component parts, their relationships and how these affect the total value achieved by IAs.

Several enabling conceptual frameworks exist for the measurement of the organizational level of value and it is clear that at a practical level there are many interacting variables involved in the measurement process (see, for example Hemmasi, Downes and Varner, 2010; Nowak and Linder, 2016; Schiuma, Bourne and Harris, 2006). Acknowledging the different organizational and individual goals and their inter-relationships, these offer a range of calculations in order to manage and measure the practical effects of IA value. Nonetheless, these measurement frameworks treat the organization implementing the IA as a single entity and do not separate the home and the host, nor other organizational entities, as having potentially distinct value outcomes. The narrative needs to change to include a relational view. We will now discuss this in the sections below.

## **2.5 Interpreting the Literature – A Relational View**

Several authors have noted the complexity of the relationships between the parties involved in IAs (Dickmann & Doherty, 2010; McNulty et al., 2009, 2013; Nowak & Linder, 2016), while others have stated that it is difficult to identify who captures the benefits from an IA between the home, the host, the assignee, or the whole organization (Welch, Steen, & Tahvanainen, 2009) never mind the possibility that external parties may benefit. Our emergent relational framework (see Figure 2-2) is designed to provide a route through these issues.

### **2.5.1 Organizational Structure**

A series of factors which represent the structure of the organizational relationship between the home and the host have been considered within IA organizational value research. Perhaps at its most fundamental level, the ownership has been analyzed (e.g. whether hosts are wholly owned subsidiaries (WOS) or international joint ventures (IJVs)). For example, in a study of Japanese manufacturing companies and their overseas subsidiaries, Konopaske et al. (2002) reported that increased IAs from the home HQ was negatively related to subsidiary performance for IJVs (shifting from negative to positive as the equity percentage increases) whereas for wholly owned subsidiaries ethnocentric staffing is positively related to subsidiary performance. Chung and Beamish

(2005) considered the IJV versus WOS distinction in their study of how the number of IAs affected the host's survival in an economic crisis with contradictory results. They found a positive relationship which was greater with greenfield IJVs and acquired WOS when compared to greenfield WOS. In most other cases, however, studies defined their research sample by reference to ownership status and did not investigate the consequence of this structural difference.

A further structural characteristic is the age or maturity of the host and its size. Findings as to the impact of the age of the host on the correlation between IA levels and subsidiary performance has produced conflicting evidence. Gong (2003a) found that age is not beneficial whilst Gaur et al. (2007) found that it is. Sekiguchi, Bebenroth & Li (2011) also investigated how the IA make-up of Japanese affiliates' TMTs affected their performance by reference to the affiliates' age and size. They found that whilst the age of the affiliate on its own did not moderate the performance relationship with IAs in the TMT, larger and younger affiliates with more TMT IAs correlated with improved performance. Furthermore, younger affiliates performed better with IA Managing Directors (MDs) rather than Japanese (local) MDs, although in older affiliates it made little difference. When affiliate size was introduced there was no correlation with the IA status of the MD. Taking a different viewpoint, Riaz et al. (2014) considered the effect of parental size on new subsidiaries' sales performance related to IA numbers, finding that the larger the parental size the greater the positive effect.

Taking a different structural issue, the literature only considers MNCs. There was no research investigating the organizational value in other organizational types such as charities, religious organizations, and public-sector bodies. The intra-organizational relationships within these parties may be distinctly different to those of MNCs due to structural difference, for example where a central charity HQ acts as the fundraising body for overseas activities.

In conclusion, the structural characteristics of the home-host relationship and the broader organizational context appear to affect the organizational value of IAs and yet there are inconsistencies and gaps in the research. For example, the outcomes may be affected by the relational size of both organizational parties,

for example where a small number of IAs represents a large percentage of employees in a small home and host, and hence has a greater impact on both parties – especially a home losing large staff numbers. Hence we offer the following:

**PROPOSITION:** The relational structure between the home, host and other intra-organizational parties affects the IA organizational value to each party, including each party's share of the total value.

### **2.5.2 Operations**

The primary operational relationship question is the extent to which a host organization's operations act on a standalone or integrated basis with the home - the localization versus globalization distinction (Bartlett and Ghoshal, 1989). Roth (1995) reported that CEO IA experience had a positive impact on firm performance and yet if group interdependence was low (as distinct to the interdependence between the home and the host which was not measured), then it had a negative impact on performance. In contrast, Richards (2001) investigated the impact of interdependence of the subsidiary host with the parent home and found that this had no impact on her findings of host performance related to expatriate versus local managing directors. At a more granular level of interdependence, Tan and Mahoney (2006) identified that higher local product customization needs and lower local advertising intensity each correlated with greater IA use and hence indicated situations when the value to the subsidiary is highest. Similarly, Dutta and Beamish (2013) found a curvilinear relationship between IA numbers and firm performance such that increasing IAs in the workforce improved performance up to a point after which it declined. Notably, this curvilinear relationship was positively moderated by the greater extent of product relatedness between the host (in this case IJVs) and its parent (the home).

Colakoglu et al. (2009) argued that the business strategy of the host subsidiary and its levels of operational innovation would affect IA organizational value. For example they argued that a low cost strategy or low levels of local innovation in host subsidiaries suggested an IA approach would have less value. This is



consistent with Bonache Pérez and Pla-Barber (2005) who found that if subsidiaries depend upon HQ centralized innovation there is a tendency to use more IAs, although they did not report on any value implications of this increase. Offering seemingly contradictory findings, Colakoglu and Jiang (2013) identified no correlation between the home and the host having a shared vision and the value the host gained from IAs despite finding that such a shared vision increased the use of such IAs. Whilst the strategic relationship between home and host may have an impact on the total value, the consequences are unclear.

Building on Tan & Mahoney's (2006) findings on advertising intensity, the marketing needs of the subsidiary host, in combination with their technology needs, have been found to be a factor affecting IA value. Fang et al. (2010) found that the number of IAs in the workforce relative to the total number of subsidiary employees strengthened the effect of a parent firm's technological knowledge on subsidiary performance in the short term (but not in the long term), but weakened the impact of the parent firm's marketing knowledge on subsidiary performance in the long term. Adding to the confusing picture, Richards (2001) reported that where the marketing themes in hosts were similar to the HQ, HCN-led subsidiaries outperformed IA-led ones.

Moving from the practicality of operational issues to issues of a company's operational style and culture, studies have researched the extent to which IA value is captured as a result of the 'international approach' of the organization within which the assignee is employed. This has been conceptualized differently for example as global mindset (Oddou et al., 2009) and operationalized differently, for example as global strategic posture (Carpenter et al., 2001). In each case the findings provide support for the argument that businesses with an international approach benefit the most from a CEO's IA experience (plus the TMT's IA experience where included). Overall, whilst the research base is limited, advocating a measurement of a business's international approach before deciding to implement a proactive IA policy could have highly positive impacts on a firm's returns and logically this would affect both home and host.

Finally, the localization construct can be considered in terms of the role a host takes within the overall organizational network. Colakoglu et al. (2009) suggested this role may impact on the organizational value derived from hosting IAs. This was based on the premise that subsidiaries compete against others within an organizational network for resources from the parent body. Drawing on Birkinshaw and Morrison's (1995) conceptualization that subsidiaries may act as 'local implementers' (thus adding minimal value to the product or service), 'specialized contributors' (adding considerable value whilst restrained within the organizational network) or with a 'world mandate' (operating strategically, e.g. leading a business line), they argued that these levels of relationship would affect the value to the host. Consistent with the themes already identified, they did not consider the impact of IAs beyond the recipient subsidiary, e.g. the home, peer-peer IAs or inpatriation.

In conclusion, research on the operational characteristics of the home and host offers contradictory findings and ignores the impact on how value may be shared between the parties. However, when an overall organization has an international approach, an increase in IAs and IA experience offers increasing organizational value after the IA, which is consistent with the positive IA value expectations when there is lower intra-organizational competition. Hence this suggests that globalization of an organization's operations is likely to increase the organizational value of IAs. Accordingly we offer:

**PROPOSITION:** Increased globalization and interdependence of the organization within which the home and host sit will increase the value to the home and host both during the IA and after the IA. Factoring in a long-term view beyond the life of the IA itself increases the total combined organizational value.

We now turn to the operational aspects of HRM as the next theme in our relational framework.

### **2.5.3 Human Resource Management**

The HRM practices of repatriation and retention are consistently identified as critical to IA organizational value (McNulty et al., 2009, 2013, 2011; Schmidt &

Minssen, 2007), but are not researched in any of the quantitative studies in this SLR. These practices clearly involve relational aspects with HRM interacting with each of the home and the host. The potential significance of retention on value appears consistent with the findings of the CEO/TMT Impact literature except that if the features of the employing organization do not match those required (e.g. an international approach) then retaining the assignee may not result in the organization capturing value. Similarly, reported failings in the creation of differential career paths for repatriates within which to use their new skills (Schmidt & Minssen, 2007) may make retention per se moot. Research to determine any relationship between repatriate retention and organizational value rather than relying on conceptual or presumed relationships would add considerably to the call for improving repatriation and retention processes (Lazarova & Tarique, 2005). Adding somewhat to the complexity, Carpenter et al. (2000) argued that the very increase in IAs itself should have a positive impact on internal labor markets due to the faster promotion of those with IA experience reducing the need for external hiring. Potentially this positive effect might balance the theoretically negative effect of high attrition.

Performance and career management are identified as important organizational value determinants in Yan et al.'s (2002) conceptual framework. They argue that the alignment of the assignee's goals with the organization's goals is fundamental. Bonache and Noethen (2014) argued for the importance of the relationship between the difficulty of the IA task and the capability of the assignee. Whilst goal alignment is arguably an operational function we would expect the HR function organizing IAs to be attuned to this issue and that such alignments might enable IA value. This theoretical stance may need further development, however, as once again these papers treat the organization as a single entity and also ignore where the HRM operations sit. Meeting the psychological contract expectations of the assignee could also be incorporated here as a form of alignment, although there is some uncertainty given significant evidence of assignees' intentions to leave their host employer despite such expectations having been met (McNulty et al., 2013). More importantly, the existing research

does not explore the relational distinction between home and host given their different potential impacts on the assignee's psychological contract.

Whilst the work of HR in creating and subsidizing IAs is identified as affecting the overall organizational cost of IAs by Nowak and Linder (2016), research does not appear to have considered where these costs of HR are borne, i.e. in the home, host or elsewhere. From a relational viewpoint, accepting that subsidiaries may be in competition with each other for organizational resources, value creation is affected by whether IA process or remuneration costs are retained in a central HR function or distributed. This is especially the case with respect to assignee compensation levels which are widely recognized as being high compared to local hires (Toh and DeNisi, 2003).

The uncertainty regarding the implications of HRM practices and how they impact upon the value to the home and the host suggests a need for further research. Drawing on the earlier findings regarding the positive impacts of operational globalization plus the coordination requirements of many HRM IA practices with the home and host, we suggest:

**PROPOSITION:** The integration of HRM IA practices between the home and the host will increase the value captured by each party from IAs.

#### **2.5.4 Organizational Capabilities**

The previous relational themes have a structural and functional focus. We now turn to consider the broader capabilities of the home and host. The role of knowledge transfer (KT) is fundamentally relational as it implicitly assumes different levels of knowledge between the parties for KT to arise. A recent conceptualization of the KT issues for IAs identifies that the knowledge framework includes knowledge transferred to the host subsidiary, knowledge sustained by the host subsidiary and knowledge transferred to the home organization thereby clearly supporting the relational construct (Gonzalez & Chakraborty, 2014). Similar to Oddou et al.'s (2009) view of the home organization post repatriation, Gonzalez & Chakraborty conceptualized that a positive relationship with KT might exist with absorptive capacity in the host subsidiary.

Despite support for the KT phenomenon (see, for example Dutta and Beamish, 2013; Fang et al., 2010; Wang et al., 2009), research on the KT creation mechanism for IAs in subsidiaries and IJVs has triggered contradictory evidence. For example, Colakoglu and Jiang (2013) found that there was no correlation between KT from IAs and subsidiary performance, whilst Chang et al. (2012) found that assignee competencies in KT enhanced subsidiary performance through knowledge received, but there was no correlation between the numbers of IAs and subsidiary performance unless the subsidiaries had high absorptive capacity. Lyles and Salk (1996) found similar results for Hungarian IJVs. Chang et al. (2012) suggested this may be a result of companies using IAs predominantly for technical or task-based reasons and hence these assignees may not have the appropriate KT skills. This illustrates the usefulness of Wang et al.'s (2009) findings that international assignees possessing the motivation and adaptability for KT had a positive correlation with subsidiary success (which was mediated by the KT). The complexity involved suggests considerable caution for global businesses.

Turning to a different organizational capability issue, studies have found conflicting evidence on the impact of the home's knowledge and experience of the host country and industry when using IAs. Tan and Mahoney (2006) identified that lower host experience of the home correlated with greater IA use and hence indicated situations when the value to the subsidiary is highest. However, Hebert et al. (2005) found that the home's prior experience of the host country had no effect on the value of IAs and yet Goerzen and Beamish (2007) found that an increase in the parents' prior experience in the host country correlated with an increase in expatriate numbers generating greater subsidiary performance. Both Hebert et al. (2005) and Riaz et al. (2014) found that the parent's experience of the industry within which the subsidiary sat, had a positive effect. Once again therefore the overall picture is unclear.

In conclusion, there is uncertainty and contradiction in our understanding of what or how organizational KT, and knowledge and experience capabilities determine

the value of IAs to the home and host. Relevant IA research is unidirectional – looking only at the value to one party. This suggests:

**PROPOSITION:** The difference in levels and types of knowledge and experience between the home and the host combined with their respective absorptive capacity, will affect the value of IAs to each of the home and the host through KT such that effects may be conflicting, e.g. the host gains value whilst the home loses value.

Whilst our relational framework for the organizational value of IAs draws attention to the relationships between the home and the host, these relationships sit within a broader contextual set of stakeholders. We now turn to consider this final theme emerging from the review.

### **2.5.5 External Factors**

Whilst they conceptualize the home-host organization as a single entity, the significance of external factors on the organizational value of IAs is directly recognized within McNulty and De Cieri's (2011) systems-based framework for ROI in IAs. Looking across the research in this field, the external factors affecting the home-host relationship and hence the organizational value of IAs can be summarised as 1) the customers, the competition, and the market; and 2) the cultural or institutional distance between the home and the host. We first consider the literature on the customers, competition and market as it impacts upon the organizational value of IAs to the home and the host.

Richards (2001) identified that subsidiary hosts benefited more from IAs when they had more international customers whereas HCN-led subsidiaries performed better with a predominance of local customers. As regards the competitive nature of the host's market place, McNulty and De Cieri (2011) identified the potential for impacts on IA value from inter-organizational networks and alliances, environmental volatility and dynamism. This aligns with Bouquet et al.'s (2008) findings that increased industry dynamism increases the positive effect of CEO/TMT attention on subsidiaries, which is important because CEO/TMT IA experience was identified as a key determinant of this attention.

Considering the implications of the external market on IA value, Chung and Beamish (2005) researched the impact of economic crises on the value of IAs. They identified that in an economic crisis, the number of expatriates in a subsidiary is positively related to the survival of that subsidiary and that this arose more so with greenfield joint ventures and acquired wholly-owned subsidiaries than greenfield wholly-owned subsidiaries. However, while this positive interaction effect is significant in an economic crisis, it is not significant in an economically stable situation.

The effect of cultural and institutional distance on the value of IAs was considered by several articles investigating subsidiary performance. These articles all make the implicit assumption that the distance between countries is consistent with the difference between the organizations' group companies and that the distance is the same irrespective of the directionality or the specific in-country location - a construct validity problem raised by several scholars (see, for example, Tung, 2016) and magnified where the method identifies only the assignee's country of birth not the home organization (as noted earlier).

Whilst the impact of cultural differences has been found to have an interactive effect on the IA-subsidary performance relationship, there are inconsistent findings. Some authors (Gaur, Delios and Singh, 2007; Gong, 2003a; Riaz, Glenn Rowe and Beamish, 2014) found that the positive effect of IA's increased as cultural distance increased (including normative distance and regulative distance). Others found no correlation (Bonache Pérez and Pla-Barber, 2005). And Colakoglu & Caligiuri (2008) found that a correlation only existed when cultural distance was taken into account, but was in the opposite direction, i.e. subsidiary performance reduced as cultural distance increased. Richards (2001) found similarly contradictory evidence comparing the performance impact between subsidiaries of US companies in Thailand and the UK with, for example, host country national-led subsidiaries in Thailand outperforming those that were IA-led in both the UK and Thailand. To add further uncertainty Gaur et al. (2007) investigated institutional distance and their findings were commensurate with Colakoglu and Caligiuri (2008) at the workforce level (reduced firm performance

as distance increased) and yet positive at the General Manager level. In summary, more research on these issues is required before clear conclusions on the impact of cultural or institutional distance can be drawn and the contradictions may be a function of construct validity issues.

The relevance of market and competitive conditions also impacts upon the possibility that the home and host may not retain all the value generated by IAs if other organizations poach their assignees. Most of the CEO/TMT Impact literature ignores whether the IA experience was in the same company within which the CEO/TMT position was held and Daily et al. (2000) found that the positive relationship between CEO IA experience and firm performance was moderated by outside succession. A similar issue is the assignees' ability to capture some of the organizational value through proactively moving employer or salary negotiations affected by competitive markets (Dickmann and Doherty, 2010; Doherty and Dickmann, 2009; Welch, Steen and Tahvanainen, 2009). Carpenter et al. (2001) found that CEOs with IA experience obtained higher pay (by definition this is post IA) provided the firm had a greater global strategic posture.

The uncertainties related to the external factors of the home-host relationship suggests a need to draw together the issues to extend our understanding of the theoretical possibilities. Hence we suggest:

**PROPOSITION:** The organizational value of IAs to the home and the host depends upon both the external market conditions and the cultural/institutional distance between the parties.

## **2.6 Discussion and Future Research Agenda**

This paper sought to answer the question, what do we know about the organizational value of IAs? Emerging from our review was the underlying yet understated theme of the home and host relationship. An IA is, by definition, between two distinct organizational entities with different characteristics and capabilities, irrespective of whether they are within the same organizational structure. A simple example, is that in traditional IA literature the home is also the



parent body of the host creating different roles in terms of governance. As such the underpinning relational aspects are fundamental to understanding IA organizational value. Accordingly we have provided a relational framework to explicate extant knowledge and advance propositions.

Many of the findings to date regarding the relational impacts on the organizational value of IAs have been contradictory or inconsistent. Hence there is a need for further studies focusing on several home-host relational aspects of the IA in order to provide greater direction to practitioners. We have proposed a series of initial research propositions to address these issues including the maturity/age of the host, KT capabilities, the interdependence of the home and host, the HRM capabilities of the home and the host, and the implications of market factors and cultural/institutional differences. There is also a series of notable gaps in existing research which are clear from this review. Hence we turn now to suggest a future research agenda.

Gonzalez and Chakraborty (2014) offered a conceptual paper which incorporates the knowledge utilization effects of IAs both on subsidiary and overall MNC performance and Gaur et al. (2007) drew attention to the critical management challenge between optimizing subsidiary performance and total corporate performance. However, there is no empirical analysis of the organizational value derived through the use of IAs at the home organization or the impacts on other group organizations not involved in the IAs. As conceptualized by Colakoglu et al. (2009) it is feasible that an increase in subsidiary performance due to the arrival of IAs causes a reduction in the performance of other group operations without IAs. Similarly, corporate headquarters may suffer in performance as a result of sending its best people overseas to the benefit of local operations. Furthermore, analysis of IAs in (a) non-traditional directions, e.g. from subsidiary to subsidiary or inpatriation, or (b) non-traditional short-term alternatives, e.g. business travelers or commuters, is not considered. The value in these circumstances may be affected by several relational factors, e.g. the role each organization plays within the overall group (Colakoglu, Tarique and Caligiuri, 2009). New research could help clarify existing uncertainties.

Possibly due to the complexity of research design, there are also no studies considering the net value generated when a) one organization implements the IA and another separate organization subsequently employs the assignee and derives benefit from that experience, or b) inter-organizational IAs, i.e. where an assignee moves between completely separate organizations. Given the increasing interest in global supply chains and competition both within and between organizations (see, for example Luo, 2005) there may be innovative IA examples to consider here.

Most research did not consider the ownership implications in their study, e.g. whether wholly owned or otherwise. For example, Dutta and Beamish's (2013) study of 20-80% owned US located JVs of Japanese firms found a curvilinear relationship between IA numbers and firm performance such that increasing IAs in the workforce improves performance up to a point after which it declines. Research identifying such an optimal point would be highly beneficial to both theory and practice – and yet this would further benefit from incorporating the implications of the ownership structure given the uncertainties this relational issue may introduce.

A notable relational exception in this review is the lack of research into non-MNCs – an issue that applies to the whole field of IA research (McNulty, Vance and Fisher, 2017). New studies as a consequence of this SLR have started to touch on this opportunity for further research. For example, Renshaw et al. (2018) investigated a public sector case study and found evidence that the value of IAs to organizations is a result of the microfoundations of DCs. If the level of change in public sector bodies exceeds that in the private sector, this also offers the possibility that the value of IAs will be greater in bodies other than MNCs.

The research papers do not investigate the potential for different value outcomes depending upon the purpose of the IA or capability of the assignee. And yet assignees are sent for a range of different reasons (Edström and Galbraith, 1977). With a growing focus on the shortage of global talent and hence talent development programs providing IA opportunities primarily to high-potential employees (Cerdin and Brewster, 2014) this distinction may be significant.

Similarly we can learn more from understanding the alignment of purpose, or objectives, between the assignee and the home and the host. Yan et al. (2002) considered this concept but only on the assumption of a single organization.

Finally, no empirical research investigates whether organizational value arises at the same time in the host, the home, the assignee and across the whole organization. The Subsidiary Performance papers primarily investigate CEO/TMT assignees at the host level whereas the CEO/TMT Impact papers investigate the CEO/TMT at the HQ level subsequent to their assignment. If extremely high costs were suffered by the company funding that prior experience, which could be a different company, the total net value has not been determined. The existence of the expatriation cycle suggests that value might arise to the home, host and other organizational entities both during and after the IA. Longitudinal studies would add considerably to our understanding of these issues.

## **2.7 Implications for HR Practitioners**

There are multiple practical implications for HR professionals by taking a relational view when considering the organizational value of IAs. Investments in IAs are costly (Doherty and Dickmann, 2012) and can take many different forms depending on the duration, sending unit, host location, or function in the destination country (Baruch et al., 2013). The purpose of an IA has a bearing on the value outcomes. This review has shown that HR departments need to develop processes to consider the groupwide value consequences of IAs starting by distinguishing between the home and the host. In their strategic considerations, therefore, HR professionals should assess the various IA options and choose the most beneficial one for the group as a whole, which requires them to identify and help manage any resultant conflicts. For instance, this would allow them to compare the likely value of a long-term control and coordination IA, where the expatriate develops a local successor, with that of a developmental assignment. The short and long term local, network and global effects of different assignment scenarios on organizational value are potentially highly variable and these are linked to the organization's worldwide HR configuration (Farndale and Paauwe, 2007) as well as its global development and career systems.

In addition, understanding value, value creation processes and value capture mechanisms has many HRM process implications. Sophisticated assignee selection and preparation, expatriation rewards and benefits, performance management, long-term career approaches and repatriation mechanisms have an impact on the value generated (Carpenter, Sanders and Gregersen, 2000; Dickmann and Baruch, 2011; Harris and Brewster, 1999). Companies have already started to distinguish different assignment forms and have created diverse reward packages for these (Tornikoski, Suutari and Festing, 2015). A better understanding of individuals, their preferences and strengths (Doherty, Dickmann and Mills, 2011) as well as an appreciation of the host and home relational context and the potential preparation of host teams can affect value creation. Thus, HR professionals should develop a more in-depth appreciation of the value implications throughout the expatriate cycle and create more tailored solutions. Over time, this could lead to an individualization of the expatriation relationship and more sophisticated global mobility work. Overall, an improved understanding of what IA value is, where, when and to whom it accrues plus the relational factors that augment this value, could strengthen global mobility work.

## **2.8 Conclusions and Limitations**

We have presented a systematic literature review as a response to calls for more research to understand the organizational value of IAs (Baruch, Altman and Tung, 2016; Bonache and Zárraga-Oberty, 2017). We identified and brought together three separate literature streams on IAs evaluating Subsidiary Performance, CEO/TMT Impact and ROI respectively. Our primary contribution was the theoretical importance of taking a relational view when investigating the organizational value of IAs combined with the presentation of an integrative relational framework. This focused on the home-host intra-organizational relationship. We provided research propositions using the relational framework and hence a research agenda to move our understanding of this vital topic forward. Finally, we identified key issues for HR functions and global mobility professionals to address. The relational view identifies the significant theoretical and practical implications of the home-host relationship on the value these parties

derive from IAs both separately and together. Future research on the organizational value of IAs needs to take these into account and can no longer consider the value to one party without questioning what happens to others.

Whilst a lot is known from 30 or more years of research there is considerable uncertainty regarding the total value generated by IA interventions. The Subsidiary Performance literature offers many examples of value being generated at the subsidiary level and yet it is uncertain whether sister entities or the overall group of companies benefit as the literature implicitly assumes the cost of IAs sits in the host subsidiary. Furthermore, there are many questions as to what relational features are needed to capture this value. Having an international approach is supported and presents a clear opportunity for HR functions to work within businesses to achieve this and hence capture value from IAs. However, whilst retention of the assignees after the IA is regularly reported as a process that is expected to capture value, there is limited research to support this. Similarly, there is inadequate information regarding how the organizational structure, the operational and HR needs of individual host organizations and the home/host capabilities might affect the outcomes.

There is a range of limitations to the research undertaken. In particular, the methodology may have achieved different results with a traditional SLR approach to reviewing the several thousand articles identified in the initial database searches or a broader or different group of academic scholars in the expert group. However, the network analysis of the included 51 papers validated starting with a citation analysis of the seminal papers by Edstrom and Galbraith (1977) and McNulty and Tharenou (2004) respectively.

From a practitioner perspective, the uncertainty as to when, where or indeed whether there is any net value generated for organizations through their use of IAs raises uncomfortable questions. Above all, the authors hope that the issues discussed and insights developed serve to guide future IA research to address these challenges.

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**2.10 Appendix 2.1 - 51 papers identified through review process. Numbers are as shown in Figure 2.1 network analysis and hence include Edström, A. and Galbraith, J.R. (1977) as number 52.**

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15	Doherty, N.T. and Dickmann, M. (2009) 'Exposing the symbolic capital of international assignments', <i>The International Journal of Human Resource Management</i> , 20(2), pp. 301–320.
16	Dutta, D.K. and Beamish, P.W. (2013) 'Expatriate Managers, Product Relatedness, and IJV Performance: A Resource and Knowledge-based Perspective', <i>Journal of International Management</i> , 19(2) Elsevier B.V., pp. 152–162.
17	Fang, Y. et al. (2010) 'Multinational firm knowledge, use of expatriates, and foreign subsidiary performance', <i>Journal of Management Studies</i> , 47(1), pp. 27–54.
18	Gaur, A.S. et al. (2007) 'Institutional Environments, Staffing Strategies, and Subsidiary Performance.', <i>Journal of Management</i> , 33(4), pp. 611–636.

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28	Lyles, M.A. and Salk, J.E. (1996) 'Knowledge acquisition from foreign parents in international joint ventures: an empirical examination in the Hungarian Context', <i>Journal of Intellectual Capital</i> , 27(5), pp. 877–903.

29	McNulty, Y.M. (2008) 'How a major multinational is working to overcome the barriers to improved expatriate ROI', <i>Global Business and Organizational Excellence</i> , 27(3), pp. 38–47.
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45	Schiama, G. et al. (2006) 'Assessing the value of international assignments', <i>Measuring Business Excellence</i> , 10(1), pp. 60–71.
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47	Sekiguchi, T. et al. (2011) 'Nationality background of MNC affiliates' top management and affiliate performance in Japan: Knowledge-based and upper echelons perspectives.', <i>The International Journal of Human Resource Management</i> , 22(5), pp. 999–1016.
48	Tan, D. and Mahoney, J.T. (2006) 'Why a multinational firm chooses expatriates: Integrating resource-based, agency and transaction costs perspectives', <i>Journal of Management Studies</i> , 43(3), pp. 457–484.

49	Wang, S. et al. (2009) 'Expatriate Utilization and Foreign Direct Investment Performance: The Mediating Role of Knowledge Transfer ', <i>Journal of Management</i> , 35(5), pp. 1181–1206.
50	Welch, D.E. et al. (2009) 'All pain, little gain? Reframing the value of international assignments', <i>The International Journal of Human Resource Management</i> , 20(6), pp. 1327–1343.
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### **3 VALUE CREATION AND CAPTURE. THE APPLICATION AND EXTENSION OF LEPAK ET AL.'S VALUE FRAMEWORK**

#### **ABSTRACT**

Lepak, Smith and Taylor's (2007) article on value creation and value capture has a growing citation base across a wide range of management and international business literature, but its efficacy in examining value within human resource management has seldom been discussed. We therefore evaluate this framework by applying it to the organizational value of international assignments (IAs). Our primary contribution is the development of this framework to include: the identification and discussion of value itself; the significance of organizational sub-levels; the extension of the definitions of isolating mechanisms and competition to explicate value capture; the importance of temporal analysis; and finally, the inclusion of value assessment. New definitions to enable this value assessment are proposed using the IA field.

#### **Keywords:**

**Value, Value Creation, International Assignments, International Business**

### **3.1 Introduction**

Lepak, Smith and Taylor (2007) aimed to address the confusion regarding the concept of value creation within the management literature by conceptualizing it as divided into value creation and value capture. In doing this, Lepak et al. built upon the economic constructs of use value and exchange value (Bowman and Ambrosini, 2000a) to define value creation and to stress the significance of separating the content of any value created (what is value), the process of its creation and the mechanisms through which that value is retained or captured. They explored how the explanations of these issues are dependent upon the level of analysis and the theoretical perspective of the investigation, acknowledging that 'additional conceptual thought and development' is appropriate to test their ideas (Lepak, Smith and Taylor, 2007, p.191).

The influence and academic value of Lepak et al.'s (2007) paper is demonstrated through its growing usage in the management literature. With over 350 citations in its first ten years it has been referenced in a wide range of journals including *Journal of Management*, *Academy of Management Review* and *Journal of Business Ethics*. It has also been cited six times to date within the *International Journal of HRM* (see, for example, Amarakoon, Weerawardena and Verreyne, 2018; Shin, Jeong and Bae, 2018). In 2018 alone researchers have drawn on the paper across a wide range of fields including, for example, innovation (Chesbrough, Lettl and Ritter, 2018), entrepreneurship (Mars and Hope, 2018; Rietveld, 2018), sustainability (Busch, Hamprecht and Waddock, 2018), interorganizational performance management (van Fenema and Keers, 2018) and project management (Laursen, 2018). While Lepak also worked on other value perceptions and the relationships between HR and firm performance (see, for example, Lepak and Snell, 2002; Meijerink, Bondarouk and Lepak, 2015) the Lepak et al. (2007) article goes furthest in defining the value concept and we concentrate on it below.

In this article we seek to evaluate Lepak et al.'s (2007) ideas by applying them as an organizing framework to understand the value dynamics of international assignments (IAs). We use IAs as the context as this area allows us to examine the potential implications across the different levels of Lepak et al.'s (2007) framework and the



potential interactions between these levels as well as having sufficient literature to draw upon. This combined with the growing need to understand the value of IAs given their high cost (Doherty and Dickmann, 2012) means that this field is appropriate for our examination of Lepak et al.'s ideas.

We focus here on examining direct relationships between organizational value and IA use for assigned expatriates. We exclude self-initiated expatriates as the investment dynamics and long-term employee transfer expectations are distinctly different. IAs are otherwise defined here in line with McNulty and Brewster's (2017, p.20) definition of 'business expatriates' as events involving 'legally working individuals who reside temporarily in a country of which they are not a citizen in order to accomplish a career-related goal, being relocated abroad...by an organization'. As such we include many IA variations such as inpatriates and Third Country Nationals.

This paper makes two sets of contributions. First, it builds on the work of Lepak et al. (2007) by applying their conceptualization of value to the field of IAs. Lepak et al. (2007) stress that the processes that create value and the mechanisms explaining how value can be captured are contingent upon the context, level of analysis and the target users involved. In this case, we apply their organizing framework to explicate the value of IAs specifically at the organizational level. In acknowledging the value created by individual assignees for the organizations involved this takes a meso level analysis as Lepak et al. (2007) encouraged. Second, and most importantly, we extend Lepak et al.'s (2007) value framework in several ways. We consider the significance of identifying what value is per se and the complexity that this adds. We acknowledge and report on the value implications of intra-organizational sub-levels; the home (sending the assignee), the host (receiving the assignee), other group companies and the group as a whole. We extend the definitions of isolating mechanisms and competition to explicate value capture mechanisms. We review the importance of temporal analysis in each area of the framework. And finally, we incorporate the issue of value measurement by critiquing and developing extant definitions for assessing the organizational value of IAs.

Our paper first explores the theoretical grounding for organizational value and hence the value creation framework provided by Lepak et al. (2007). We explain the core

components of the framework before using it to explicate the value to organizations of international assignments and expatriation. This framework is then extended using and developing the literature to assess the organizational value of IAs. We conclude with a discussion and consideration of the limitations of our approach and the possibilities for further research.

### **3.2 Lepak et al. (2007) and Value Creation**

Lepak et al. (2007) identified the significance of value creation as a central concept in the management and organization literature both at the individual/group (micro) level and the organizational (macro) level, yet they found limited consensus on what value creation is or how it can be achieved. They reported three key reasons for confusion around the issue in the management literature: i) the wide variety of targets or parties for whom value is created, ii) the inconsistency regarding the inclusion of 'what is value' within the definition of value creation (its content in Lepak et al.'s (2007) terminology), and iii) consistent intermingling of value capture or value retention issues when discussing value creation. We begin by positioning the concept of value in the management literature.

Organizational value is not a generally defined academic term. Indeed, many articles use the term 'value' without consideration for its definition (Vandermerwe, 1997; Zhu, Xia and Makino, 2015). Therefore, there is a critical requirement to first explain and operationalize answers to the question, 'what is value?'. As Lepak et al. (2007) noted, the field of organizational strategy offers assistance in clarifying the value construct given its focus on achieving long term survival of the firm through value generation and retention (Pitelis, 2009). However, authors have grappled with the definition of value from a strategic perspective (Ambrosini and Bowman, 2009; Pitelis, 2009; Ramírez, 1999). Whilst drawing on other fields of literature, especially economics, they acknowledge that there is no absolute objectivity with respect to the definition of value. Whilst a number (using money as a unit) can be given to indicate value, value is a subjective construct and 'an elusive term in social science and strategic management scholarship' (Pitelis, 2009), hence the importance of identifying what value is created (the content) before seeking to clarify how it is created. Surprisingly perhaps, whilst Lepak et al. (2007) drew attention to the importance of this distinction and the

significance of subjectivity in determining value, they spent limited time considering the value content question and ‘provide no separate definition of ‘value’’ (Pitelis, 2009). This could also explain why they left the question of value assessment or measurement to others – a gap which we address in this paper.

Value creation is the explanation of or the process through which ‘value is created from the vantage point or perspective of a particular source’ (Lepak, Smith and Taylor, 2007, p.183). Value capture identifies to whom the created value is both accrued and retained. It is determined either by competition or isolating mechanisms generating or preventing ‘value slippage’ (Lepak, Smith and Taylor, 2007). This is significant because it is possible to capture value without having first created it (Bowman and Ambrosini, 2000b; Pitelis, 2009). In terms of IAs, the competition element draws attention to the possibility that parties other than the value creator (the organization implementing the IA) affect the level of value accrued or retained. In turn, the isolating mechanisms represent the actions the value creator may take to limit the negative impact of competition on the value created and captured. Whilst we are focused below on the value at the organizational level of analysis, nonetheless, the meso relationships are identifiable as we report on the competitive and isolating mechanisms of the individual assignee and the society within which the IA takes place.

Lepak et al. (2007) analyzed the multidisciplinary challenges of defining value related issues and noted the scholarly disagreement about the process and construct of value creation especially by organizational scholars. They stressed the contingency nature of value analysis, namely the need to define the source of value, the target users of value and the level of analysis. This contingency perspective illustrates the importance of bringing together value related research in a specific field such as IAs. Lepak et al. (2007) review the implications of different levels of analysis for value – individual, organizational and societal. This research paper seeks to extend their framework by explicating the value of IAs specifically at the organizational level. Hence we draw attention to the importance of organizational sub-levels: the group (i.e. the combined organization of study), the home (sending people on IA), the host (recipients of assignees), other group entities not involved in the IA, international joint ventures (IJVs) and external organizations. These distinctions are necessary to understand the target users and actual users of the organizational value generated through the use of

IAs. External organizations, through the analysis of competitors' impacts on value capture, was explored by Lepak et al. (2007), but intra-organizational questions were left to others and we address this below.

Following Lepak et al. (2007) we analyze the organizational value of IAs using a framework of three separate yet related elements – value content, value creation and value capture. We do so through identifying the different sub-components of the multinational corporation (MNC) and their roles as target users and actual users of the value created. We focus on MNCs given the extremely limited research on other types of organization such as the public sector or charities. This article addresses Lepak et al.'s (2007) proposals for future research by investigating a meso phenomenon, investigating both value creation and value capture mechanisms of a single phenomenon, considering how organizations build isolating mechanisms and by identifying the value dynamics across different levels of analysis.

### **3.3 Applying the Framework to the Organizational Value of IAs**

This section applies each of the components of Lepak et al.'s (2007) framework to the existing knowledge on organizational IA value, commencing with value content. Consistent with Lepak et al.'s (2007) own tabulation method, the overall findings are summarized in Table 3-1. This process allows us to highlight the additions to Lepak et al.'s framework, specifically the importance of defining value itself, the different organizational levels and the value assessment dimension.

**Table 3-1 The Organizational Value of International Assignments Summarised in Line With Lepak et al. (2007)**

Example Academic Perspectives	Target or User of Value	Value Content	Value Creation Process	Value Capture Process
RBV KBV Psychological Contract Transaction Cost Economics	Group Shareholders  Home  Host  Assignees	<p><b>Group</b></p> <p>A) Average income growth over five years, ROI, pre-tax return on equity (ROE), market-to-book ratio, return on assets, return on sales and total stock market returns</p> <p>B) knowledge transfer, networking capabilities, internationalization, developing cultural understanding, managing corruption, bringing leadership skills, improved global staffing and financial gain.</p> <p><b>Host</b></p> <p>Labor productivity, profitability, generic business performance, sales volumes, market share, performance compared to parent company expectations, long term subsidiary survival, ROI and ROE.</p>	Knowledge Transfer  Dynamic Capabilities  Enabling international attention	<p><b><u>Organizational Level</u></b></p> <p><i>Isolating Factors</i></p> <p>International Approach                      Operational Needs of Subsidiary                      HRM Practices and Retention                      Absorptive Capacity                      Host Maturity                      Knowledge of Host Country</p> <p><i>Competition</i></p> <p>Subsequent Employers</p> <p><b><u>Individual Level</u></b></p> <p>The Assignee                      Goal Alignment                      Other Employees</p> <p><b><u>Societal Level</u></b></p> <p>Institutional/Cultural Distance</p>
		<p><b>Examples</b></p> <p>(Daily, Certo and Dalton, 2000)                      (Gong, 2003)                      (McNulty, De Cieri and Hutchings, 2013)                      (Riaz, Glenn Rowe and Beamish, 2014)</p>	<p><b>Examples</b></p> <p>(Lyles and Salk, 1996)                      (Carpenter, Sanders and Gregersen, 2000)                      (Chung and Beamish, 2005)                      (Chang, Gong and Peng, 2012)</p>	<p><b>Examples</b></p> <p>(Yan, Zhu and Hall, 2002)                      (Gaur, Delios and Singh, 2005)                      (Oddou, Osland and Blakeney, 2009)                      (McNulty and De Cieri, 2011)</p>

### **3.3.1 Value Content**

On examining the literature regarding the organizational value of IAs, we can identify elements of value content (what is value) in line with Lepak et al.'s (2007) framework. However, whilst they acknowledge the complexity created by conflating value content with value creation, they do not define value content. This, as we shall illustrate in the case of IAs, ignores the complexity as to what is value content, and hence the need to understand this before considering value creation. First it is important to consider the value of IAs from multiple viewpoints. Specifically, at the intra-organizational level of analysis, the value of IAs can be considered from three primary perspectives: the host, the home and the organization as a whole, which we refer to as the group (assuming the host and home are in the same group of companies). Other bodies in the intra-organizational network, such as sister subsidiaries and joint ventures, may also be affected through spillover effects. Hence whilst Lepak et al.'s (2007) framework provides the basis for separating the individual, organizational and societal levels of analysis, a further depth of attention is required.

The value content to the host (recipient of the international assignee) has been identified in financial terms by various researchers, where the host is a subsidiary of the MNC sending the assignee. This value includes increases in labor productivity, profitability and return on equity (ROE) (Chang, Gong and Peng, 2012; Colakoglu, Tarique and Caligiuri, 2009; Gong, 2003a). The underlying principle of defining value creation through exchange value less use value does not directly apply here because the exchange value of IAs (their cost of implementation) is not analyzed. It is also important to note that whilst academic research may have identified the value of IAs in these ways, practitioners are not actually measuring these relationships (McNulty, De Cieri and Hutchings, 2013).

Whilst there is mainstream support for the financial value created by IAs (Chung and Beamish, 2005; Gong, 2003a; Hyun, Oh and Paik, 2015; Konopaske, Werner and Neupert, 2002; Riaz, Glenn Rowe and Beamish, 2014), the majority of the findings establish that this relationship only exists if certain characteristics are

present and the insights regarding these characteristics are highly uncertain (following Lepak et al.'s (2007) framework, these are included under 'value capture' below). Furthermore, there are reasons that prevent a confident analysis of published financial figures in relation to the value of IAs to a subsidiary (Geringer and Herbert, 1991). For example, an MNC may enter a country with a loss-making strategy to gain an initial foothold or to acquire market knowledge. Hence the subsidiary's role and relationship with the rest of its group is a significant factor as to its desire for financial gain. Taken together, this supports Lepak et al.'s (2007) approach and the risks when not researching all aspects of value at the same time. As we explore later, this is further complicated by the inter-relationship of value between the individual, organizational and societal parties.

Lepak et al. (2007) identify in some of their examples, that the passage of time may affect the value for the parties involved as the context changes. With respect to IAs the value content may vary at distinct points in the process. The financial value to the host organization has been determined both during (Fang et al., 2010; Konopaske, Werner and Neupert, 2002) and after the IA (Chang, Gong and Peng, 2012; Hebert, Very and Beamish, 2005). Whilst conceptual papers draw attention to the intra-organizational effects of IAs on value (see, for example, Gaur, Delios and Singh, 2007; Gonzalez and Chakraborty, 2014), no empirical research investigates whether organizational value arises at the same time in the host (subsidiary), the home (parent), the assignee and across the whole organization. In other words any increase in the value to a host subsidiary might be directly related to the loss in another sister-subsidiary or at the parent (home) generating a net zero outcome.

It has been shown, for example, that subsidiaries compete against each other for attention and investment from the corporate parent (Bouquet and Birkinshaw, 2008). As conceptualized by Colakoglu, Tarique and Caligiuri (2009) it is feasible that an increase in subsidiary performance due to the arrival of IAs causes a reduction in the performance of other group operations without IAs. This may lead researchers to interpret IAs as having a positive effect, while it might be neutral

at the macro level. Similarly, corporate headquarters may suffer in performance as a result of sending its best people overseas to the benefit of local operations. The detrimental effect to the HQ may be only visible after the IA due to impacts on strategic issues, which need time to take effect. Again, this extends the significance of temporal and intra-organizational analysis to Lepak et al.'s (2007) framework.

At the micro level of analysis there is evidence that the IA experience of the CEO or executive management triggers value at the group organizational level. This is similar in type to the host value referred to above, e.g. pre-tax ROE, market-to-book ratio and total stock market returns (Carpenter, Sanders and Gregersen, 2001; Daily, Certo and Dalton, 2000). However, this value arises after the IA experience and may be in different organizations to those in which the IA occurred, raising considerable doubt as to the total value being generated and the significance of researching value content alongside value creation and value capture over a suitable timeframe.

Value outcomes with less of a direct financial construct have also been identified for IAs, for example capability development, including improved knowledge transfer (KT) and networking capabilities. Internationalization, developing cultural understanding, managing corruption, bringing leadership skills and improved global staffing have also been reported (McNulty, De Cieri and Hutchings, 2009, 2013). The subjective nature of these factors draws further attention to the significance of defining value content prior to assessing value creation.

The conclusion to draw here is that Lepak et al.'s (2007) framework benefits from a greater emphasis on the specific identification or definition of value content, acknowledgement of its subjectivity and variability to different organizational constituents and the importance of temporal analysis. The interaction with value capture mechanisms is also a challenge. We address the importance of identifying the value content by extending the framework below to incorporate value measurement. First, however, we explicate our understanding of the IA value creation processes.



### 3.3.2 Value Creation Processes

Whilst it is complicated by conflicting evidence and the value capture boundary conditions (see below) we can identify some important value creation processes for IAs. Lepak et al. (2007) define value creation in terms of exchange value less use value and noted that the theoretical perspective of researchers affects their interpretation. IA literature has used a wide variety of theoretical perspectives in connection with the issue of value including the resource-based view, the knowledge-based view and the psychological contract. Lepak et al. (2007) identified four streams of literature investigating value creation processes: strategic HRM; innovation; dynamic capabilities; and knowledge generation. The latter two constructs, and especially knowledge transfer (KT) have also been identified as playing an organizational value creation role in IAs (see, for example, Dutta and Beamish, 2013; Hebert, Very and Beamish, 2005; Lyles and Salk, 1996). In line with the different organizational sub-levels involved in IAs, knowledge transferred to the subsidiary, knowledge sustained by the subsidiary and knowledge transferred to the home organization (Gonzalez and Chakraborty, 2014) may all be considered as IA organizational value creation processes. Building on our earlier value content evidence, knowledge transferred to sister companies and external companies may also be a value creation process of IAs. The types of knowledge transferred may include knowledge of trade policies, foreign exchange risks and other cultures (Carpenter, Sanders and Gregersen, 2000). Whilst some research on the KT value creation mechanism had opposite findings, i.e. a lack correlation between KT and subsidiary performance (Colakoglu and Jiang, 2013), the overall theme is clear.

Learning theory and organizational learning is also postulated as an IA value creation process (Dutta and Beamish, 2013; Gong, 2003b): this has a clear link to KT. Similarly, coordination and control has been used to theorize a value creation process in combination with a KT effect (Hyun, Oh and Paik, 2015). Other value creation processes identified in the IA literature with potential interactions with KT include improved communications and consensus building (Carpenter, Sanders and Gregersen, 2000) and intellectual capital (Welch, Steen

and Tahvanainen, 2009). Accordingly, this offers consistency with Lepak et al.'s (2007) identification of knowledge generation as a value creation process.

Also consistent with Lepak et al. (2007), the international business literature has suggested dynamic capabilities as having explanatory power when using IAs (Chung and Beamish, 2005). Chung and Beamish (2005) theorized that the ability to transfer the HQ's operational routines to its subsidiaries overseas was a dynamic capability. This can also be interpreted as related to KT. Illustrating the relationships between potential IA value creation processes, Bouquet, Morrison and Birkinshaw (2008) also noted that the dynamic capabilities concept supported their hypothesis that organizations benefit from the international attention of their parent company which they offered as a possible organizational value creation process.

International attention of an MNC's senior management is the time and effort they apply to understanding the business' global market place. IA experience was considered to be a key catalyst of this attention as it gives executives a greater ability to interpret complex global events through holding multiple perspectives, tapping into relationship networks and having more sophisticated thought patterns. Hence international attention could be interpreted as a value creation process of IAs, although critically this would be after the IA took place and it may have occurred in a different organization to the one capturing the value, e.g. a different employer. In a similar vein to the key role of senior management's international attention, the IA experience of the CEO has been identified as creating value through the process of being an RBV resource, i.e. one with rarity, inimitability and non-substitutability (Carpenter, Sanders and Gregersen, 2001).

In conclusion, the use of IAs to explore the Lepak et al. (2007) framework demonstrates that other bodies of literature may offer insights as to the value creation processes. Furthermore, the interaction of individual or team level processes on the organizational process of value creation further reinforces the need to apply the framework from a meso perspective. Consistent with Lepak et al.'s (2007) identification that researchers' theoretical perspective has an impact,

it is interesting to note that much of the organizational value creation processes identified for IAs is established through hypothesizing a relationship between the use of IAs and organizational performance. Hence the evidence of the very existence of these processes is in most cases open to different interpretations. In contrast, there is considerable evidence regarding the mechanisms that affect IA value capture as these have been interrogated as mediators. We now turn to consider these issues within the Lepak et al. (2007) framework.

### **3.3.3 Value Capture Mechanisms**

Value capture has two critical aspects: 'Who captures the value?' including their characteristics and 'How is value captured?' which considers process mechanics and negotiating positions such as those within supply chain analysis (Lepak, Smith and Taylor, 2007). As identified above, the intra-organizational value derived from IAs could be at the home, the host or other group organizations and there is a complex relationship between these parties (Dickmann and Doherty, 2010; McNulty, 2013). Lepak et al.'s (2007) framework provides two key concepts operating across all levels of analysis which determine who captures the value: isolating mechanisms and competition. We extend the definitions offered by Lepak et al. (2007) in each case to apply these to IAs.

First, an isolating mechanism is defined by Lepak et al. as 'any knowledge, physical, or legal barrier that may prevent replication of the value-creating new task, product, or service by a competitor' (2007, p.188). We suggest that the use (replication) of IAs by a competitor company cannot be prevented by another company. Given separate legal arrangements it is difficult to see how that might be achieved. However, as we discuss later, government intervention can create barriers to the use of IAs for example in raising taxes or limiting visas. It is difficult to see how this might target individual MNCs although MNCs might react differently to the same barriers. On the other hand, such interventions may enable society to share in (compete for) the value created through charging high visa fees or other taxes. Accordingly, the definition of isolating mechanisms needs to

be extended to the characteristics of organizations which reduce the ability of others to share in the value created through the use of IAs.

Secondly, Lepak et al.'s (2007) approach to competition focuses on market-place competition to supply similar products or services causing a reduction in the sales price (or exchange value) and hence a value retention opportunity for the original product or service provider (the value creator). Such a concept is not directly relevant to IAs and hence we focus on the alternative perspective that other parties may take value away from the value creating organization, such as the individual assignee or society through demanding salary increases or charging taxes. We start here by explicating the isolating mechanisms.

The international approach of a company using IAs, in terms of its global mindset (Oddou, Osland and Blakeney, 2009) or global strategic posture (Carpenter, Sanders and Gregersen, 2001) is an important isolating factor. Similarly, subsidiaries with more international customers benefit more from implementing IAs than those with fewer such customers (Richards, 2001). In so far as MNCs can establish their operational style and culture as a strategic decision, having such an international approach is seen as increasing the level of value achieved through employing CEOs or senior managers with IA experience. However, as already noted above, this IA experience may have taken place at a different organization which complicates the interpretation of this isolating factor as it may be enabling a competitor to retain value rather than the IA value creator. Compared to Lepak et al.'s (2007) application of the isolating mechanism concept it implies that the original employer needs to offer greater incentives if they wish to retain their IA-experienced employee.

A range of HRM practices may operate as isolating mechanisms on an organization's ability to capture IA value. Primary examples are their repatriation and retention capabilities (McNulty and De Cieri, 2011b; Yan, Zhu and Hall, 2002). In a direct link to the importance of KT as a value creation process, Oddou et al.'s (2009) conceptual paper strongly emphasizes the value of assignee retention to deliver KT to the home. There is an intriguing relationship between

the impact of effective repatriation and retention processes combined with the international approach of the organization. If there is a lack of international approach then the retention may, in fact, have limited effect on capturing value. This raises the question as to whether effective employee repatriation and retention is necessarily a value capturing mechanism and that the value content for an organization may be maximized without assuming effective repatriation. Furthermore, the need for emphasizing temporal analysis in Lepak et al.'s (2007) framework is evident.

The operational needs of the host organization (Tan and Mahoney, 2006) or the nature of the role of a subsidiary within its MNC network, such as standalone versus highly integrated, (Colakoglu, Tarique and Caligiuri, 2009) may operate as forms of isolating mechanisms. Again, this is closely linked to value creation through KT. For example, if the host has limited need for the technical excellence of an assignee then the assignee is unlikely to be able to create value nor find a scenario in which knowledge and hence value retention is likely. Tan and Mahoney (2006) identified that higher local product customization needs, lower local experience and lower local advertising intensity each correlate with greater IA use and hence indicate situations when greater value may be captured by the host. Building on these ideas of information usefulness, both host absorptive capacity (Chang, Gong and Peng, 2012; Lyles and Salk, 1996) and home absorptive capacity post repatriation (Oddou, Osland and Blakeney, 2009) would seem to be isolating mechanisms for IA value capture. This draws attention to the relationship between home and host as competing parties for value capture. For example, a longer assignment period at the host might increase value capture for the host to the detriment of the home. Again, this reinforces the significance of temporal analysis to the Lepak et al. (2007) framework. Indeed, given the increasing identification of globe-trotting nomads, i.e. those assignees that rotate through IAs rather than return home (Forster, 2000), this raises further uncertainties as to the nature of organizational value capture.

These examples for IAs illustrate the need to expand the Lepak et al. (2007) definition of isolating mechanisms to understand the value capture dynamics in

addition to the importance of temporal analysis. We now turn to the question of competition sharing in the value created by the IA implementing organization. We use the three different levels of analysis identified by Lepak et al. (2007) to organize our analysis: the individual/group; the organization; and society, starting with the organization.

### **3.3.3.1 Organizational Competition**

We have already identified the possibility that different entities within an intra-organizational structure may be competing, inadvertently or otherwise, for the value created by an IA. If an individual is sent on an IA as a leadership development experience then a sister organization, whether in the same country as the host or elsewhere, could seek to recruit the individual and hence benefit from the value the assignee might create. The funding of an IA does not automatically sit with the organization in which the assignee works whilst on assignment (Renshaw, Parry and Dickmann, 2018a) which further complicates this dynamic. Similarly, competition for the value generated by IAs is present when other organizations seek to employ/poach staff. As an example, Daily et al. (2000) found that the positive relationship between CEO IA experience and firm performance was moderated by outside succession. Given the growing identification of global talent shortages (Baruch, Altman and Tung, 2016), this poaching is a credible risk which is reinforced by the oft-repeated finding that large numbers of assignees suffer poor repatriation processes and leave their organizations within a short time of the said repatriation (Baruch, Altman and Tung, 2016). Of course, this may be exacerbated if the home organization does not have the appropriate level of international approach as discussed earlier.

### **3.3.3.2 Individual Competition**

Individual competition relates to two aspects: the assignee and the individuals the assignee works with. There is a known interaction between the value to an assignee's career and value to the organization (Dickmann and Doherty, 2010; Doherty and Dickmann, 2009; Welch, Steen and Tahvanainen, 2009). Hence, the assignees themselves may capture some of the organizational value, reducing

what is captured by the employer. Carpenter et al. (2001) found that CEOs with IA experience obtained higher pay than those without IA experience provided the firm had a greater global strategic posture. This finding is consistent with the hypothetical example in which employees negotiate for some of the value they create as provided by Lepak et al. (2007, p.188) and could be a function of negotiating capabilities and/or market demand and supply characteristics. The competition for value capture is also present in the alignment of the assignee's goals with the organization's goals whilst on IA (Yan, Zhu and Hall, 2002). As a result, effective management of the psychological contract could operate as an isolating factor limiting this loss of value to the assignee (McNulty, De Cieri and Hutchings, 2013).

Value may also be captured by the individuals that an assignee works with, for example through the effect of knowledge transfer or leadership development of staff members. This may then create a secondary value creation effect through which those colleagues are now able to generate greater value for the employer and hence also negotiate higher salaries. They may even leave the organization to work for a competitor.

### **3.3.3.3 Societal Competition**

Society may be affected through the use of IAs at the financial level, for example through government tax receipts on employment or consumption by the assignee and their families (Dustmann, Frattini and Halls, 2010). Society may also be affected through the cultural and work integration and environmental impact of the assignee, their family and the organization for whom they work (Al Ariss and Syed, 2011; Hippler, Caligiuri and Johnson, 2014). The value created by IAs may extend beyond the organization itself into the wider context in a way that may be competitive but also complementary. For example, assignee adjustment is an important element of IA research given its relationship with time to proficiency, i.e. the point at which an assignee is effective in their new role (Selmer and Lauring, 2016). And as the adjustment of an assignee increases enabling positive

societal change through their cultural interactions (Takeuchi, 2010) so they have greater potential value to their employer.

In concluding this value capture section, we note the importance of considering the individual and societal level of isolating mechanisms and competition when explicating the organizational level. This reinforces Lepak et al.'s (2007) recommendation that their framework be considered from a meso perspective in order to extend its usefulness. Furthermore, the importance of considering the intra-organizational, intra-individual and conceptually the intra-societal levels of analysis combined with the temporal approach is also clear.

### **3.4 Extending the Value Framework: Value Assessment**

In understanding the value creation and value capture dynamics we have emphasized the importance of identifying the value which is being created and/or captured. Hence there is a need to determine a methodology to identify these value outcomes. Establishing value assessment processes enables the operationalization of each aspect of value – its content, how it is created and how it is captured. Lepak et al. (2007) did not address this issue. Without measurement, how can academics and practitioners increase value or identify the most effective value creation processes? Surprisingly, and yet consistent with this question, practitioner surveys and reports from consulting firms in global mobility consistently describe the failure of businesses to calculate the organizational value of IAs whilst expressing a desire to do so (Brookfield Global Relocation Services, 2016; Santa Fe Relocation Services, 2018). Hence there is a need to expand Lepak et al.'s (2007) analytical framework to include value assessment. We do so here using the IA construct and organizational value as our point of reference, while recognizing the broader implications for Lepak et al.'s (2007) framework and the examination of value generally. We therefore now turn to the literature on value assessment in IAs.

At the organizational level, the assessment of IA value is rare (McNulty, 2008; Schmidt and Minssen, 2007). The barriers to assessing organizational value are operational (e.g. unavailable data), cultural (e.g. the perception that IAs are a



necessity of doing business such that valuation is not required) and strategic (e.g. a lack of ownership of the issue) (McNulty, De Cieri and Hutchings, 2009). Whilst several enabling conceptual frameworks exist for the measurement of the IA organizational level of value, it is clear that at a practical level there are many interacting variables involved in the measurement process (Hemmasi, Downes and Varner, 2010; Schiuma, Bourne and Harris, 2006; Yan, Zhu and Hall, 2002). Acknowledging the different organizational and individual goals and their inter-relationships, a range of different calculations and data are appropriate in order to manage and measure IA value. It is noticeable, however, that the extant measurement frameworks treat the organization implementing the IA as a single entity and do not separate the home, the host, or other organizational entities as having potentially distinct value creation, value capture and hence value assessment outcomes. Consistent with our extension of the Lepak et al. (2007) framework above, this needs to be considered here too.

There are two definitions offered in extant IA literature seeking to provide a theoretical and practical over-riding construct of value for IAs and both use the term ROI (Return on Investment). The first definition of IA ROI was offered by McNulty and Tharenou: 'a calculation in which the financial and nonfinancial benefits to the MNC are compared with the financial and nonfinancial costs of the international assignment, as appropriate to the assignment's purpose.' (2004, p.73). This definition disregards the sub-levels of the MNC and raises questions as to what 'appropriate' means. McNulty & De Cieri provide a formulaic definition of 'Expatriate ROI':  $eROI = cROI + iROI$  (2016, p9). Contrary to their descriptions, this implies that total IA ROI is a function of two additive and separate elements: cROI (the organizational value to the corporate) and iROI (the value to the individual). However, Yan et al. (2002) argue that the alignment between the assignee and the organization(s) is crucial to predicting and achieving success (i.e. value) and Hemmasi et al.'s (2010) multidimensional measures of success illustrate how the factors affecting organization and individual assignee are intertwined. This fits with Lepak et al.'s (2007) insistence that value dynamics need to be understood in terms of the level of analysis, the concept that

competition between parties may affect the total level of value created and our findings which demonstrate the impact of the different sub-components of the organizational level of analysis. The simplistic nature of the above formula does not cater to the theoretical and empirical evidence regarding the intra-relationship between the component parts.

Drawing on these issues we now offer some initial thoughts to extend the theoretical formulations for assessing the organizational value of IAs and hence Lepak et al.'s (2007) value creation framework.

### **3.4.1 New Definitions of Value Assessment – Extending Theory and Supporting Practitioners**

Separating value content, value creation and value capture is commensurate with assessing value at three different points in time and consistent with the IA pre-departure phase, the time during assignment and the time after the assignment (Sparrow, Brewster and Harris, 2004). For practitioners this enables judgment on whether an IA investment should go ahead, whether the investment is performing as anticipated and whether the investment performed compared to expectations. The latter two calculations provide valuable insight for future decision-making by HR functions. Emphasizing the implications of the timeliness of calculations, and hence the differences in value creation and capture over time, is a key extension to Lepak et al.'s (2007) framework.

McNulty and Tharenou's definition is at best only consistent with a pre-departure value calculation because it is restricted to costs and benefits 'as appropriate to the assignment's purpose' (2004, p.73). A pre-departure value assessment considers expected or anticipated events yet these may be 'inappropriate' to that perceived at the outset. Value calculations during or after the IA should include the costs and benefits that have unexpectedly or 'inappropriately' arisen. Furthermore, allowance should be made for the unexpected considering, for example, if experience shows that unexpected costs or benefits regularly arise. Excluding these, both in theory and practice, would be illogical if they represent 'known unknowns'.

In addition, indirect costs and benefits, i.e. those that cannot be directly attributable to the IA, should be included in value assessments (Nowak and Linder, 2016). Indirect costs might be those of the legal and administrative teams providing support to the IA process (Doherty and Dickmann, 2012) and indirect benefits might be increased sales revenues as a result of improved leadership. Finally, the uncertain nature of the calculations draws attention to the need to alter them for the time-value-of-money (TVM) (Nowak and Linder, 2016) using an appropriately adjusted discount factor. In practice, HR functions will need to align this with their organization's approach to risk calculations. Furthermore, HR practitioners should consider the different sub-levels of the organization which may be affected in each calculation. In conclusion, consistent with our recommendations that temporal elements are appropriate to the Lepak et al. (2007) framework in its entirety, calculations of value during and after the assignments need to differ to the pre-departure version:

- **Pre-departure definition of IA organizational value content:** a calculation for a planned IA in which the anticipated direct and indirect financial and non-financial benefits to a part or all of an organization are compared with the anticipated direct and indirect financial and non-financial costs to that part of the organization. All numbers are adjusted for the time-value-of-money.
- **Post departure definition of IA organizational value content:** a calculation regarding an ongoing or completed IA in which the actual and still anticipated direct and indirect financial and non-financial benefits to a part or all of the organization are compared with the actual and still anticipated direct and indirect financial and non-financial costs to that part of the organization. All numbers are adjusted for the time-value-of-money.

We propose that the Lepak et al. (2007) framework can be extended by applying these definitions to other human resource interventions.

The McNulty and De Cieri (2016, p9) definition of ROI ('Expatriate ROI':  $eROI = cROI + iROI$ ) can also be refined using the findings of this paper presenting an

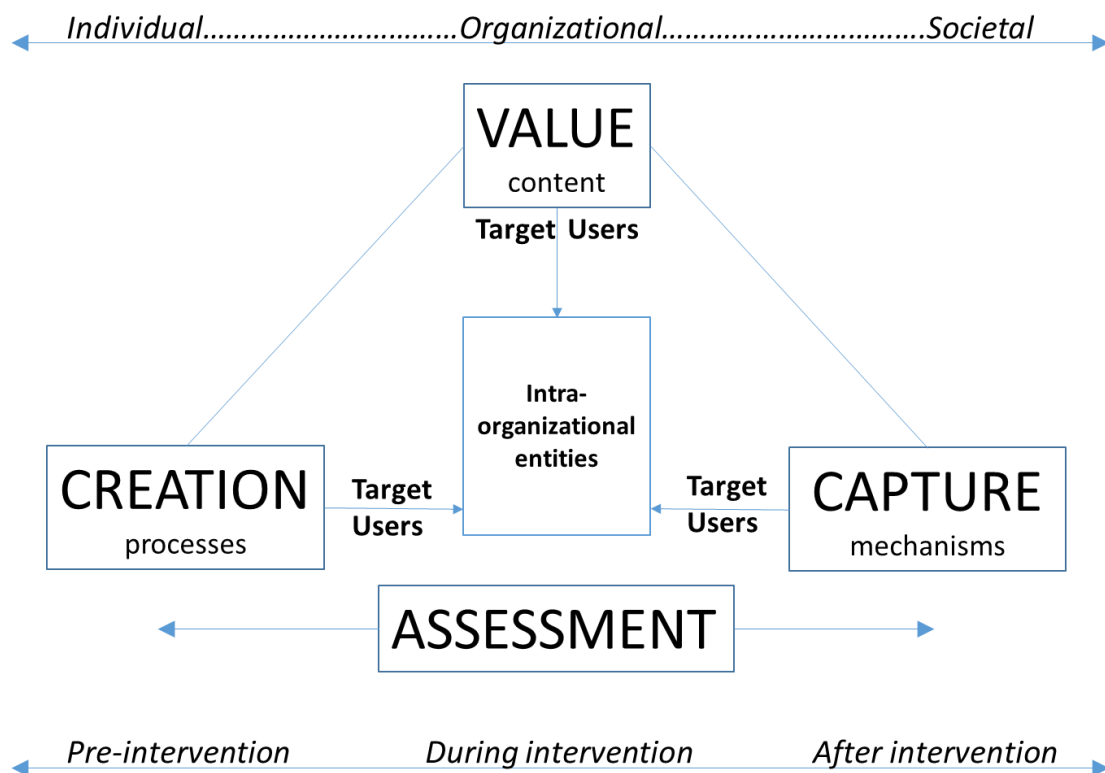
alternative formulaic approach and removing inconsistencies with the McNulty and Tharenou (2004) definition. Distinct organizational components of value capture for an IA have been identified with the host, the home and other group organizations being affected. Organizational value can be captured by the assignee and, by extrapolation it is possible that other employees may also be affected. In keeping with Lepak et al.'s (2007) identification that value may vary at individual, organization and societal levels, society also needs to be considered in any value formula. Finally, it has been shown that value may be taken by a future employer of the assignee. In summary, total IA organizational value is a function of that gained by each of the individual (I), other employees (E), the host (S), the home (M), other group entities (G), society (Soc) and future employers of the assignee (FE). Temporally the calculation continues at least until the ultimate retirement date (R) of the individual assignee, although we acknowledge it may go beyond this.

The value captured by each of these elements is a function of the value captured by the other elements and by the time value of money (TVM). The idea of risk has been incorporated into growing levels of IA research which assess the different phenomena in high risk politically unstable or war affected host locations (see, for example, Bader, Schuster and Dickmann, 2015; Soltani and Wilkinson, 2011). In the same vein the formula for organizational value should take a risk-based view in determining the appropriate discount factor with which to assess the TVM. The pre-departure IA organizational value would be different *ceteris paribus*, between an IA to a stable nearby geographic location as compared to a far off unstable war zone. These points can be represented as:

$$Total\ Organisational\ Value = \sum_{t=0}^{t=R} value(I, E, S, M, G, FE, Soc)$$

On the basis of the above we propose an application and extension of the Lepak et al. (2007) framework from which to compare and contrast future research into the value of activities at the organizational level (see Figure 3-1). The starting point remains the identification and definition of the value content, along with the

value creation and value capture mechanisms. The target users of value at the organizational sub-levels need to be identified along with the societal, organizational and individual users which, in combination with the dynamics of value assessment before, during and after an intervention, are crucial for moving forward our understanding of the value of interventions (including IAs) and hence enabling HR functions to manage them more effectively. We believe that the new definitions and formula we offer above can be adapted and applied to other contexts and hence the Lepak et al. (2007) framework can be extended to incorporate value assessment. As we identified earlier, the variability of value content in different scenarios illustrates the importance of such an assessment component in the framework.



**Figure 3-1 The Organizational Value Framework**

### 3.5 Discussion

Lepak et al.'s (2007) article has had an important impact on the understanding of value creation in the management and international business literature. Its

citation base continues to grow including in the HRM literature. Following Lepak et al.'s recommendations, we have applied their value creation and capture framework taking a meso level approach to the specific case of IAs. As a result we have reinforced the usefulness of their approach and identified several extensions to further improve this usefulness. Our case develops the framework whilst maintaining and extending its value across the management research field.

Defining or identifying the value content in order to understand the creation processes should not be overlooked. Value content can be identified and described in a wide range of terms from financial to non-financial and with considerable subjectivity. The type of value may differ depending upon the specific party affected in an organizational network where, for example, a subsidiary may have a different local perspective to that of its parent or other subsidiaries. As Lepak et al. (2007) noted, identifying the target users of any value created is crucial to understanding the full picture. Furthermore, separate entities in an organizational network may be competing against each other to maximize their own value retention (Renshaw, Parry and Dickmann, 2018b). Whilst we did not consider this due to our focus at the organizational level of analysis, the individual's interpretation of value in the case of IAs may also differ to that of the overall organization itself (McNulty, De Cieri and Hutchings, 2013).

Temporal analysis is fundamental to the value framework. Expectations of value before an intervention may differ to findings both during and after the intervention. Describing value creation in terms of exchange value less use value may be an over-simplification, as impacts on value may arise a considerable time after the specific intervention. Whilst, for example, an IA may generate greater productivity for a host subsidiary whilst it lasts (Riaz, Glenn Rowe and Beamish, 2014), the cost impacts on the home organization in relation to attrition may not arise until much later. Similarly, the impact on the assignee's productivity and impact may last until they achieve the CEO spot or retirement – each of which may be in a different organization (Carpenter, Sanders and Gregersen, 2001). The relationship between identifying the target users of the value and the timeframes

within which value may be both created and captured is key to understanding organizational value.

An understanding of the role of isolating mechanisms and competition is needed to explicate organizational value capture. However, the definitions offered by Lepak et al. (2007) need extending to recognize that competition is not solely a market-based organizational construct and depends upon relationships between different levels of analysis, i.e. individual, organizational and societal. For example, individuals and societies are involved in competing for the value created by organizations and each may have their own isolating mechanisms and competitive structures. This needs further consideration given the intra-level relationships, for example the different individuals and subsidiaries, involved.

Explicating value creation and value capture involves an understanding of the levels of value involved, which necessitates a value assessment mechanism. Extending Lepak et al.'s (2007) analysis and building on the IA context we offer new definitions for value assessment. A descriptive and a formulaic approach are offered. Whilst these are explicated specifically for IA value purposes, we believe these can be adjusted and applied to other HRM interventions. These calculations in practice are potentially complex and, at least in the IA case, represent a stretch for practitioners who are mostly not measuring the value of these interventions currently (McNulty, De Cieri and Hutchings, 2013; Santa Fe Relocation Services, 2018). Nonetheless these definitions provide an important starting point.

### **3.6 Conclusions, Limitations and Opportunities for Further Research**

Noting the increasing citations and hence importance of Lepak et al.'s (2007) paper on value creation and value capture, we have followed the paper's guidance on further research to test their ideas. To achieve this we presented an analysis of the organizational value of IAs using Lepak et al.'s (2007) framework. This aligns with calls for a greater understanding of the organizational value of IAs (Baruch, Altman and Tung, 2016; Bonache and Zárraga-Oberty, 2017). More

importantly, this context provided sufficient relevant extant research to explore and expand the framework given its impact across different levels of analysis and its importance to global business. Hence, in addition to applying this framework to the specifics of organizational value creation and capture through the use of IAs, our contribution is the extension of the framework itself. We do so through emphasizing the importance of defining and identifying the value content itself, through incorporating temporal analysis and intra-organizational analysis, by extending the definitions of isolating mechanisms and competition to explicate value capture, and finally, by adding organizational value assessment with appropriate definitions.

Our paper is limited by its application of the Lepak et al. (2007) framework to a single area. Further research within different contexts and to different phenomena might extend our understanding and further explicate the subtleties of the extended framework. Similarly, taking a specific theoretical or philosophical perspective on value may further add to our understanding. Nonetheless we have been able to draw on a wide range of research on IAs providing a detailed analysis of an important issue to global businesses in which the uncertainty surrounding its value remains fundamental. Furthermore we address the multi-level and meso analysis perspectives raised by Lepak et al. (2007).

Lepak et al.'s (2007) paper may one day be considered seminal in the understanding of value creation and value capture in management literature. The aim of our paper and the hopes of its authors are to continue to demonstrate the importance of their contribution to the field of human resource management and academic scholarship.



### 3.7 References to Chapter 3

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## **4 THE VALUE OF INTERNATIONAL ASSIGNMENTS EXPLAINED THROUGH THE MICROFOUNDATIONS OF DYNAMIC CAPABILITIES**

### **ABSTRACT**

International assignments (IAs) are common in global organizations, yet evidence for their organizational value is mixed and contradictory. This research investigates the value of IAs as microfoundations of dynamic capabilities. Findings indicate that the value organizations derive is a function of the assignments' impact on the organizations' sensing, seizing and reconfiguring capabilities thereby advocating that IAs support long-term organizational competitive advantage. The paper identifies which microfoundations are affected and when they are affected within the IA process. Furthermore, value should be determined through separate assessments of the host and home organizations: value to one party may be detrimental to another.

### **Keywords:**

**Expatriation, ROI, Global Mobility, Dynamic Capabilities, Public Sector, International Assignments**

## 4.1 Introduction

The limited understanding of the organizational value generated by international assignments (IAs) is widely recognized (Caligiuri and Bonache, 2016). Four recent literature reviews of the whole field of IAs offered less than one page in total regarding this question (Baruch, Altman and Tung, 2016; Caligiuri and Bonache, 2016; Dabic, González-Loureiro and Harvey, 2015; Kraimer, Bolino and Mead, 2016). The lack of knowledge of this value, also referred to as the ROI (return on investment) of IAs, is consistently reported in consultancy based practitioner surveys as a concern (Brookfield Global Relocation Services, 2016; Santa Fe Relocation Services, 2018). A recent systematic literature review on the organizational value of IAs identified a disconnected field of study with highly conflicting evidence and hence limited concrete advice available for practitioners (Renshaw, Dickmann and Parry, 2017). Our research responds to calls to resolve these challenges (Baruch, Altman and Tung, 2016) by addressing a fundamental research question - what is the organizational value of IAs?

A small stream of recent research has examined how multi-national corporations (MNCs) currently measure ROI as well as conceptualizing how it should be measured (see, for example, McNulty, De Cieri and Hutchings, 2009, 2013; McNulty and De Cieri, 2011). The consistent theme is that MNCs do not measure ROI in global mobility. Furthermore, the ROI terminology has the potential to confuse given its use as an umbrella over-arching term for several calculations and as a single construct (Doherty and Dickmann, 2012). Hence, we prefer to use the term value, drawing on the work of Pitelis, to define organizational value as the 'perceived worthiness of a subject matter to a socio-economic agent that is exposed to and/or can make use of the subject matter in question.' (2009, p.1118) within which 'perceived worthiness' is interpreted as a net construct considering both the positive and negative impacts. Moving forward, an understanding of the organizational value of IAs is required before we can determine appropriate measurement systems for use in practice.

The majority of IA research is focused on MNCs (Liesink et al., 2016). This is despite the fact that the use of IAs outside the MNC community is significant. Brewster, Boselie and Purpura (2017) report that inter-governmental organizations (IGOs) rely heavily on many different forms of IA. Including the World Health Organization (WHO) and the North Atlantic Treaty Organization (NATO), these organizations can be highly recognized and influential global institutions. IAs are also important in non-governmental organizations (NGOs) despite limited research (Anderson, 2001). Indeed it has been suggested that public sector IAs may be increasing in a world of geopolitical instability (Selmer and Fenner, 2009). With staffing costs generally recognized as the most significant cost category across the IGO, NGO and public sectors, there is a clear need to increase our understanding beyond the MNC (Liesink et al., 2016; McNulty, Vance and Fisher, 2017).

Given the nascent understanding of the field and the paucity of public sector based studies, this research investigates a European Union (EU) financial regulatory entity. Such EU entities have been considered appropriate for research especially through case studies as a contrast to traditional positivist research within US based MNCs (Brewster, Gooderham and Mayrhofer, 2016).

Using the dynamic capabilities view, an important addition to the Resource Based View (RBV) model, we explore the relationship between IAs and the microfoundations of the sensing, seizing and reconfiguring capabilities which are fundamental to dynamic capabilities (Wilden, Devinney and Dowling, 2016). To our knowledge this is the first time that this approach has been applied in the IA field. With its focus in the strategy literature on the creation of value to enable long-term sustainable competitive advantage, we argue that the dynamic capabilities framework offers a useful theoretical lens with which to address our research question. We demonstrate that the use of IAs positively impacts upon the microfoundations of dynamic capabilities subject to various contingencies. Microfoundations can act as mediators and 'are about identifying the proximate causes of a given phenomenon at a level of analysis lower than that of the phenomenon itself.' (Contractor et al., 2019). Given that dynamic capabilities

generate new resources which enable long-term competitive advantage we identify the link between IAs and organizational value, whilst acknowledging that context is also critical to the outcome (see, for example, Zahra, Sapienza and Davidsson, 2006). Whilst dynamic capabilities was construed and is primarily used as a strategy theorization framework of the firm, there is increasing support and calls for its application within public sector research (Barreto, 2010; Pablo et al., 2007).

This article's key contributions are fourfold. First, our study provides evidence that the value of IAs is through creating microfoundations of dynamic capabilities and hence on the long-term competitive advantage and survival of the organization. This arises because IAs generate microfoundations of the sensing, seizing and reconfiguring capabilities of the home (sending) entity and the host (receiving) entity. Second, we identify the specific microfoundations of dynamic capabilities that IAs generate. Third, the theoretical understanding of the organizational value of IAs is extended to show that it must be determined through separate and yet combined analyses of the home and host organizations. Finally, this study focuses on the under-researched public sector, specifically on an EU IGO. This latter contribution presents a novel perspective for two reasons. The homes and host are organizationally distinct with national and supranational responsibilities respectively, yet their societal impacts are unavoidably intertwined, and the primary cost of the IAs is borne by the home not the host. The findings add to our understanding of the value derived by IAs which explicates their continued and growing use despite their costs which significantly exceed those of hiring locals (Doherty and Dickmann, 2012).

We commence by introducing the dynamic capabilities construct and explicating its appropriateness to the investigation of the organizational level value of IAs. The method and case study organization are then described before turning to the findings of our research. We conclude after a discussion, including consideration of the theoretical and practical contributions as well as the limitations of the research.

## **4.2 Introducing Dynamic Capabilities and the Link with International Assignments**

### **4.2.1 Dynamic Capabilities**

Organizational value is inherently a subjective term (Ambrosini and Bowman, 2009; Ramírez, 1999). Nonetheless, value is a fundamental component of strategic research given that creating value enables long-term competitive advantage and the long-term survival of the firm through profit maximization (Pitelis, 2009). The RBV of the firm places emphasis on value through its definition of resources which, through their structure and deployment, provide the basis for an organization's competitive advantage (Barney, 1991; Wernerfelt, 1995). Resources capable of enabling sustained competitive advantage are defined by Barney as assets which are valuable, rare, inimitable and non-substitutable, (Barney, 1991).

An important critique of the RBV is that it focusses on extant resources without adequate consideration as to how to generate new such resources (Ambrosini and Bowman, 2009). This was a primary reason for establishing the dynamic capabilities concept, as a strategic framework aimed at increasing the value of organizations through firm renewal and hence internationalization (Danneels, 2002; Luo, 2000; Wang and Ahmed, 2007). It builds on the concept that resources are generally considered to be the stock of available factors owned or controlled by an organization whereas capabilities represent the ability to deploy those resources (Amit and Schoemaker, 1993).

There are several conceptual differences between academics' interpretations of the dynamic capabilities construct as identified in several recent reviews (see, for example, Helfat and Martin, 2015; Schilke, Hu and Helfat, 2017; Wilden, Devinney and Dowling, 2016). One component is whether the link between dynamic capabilities and long-term competitiveness is direct (Teece, Pisano and Shuen, 1997) or more complex and circumstantial (Eisenhardt and Martin, 2000; Zahra, Sapienza and Davidsson, 2006). Whilst acknowledging these differences, considerable research has argued for, and empirically evidenced, links between

dynamic capabilities and firm performance (Danneels, 2002; Hung et al., 2010; Pinho and Prange, 2016). In this research we take the Teece et al. (1997) approach to dynamic capabilities and its construct of sensing, seizing and reconfiguring resources. In line with this, we use Augier and Teece's (2009) definition of dynamic capabilities:

*'The ability to sense and then seize new opportunities, and to reconfigure and protect knowledge assets, competencies, and complementary assets with the aim of achieving a sustained competitive advantage.'* (Augier and Teece, 2009, p.412)

Furthermore, we adopt a microfoundational approach (Barney and Felin, 2013; Helfat and Peteraf, 2015; Teece, 2007). As Teece (2007, p.1319) proposes, 'The microfoundations of dynamic capabilities are the distinct skills, processes, procedures, organizational structures, decision rules, and disciplines' that underpin the capability to sense, the capability to seize and the capability to transform. Through empirically identifying the value of IAs and demonstrating that this value is in the form of dynamic capabilities' microfoundations, we argue for the link between IAs and the long-term competitiveness of the firm. We also identify key contingencies or conditions which impact upon the effectiveness of these microfoundations.

Sensing opportunities represent a combination of microfoundational actions that involve actively looking for, learning about and interpreting events to identify opportunities for growth and long-term sustainable competitive advantage. Investment in research and related processes is an important microfoundation of these activities in addition to the management of knowledge within and between departments and the interpretation of that information (Teece, 2007). It also extends to monitoring the activities of suppliers, partners and competitors (Felin and Powell, 2016). Using IAs to share knowledge of home processes has been described as a reason to use IAs (Edström and Galbraith, 1977) as has the creation of new business opportunities (Bossard and Peterson, 2005)

demonstrating the potential linkages between IAs and the microfoundations of dynamic capabilities.

Sensing is followed by seizing the opportunity which incorporates the microfoundations of structuring resources to respond appropriately to the opportunities sensed, 'through new products, processes or services' (Teece, 2007, p.1326). Teece places considerable emphasis on the role of technology and innovation within this capability and its microfoundations. And he considers the firm's top management as having a significant role to play in enabling this through appropriate investments and preparation. A firm with a flexible structure, capable of change, is better placed to prioritize and address the opportunities once they have been sensed. Hence, the existing business model including the ability to reach managerial consensus is a key microfoundation. Teece argues that layers of bureaucratic procedures might slow down a firm's ability to seize the opportunity once it has been sensed. Managerial skills, including decision-making, are important in enabling these capabilities (Easterby-Smith, Lyles and Peteraf, 2009). The use of IAs has been linked to the development of management skills and global awareness, and it may also suggest an ability to flex the organization to prioritize opportunities as and when they arise (Carpenter, Sanders and Gregersen, 2001; Edström and Galbraith, 1977).

Finally, resources are successfully reconfigured to implement the designed responses in the seizing phase. This extends from being capable of resource change and structural change, to its implementation including business reorganization and re-specialization. This 'continuous morphing of form' (Rindova and Kotha, 2001) is a crucial microfoundation of this capability. Governance plays a significant role in checking that intended changes have taken place and are achieving the desired effect as does knowledge management. Similar to absorptive capacity (Newey and Zahra, 2009), this incorporates the ability to transfer and integrate new knowledge whilst protecting intellectual property. Knowledge transfer is a potential component of dynamic capabilities (Eisenhardt and Martin, 2000; Zollo and Winter, 2002) and has also been investigated and shown to have an important role in IAs (Harzing, Pudelko and Reiche, 2015).

Whilst Helfat et al. (2007, p.2) usefully describe the three capabilities as ‘the capacity with which to identify the need or opportunity for change, formulate a response to such a need or opportunity, and implement a course of action’ the interrelationship between these concepts has been recognized (Fainshmidt and Frazier, 2016; Teece, 2007). For example, Teece states that in practice the sensing and seizing capacities ‘cannot be cleanly separated’ (2007, p.1327). Hence this research seeks to bring some attention to these inter-relationships.

#### **4.2.2 International Assignments**

Research suggests that organizations can have several different dynamic capabilities. These include research and development, marketing, idea generation, market disruptiveness, knowledge management, and new process development capabilities (Bruni and Verona, 2009; von den Driesch et al., 2015; Easterby-Smith, Lyles and Peteraf, 2009; Eisenhardt and Martin, 2000; Harvey, Novicevic and Speier, 2000; Wang and Ahmed, 2007). Hence, whilst examples are limited, it is not surprising that authors have started to consider the role of IA programs or the use of IAs within the framework of dynamic capabilities. For example, Harvey, Novicevic and Speier (2000) use a dynamic capabilities lens to offer a range of propositions to conceptualize the use of inpatriates and expatriates. They argue that the use of IAs could be a dynamic capability given IAs’ ability to redeploy resources and generate new ones for learning, adding skills, innovation and social knowledge.

The possibility that the use of IAs contributes to dynamic capabilities is supported by Zollo and Winter’s definition that ‘A dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness’ (2002, p.340). Furthermore, IAs include strategic decisions on the use of highly skilled individuals and ‘The manager/entrepreneur need not be an individual; in the modern corporation, it is a function’ (Augier and Teece, 2009, p.417). This supports the conceptualization that IAs and IA programs play a role in generating microfoundations of dynamic capabilities.



On this basis we argue that IAs, when used regularly or programmatically, increase an organization's ability to sense, seize and reconfigure resources. IAs can increase organizational performance acting through a variety of microfoundations and subject to various contingencies or context-specific path-dependent factors. The combination of managerial skills needed for each of the sensing, seizing and reconfiguring phases are different and, importantly, are firm-specific requiring 'intimate knowledge of both the enterprise and the ecosystem in which the enterprise cooperates and competes' (Teece, 2007, p.1345). Given the aim for such intimate knowledge of the context within which to establish a basis for extending our theoretical understanding of the organizational value of IAs, this supports a case study research design (Yin, 2014).

Our case study is a public sector organization. We argue that dynamic capabilities provide an appropriate lens for such research. The pace of change in public sector organizations is often greater than that in the private sector due to frequent changes in policy combined with short-termism driven by election cycles (Pablo et al., 2007). The cause of high levels of public sector change can be thought of as munificence (uncertainty in long-term sources of funding), complexity (the heterogeneity of external circumstances, i.e. the wide variety of end-users) and uncertainty (the unpredictability of change) (Boyne and Meier, 2009). Given this level of change and complexity, using dynamic capabilities within public sector research is being called for in both the dynamic capabilities literature (Barreto, 2010; Easterby-Smith, Lyles and Peteraf, 2009) and public sector literature (Pablo et al., 2007; Piening, 2013). This is consistent with the principle that public sector managers can learn from private sector managers and potentially vice versa, given that differences in their circumstances may not be as significant as is often assumed (Boyne, 2002).

We now turn to introduce the details of our case study, the opportunities it offers and hence the identification of IAs as a source of microfoundations which enable long-term competitive advantage.

## **4.3 Method**

The focal organization for this research case study is one of the parties responsible for the European Union (EU) financial regulatory system. Confidentiality restrictions prevent its naming and hence it will be referred to as the Case Study Organization or CSO. Its staff include Seconded National Experts (SNEs) a specific contractual designation of international assignees within the structure of the EU (Renshaw, Parry and Dickmann, 2018). Qualitative and quantitative data were gathered from a) publicly available documentation about the operations of the EU financial regulatory system, b) exploratory discussions with a range of parties in this system and c) semi-structured interviews with CSO SNEs. To understand the findings we first describe the CSO's context within the EU, then the CSO's main features and finally the key elements of SNEs, before explaining the data gathering process.

### **4.3.1 The EU Regulatory System**

At the time of this research there were 19 institutions and bodies, plus 48 agencies with approximately 55,000 civil servants running the EU's administration (European Union, 2017). Operating as a 'meta-organization' (Murdoch, 2015, 1684), namely an organization whose membership or ownership is a set of other organizations, the EU had 28 member states including the UK, which had commenced the process to exit the EU.

Within the EU sits a web of institutions, bodies, agencies and organizations responsible for financial regulation at the supranational level which interact with the relevant bodies operating at each member states' national level. Collectively these deliver financial regulation to those countries and organizations operating in and with the EU. These regulatory activities are affected by a range of EU groups including departments within the European Commission (e.g. DG FISMA - Directorate-General for Financial Stability, Financial Services and Capital Markets Union). Finally, financial regulation in the EU operates closely with global organizations such as the Basel Committee on Banking Supervision.

There are seven supranational EU organizations leading the EU financial regulation system. With the exception of the European Central Bank (ECB) these were all created in their current form in 2010 or thereafter triggered by the 2008 financial crisis (European Union, 2017). Adding to the nascent nature of this financial regulatory system, the ECB's banking supervision department was only established in 2014.

### **4.3.2 The Case Study Organization**

The CSO is one of the smaller financial regulatory bodies in the EU with less than 300 staff. The staff in all the financial regulatory EU organizations are highly diversified in terms of country of origin. The CSO has a relatively small number of staff from the country in which it is physically located adding to its diversity.

Consistent with public governance across the EU (Murdoch, 2015), the CSO has highly structured decision-making mechanisms involving all the other supranational and national financial regulatory bodies (see for example EBA, 2017). The CSO has responsibility to generate new legal structures and regulatory/supervisory consistency across the EU member states, thereby seeking to impose new rules on and for implementation by the parties who sit on its governance bodies. The pool of people willing and technically able to work in this regulatory environment is relatively small. The EU organizations therefore rely heavily on attracting staff from the member states' national authorities.

### **4.3.3 Seconded National Experts (SNEs)**

SNEs are a legally defined type of EU inter-organizational assignee (Council of the European Union, 2014). McNulty and Brewster (2017, p.20) recently offered a definition of 'business expatriate' to simplify and coordinate the many different definitions used in the IA field: 'legally working individuals who reside temporarily in a country of which they are not a citizen in order to accomplish a career-related goal, being relocated abroad either by an organization, by self-initiation or directly employed within the host-country'. SNEs conform to this definition and yet warrant clear distinction for our analysis (Renshaw, Parry and Dickmann, 2018).

The most significant distinction is that SNEs usually move from a national (home) organization to a supranational (host) organization and hence the potential exists for different organizational interests as well as organizational goal conflict between the parties. Furthermore, SNEs may be assigned to one host from a range of different countries' national authorities which further enables the analysis of value given the different organizational perspectives involved.

A second important feature of the SNE is that their salary and related costs of employment such as pensions, continue to be paid by their home. The host only pays expenses and relocation costs deemed appropriate for the individual to move and live in the new country to avoid suffering a loss of earnings. As a result there is a financial benefit to the host organization compared to hiring an alternative employee. The contractual arrangement also means that SNEs have obligations to both organizations which may lead to conflicting allegiances for the individual (Black and Gregersen, 1992; Suvarierol, Busuioc and Groenleer, 2013). Whilst research findings have not supported this to date it has been argued that SNEs may be used deliberately to influence the activities at the host to the benefit of the home (Sundström, 2016; Suvarierol, Busuioc and Groenleer, 2013).

These features of the SNEs in combination makes them especially suitable to investigate the organizational value of IAs as they provide distinct home and host perspectives through which to evaluate the phenomenon of value.

#### **4.3.4 Data Collection**

We completed a total of 21 semi-structured interviews between January and November 2017. Participants included thirteen people who were currently SNEs at the CSO and eight ex-SNEs. The latter included two who had been an SNE elsewhere and were currently employed at the CSO with SNEs in their team, five who had obtained permanent contracts at the CSO and one who had moved back home. SNEs came from 14 different home organizations. Seeking the perspective of the organizations in the view of the assignees takes an agential meso level perspective (Rousseau and House, 1994) which is regularly used in

IA research including that investigating the ROI of IAs (see, for example, McNulty, De Cieri and Hutchings, 2013). A demographic summary of participants is included in Table 4-1.

**Table 4-1 Demographic Summary of Interviewees**

Interviewee	Current or ex SNE	Home Country/ Nationality	Man/ Woman	Age Group	Time in Civil Service (yrs)	Time as SNE (months)
IP01	Current	DE	Man	40 - 49	3	30
IP02	Current	DK	Man	30 - 39	3.5	10
IP03	Current	ES	Man	50 - 59	29	5
IP04	Current	DE	Woman	20 - 29	7	10
IP05	Ex	FR	Man	30 - 39	3	12
IP06	Current	DE	Man	40 - 49	7	16
IP07	Current	IT	Man	40 - 49	16	8
IP08	Ex	IRE	Man	50 - 59	38	72
IP10	Ex	FR	Man	40 - 49	7	21
IP12	Current	IRE	Woman	40 - 49	10	39
IP13	Ex	LUX	Man	30 - 39	7	15
IP14	Current	ES	Woman	30 - 39	7	17
IP15	Current	FR	Man	40 - 49	5	30
IP17	Ex	FR	Woman	30 - 39	4	27
IP24	Ex	FR	Man	40 - 49	16	22
IP25	Ex	UK	Man	40 - 49	12	24
IP26	Ex	BE	Woman	40 - 49	11	36
IP31	Current	ES	Man	40 - 49	11	4
IP35	Current	FR	Man	40 - 49	12	4
IP36	Current	PL	Man	30 - 39	6	5
IP37	Current	FR	Woman	40 - 49	18	3

Six women (29%) and 15 men were interviewed which is in line with the CSO's overall demographic profile of 30% women. SNEs normally represent approximately 7% of the total full time employed staff. The interviewees included ten different nationalities compared to 27 in the organization as a whole. The interviewees' ages were mostly in the 40-49 years range (12) followed by 30-39 years (6) with an average of 20 months' time as an SNE and 11 years' experience working in the EU and national civil service families. The time as an SNE and the years of experience as a civil servant varied considerably.

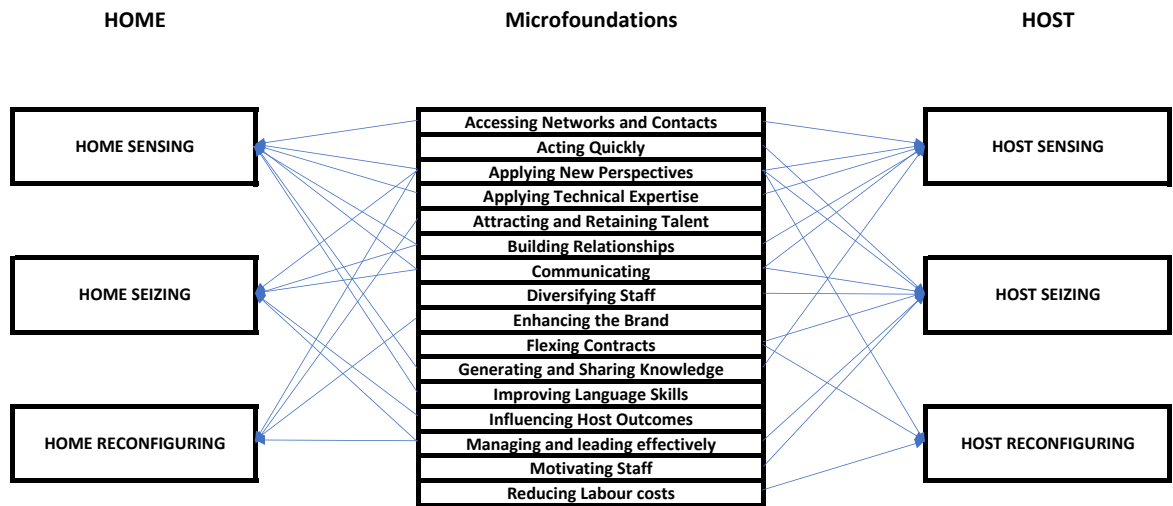
The interviews were in English and held face to face at the CSO premises except one which was by phone. This generated 20 hours of directly relevant interview data for transcription. All transcriptions were checked by the first author against the recordings after they were professionally transcribed. The interview questions were pre-established in an interview protocol and focused on the participants' perceptions of the value they generate for the organizations involved in their assignment, including how this is created and retained (Lepak, Smith and Taylor, 2007) plus the conditions, which may affect these outcomes.

We coded the transcriptions in NVIVO using a high level a priori coding structure of 1) what is the value derived by home and host, 2) how is that value created and 3) how is that value captured by each organization. Sub-nodes were created as appropriate and additional coding nodes added. Upon reflection and consideration of theoretical conceptualizations the data were then recoded using the sensing, seizing and reconfiguring sub-capabilities framework and their microfoundations described above. Microfoundational themes were created supported by the Teece microfoundational literature (see, for example Teece, 2007, 2014) and the dynamic managerial capabilities literature (see, for example Helfat and Martin, 2015; Helfat and Peteraf, 2015). Coding was also created to identify the contingencies which were described by interviewees as affecting the value or microfoundations of IAs. These were coded as either intrinsic or extrinsic conditions. Intrinsic conditions were defined as factors directly related to the IA itself, for example how the home and host's goals for the IA are aligned. Extrinsic conditions are external factors that affect the microfoundations, for example the leadership skills of the SNE's line-manager. All interviews were reviewed for a third time to validate all coding allocations and that no new phenomena were being identified such that appropriate saturation was achieved.

#### **4.4 Findings**

The microfoundations of IAs have been identified which affect each of the home and host's sensing, seizing and reconfiguring capabilities. The total of 16 core microfoundations, i.e. those identified by at least five interviewees, included some

that affect more than one capability as we anticipated (Fainshmidt and Frazier, 2016; Teece, 2007), and these relationships are summarised with the arrows in Figure 4-1.



*During the Assignment*

	Home Microfoundations	Host Microfoundations
<b>Increased Sensing Capability</b>	<ul style="list-style-type: none"> <li>• Accessing Networks and Contacts</li> <li>• Building Relationships</li> <li>• Communicating</li> <li>• Generating and Sharing Knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• Accessing Networks and Contacts</li> <li>• Applying New Perspectives</li> <li>• Applying Technical Expertise</li> <li>• Building Relationships</li> <li>• Communicating</li> <li>• Generating and Sharing Knowledge</li> </ul>
<b>Increased Seizing Capability</b>	<ul style="list-style-type: none"> <li>• Building Relationships</li> <li>• Communicating</li> <li>• Influencing Host Outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Acting Quickly</li> <li>• Applying New Perspectives</li> <li>• Communicating</li> <li>• Diversifying Staff</li> <li>• Flexing Contracts</li> <li>• Managing and Leading Effectively</li> <li>• Motivating Staff</li> </ul>
<b>Increased Reconfiguring Capabilities</b>	<ul style="list-style-type: none"> <li>• Attracting and Retaining Talent</li> <li>• Enhancing the Brand</li> </ul>	<ul style="list-style-type: none"> <li>• Applying New Perspectives</li> <li>• Flexing Contracts</li> <li>• Reducing Labor Costs</li> </ul>

*After the Assignment*

	Home Microfoundations	Host Microfoundations
<b>Increased Sensing Capability</b>	<ul style="list-style-type: none"> <li>• Accessing Networks and Contacts</li> <li>• Applying New Perspectives</li> <li>• Applying Technical Expertise</li> <li>• Generating and Sharing Knowledge</li> <li>• Improving Language Skills</li> </ul>	<ul style="list-style-type: none"> <li>• Accessing Networks and Contacts</li> </ul>
<b>Increased Seizing Capability</b>	<ul style="list-style-type: none"> <li>• Applying New Perspectives</li> <li>• Managing and Leading Effectively</li> </ul>	
<b>Increased Reconfiguring Capabilities</b>	<ul style="list-style-type: none"> <li>• Applying New Perspectives</li> <li>• Attracting and Retaining Talent</li> <li>• Enhancing the Brand</li> <li>• Managing and Leading Effectively</li> </ul>	

**Figure 4-1 Framework for the Findings of the Research and Example Core Microfoundations**



The impact of these microfoundations may arise during and/or after the IA which is also summarised in Figure 4-1. A full description of each microfoundational theme with illustrative interviewee quotes is provided in Table 4-2.

**Table 4-2 The Microfoundations of International Assignments**

<b>Microfoundation (alphabetically)</b>	<b>Description</b>	<b>Example Interview Quote</b>	<b>Relates to</b>
Accessing Networks and Contacts	The SNEs create new contacts at the Host and other SNE sending organizations that are valuable to the Home. The SNE has an existing network which is valuable to the Host.	<i>'if you come here, you contact not only the people of the agency but also the people of the other Member States that you meet in the different working groups and so on. You have the opportunity when you come back to your capital to take the telephone, to send them an email, to explain your problems to others in a more fairly and frankly atmosphere and this is one of the points that I think is an added value of the secondment.'</i> [IP03]	Home
Acting Quickly	The SNE's ability to put their knowledge and expertise to immediate effect upon starting their SNE role due to existing technical expertise.	the SNE's ability to <i>'hit the ground running'</i> [IP02]	Host
Applying New Perspectives	The Host gained a better understanding of the perspectives of other national regulators whilst the Home gained this in addition to gaining an EU (as distinct to a national) regulatory perspective.	<i>'if the person is working on market risk at Home and then gets seconded to here where people are working on regulatory technical standards on market risk which are about to be implemented, so then you go back and you know exactly what stands where, you know exactly which member sees things like this or like that'</i> [IP13].	Home
Applying Technical Expertise	An increase in technical expertise available to the Host or the increase in technical expertise gained during the IA and/or greater knowledge and understanding of the EU level processes for the Home.	<i>'the more the ... organization knows the process of the other, [the] more they can cooperate in an efficient manner'</i> [IP07]	Home/ Host

Attracting and Retaining Talent	The willingness to send SNEs acts to motivate employees both to join the Home institution in the first place and to stay there/return there in the long run,	<i>'I think that helps them in the long run to acquire new people.'</i> [IP01]  <i>'there is clearly a third dimension, which is well, retaining people within the [Home]. I think having these ... as a potential option for people working at the [Home], clearly motivates and retains people'</i> [IP02]	Home  Home
Building Relationships	Sending SNEs to the Host improves the relationships between the Home and the Host to the benefit of both parties. It also improves the SNEs stakeholder management skills which strengthens relationships.	<i>'when I return to the [Home] I hope that relations between [Home] and [Host] will be better because I have been there and hopefully I will have done a good job and they will be happy with me, so if they are happy with me then they will be happy with the [Home]. Before that, I suppose the relations were good, but now after this experience I hope that it will be even better.'</i> [IP31].	Home
Communicating	SNEs act as a point of communication between individuals at the Home and the Host. Colleagues in either organization ask the SNE to put them into contact with appropriate people, to facilitate meetings and communicate information.	<i>'creating this link really for other staff ...the SNE understands this organization, what they are doing and so it's easier for them to contact someone they know on any sort of topic, even the one the SNE is not working on, just a more direct contact within the organization.'</i> [IP26]	Home
Diversifying Staff	The Host benefits from the diversity of knowledge, experience and culture that SNEs bring.	<i>'the [Host] is a small institution so [it] needs the input of different people and SNEs is a pool of people, usually with an experience in certain topics, so for the CSO SNEs are really important.'</i> [IP05]	Host
Enhancing the Brand	The act of sending SNEs is seen to enhance the brand value or reputation in terms of the competence of the Home as an institution and its employees.	<i>'there's political goodwill to be seen to support European institutions. That may be of some degree of kudos to the [Home] organization'</i> [IP08]	Home

Flexing Contracts	In comparison to the other types of employment contract available to the Host, the SNE contract has considerable flexibility in terms of both original contract length and contract extension periods.	<p><i>'You can to some extent handpick [the SNEs] in terms of specific needs that you have at a particular moment in time. You can tailor it in terms of duration, seniority, etc, to kind of really fill a niche.'</i> [IP08]</p> <p><i>'secondes are a good way of breaking out of the constraints that we have and getting more resource.'</i> [IP25]</p>	Host  Host
Generating and Sharing Knowledge	The SNEs bring knowledge from their existing experience and share it with colleagues at the Host. The SNEs also create new knowledge which is shared with the Home during and after the assignment.	<i>'to take a specific, more concrete example, they have in the resolution of these Italian banks and Spanish banks, if you're not working on the topic specifically because you're Spanish, the only possibility to have this information is actually working at the EU level ... you get to know well all of the deals, how the banks have been recapitalized.'</i> [IP17]	Home
Influencing Host Outcomes	The SNE influences the outcomes of decisions and processes at the Host to the advantage of the Home.	<p><i>'you are drafting papers always from your background. So there is always some kind of Home country bias in these documents'</i> [IP01]</p> <p><i>'there is a thin line between informing and influencing, of course, but it's part of the game'</i> [IP10]</p>	Home  Home
Improving Language Skills	Improving skills to work in English, the drafting language of the relevant EU entities, assists Home organizations where the native language is not English. Whilst the Host benefits from SNEs having different native languages.	<p><i>'language competencies because English became more important on a national level ... English is kind of a second language at [Home] now which it hasn't been for, I don't know, three or four years ago'</i> [IP06]</p> <p><i>'there's probably the language skills as well. It's good for them to have native speakers, so that's another benefit to them.'</i> [IP12]</p>	Home  Host
Managing and Leading Effectively	The Host benefits from expertise at the management level brought by SNEs. The SNEs' improve management and interpersonal	<i>'When I read the regulation I heard that you always have to be backed up ... so I never thought I would lead the whole work stream, but I am in charge of four projects ... and you are asked to be a representative of the [Host] and you're the only one there ...'</i>	Home

	skills to the benefit of the Home on repatriation. For example, cultural skills, negotiation skills, presentation skills, and the skills to create or find compromise solutions.	<i>so it's a lot of responsibility that I wouldn't think that they would give me as I was going to be SNE' [IP14]</i>	
Motivating Staff	The highly driven nature of SNEs seeking to impress.	<i>'a lot of SNEs really want to prove themselves. So actually they can be really motivated' [IP26].</i>	Host
Reducing Labor Costs	The Host has limited obligations towards only the expenses or per diem costs of the SNEs rather than the much higher salary/pension costs which are paid by the Home.	<i>'And I think it's really good especially for a small organization to have because it has a cost to train people. In every organization even if the guy is good it takes at least one year to get used to everything' [IP05]</i>  <i>SNEs are 'cheap labor' [IP01,06,07,10,12,14,24].</i>	Host  Host

Interviewees provided extensive examples of both intrinsic and extrinsic conditions. These have the potential to affect either the home or the host as well as both parties. They may also affect one or more of the sensing, seizing and reconfiguring capabilities. A summary of those conditions described by at least five interviewees is provided in Appendix 4-1. We will now explore the microfoundations and the conditions affecting their impact, first for the homes (on a combined basis) and then for the host by reference to each of the separate sub-capabilities. In each case we provide examples drawn from Table 4-2 and Appendix 4-1 respectively. We address the complexity of microfoundations affecting multiple capabilities in the subsequent Discussion section.

#### **4.4.1 Microfoundations of Home Capabilities**

##### **4.4.1.1 Sensing**

During the assignment four core microfoundations that increase the sensing capability of the home were identified: Building Relationships; Communicating; Generating and Sharing Knowledge; and Accessing Networks and Contacts. These include the SNE acting as a communication or contact point in the CSO to assist the home personnel with queries and access to information, *'creating this link really for other staff'* [IP24]. Similarly, there is provision within the SNE contract for the homes to invite their SNEs back on an annual basis specifically to share their knowledge and learning with other colleagues:

*'twice a year we are called back and then we have a one-day meeting with all other people ... sent to international or European authorities where we can exchange views, talk about experiences inform [the national authority] about what we are working on and the developments.'* [IP01].

However, a range of conditions reduces the potential of these microfoundations. For example, one intrinsic condition is the extent to which the home has an overall strategy for its use of SNEs which includes whether it organizes events to bring back their SNEs to share their knowledge with others or alternatively effectively

breaks all contact with the SNE during the assignment, *'The only issue is ... when you are out ... you are out'*. [IP24].

Five core microfoundations were identified that generate organizational value through improving the home's sensing capabilities, when the SNEs returned to their home after the assignment (see Figure 4-1). A key effect identified by most participants was the SNEs' Applying New Perspectives gained from their secondment. This included both gaining an EU (as distinct to a national) regulatory perspective in addition to a better understanding of the perspectives of other national regulators:

*'if the person is working on market risk at home and then gets seconded to here where people are working on regulatory technical standards on [XXX] which are about to be implemented, so then you go back and you know exactly what stands where, you know exactly which member sees things like this or like that'* [IP13].

These new perspectives were supported by an increase in Accessing Networks and Contacts across the EU especially within the technical specialty of the SNE.

Finally, an impact of Generating and Sharing Knowledge was considered important after the assignment. Interestingly, despite usually being experts in their technical field already, SNEs identified the significance of an increase in Applying Technical Expertise alongside increased knowledge of the processes at the EU level for the home. The importance of understanding these processes was stressed by many participants: *'the more the ... organization knows the process of the other, [the] more they can cooperate in an efficient manner'* [IP07].

Contract length and contract extensions are an important intrinsic condition affecting the Generating and Sharing Knowledge microfoundation after an assignment because it affects the extent to which SNEs increase their skills, knowledge and networks to the benefit of the home. Whilst opinions varied it was felt that an optimum contract length existed for the home beyond which the advantages were outweighed by the disadvantages, especially the costs. In other words minimal new knowledge was being generated to the potential benefit of the

home. An extrinsic condition which may be directly related is the extent to which the home is already involved in Working Groups with the CSO: *'lots of people from my home organization come here for working groups and so on, so there's a regular exchange between the organizations.'* [IP04]. The CSO uses these groups as a core technique to try to ensure that relevant regulatory authorities are involved in the development of its work and hence to enable speedier decision-making through compromise and awareness. If a home is already heavily involved in these groups it may be the case that this provides the information and networks that add to their sensing capabilities and hence the value that an SNE could add will be reduced. This would affect the potential impact an SNE may have on the home's sensing capabilities both during and after the assignment.

#### **4.4.1.2 Seizing**

During the assignment SNEs enable the home's seizing capabilities through three core microfoundations (see Figure 4-1) including a previously disputed effect (Sundström, 2016), Influencing Host Outcomes. This is where the SNE influences the outcomes of decisions and processes at the host to the advantage of the home: *'you are drafting papers always from your background. So there is always some kind of home country bias in these documents'* [IP01]. EU Staffing Regulations explicitly state that an approach favoring the home is not allowed. Furthermore, it is argued that several layers of decision-making in the CSO's governance proceedings should prevent this influence (an extrinsic condition). Nonetheless, there was considerable support for this microfoundation from the interviewees. At its simplest the interviewees recognized that SNEs will implicitly understand their home organization's perspectives and aims better than that of other organizations meaning they will give greater credence to arguments favoring their home. Similarly, if a home wants to ensure that its voice is heard on a subject it may choose to send an SNE to work on it: *'there is a thin line between informing and influencing, of course, but it's part of the game'* [IP10]. One significant issue in relation to this microfoundation is that it may not benefit both the home and the host. To the extent that the outcomes of decisions at the



host are influenced to the benefit of the home, this suggests a downside for the host and/or for other homes. This draws attention to an important point, namely that investigating the organizational value of IAs at the group organizational level may overlook conflicts and negative impacts at local organizations.

After the assignment and when an SNE returns home there is a positive impact on their seizing capacity through two microfoundations: Applying New Perspectives plus the SNEs' improvement in Managing and Leading Effectively. These include improved cultural skills, negotiation skills and presentation skills. Furthermore, the structure and responsibilities of the CSO necessitates that SNEs develop the skills to compromise amongst the EU's 28 member states: *'the legitimacy of this agenda very much depends on a perception of the CSO work being based on a compromise solution between differences of opinion.'* [IP02].

All impacts on capabilities after the SNE returns home are subject to conditions affecting the very decision to return and the role the SNE returns to, and hence the home's repatriation and career mobility capabilities act as an intrinsic condition. For example, *'when you leave, everything is as if there was a plan for you when you come back, but when you come back there is no plan.'* [IP10]. This contrasts with the CSO's willingness to offer SNEs a more permanent post after the secondment which happened in several cases thereby significantly reducing the value possibilities for the home thereafter. This was not necessarily considered to be a complete negative for the home, however, as positive factors such as relationships and implicit bias might continue.

#### **4.4.1.3 Reconfiguring**

There were no core microfoundations identified affecting the home's reconfiguring capability during the assignment which resulted from the direct actions of the SNE. However, two different microfoundations operate through the act of sending SNEs: Enhancing the Brand - *'there's political goodwill to be seen to support European institutions.'* [IP08], plus Attracting and Retaining Talent - *'that helps them in the long run to acquire new people'* [IP01]. These microfoundations represent an investment in the organization's capabilities which

enables reconfiguring. Once again, it may not necessarily be the case that Attracting and Retaining Talent for the home has a similarly beneficial effect at the host. As described earlier, the total pool of talent working in the EU financial regulatory system is relatively constrained and hence a positive impact for the home in this way may have a negative impact on the host or other home organizations.

Provided the SNE returns home, four core microfoundations should support reconfigurational capabilities including Managing and Leading Effectively. This is illustrated by the CSO's willingness to allow its SNEs to lead workstream activities thereby increasing their leadership, management and influencing skills. This willingness of the CSO is notable as the EU SNE regulations specifically restrict SNE work such that they may not represent the host organization. Interviewees saw the CSO's approach as going beyond their expectations and beyond what may arise at other EU hosts where individual SNE activities were seen to be more constrained:

*'When I read the regulation I heard that you always have to be backed up ... so I never thought I would lead the whole work stream, but I am in charge of four projects ... and you are asked to be a representative of the CSO and you're the only one there ... so it's a lot of responsibility that I wouldn't think that they would give me as I was going to be SNE' [IP14]*

Promotion of the SNE upon return (an extrinsic condition) suggests a greater ability to share their increased knowledge, both technical and processual, which should positively affect the ability to reconfigure resources. Whilst such promotion is dependent upon the intrinsic condition of the home HR department's career management capabilities, positive examples were given. This was supported by the belief that the returning SNE would be given opportunities to share and apply their new knowledge which would also support the home's sensing capabilities (see above). However, there were several examples of SNEs doubting whether this would in fact be enabled upon their return to the home organization.

## 4.4.2 Microfoundations of Host Capabilities

### 4.4.2.1 Sensing

Four of the six core microfoundations affecting the host's sensing capabilities are the mirror images of those affecting the home's sensing capabilities (see Figure 4-1). With the exception of Accessing Networks and Contacts, the microfoundations on all the sub-capabilities of the host arise during the assignment. The most significant microfoundation affecting the host's sensing capabilities was the SNEs' Applying Technical Expertise that they bring with them (consistent with their designation as 'Experts'). Applying Technical Expertise is reinforced by Generating and Sharing Knowledge both from the home and from inter-home relational dialogues, for example in previous negotiations within and between the national and EU regulatory authorities. Building Relationships, which has a positive impact on both the home and host's sensing and seizing capabilities was also considered important:

*'Before I was sent many other SNEs had already been sent, so I think it's an ongoing thing. I mean, I suppose that after when I return to the [national authority] I hope that relations between [national authority] and [the CSO] will be better because I have been there and hopefully I will have done a good job and they will be happy with me, so if they are happy with me then they will be happy with the [national authority]. Before that, I suppose the relations were good, but now after this experience I hope that it will be even better.'* [IP31].

A variety of intrinsic and extrinsic conditions affect these microfoundations. For example, SNEs are restricted from taking part in certain staff training activities at the CSO unless there are spare spaces. This seems to affect the motivation of SNEs:

*'as an SNE you get only language training [after] all the other[s], so you are like second in row ... it doesn't have a big impact on my motivation, but sometimes it makes me feel like I'm a guest. And guests are tolerated for a certain amount of time and then they are meant to leave.'* [IP04].

It was also noticed that SNEs are generally given less activity and less responsibility in the final months of their SNE contracts limiting the capability changes achievable. The CSO has a relatively small number of staff and experiences high staff turnover. These extrinsic conditions to the IA serve to increase and decrease respectively the potential impact of sensing capability changes.

#### **4.4.2.2 Seizing**

A feature of the SNE consistently noted by interviewees, is the SNE's ability to *'hit the ground running'* [IP02] in other words to put their knowledge and expertise to immediate effect thereby changing the host's seizing capabilities. This microfoundation of Acting Quickly is also reinforced by the highly driven nature of SNEs seeking to impress, *'a lot of SNEs really want to prove themselves. So actually they can be really motivated'* [IP26] (Motivating Staff). This is further enabled by the approach taken by the CSO in not only permitting, but promoting the possibility of SNEs leading workstream activities. This improves their Managing and Leading Effectively as described earlier.

Several interviewees expressed concerns regarding the contract extension process for SNEs at the host. SNE contracts are mostly established as 1-2 year initial contracts with the possibility of extension. However, these extension processes lack clarity and certainty leading many SNEs to adjust their focus onto the potential of returning home instead. As a result, both the daily impact of the SNEs reduces whilst on assignment and the possibility of an earlier return increases. This intrinsic condition appears to reduce the impact on capability change. In contrast it was noted that the immaturity of the CSO (under ten years old) seemed to increase its flexibility to change which would have a positive effect on the SNEs ability to increase the seizing capabilities of the host.

#### **4.4.2.3 Reconfiguring**

Whilst the contract extension process creates a limiting condition on the effectiveness of the host's seizing capability as noted above, the inherent flexibility of the SNE contracts per se in comparison to other employment options

increases the CSOs reconfiguring capabilities. Furthermore, due to the host's limited obligations towards only the expenses or per diem costs of the SNEs rather than the much higher salary/pension costs, SNEs are '*cheap labor*' [IP01,06,07,10,12,14,24]. Of course, whilst this microfoundation of Reducing Labor Costs in comparison to alternative hires is valuable to the host this arises only because the cost sits with the home which, once again, creates contradictions between the value to the parties involved in the IA. Nonetheless, for the host this increases their capabilities to reconfigure resources at a micro level – as distinct to the macro level business reorganization.

A notable intrinsic condition on the positive impact for the host of Reducing Labor Costs is the restriction applied to the roles that SNEs undertake. Whilst it seems to be interpretive rather than contractual, SNEs are normally only permitted to work on issues clearly described in the job specification issued when the post is created by the CSO. Some SNEs expressed the desire and willingness to work on other issues in the belief that this would have positive impacts on the performance of the host (in addition to personal development). Hence the identification of the specific SNE roles affects their reconfigurational impact. In spite of these micro level activities from which we infer reconfiguring capabilities, no specific cases were given to support that the CSO had reconfigured its business models or systems as a result of SNE impacts.

## **4.5 Discussion**

This paper has adopted a microfoundational dynamic capabilities approach to identify the organizational value of IAs in relation to an EU supranational financial regulator and their use of SNEs. Figure 4-1 summarizes the findings of the research. This has provided evidence that the use of SNEs adds value by creating microfoundations of the host and home organizations' respective capacities to sense opportunities, seize opportunities and reconfigure resources (Augier and Teece, 2009; Teece, 2007).

The case for increasing sensing capabilities by implementing IAs is demonstrated for both home and host through, for example, Generating and Sharing

Knowledge. Similarly, the capability for seizing opportunities is evidenced through Building Relationships and Influencing Host Outcomes for the home, alongside SNEs Acting Quickly for the host. Finally, reconfiguring capacity was positively affected through, for example, Flexing Contracts for the host and through Attracting and Retaining Talent for the home.

It is difficult to interpret which entity might derive the most value from the assignments in our case study, especially as several different home organizations were involved. Whilst the microfoundations differed, more impacts were identified as having a positive effect on the home in comparison to those affecting the host. However, the former is critically affected by repatriation of those on IAs. Three interviewees indicated that the home achieved the greatest value compared to eleven in favor of the host. This may be due to the low cost of SNE labor to the host in comparison to alternatives, which suggests high technical fitness (broadly cost effectiveness) of the capabilities for the host versus low evolutionary fitness (broadly contextual effectiveness) for the home (Helfat et al., 2007). This can be seen as expanding the previously identified meso level concerns that the value derived by assignees may differ to and negatively affect the value derived by the organization involved (Dickmann and Doherty, 2010; Hemmasi, Downes and Varner, 2010; Yan, Zhu and Hall, 2002).

Several of the microfoundations identified have inter-related impacts whereby one may increase the capabilities of the host whilst simultaneously decreasing the capabilities of the home, and vice versa. This intra-organizational effect is similar to Holcomb and Hitt's (2007) idea that dynamic capabilities exist within inter-organizational relationships. Flexing the length of the SNE contract would seem to be one such factor. The longer the contract the greater the value to the host as indicated by the positive impacts arising primarily during the assignment. On the other hand, it was reported that the returns to the home were likely to be diminishing with an optimum contract length being between one and three years. Similarly, to the extent that SNEs influence outcomes to the benefit of their homes this could be negative for the host and other home organizations. This raises considerable concern regarding international business research reporting on the

benefits to subsidiaries of IAs which fail to address the potential counterbalancing effect of the impact on the home or parent companies (see for example, Gonzalez and Chakraborty, 2014; Riaz, Glenn Rowe and Beamish, 2014). As the primary cost of SNEs rests with home organizations this draws attention to identifying where the costs of IAs sit organizationally, for example where HR functional costs may be subsidized at the parent. The question of detailed cost analysis has only recently been raised in the IA literature and, as yet, this discussion does not address the benefits side of the equation (Nowak and Linder, 2016).

Some microfoundations worked to the benefit of both home and host. For example the CSO allows SNEs to lead workstream activities and represent the CSO in a manner that others might consider as being in contravention of EU rules. Also, the decision-making and negotiation skills of the SNEs were both identified as improving during the assignment. This benefitted the host's seizing capabilities during the assignment and subsequently would benefit the home's seizing capabilities provided the SNE returned home after the assignment. Gaining new perspectives also benefitted both home and host and is consistent with the benefits of acculturation through inpatriates and expatriates (Harvey, Speier and Novicevic, 1999). The findings also showed that value is generated for the home and the host both during and after the assignment and yet in different ways. This demonstrates the importance of interpreting the value of IAs through a cycle (Harzing and Christensen, 2004) and may challenge the assumption that successful repatriation is always a requirement of organizational value maximization.

Given that, with one exception, all the microfoundations of value to the host were identified as happening during the IA, these impacts are only sustainable through a continual SNE program with a changing group of SNEs, or the indirect effect on the structure of the host itself, e.g. through changes in explicit processes and organizational knowledge created by an SNE. However, interviewees expressed the view that the short term SNE contracts added to the high staff turnover at the CSO meaning that the CSO struggled to retain knowledge (including the

background to new regulations) which questions any sustainable change. This suggests a significant opportunity to increase the value that the host obtained in our particular case by taking measures to alter this.

The potential that SNEs may have a biased perspective ultimately generating advantage to their home organizations and logically to the detriment of other home organizations and the host was a noticeable finding in our research and counters extant public governance research (Sundström, 2016; Suvarierol, Busuic and Groenleer, 2013). This clearly affects the value to both home and host. Yet this 'dual allegiance' construct has seen little empirical investigation in IA literature since Black and Gregersen (1992) and may differ to that originally thought given that part of the SNEs bias is described as a subconscious and implicit consequence of their prior knowledge. Furthermore, this case study has organizations in a structure distinctly different to the classic MNC subsidiary-parent relationship. Given the homes' and host's conflicting organizational priorities (at the national and supranational level respectively) this provides a novel perspective for IA research presenting new insights which may be relevant elsewhere including in the IB sector where intra-organizational conflict has been identified (Bouquet and Birkinshaw, 2008).

Several microfoundations were identified which affected more than one of the sensing, seizing and reconfiguring capabilities. The importance of management skills, for example in reaching consensus and improving decision-making, is a vital component of all sub-capabilities (Augier and Teece, 2009). Leadership also plays a key role (Salvato, 2003). There was considerable evidence of value generated through these factors in the case study to the benefit of homes and host. However, the extent of this value to the organizations depends upon whether the SNE returns home (Daily, Certo and Dalton, 2000). Understanding the EU processes was consistently identified as a beneficial microfoundation to the home which is consistent with smoothing otherwise bureaucratic processes and improving seizing capabilities (Teece, 2007). This is also in line with the knowledge transfer impact proposed and found through the use of inpatriation (Harvey, Speier and Novicevic, 1999; Harzing, Pudelko and Reiche, 2015).



However, these seizing capabilities arose primarily post repatriation. Similarly, reconfiguring microfoundations primarily operated for the home after the assignments whilst they arose during the assignment for the host. Hence the impact of repatriation is fundamental to the value of IAs, consistent with several decades of global mobility research (Caligiuri and Bonache, 2016), but the impact on the home is different to that on the host.

The range of intrinsic and extrinsic conditions identified in the case study affecting the microfoundations demonstrates the significance of path dependency to dynamic capabilities and links to global mobility research advocating that the impacts of IAs should be considered from a systemic viewpoint (McNulty, De Cieri and Hutchings, 2009; McNulty and De Cieri, 2011a). This may be especially relevant in the public sector (Piening, 2013) where careful contextual analysis of the determinants and enablers of organizational capability is considered fundamental (Andrews, Beynon and McDermott, 2016). Andrews et al (2016) suggest that an increase in temporary employees and personnel instability in general, may be more beneficial for large organizations to develop capabilities and yet less beneficial for smaller ones. The CSO is a small organization inherently staffed by temporary employees and SNEs add to that dynamic. We found that the sustainability of the value to the CSO was dependent upon an ongoing SNE program or changes to the host's explicit knowledge base or processes. The latter was not reinforced by the evidence. This supports the view that dynamic capabilities do not trigger sustainable competitive advantage in all cases (Eisenhardt and Martin, 2000).

#### **4.6 Conclusion, Limitations and Implications For Practice And Future Research**

Our research used a dynamic capabilities lens to explicate value in global mobility. Extant research has struggled to identify the organizational value of IAs and hence their continuing usage despite high costs. This research extends our theoretical understanding of how IAs generate value by adding to the microfoundations of organizations' sensing, seizing and reconfiguration dynamic

capabilities potentially resolving the IA high-cost-high-usage conundrum. This goes considerably beyond the conceptual work on dynamic capabilities and IAs of Harvey, Novicevic and Speier (2000) through its use of empirical data and by incorporating a microfoundational approach identifying sixteen core microfoundations through which IAs generate organizational value. Furthermore, we identified the significance of temporal perspectives on the creation of the microfoundations from IAs and their value in addition to making a critical contribution through the distinction between home and host organizations thereby extending both the IA value literature (McNulty and De Cieri, 2011) and the microfoundations literature (Teece, 2007). The potential for conflicting benefits between these parties, where the value to one goes up to the detriment of the other, identifies a significant issue for the IA literature to consider. This augments the concept of inter-organizational relationships for dynamic capabilities (Holcomb and Hitt, 2007) and draws attention to the limitations of IA research which does not consider net value to a single overall organization when investigating its parts (see, for example Riaz, Glenn Rowe and Beamish, 2014). In summary our work strengthens the theoretical understanding of value in global mobility through the impact of IAs on the microfoundations of dynamic capabilities and hence long-term competitive advantage and organizational survival.

The broader applicability of our findings might be limited as the research uses a single case study organization in the public sector with a distinct purpose and political impact. The organization is small with fewer than 300 employees and has considerable diversity in terms of the nationality of its employees, including many expatriates who are not themselves SNEs. However, as global diversity in MNCs and the number of IAs continues to increase as automation and artificial intelligence reduces headcount, the potential for similar circumstance to arise suggests the applicability of our findings elsewhere. In addition, our findings are limited to 21 semi-structured interviews, however theoretical saturation was achieved. To expand our empirical insights there is an opportunity for research to include other entities in the same EU system or beyond. Nevertheless, the case study provided useful clarity between the home and the host. Other

distinctions included the responsibility of the home organization to continue paying salary and related contributions to the SNE, alongside the hierarchical roles of the homes and the host and their intertwined governance relationships. Furthermore, the CSO operates in a high change environment. Whilst private sector organizations may not match these particular distinctions they nonetheless possess complex inter-relationships whereby, for example, subsidiaries compete with each other for investment and attention. Hence we anticipate transferability of our arguments regarding the importance of using different perspectives as to the time, organization and value generation in the theory of IA organizational value.

Combining the analysis of the home organizations is another potential limitation of this research as fourteen different homes were involved. This presents an avenue for further research given the potential that microfoundations positively affecting one home might negatively affect another, however the interviewee responses appeared to be consistent in this study. Whilst the interviewees had experienced a wide variety of time on secondment this did not appear to affect the findings which also adds credibility to the transferability of the theoretical advances noted.

In a political environment where different organizations seek to influence outcomes in subtle ways, it is possible that interviewees did not answer the questions honestly. Of course, such a position cannot be completely eliminated at the individual level in any such research. In our case study the interviewees came from several different home organizations with a broad range of work experience which helps to test the reliability of their answers through consistency. Furthermore, several participants talked openly about trying to influence the outcomes from the perspective of their sending organizations which suggests respondents did not feel strong social desirability pressures.

A range of practical implications arise from our findings. Given that the value to the home and host may differ both in form and timing (during versus after the IA), HR and assignee line managers in both organizations need to identify the distinct

value patterns separately and, crucially, how they may impact upon each other. This presumes a willingness to be transparent regarding the intentions of all parties. As a direct consequence the organizational value of IAs should be measured both during and after the assignment to understand how the intentions have been borne out in practice and, where appropriate, to consider adjustments whilst the assignment is still ongoing. Furthermore, HR professionals as well as host line-managers should investigate the degree of allegiance to the home to understand and manage its consequences. These issues are further complicated where staff are sent on multiple IAs, creating career expatriates and delaying ultimate repatriation (McNulty and Inkson, 2013). Finally, the findings raise the need to acknowledge that IAs may not be a universally valuable phenomenon.

This paper is the first time to our knowledge that IAs have been investigated either through the sub-capabilities lens of the dynamic capabilities view or with a microfoundational approach. We have theoretically justified the use of IAs in relation to the value they generate through the microfoundations of the host and homes' dynamic capabilities, i.e. through their positive impacts on the capacity to sense opportunities, seize opportunities and reconfigure resources. We have added to the theory of IA value by investigating IGOs. The supranational host regulator and national home regulators using SNEs in the EU provided a novel and distinct environment drawing attention to a range of under-researched issues. Crucially, we have identified different aspects of value relevant to the home and host and their consequences. We hope these insights will trigger more global mobility research to further refine the understanding of these important value phenomena.

## 4.7 References to Chapter 4

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#### 4.8 Appendix 4-1: Examples of Intrinsic and Extrinsic Conditions affecting Home and Host Microfoundations

<b>Conditions affecting Home and Host</b>
<ul style="list-style-type: none"> <li>• <b>Extrinsic Conditions</b> <ul style="list-style-type: none"> <li>○ Flexibility for SNE to lead and manage at the Host</li> <li>○ History of sending SNEs by Home to Host</li> <li>○ Home and Host Relationships</li> <li>○ Home organization size and wealth</li> <li>○ Host creating permanent positions for SNEs</li> <li>○ Host organization size</li> <li>○ Home and Host HR capabilities</li> <li>○ Host Line Manager leadership skills</li> <li>○ Host training for SNEs</li> <li>○ Host Working Groups</li> <li>○ Host structural process limits on SNE bias</li> <li>○ Value to the SNE of the secondment</li> </ul> </li> <li>• <b>Intrinsic Conditions</b> <ul style="list-style-type: none"> <li>○ Contract negotiation period or length of the SNE contract</li> <li>○ Goal alignment of the assignment between the Home and the Host</li> <li>○ Home repatriation &amp; career management capabilities</li> <li>○ SNE work variation limited to specific job description at Host</li> <li>○ Primary responsibility of SNE to Host and not the Home</li> </ul> </li> </ul>

<b>Conditions only affecting Home</b>
<ul style="list-style-type: none"> <li>• <b>Extrinsic Conditions</b> <ul style="list-style-type: none"> <li>○ Absorptive capacity of Home</li> <li>○ Home keeping SNE informed</li> </ul> </li> <li>• <b>Intrinsic Conditions</b> <ul style="list-style-type: none"> <li>○ Home strategy for SNEs</li> </ul> </li> </ul>

<b>Conditions only affecting Host</b>
<ul style="list-style-type: none"> <li>• <b>Extrinsic Conditions</b> <ul style="list-style-type: none"> <li>○ Political factors at the Host</li> <li>○ SNEs treated as Host staff</li> </ul> </li> <li>• <b>Intrinsic Conditions</b> <ul style="list-style-type: none"> <li>○ Host strategy for SNEs</li> </ul> </li> </ul>

## **5 THE VALUE OF INTERNATIONAL ASSIGNMENTS THROUGH THE LENS OF REAL-OPTIONS-REASONING**

### **ABSTRACT**

Studies over several decades demonstrate that international assignments (IAs) are implemented for a variety of reasons and yet their actual value is generally not assessed and eludes our understanding. Using data from the financial services sector we apply real options theory to IAs and identify two organizational real options – for the home and host organization respectively. Applying the lens of real-options-reasoning enables theoretical clarity as to how organizations are valuing IAs. This paper identifies practical consequences for managers to maximize the value of their IAs and a series of research propositions to extend our understanding of IA managerial decision-making.

**Keywords: Expatriation. Organizational value. Real-Options-Reasoning.**

## 5.1 Introduction

Internationalization of the firm generates additional business flexibility compared to localized competitors (Allen and Pantzalis, 1996) and the ability to take advantage of this can support the long term survival of the firm. As globalization increases, so does the use of international assignments (IAs) (Santa Fe Relocation Services, 2018). This might imply that IAs have an important role in supporting strategic advantage and increasing the long-term value of international business; yet the value of IAs is largely unknown. Whilst extant research on IA valuation offers some theoretical insights (Renshaw, Parry and Dickmann, 2018), attempts to estimate or determine the value to international businesses in practice are extremely rare (McNulty, De Cieri and Hutchings, 2009). This is in part due to the lack of a theoretical lens to explain this value and thus to enable practitioners to manage IAs more effectively.

In this paper we suggest real-options-reasoning as this theoretical lens. Real options theory emphasizes the advantages of maintaining flexibility with respect to investments in a context of uncertainty, both endogenous and exogenous to the organization (Chi et al., 2019; Ragozzino, Reuer and Trigeorgis, 2016). Internationalization creates a source of such real options not necessarily possessed by domestic firms (Driouchi and Bennett, 2012). Real options analysis has been considered as an explanatory lens to understand investments in human capital (Bhattacharya, Doty and Garavan, 2014) and in the practices of HR which operate under uncertainty (Bhattacharya and Wright, 2005; Maley, 2019). In this paper we establish that an IA can be regarded as a real option investment and that real options theory provides a way forward to address the IA valuation conundrum through the real-options-reasoning heuristic (Ragozzino, Reuer and Trigeorgis, 2016). This heuristic enables international businesses to understand the value generated by IAs and thus to manage this value more effectively. It provides a framework from which to then determine value, not by applying financial option modelling, but through understanding and managing the uncertainties that may affect the investment. A real options mind-set enhances the argument that a business's most important assets are its human resources,



(Kogut and Kulatilaka, 2001) and presents the opportunity for greater value generation in an increasingly uncertain global business world.

We draw on three sources of interviews and correspondence in the global financial services sector in addition to extant literature in the International Business (IB) and expatriate research fields. With the exception of excluding self-initiated expatriates (SIEs) we follow McNulty and Brewster's (2017, p.20) definition of a 'business expatriate' to define IAs as events involving 'legally working individuals who reside temporarily in a country of which they are not a citizen in order to accomplish a career-related goal, being relocated abroad... r by an organization'. SIEs are excluded because we anticipate the value dimensions will differ and warrant separate review given that the nature of an organization's initial investment is distinctly different. We illustrate empirically how IAs can be interpreted as real options and hence how real-options-reasoning could improve the theoretical and practical understanding of the organizational value IAs create. We draw on the use of real options for project specific decision-making, synthesized with options-reasoning as a heuristic for strategy (McGrath, Ferrier and Mendelow, 2004). The research question is, can an IA be perceived as a real option? And, if so, how might the application of real-options-reasoning develop our theoretical understanding of the organizational value of IAs?

This research contributes to the knowledge and theory of organizational IA value in several ways. We extend real options theory to human assets and specifically to IAs. Furthermore, we apply real-options-reasoning at the micro level of IAs rather than at the traditional strategic level of major investment decisions thereby offering a theoretical explanation of the IA value phenomenon. We provide evidence that an IA creates two organizational real options held by the home (sending organization) and the host (receiving organization) respectively, hence creating a new perspective on IAs. The real-options-reasoning heuristic is used to clarify the theoretical understanding of current IA practices and hence to generate propositions for research to extend our knowledge of IA organizational value. And finally this provides practical insights to enable managers of

international businesses to increase the organizational value they derive from IAs.

This paper commences with a literature review covering the organizational value of IAs plus the background and importance of real options theory and real-options-reasoning. After an explanation of our method we present the findings to demonstrate the validity of interpreting IAs as real options. We then apply real-options-reasoning to extend our understanding of IAs' organizational value and to provide a range of research propositions to extend our knowledge and theoretical understanding of the field through further study. These propositions also provide the basis for practitioner action. Limitations to this research are then summarised prior to our conclusions.

## **5.2 Literature Review**

### **5.2.1 The Value of International Assignments**

Research into the purpose and impact of IAs has existed for more than 40 years (Dabic, González-Loureiro and Harvey, 2015; Kraimer, Bolino and Mead, 2016). Edström and Galbraith (1977), in their seminal paper evaluating the purpose of IAs (Caligiuri and Bonache, 2016), considered IAs to be intrinsic to the business internationalization process. However, research into the organizational value of IAs is limited, fragmented and still relatively nascent (Renshaw, Dickmann and Parry, 2017).

A small vein of IB literature demonstrates that CEOs (and top management teams) with IA experience generate improved performance for their businesses which is amplified to the extent that firms have a global mind-set (Carpenter, Sanders and Gregersen, 2001; Roth, 1995). Whilst this supports the belief that IAs are good for international business, it raises conflicts for firms wishing to implement IAs as this research finds that greater value is derived when the CEO has been externally hired and hence gained the international experience at the cost of another firm (Daily, Certo and Dalton, 2000). Furthermore, this research

provides limited guidance on how to value an IA in situ nor indeed how to maximize this value.

A second and larger body of IB literature investigates the impact on the performance of overseas subsidiaries by reference to their use of IAs. This sits within a wider analysis of the performance of subsidiaries in general, for example regarding their FDI (foreign direct investment) strategies (Dunning, 1980). Studies evaluate wholly owned subsidiaries (Colakoglu and Caligiuri, 2008), international joint ventures (IJVs) (Lyles and Salk, 1996) and a combination of the two (Konopaske, Werner and Neupert, 2002). The underlying theme indicates that an increase in the number of IAs in a subsidiary increases its performance (Gong, 2003; Hyun, Oh and Paik, 2015; Konopaske, Werner and Neupert, 2002). Nonetheless the majority of the findings indicate that certain characteristics are needed for this to arise and there is conflicting evidence regarding these characteristics. Cultural distance is one such example with Gong (2003) and Gaur, Delios and Singh (2007) finding an increasingly positive effect of IAs as cultural distance increases and yet Colakoglu & Caligiuri (2008) finding the opposite impact. Similarly the age of the subsidiary has been found by some to weaken the positive effect of IAs (Gong, 2003) and by others to strengthen it (Gaur et al. 2007). Consistent with the CEO literature described above, whilst this body of research may promote the use of IAs at the subsidiary level it has created limited practical insight into how to manage or increase the value generated, nor a consistent theoretical approach to understanding that value for the business as a whole which is largely ignored.

Finally, there is a more recent and once again small vein of literature researching the measurement of the value generated by IAs both to the organization and to the assignee. This is generally undertaken using the terminology of ROI (return on investment). Whilst there is recognition that ROI would be better applied as an overarching construct under which several valuation mechanisms may sit (Doherty and Dickmann, 2012; McNulty, Hutchings and De Cieri, 2011), research also offers specific theoretical and simplified formulae for the calculation of ROI (McNulty and Tharenou, 2004). These formulae offer a starting point to

understand the dynamics of IA value, although identifying financial gain as an organizational benefit of IAs by research participants in the ROI literature is rare (McNulty, De Cieri and Hutchings, 2013). This contrasts with the aforementioned CEO and subsidiary performance IA literature which takes a survey-based approach to identifying value using financial and accounting definitions such as pre-tax return on equity, market-to-book ratio, and profitability (Beamish and Inkpen, 1988; Bouquet, Morrison and Birkinshaw, 2008). We use the term value rather than ROI in this paper to avoid the inconsistencies in its use described above and also in recognition of the foundations of real options in economics.

Although conceptual frameworks exist for the measurement of the organizational level of value, it is clear that these are not being applied in practice (McNulty, De Cieri and Hutchings, 2009; Schmidt and Minssen, 2007). Similarly there are many interacting variables involved in the measurement process (Hemmasi, Downes and Varner, 2010; Nowak and Linder, 2016; Schiuma, Bourne and Harris, 2006; Yan, Zhu and Hall, 2002). This indicates that a new theoretical approach may be needed. Hence we now turn to the theory we believe might move our understanding forward.

### **5.2.2 Real Options Theory**

Real options theory is derived from financial options theory and was first identified by Myers (1977). A comparison between financial options and real options is summarised in Table 5-1. Fundamental to real options theory is the making of an investment (the option) in which downside risk is limited whilst still retaining access to upside potential under conditions of uncertainty (Ragozzino, Reuer and Trigeorgis, 2016; Trigeorgis and Reuer, 2016).

**Table 5-1 A Comparison of Financial Options and Real Options**

<b>Financial Option Terminology</b>	<b>Real Option Equivalent</b>
Premium	Cost of investment
Stock Price	Present value of all future cashflows from the underlying asset
Exercise Date/ Time to Expiry	Length of time during which the option has usefulness
Exercise/Strike Price	Cost of subsequent investment. Rarely identifiable with certainty at the outset
In the money	Whenever cumulative returns on the asset exceed cumulative costs
Expiry	Letting the option lapse
Variance	Riskiness of the asset as affected by exogenous and endogenous uncertainties

A financial option contract is an agreement between a buyer and a seller that gives the purchaser the right to buy or sell (exercise) an agreed variable (asset or liability) at a later date(s) at a price agreed (the exercise or strike price) when the contract is set (Hull, 2013). The payment for such a contract is called the option premium. The value of a financial option is a function of these components and the uncertainty or volatility of the underlying variable. For example, an option to sell a bond in a stable market has lower value compared to a volatile highly uncertain market because the possibility of selling at a gain is lower. An option is said to be 'in the money' at the point in time when exercising it would generate a profit. Financial options are a basic product in banking today. A real option extends the construct to a non-financial asset or liability which can be tangible or intangible.

The core to an option is the right, but not the obligation to take a future action. At the center of an option sits a fundamental decision asymmetry to make a future decision, e.g. to invest or dispose, only if there is a benefit to the decision maker (Trigeorgis and Reuer, 2016). The greater the uncertainty connected with the option, the greater its potential value.

Real options theory has two broad applications: real options modelling (also known as real options valuation or real options pricing) and real-options-reasoning (Li, 2007). Formal modelling of real options, as arises in the financial

and economics academic literature, has its advantages. These include the requirement to be specific and transparent about the assumptions being made to address the multiple sources of uncertainty that can affect the options (Trigeorgis and Reuer, 2016). These sources can be exogenous, endogenous and behavioral. However, real options valuation requires hyperrationality assumptions and capabilities that managers do not possess in reality (Miller and Arikan, 2004) such that their practical use may be untenable. Hence the move, especially within strategic literature, to a qualitative real-options-reasoning approach, which we will use here.

### **5.2.3 Real-Options-Reasoning and Strategy**

Literature has applied the principles of real options theory into the realms of strategy to overcome the inherent restrictions within a net present value (NPV) based decision-making tool which is unable to recognize the benefits of risk and uncertainty given that, *ceteris paribus*, NPV decreases as risk increases (Chung et al., 2013; Ragozzino, Reuer and Trigeorgis, 2016). Given the complexity of strategic decision-making it has adapted the real option principles to create real options logic (McGrath, 1997) also known as real-options-reasoning. This has generated a strategic mapping procedure rather than a valuation exercise through which 'decision-makers acquire competences for sequencing commitment in a foresightful [sic] and incremental/flexible manner.' (Driouchi and Bennett, 2012, p.42). The aim is to overcome standard heuristics to minimize risk (Miller and Arikan, 2004) and to favor the keeping of options open – avoiding irreversibility, given the potential for future value. Real-options-reasoning is effectively a synthesis of the evolutionary descriptive approach to decision-making which recognizes managerial flaws and an options-pricing normative mechanism that assumes there are none.

There is now growing evidence of many businesses having developed the competences for real options planning (Busby and Pitts, 1997; Trigeorgis, 2005) with a focus on tangible asset investments and research and development. Strategic decision-making using real options theory is generally applied to macro

level issues such as market entry modes, forms of governance and innovation investments (Driouchi and Bennett, 2012; Kogut and Kulatilaka, 2001; McGrath, Ferrier and Mendelow, 2004). Real-options-reasoning has not achieved scholarly consensus as to its properties, yet it can be an intuitive decision-making metaphor with inherent advantages for resource allocation in uncertainty conditions (McGrath, Ferrier and Mendelow, 2004). This means that it has potential for a role in IA management and decision-making.

Emphasis is often placed on the role that options have in limiting downside risk whilst maintaining upside potential. Thus real-options-reasoning goes beyond traditional risk management which concerns itself with downside protection. This has advantages given the dynamic trade-off that all firms face between commitment (making an irreversible or specific investment) and flexibility (Li and Li, 2010; Smit and Trigeorgis, 2007). The option to defer must generally be traded-off against the learning and strategic benefits of commitment, including the value of embedded follow-on options to abandon, grow, or switch the initial investment. This trade-off requires regular and careful management to maximize effect. If, for example, first-mover advantage is key, then waiting to exercise an option may be sub-optimal.

Fundamental to a real option and its valuation is that its exercise will directly affect the value and exercisability of other real options (Ragozzino, Reuer and Trigeorgis, 2016). If a firm exercises an option to purchase its partner's stock in an IJV, this reduces the firm's financial reserves and affects its capability to purchase new technology. This complexity is considered one reason why the practical use of real-options-reasoning may be lower than otherwise anticipated (Chung et al., 2013).

The benefit of real-options-reasoning is that it encourages firms to take on more uncertainty, to stage investments over time (thereby limiting downsides and maintaining upside), to manage their extant options more closely and to take a portfolio approach to their options. It is most appropriate when key value drivers can be identified and conceptually synthesized based on verbal reasoning, yet

formal valuation is too complex (Trigeorgis and Reuer, 2016). We now provide an overview to support the proposition that IAs fit this description.

#### **5.2.4 Real Options and IAs**

The complexity of managerial issues and the assumptions made in financial options to overcome these, identifies why an 'overly simplistic analogy' between the two may not be realistic (Ragozzino, Reuer and Trigeorgis, 2016, p.430). A real options mind-set on the other hand, for which Luehrman (1998) illuminated the simplicity and broad applicability in the use of his classic gardener's analogy on looking after tomatoes, offers greater value. With respect to the tomatoes that are neither ready to eat nor must be thrown away (and hence the option to harvest remains open), the gardener makes choices on whether or not to exercise his tomato option by reference to how he/she can impact endogenous and exogenous value-influencers, say less water or more fertilizer. This simple example demonstrates how real-options-reasoning may be useful to understand other assets. Recognizing IAs as real options for an organization, which we refer to as the IA Option, is consistent with asking: 'What actions can businesses take to increase or decrease the value of their investments in IAs?' The answer may include, for example, cultural training, coaching and mentoring support to increase the value, versus poor retention capabilities or encouraging a domestic, local (cf. global) corporate strategy.

Bhattacharya and Wright (2005) drew attention to the usefulness of real options theory in HR by proposing a series of practices which could be considered HR Options. Whilst Sanyal and Sett (2011a, 2011b) investigated these HR Options empirically, these papers did not identify any connection with IAs. The implementation of an IA is an investment in an intangible asset, the assignee. The future value of the IA is a function of many complex and inter-related uncertainties. For example, optionality might relate to when the assignment is deemed to have been completed and identifying the assignee's next role. The out-of-sight-out-of-mind syndrome (Caligiuri and Colakoglu, 2007) may cause organizations to fail to identify the optimal repatriation point and may result in sub-



optimal new positions being available for assignees (McNulty and De Cieri, 2014). This is consistent with Kogut and Kulatilaka's (2001) framing of real options capabilities as dynamic remedies against organizational inertia.

The uncertainties affecting the value of real option investments can be considered as exogenous risk, e.g. external markets, external parties and third-party negotiations, or endogenous risk (Chi et al., 2019). Bhattacharya and Wright (2005) conceptualized that the source of uncertainty affecting HR options is either the firm, the market or the individual. Hence the value is also affected by the assignee's personal issues and decisions including the assignee's ability to leave the firm and seek alternative employment. This indicates that the assignee also holds an option – the option to move employer – which we refer to as the Assignee Option, thereby taking their skills to the benefit of another organization (Daily, Certo and Dalton, 2000). Hence there is the potential for a complex interplay between two real options which may be considered shared (as distinct to proprietary) options, i.e. both parties have an ability to exercise an option to access the same pool of value and the exercise of the option by one party affects the value of an option to another party (Busby and Pitts, 1997; Smit and Trigeorgis, 2007). Such an interplay is widely noted as a feature of real options distinct to those of financial options and arises in the classic example of 50/50 joint venture partners each having the option to buy out the other's shareholding (Adner and Levinthal, 2004; Trigeorgis and Reuer, 2016).

In summary, an IA may be theoretically explained in real options terms as an organizational investment in an intangible asset (the assignee) offering the organization options for future deployment. As the assignee gains new skills or shares knowledge, for example, so the investment may move in the money and be exercisable at a profit. The value of this option is affected by uncertainty such that maintaining organizational flexibility maximizes that value. The original intention is to exercise the option at the end of the planned IA term through the strike price of a new role upon repatriation.

Having explained the background to real options theory, real-options-reasoning and the theoretical logic for IAs being considered as real options, we now explain our method before demonstrating how our findings support the case that IAs are indeed real options and specifically how these options manifest themselves.

### **5.3 Method**

We use a case study approach within the financial services sector. Extant literature has reported that the identification of financial as distinct to non-financial benefits from IAs is rare (McNulty, De Cieri and Hutchings, 2013) and hence we theorized that parties involved in IAs and working in financial services would be more familiar with option concepts. This sector has also been considered ideal for studying IAs due to its globalization, labor-intensive nature and prevalence of IAs (Boyacigiller, 1990; Doherty and Dickmann, 2009). Accordingly, the UK subsidiary of a global bank was approached for a pilot study providing a contemporary setting with relevant context for a case study design (Yin, 2014). (See Table 5-2 Part 1 for demographic details of the interviewees).

**Table 5-2 Interviewee Demographic Data**

**Part 1: Demographic data of pilot study interviewees**

Interviewee	Seniority	Male/Female	Assignee	Managing Expats	Reporting into Expats	Country of Origin
B-001	Middle manager (Hi-Po)	Male	Yes. Currently	No	Yes, previously	Spain
B-002	Executive	Male	Yes. Previously	Yes, previously and currently	Yes, previously and currently	UK
B-003	Executive	Male	Yes. Previously	Yes, previously and currently	Yes, previously and currently	UK
B-004	Junior manager (Hi-Po)	Male	Yes. Currently	No	N/K	Brazil

**Part 2: Demographic data of CSO (Case Study Organization) interviewees**

Total Number of CSO Interviewees	34
Number of Assignees	Current Assignees – 13 Ex Assignees - 7
Number of Home country interviewees (excl. Assignees/ex Assignees)	Assignee Line-manager – 5 HR Line-manager – 4
Number of Host country interviewees (excl. Assignees/ex Assignees)	Assignee Line-manager – 4 HR Line-manager – 1
Time spent as Assignee at time of interview	Min 3 months - Max 72 Months Average 22.9 Months
Male/Female Ratio	21/13
Average Interview length	1 hour
Time spent by interviewees working in Govt	Min 3 years – Max 38 years Average 11.3 years
Age range of interviewees	20 – 29: 1 30 – 39: 10 40 – 49: 17 50 – 59: 6
Number of CSO Interviewees responding to written questionnaire post interview	8
Number of countries sending Assignees to CSO	9
Number of organizations sending Assignees to CSO	14
Number of Home country organizations from which line-managers were interviewed	6

At the time of the pilot study, the global bank was ranked in the top ten of the world’s biggest banks (Forbes, 2016) and had a history of using IAs throughout its network. It did so both on traditional long-term assignments of more than one year where the assignee moves physical location and brings his/her spouse and family funded by the business, as well as on short term assignments in recognition of high performance or in schemes for high-potential staff. Internationalization had been an active component of the bank’s strategy for several decades.

The purpose of the pilot study was to test the interview protocol. Questions were designed based upon the relevant IA literature. Questions investigated interviewees' perspectives of organizational value to explore views on what that value is, how it is created and how it is retained. Interviewees were not advised as to the research objectives regarding real options. The pilot study resulted in only minor changes to the interview protocol given that, as explained below, responses supported the principles of real options.

Following the pilot study, an extensive study was undertaken at one of the bodies responsible for the European Union's financial regulatory system. This public sector body, created after the 2008 global financial crisis, has under 300 employees and has hosted long term international assignees since inception amounting to approximately 10-15% of its staff at any one time. We refer to this organization as the CSO (Case Study Organization) in order to anonymize the entity in line with its agreement to take part in this research. We draw on 34 semi-structured interviews: 27 face-to-face plus 7 phone-based between February 2017 and February 2018. The interviewees included 13 current international assignees, 7 individuals who had recently completed IAs, 9 line-managers/HR professionals involved in sending assignees to the host and 5 such people involved in receiving assignees at the host. Demographic details of this group are shown in Table 5-2 Part 2. After these interviews were completed, a questionnaire was sent by email to each of the 34 interviewees seeking their open-ended responses on the application of real options theory to interpret IAs (see Appendix 5-1). Detailed responses were received from eight individuals, which was considered a good response in view of the 12 month delay in sending the questionnaire for the earlier interviewees and the significant career impact that the UK's exit from the European Union (Brexit) was having on these individuals at the time.

All interviews were recorded and subsequently professionally transcribed. The data were then mapped against the key principles of real options and real-options-reasoning. The findings are detailed next.

## 5.4 Findings - The Case for Interpreting IAs as Real Options

*'it's optionality it gives you...optionality' (B-002).*

*'There are all these embedded options for me to go to the [regulator]' [IP02].*

Without any directly related questions nor a description of our theoretical expectations, interviewees made these comments about the organizational value of IAs supporting the theoretical significance of real options. Building on Table 5-1 which compared financial options to real options, Table 5-3 provides an overview of the core components of an IA when interpreted as a real option using our findings. We now explain these in more detail. All quotes have been adjusted to maintain anonymity.

**Table 5-3 An Overview of IAs using Real Options Terminology**

<b>Real Option Terminology</b>	<b>Example characteristics of an IA as a real option based on the findings</b>
Premium	Salary/remuneration; costs to send on IA. Shared between Home and Host
Stock Price	Present value of employee future actions at the organization
Exercise Date/ Time to Expiry	End of initial IA contract
Strike/Exercise Price	Home: Cost of repatriation and new role Host: Cost of permanent local role
In the money	Home: when sufficient new skills or competencies have been gained Host: when assignee has sufficient skills to operate without supervision
Expiry	Home: Delayed repatriation; loss of employee to another organization
Variance	Exogenous and endogenous uncertainties affecting option value, e.g. business, country or family circumstances

**Option Premium and Shared Options:** The results suggested that investing in human capital by sending an individual overseas in an IA is consistent with a real option. The underlying variable (asset) being the assignee. Consistent with, say, a technology investment decision (McGrath, 1997) the option premium could be considered as the costs over time of the planned assignment or over the assignee's career with the employer. For example, one interviewee proposed that: *'The premium would be the salary that the [Home] pays to the assignee. In*

*this sense the Home would be the buyer of an option, the value of the option increases as the [assignee] gains the skills the [Home] is interested in' [IP13]. Giving a specific example of such skill, another interviewee commented that the business 'will have executive managers that will be able to take better decisions for the organization' (B-001).*

The interviewees indicated that the home has an option regarding what to do with the assignee at the end of the IA. For example, *'When I return to the Home let's see if they give me more responsibility or if they want me to do something else in view of what I have learned here. If they give me this opportunity, the value could be really really high. [IP31].'* Therefore, this suggests that implementing that decision represents the home exercising its option. As described by one respondent to the questionnaire:

*'The asset may [be] the bundle of the (stochastic) cost (e.g. salary) and benefits (e.g. work output) of the [assignee] of working for a particular organization. At the end of the initial contract (= exercise date) the home organization has the option to obtain the [assignee's] bundle. Its exercise price could be conceptualized as the opportunity cost of making this choice, e.g. not having an alternative person at the position that the returning [assignee] would fill and not allowing the [assignee] to learn even more at the [host]' [IP19].*

The findings identified that the IA Option could in fact be considered as two options, one held by the home as already described (the Home IA Option) and one by the host (the Host IA Option) as both parties have competing desires over the employment of the assignee. For example, one interviewee noted that: *'if the [host] exercises the real option and offers [a permanent local] position to the secondee, then the Home has made a loss-making investment.'* [IP39]. Furthermore, another interviewee said that: *'this is not a unilateral option. Because many [assignees] do not want to stay [at the host]' [IP01].* Similarly, the assignee was also suggested to have a real option. One interviewee explained: *'It buys optionality on both sides' (B-003).* In other words, an organization cannot ultimately control their human capital assets because employees can leave to

work elsewhere. According to one interviewee: *'a concern of [home] of course, [is] that they won't come back because they see they can earn more money elsewhere or, I don't know, a better position elsewhere. ... when there is a reluctance to send people, that's a main concern that they won't come back.'* [IP06]. This is consistent with the increase in career capital arising during an assignment enabling boundaryless careers (Dickmann and Doherty, 2010; Stahl, Miller and Tung, 2002). We call this the Assignee Option. Hence the Host IA Option, the Home IA Option and the Assignee Option are shared options over the same underlying asset, the assignee.

**Option Exercise Date:** Conceptually the findings indicated that the date of exercise for the Home and Host IA Options was the end of the defined IA period normally established at the outset. However, these periods are often extended. For example: *'My initial contract was 18 months, but that time has been extended another 18 months'* [IP14]. *'and then [my contract] literally rolled and rolled'* [IP08]. These extensions could represent the creation of new real options as well as exercising the right to defer the original option. Whether or not the assignee remains an employee, through exercising the Assignee Option, was indicated to be a boundary for the exercisability of the IA Home and Host Options.

The results suggest that there is considerable skill in deciding when to exercise any real option, including an IA Option, as its value is affected by the passage of time and the underlying price volatility of the variable. One interviewee explained that *'our whole HR policy is to try and map the talent or map the people to ... particular situations'* (B-002). This may not be a straight line relationship and some evidence from the literature suggests it may be curvilinear, e.g. at some point extending the length of time on assignment may have a negative impact on an individual's learning or value to the home if they 'go native' (Nguyen, Felfe and Fooker, 2012). This is further complicated given the implication that there is competition between the Home and Host IA Options. For example, one interviewee suggested that *'something that would increase the value to the host would be potentially longer IA periods and clearer ability to turn it into permanent contracts, but the counterpoint of that is from the home's perspective that they*

*would want to have a clear limitation on the possibility of the assignee becoming permanent at the host.* [IP12].

There was also evidence of nested options, i.e. when a second option only arises if and only if the first is exercised (McGrath, Ferrier and Mendelow, 2004). Furthermore the value of an IA Option was shown to be a function of not just when it is exercised, but also where it is exercised. This meant, as described above, that the assignee could be placed in a range of different new roles across new departments, geographies and subsidiaries, as well as by the home or the host. Such a level of complexity may not arise in other real options scenarios. For example, one interviewee suggested: *'Probably the only way ... to get all the value of the IAs is that the decision after the secondment, where you are going to employ this person, has to be clarified'* [IP03].

**Option Exercise/Strike Price:** The findings suggested that the cost of providing a new role to the assignee represented the immediate strike (or exercise) price of the Home and Host IA Options. This price is the cost of placing the assignee in a future role that may take advantage of the anticipated increased skills and competencies from the IA whilst being acceptable to the assignee, e.g. in terms of career growth. For example, one interviewee explained that: *'if I want to go back...I should be able to have a space that is relatively similar in terms of seniority that I am here...In spite of what is the reality of the business'* (B-004). This strike price and the point of exercise may differ in the home and host's respective shared IA Options. For example, *'For the host organization the strike can come ... in the initial months of the [assignee's] contract duration wherein a [permanent local] position becomes available in line with projected headcount growth'* [IP12].

Whilst financial options anticipate a known fixed strike price, real-options-reasoning in strategic planning acknowledges that this may not be the case (Adner and Levinthal, 2004; Barnett, 2008). This is consistent with IAs. One interviewee explained that *'when the underlying is a piece of human resources, then this underlying has an incidence on the strike price, since the strike price is*



*the price it will accept in the future to return or stay at the [host], and such price may not be determinable ex ante*' [IP39]. Nevertheless, the results suggest that analysis and experience should allow identification of the IA strike price at any point in time akin to succession planning mechanisms. For example, the strike price may be low if the organization expects to have a shortage of internal talent for these future roles as it need not search hard to find it nor displace another employee in doing so. Of course, this still relies on the assignee's reactions and the Assignee Option. For example, one interviewee proposed that: *'from a home perspective [the value] is of course conditional upon me staying at the home and working there.'* [IP02].

**'In the money'**: The results suggest that, with an IA Option, at the point when the assignee has achieved their organizational goals or improved a certain level of competencies, networks or knowledge from the assignment, the organization should be 'in the money'. In other words, if the IA Option is exercised at that time there will be an overall benefit achieved from the investment. If this never arises, the initial investment would have been loss-making. However, the timing is suggested to differ between the Home and Host IA Options given that interviewees described the value to the host being primarily during the IA and the value to the home being predominantly after it.

The move away from the balance-sheet salary method to more local packages for IAs (Toh and DeNisi, 2005) seeks to bring forward the point at which the IA Option is 'in the money' because the purchase price of the option has fallen. This is in line with one interviewee's comment: *'do we have deep pockets like the good days to send people off on long-term expatriate assignments and pay their housing, pay their schooling for their kids...no'*. (B-003). Some IA Options may never be 'in the money' for the Home or the Host. For example, *'First three months he absolutely loved it, but he then, six months later, couldn't wait to get out'* (B-002). Continuing to leave an 'in the money' option unexercised may generate additional future value. The duration before exercising it depends upon the circumstance of each individual IA Option. One interviewee explained that: *'I have a two years contract and it might take me two years to arrive or to make*

*myself known to the organization, so if you really want to benefit from having me here you probably need to give me more time to do this'. [IP04].*

**Option Expiration:** IA research consistently reports that companies fail to find suitable opportunities post assignment for the individuals to use their new skills (Lazarova and Caligiuri, 2001) ergo the Home fails to exercise its Home IA Option. As one interviewee said, *'you have to make sure you retain those people'* (B-003). Hence the original option expires, especially if the new skills are forgotten about (McNulty, 2014). In extremis, the individual exercises the Assignee Option and leaves the employer.

**Uncertainty:** A wide range of exogenous and endogenous risk factors were identified by interviewees all of which have the potential to affect the value of the various real options. Private sector pay level variations and employment trends were seen as relevant to the CSO as a public sector employer. The financial regulatory system in its broadest sense alongside political factors such as Brexit were all seen as having the potential to affect the expected value of the Home and Host IA Option and the Assignee Option. Unexpected budgetary pressures at each of the Home or the Host could have unexpected impacts on their future plans for the assignee. Similarly Host staff turnover was suggested as having the potential to affect their desire to exercise the Host IA Option. Not surprisingly an extensive list of uncertainties was described as affecting the value of these IAs.

In conclusion the evidence strongly suggests that IAs are a form of real option. One assignee said: *'is the bank, you know, buying me an option by sending me to a country and buying them an option as long as they retain me in the organization? Yes, absolutely, you could describe it as that.'* (B-003). However, IAs were seen as representing shared options held by the home, the host and the assignee.

## **5.5 Theoretical Development and Research Propositions**

Having conceptualized how IAs may be interpreted as a set of options and hence how real-options-reasoning may be applied to understand the value of IAs, we

have empirically supported the proposition that IAs can indeed be interpreted as real options. We have also illustrated the existence of the Home IA Option, the Host IA Option and the Assignee Option. Hence we have achieved our first objective. We will now demonstrate how the real options lens enhances our theoretical understanding of the organizational value of IAs.

One of the conundrums of IA research is the continuing investment in IAs despite the significant cost premium compared to using local hires (Doherty and Dickmann, 2012). On the face of it, an IA may appear to be an investment in a project with a negative NPV (net present value) contrary to traditional financial investment theory (Trigeorgis, 2005). However, real options theory explains these issues given that the investment operates in an uncertain environment and is infused with uncertainty – it is this very uncertainty that generates value in the real option and justifies the investment. For example, continuing doubts as to the effectiveness of repatriation processes (Caligiuri and Bonache, 2016) questions the value achieved through IAs and yet this may be a decision to let the option to repatriate expire as the original investment is ‘in the money’. We now identify useful issues for practitioners managing IAs and offer propositions for further research to understand their organizational value.

***Assignee characteristics:*** For real options, generally speaking the longer the life of the option or the higher the total risk of the underlying asset, the higher the value of the option (Busby and Pitts, 1997). With respect to the life of the option this may, at first sight, generate inconsistencies with treating IAs as real options suggesting for example, that the length of an assignment might increase from three years to ten years to generate additional value. This would be inconsistent with IA practice and seem more consistent with permanent employee transfer. This, however, is to misunderstand the nature of these real options. The underlying intangible asset is the individual assignee and the life of the optionality extends through and beyond the length of the initial assignment to their full potential career at the employer. Conceptualizing the IA Option as a continuing series of nested options may be more appropriate (McGrath, Ferrier and Mendelow, 2004). Hence the organizational value of a younger assignee will be

more than that of an older assignee. This may explain why IAs continue to be used within graduate training programs whilst the number of senior experienced executives sent on IA appears to fall. With respect to increasing the total risk related to an IA Option, this could be interpreted as consistent with increasing the technical, managerial or cultural 'stretch goals' that an assignee is expected to undertake. This demonstrates the importance of appropriate support, e.g. cultural training or mentoring support, needed to maximize the desired value. Hence, taking a real-options-reasoning (ROR) approach we suggest:

PROPOSITION 1a: Younger assignees will generate greater organizational value from their IAs compared to older assignees.<sup>1</sup>

PROPOSITION 1b: Assignees with a bigger 'stretch' assignment will generate greater organizational value from their IAs compared to those with a limited 'stretch' assignment.

**Regular option evaluation:** Given the open system and intense complexity of the system within which such calculations sit, accurate real options valuations for each individual IA would be highly time-consuming and potentially subject to unrealistic assumptions. However, real-options-reasoning engenders a simple managerial mind-set which can increase the likelihood of improved returns. If any investment is ignored and its potential value not reconsidered on a regular basis, the opportunity to exercise any embedded options may be missed. Thus a careful and regular assessment of a business's IA Options is required to generate the maximum value to the organization. This is consistent with McGrath, Ferrier and Mendelow's (2004) view of continuously assessing the choices created by a stream of nested options and treating investments as sequential decision-making processes. Coff and Laverty (2007) offer a similar view to manage the costs of exercise. Otherwise the 'out-of-sight-out-of-mind' approach to IAs prevails (Breitenmoser and Bader, 2016), creating a hidden 'shadow option' (Barnett,

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<sup>1</sup> We acknowledge the insight of an earlier anonymous reviewer identifying that researching this proposition may have ethical challenges given that many countries have employment laws preventing discrimination by reference to the age of an employee.

2005) and option value is lost. Furthermore, Adner and Levinthal (2004) argued that the definition of real options needed to include the *ex ante* existence of clear written rules for exercising the option to address the inconsistency of managerial actions. Which also helps to address the out-of-sight-out-of-mind syndrome. Hence, taking an ROR approach we suggest:

PROPOSITION 2: Regular evaluation and reassessment of the potential total value of an IA by reference to initial expectations will increase the IA's total organizational value compared to less regular evaluation.

**Financial acumen:** The value of real options is dependent upon the context, both internal and external (Maley, 2019). There are boundary conditions that determine how uncertainty affects the potential upsides and which can direct the option owners to consider actions which may affect the total value of the option (McGrath, 1997). The role of firm-specific factors has only recently been identified as having an important role in determining the value of options (Driouchi and Bennett, 2012). Hence the benefits derived from the use of IAs may vary for different types of firms/organization. Given the widely acknowledged uncertainty as to managers' holistic abilities to apply real-options-reasoning in practice, the fact that our data is in the financial services sector where practitioners may be more familiar with options terminology may affect its usefulness. Furthermore, our evidence rejects the conceptual proposal by Maley (2019) that real options may be less relevant in practice to public sector organizations. Hence, taking an ROR approach we suggest:

PROPOSITION 3: Organizations in financial services or with high financial acumen such as management consultancies, will be best placed to take advantage and generate the greatest organizational value from their IAs using real-options-reasoning compared to other organizations.

**Job rotations:** Several factors may affect firm-specific volatility and option maturity creating the heterogeneous value of IA Options. A firm with volatility in its staff turnover due to highly competitive environments can gain greater value by maintaining flexibility in its terms of employment, including job rotation

programs (Bhattacharya and Wright, 2005). A firm that promotes the continuing rotation of job roles as a cultural approach for whatever reason, generates greater opportunities for assignees to be found new roles at the end of their IA. In real options terms, flexibility and uncertainty has increased. Furthermore, there is an increased probability that the assignee can be found the role most appropriate to the long-term benefit of the firm. Hence the value of the Home and Host IA Options increases explaining why job rotation is a valuable HR practice. Hence, taking an ROR approach we suggest:

PROPOSITION 4: Firms with greater internal job rotation will derive greater total organizational value from IAs than those with less internal job rotation.

**Assignee Option:** Research has reported that the planned length of IAs is often extended (Dickmann and Baruch, 2011). In option theory terms this can be explained as a hysteresis or inertia effect (Trigeorgis, 2005) due to the fact that repatriation may be difficult to reverse (especially when spouses and families are relocating). It may be much more expensive to keep an assignee and their family overseas than bringing in a local employee, but the uncertainty of the longer term business effect justifies the delay. Furthermore, the option may be 'in the money'. As such, applying real-options-reasoning the decision not to repatriate may be a positive and correct decision rather than a failure – a decision to let the IA Home Option expire. However, the consequences of extending the length of the IA may not be perceived positively by the assignee and, if ignored, may trigger the shared Assignee Option, i.e. the assignee joins a new employer. This would have a catastrophic effect on the IA Option. Similarly, Adner and Levinthal (2004) have argued that using real options analysis can be detrimental as it generates incentives to keep projects alive given that the majority of costs are sunk costs and there may be more upside if the option is not exercised. In other words, it causes IAs to be extended inappropriately. This problem may be exacerbated due to the Host IA Option. For example, if the host considers there to be a lack of alternative talent or if any cost premium of the assignee is funded by the home the host may seek to influence the decision to delay repatriation. Whilst the host may wish to maximize its future potential value by delaying the decision to

repatriate the assignee, this flexibility may be perceived as a lack of commitment to the assignee who may then exercise its Assignee Option and leave the organization. Hence, taking an ROR approach we suggest:

PROPOSITION 5a: The longer an assignee remains in the same IA beyond the originally agreed exercise date, the greater the probability that the assignee will leave to find a new employer.

PROPOSITION 5b: The use of real-options-reasoning by firms will alter (decrease or increase) the likelihood of IA's repatriation being delayed compared to those firms not using real-options-reasoning.

**Option Ownership:** A critical question is, who has primary internal accountability for managing an IA – HR or the Business? (RES Forum, 2018). The role of Global Mobility and the HR function in IAs is notoriously separated from the strategic drivers of many international businesses. Accordingly, whilst HR may be the most aware as to the high value of the Home IA Option, those with the ability to exercise it in the business operations, constrained by bounded rationality, do not have that same level of understanding. Hence as this fissure between HR and business operations remains, so organizations consistently buy these IA Options and yet fail to exercise them judiciously. This could explain the paradox of increasing IAs alongside a perceived inability to value them.

Given the interactive effect of real options on each other as shared options, it is important to evaluate options on a portfolio basis (Trigeorgis, 2005). Evaluating each internal option separately and presuming their values are linear and additive is a dangerous mistake (McGrath and Boisot, 2005) which may also be affecting the value interpretations of IAs. Hence a programmatic approach to IA Options is vital to value maximization. The conflicts between localization and globalization, as operationalized through the Home IA Option and the Host IA Option, combined with business operations having a narrower focus to a global HR function could affect the value of IAs to the business. Hence, taking an ROR approach we suggest:

PROPOSITION 6a: Firms taking a coordinated global portfolio approach to the management of its IAs (incorporating both the Home IA Options and the Host IA Options) will achieve greater organizational value than those businesses taking a decentralized approach, within which the HR function has a primarily administrative role.

PROPOSITION 6b: Firms taking a coordinated global portfolio approach to the management of its IAs including both HR and business professionals in decision-making, will achieve greater organizational value than those businesses taking alternative approaches.

**Cost management:** Whilst the very existence of uncertainty increases the value of real options, increasing the uncertainty of the cost of the option (the premium) reduces its value (McGrath, 1997). Consultancy based surveys indicate an increasing level of sophistication regarding the cost management of IAs (Brookfield Global Relocation Services, 2016; Santa Fe Relocation Services, 2018) and it could be argued that this cost sophistication is the nemesis of value generation as HR is perceived to specialize in the former not the latter. In real options terms, however, the value of the IA Option increases as the certainty of cost management grows and hence the numbers of IAs may continue to grow irrespective of the levels of uncertainty in global trade and the organizational value derived from IAs. Hence, whilst firms may have very limited understanding of the value of the IAs (McNulty, Hutchings and De Cieri, 2011), real options theory suggests that a focus on reducing costs will still increase that value and explains why this is happening. Hence, taking an ROR approach we suggest:

PROPOSITION 7: Firms with more sophisticated IA cost management capabilities will generate higher organizational value from their IAs.

**Hostile Environments:** The higher the volatility in the variables of uncertainty, the increase in the value of real options, including HR options (Sanyal and Sett, 2011a). Volatility in the context of an IA Option might include external factors such as exchange rate variations and country political issues or internal factors such as organizational politics. With respect to exogenous factors, this argues that a



business is less likely to commit to permanent non-local employees or longer-term IAs (which have higher irreversibility and less optionality) in a marketplace with high volatility. The firm is more likely to use short-term assignments or business travelers than it is long-term IAs in highly volatile countries and highly volatile industries. Hence, taking an ROR approach this may explain the low levels of traditional IAs in hostile environments. We suggest:

PROPOSITION 8: The greater the business volatility in a host country the lower the use of non-local permanent contracts and long-term IAs and the higher the use of alternative approaches such as business commuters, virtual assignments and local staff.

## **5.6 Conclusion and Limitations**

We set out with two objectives, to identify whether IAs can be perceived as real options and, if they can, to apply real-options-reasoning to improve our understanding of their organizational value. In successfully addressing these objectives we have contributed to theory by applying real-options-reasoning at the micro level of IAs to investigate value at the organizational macro level, i.e. a meso level approach (Rousseau and House, 1994). This supports Barnett's (2003) view that real-options-reasoning is better suited to project level activities rather than strategic decision-making. Our data have demonstrated the existence of competing organizational options held by the home and host respectively. Most importantly through an initial set of propositions real-options-reasoning has enabled us to theoretically explain the IA phenomena that practitioners describe. This demonstrates, for example, the importance of recognizing the interplay between the Home and Host IA Options with the Assignee Option, the need for regular assessments and decision-making, plus the impact of endogenous and exogenous factors on the organizational value that IAs offer. The real-options-reasoning heuristic provides the opportunity for practitioners to design a tool identifying the relevant uncertainties with respect to their IAs in order to manage each of them including their programmatic effect more successfully. This tool could be applied across the expatriation cycle, i.e. before, during and after an IA

(Sparrow, Brewster and Harris, 2004). We hope that identifying the theoretical application of real options theory is a significant step to resolving the uncertainty around IA organizational value and to enabling practitioners to manage this value more effectively.

This paper is limited by its use of a small data set specifically in the financial services sector. However, this was chosen in anticipation of participants having familiarity with options. This very familiarity may reduce the applicability of real-options-reasoning in organizations without this level of financial awareness. However, through learning the real-options-reasoning construct and the underlying practical actions it recommends, organizations can still benefit from this.

Considering whether real-options-reasoning has explanatory power as the theoretical approach to the valuation of IAs may possess an inherent problem. Namely that there is a need for management and business leaders to recognize the existence of the Home IA Option, the Host IA Option and the Assignee Option in theoretical terms in order to derive the maximum value from these investments in practical terms. However, as several of the above propositions demonstrate, real-options-reasoning predicts certain positive outcomes that do not require a firm to think actively in real options terms. Rather it justifies the use of certain management approaches such as IA portfolio management.

Given the near-zero starting point for the theoretical understanding and practical valuation of IAs and the consequential uncertainty regarding the maximization of IA value, we consider there is much to be gained from the application of real-options-reasoning in this case and the underlying ideas and practices that it draws attention to.

## 5.7 Appendix 5-1

### Email Questions on IAs and Real Options

*The use and value of IAs could be managed as **real options** (definition below). Each of the Home (sending organization), Host (receiving organization) and the assignee themselves can be considered to hold a real option over the assignment with potentially aligned or conflicting implications. For example,*

- The ‘Home IA option’ is an investment designed to increase certain skills or generate new knowledge of the Host’s operations. The value of the option may fluctuate based on the type of skills gained and the opportunity to use them. The option is exercised when the assignee repatriates to an appropriate new role.*
- The ‘Host IA option’ is an investment in technical skills. The value of the option might be increased through extending the contract’s length. The option might be exercised through offering a permanent position to the assignee. Alternatively, the option might be allowed to lapse.*

1. What reactions or ideas do you have that might support or refute this conceptualization?
2. To what extent do you think that your Home and Host organizations might derive a different level of value from IAs if they treated them as real options? Please provide examples.
3. How might the holders of these different options determine the most effective exercise dates? What is the strike price?
4. To what extent might the application of real options logic to IAs explain which Home organizations send them and which do not send them to the Host?

*Note: the name of the Host and nomenclature specific to the Host and Home organizations have been adjusted to protect anonymity.*

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## 6 OVERALL CONTRIBUTION, LIMITATIONS AND FUTURE RESEARCH

This thesis presents the results of my programme of research extending the theoretical understanding and knowledge of the organisational value of IAs. It does so in paper format whereby chapters 2 to 5 each represent a standalone paper with the aim for full academic journal publication in each case.

My research questions were:

- What is the organisational value of IAs?
  - What value is there in IAs for both the Home (sending) organisation and the Host (receiving) organisation?
  - How and why is this value generated?
  - What is the relationship between the value of IAs to the Home and the value of IAs to the Host?

Papers 1 and 2 in this thesis were drawn from my SLR such that paper 1 provides a relational framework, drawn from the literature review, to improve the theoretical understanding of the organisational value of IAs whilst paper 2 extends the value framework offered by Lepak et al. (2007). Papers 3 and 4 respond to the above research questions.

My empirical work used a case study design at a body responsible for part of the EU financial regulatory system (the CSO). Semi-structured interviews and, in the case of paper 4, written responses to a subsequent email questionnaire, were the primary sources of data coded into NVIVO. Paper 3 investigates and proposes that the organisational value of IAs can be represented through the enabling effect on the home and host organisations' sensing, seizing and reconfiguring capabilities within the Dynamic Capabilities View. In so doing it provides detailed responses to explicate the value of IAs to each of the home and the host. For example, it identifies where this value may be aligned and where it may conflict. This potential for conflict and the intra-relationship between the value to these two parties is reinforced through taking a real options theory lens in paper 4.

Real-options-reasoning is used to demonstrate how the organisational value of IAs can be explained and better understood. Through identifying the existence of a real option belonging to each of the home and the host over the same underlying IA this explicates the complexity of the home-host relationship in determining the value of IAs to each party.

The following sections provide detailed discussions of all the contributions of my research in addition to the impacts for HR practitioners in Global Mobility. It concludes with a discussion of the limitations and some proposals for future research opportunities.

## **6.1 Contributions to Theory and Practice**

The contributions as discussed in each paper are repeated again for ease of reference in tabulated form in Table 6-1 below. These are separated by contribution to the field of IAs, contribution to other theories and finally managerial or practitioner contributions. Some contributions cut across these three categories.

The over-arching contribution of this thesis is its empirically based explication of the organisational value of IAs. This is achieved in two parts. First, through the demonstration in Chapter 4 that IAs contribute to the microfoundations of an organisation's dynamic capabilities and hence support the long term sustainable competitive advantage of the organisation (or its productivity in a public sector context). Secondly, Chapter 5 demonstrates empirically that IAs can be interpreted in terms of real-options-reasoning and hence the value to all relevant parties is clarified. The key thematic contributions are now described in detail in sections 6.1.1 to 6.1.4.



**Table 6-1 Research Contributions**

Article Title	IA Domain Contributions	Broader theoretical contributions	Managerial/Practitioner contributions
The Organisational Value of International Assignments – The Relational underpinning (Paper 1/Chapter 2)	<ul style="list-style-type: none"> <li>• Demonstrating the theoretical importance of taking a relational view when investigating the organizational value of IAs.</li> <li>• Providing an integrative relational framework emerging from the literature to explicate extant knowledge.</li> <li>• Bringing together three separate streams of literature relevant to the research question.</li> <li>• Providing research propositions using the relational framework.</li> <li>• Providing a research agenda to move our understanding of IA organisational value forward.</li> </ul>		<ul style="list-style-type: none"> <li>• Identifying key issues for HR functions and global mobility professionals to address.</li> </ul>
Value Creation and Capture. The Application and Extension of Lepak et al.'s Value Framework. (Paper 2/Chapter 3)	<ul style="list-style-type: none"> <li>• Applying the Lepak et al. (2007) conceptualization of value to the field of IAs specifically at the organizational level using meso level.</li> <li>• Critiquing and developing extant definitions for assessing the organizational value of IAs.</li> </ul>	<ul style="list-style-type: none"> <li>• Extending Lepak et al.'s (2007) value framework in several ways:               <ul style="list-style-type: none"> <li>○ Identifying the significance of what value is per se and the complexity that this adds</li> <li>○ Identifying the value implications of intra-organizational sub-levels; the home, the host, other group companies and the group as a whole.</li> <li>○ Extending the definitions of isolating mechanisms and competition to explicate value capture mechanisms.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Identifying the value implications of intra-organizational sub-levels; the home, the host, other group companies and the group as a whole.</li> <li>• Identifying the importance of temporal analysis, and</li> <li>• Critiquing and developing extant</li> </ul>

		<ul style="list-style-type: none"> <li>○ Identifying the importance of temporal analysis in each area of the framework, and</li> <li>○ Incorporating the issue of value measurement by critiquing and developing extant definitions for assessing the organizational value of IAs.</li> </ul>	<p>definitions for assessing the organizational value of IAs.</p>
<p>The Value of International Assignments explained through the Microfoundations of Dynamic Capabilities (Paper 3/Chapter 4)</p>	<ul style="list-style-type: none"> <li>• Evidencing that the organisational value of IAs must be determined through separate and yet combined analyses of the home and host organisations.</li> <li>• Refining the theoretical understanding of global mobility through the application of the sensing, seizing and reconfiguring constructs within the dynamic capabilities view thereby explicating the organisational value of IAs.</li> <li>• Focusing on the under-researched public sector, specifically on an EU IGO.</li> </ul>	<ul style="list-style-type: none"> <li>• Refining the theoretical understanding of global mobility through the application of the sensing, seizing and reconfiguring constructs within the dynamic capabilities view thereby explicating the organisational value of IAs.</li> </ul>	<ul style="list-style-type: none"> <li>• Offering the basis for the development of practitioner measurement tools for the value of IAs.</li> </ul>
<p>The Value of International Assignments through the lens of Real-Options-Reasoning (Paper 4/Chapter 5)</p>	<ul style="list-style-type: none"> <li>• Extending real options theory to human assets and specifically to IAs.</li> <li>• Applying real-options-reasoning at the micro level of IAs rather than at the traditional strategic level of major investment decisions.</li> <li>• Evidencing that an IA creates two organisational real options held by the home and the host respectively.</li> <li>• Generating research propositions using the real-options-reasoning heuristic.</li> </ul>	<ul style="list-style-type: none"> <li>• Extending real options theory to human assets and specifically to IAs.</li> <li>• Applying real-options-reasoning at the micro level of IAs rather than at the traditional strategic level of major investment decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• Offering practical insights to enable managers of international businesses to increase the organisational value they derive from IAs.</li> </ul>

## **6.1.1 Domain-specific Contributions**

### **6.1.1.1 The Organisational Value of IAs and Strategic Success**

Both theoretical lenses used in my empirical papers draw on strategic theory. The real-options-reasoning heuristic is, however, applied at the micro level of IAs in contrast to its normal application to major strategic decisions such as the internationalisation process. Such applications are rare in the literature despite being called for (McGrath, 1999) and I have found no such direct application in the field of expatriation. The application and usefulness of this theoretical approach to IA value opens the door to further application in other realms of human capital. The levels of uncertainty surrounding IAs enhance the merit of real-options-reasoning in understanding the phenomenon, however extending this lens to other HR and management decisions regarding domestic and other types of employee may also help to explain other realities of human capital management.

Real-options-reasoning offers a theoretical explanation for several existing phenomena in the Global Mobility field. For example, as explained in Chapter 5, the high levels of attrition post repatriation maybe a function of the Home's IA Option being 'in the money' and the high use of IAs in sectors with high financial acumen such as financial services and management consultancy may be a result of practitioners understanding and managing the optionality of their IAs. The issue of high attrition also raises questions regarding the importance of effective repatriation the importance of which is regularly asserted by IA interviewees. My DCV research indicates that repatriation has a much more important impact upon the value to the home as compared to the value of the host given that the majority of the value to the home occurs post repatriation (see chapter 4) whereas the majority of the value to the host arises during the IA. In combination with the real-options-reasoning analysis this may indicate that the Host IA Option could be 'in the money' such that the importance of repatriation is reduced. Applying the real-options-reasoning logic another way, an assignee may find that an alternative employer is willing to pay a higher compensation package than the home and

hence the assignee exercises its option to leave post repatriation. This may represent a rational option investment decision by the home who does not believe the extra compensation is warranted.

Applying the DCV and, in particular, the microfoundations of the sensing, seizing and reconfiguring sub-capabilities of DCs, enabled me to identify that the organisational value of IAs is achieved through their contributions to these microfoundations. The value described by my interviewees in Chapter 4 maps to these microfoundations and hence indicates that the value of IAs is in their impact on improving an organisation's potential to achieve long term sustainable competitive advantage. This extends the work of the field which has used many theories to explain IA correlations with performance and yet, as explained in Chapter 2, focuses on the performance of one party (mostly a subsidiary) of the IA relationship. My research demonstrates that the microfoundations of both the home and the host are positively impacted, although the types and levels of impact vary during the expatriation cycle (Harzing and Christensen, 2004).

This microfoundational view provides a new understanding of the value that IAs derive for organisations and potentially explains the long-recognised conundrum that long term IAs continue to be used (and usage continues to rise) despite their high cost in comparison to using local or alternative hires. In other words, organisations invest in IAs due to the positive impact on their long term sustainable competitive advantage.

#### **6.1.1.2 Organisational Value Arises to the Home and the Host**

Following on from the above this thesis demonstrates theoretically and empirically that the organisational value of IAs can only be comprehensively addressed through researching the impacts on each of the home and the host in tandem, including the implications of the relationships between these two parties. Whilst one or two academics have noted this issue (see, for example, Welch, Steen and Tahvanainen, 2009) it has only been noted conceptually and not explored in detail.

The bifurcation of the home and the host in the analysis of organisational value was first identified as a potential issue specifically for IAs in my SLR which noted extant research's tendency a) to focus either on the host or the organisation as a whole, and b) to fail to consider the issues in the home, traditionally the parent body. My extension of the significant work on understanding value creation by Lepak et al. (2007) using IAs as the phenomenon of interest, also contributes to this issue by emphasising the importance of separating the sub-levels of analysis when researching value at the organisation level.

My empirical work provided this contribution first through the application of the DCV and their microfoundations. These demonstrated that the value achieved by the home and the host may be through similar and overlapping microfoundations, e.g. networking, but also through separate and potentially conflicting microfoundations, e.g. the home gains value through influencing the outcomes of the host's activities which may be not be positive for the host. This position was then reinforced through the application of real options theory which explicated the position of conflicting real options held by each of the home and the host (in addition to that held by the assignee). Hence the actions taken by the host to maximise the host's real option value, for example encouraging the assignee to take a permanent role at the host, may be detrimental to the actions taken by the home to maximise the value of the home real option.

#### **6.1.1.3 Organisational Value Arises Across the Relational System**

In addition to recognising the central home-host dyad, value extends beyond this and has to be considered in any evaluation. As identified in my SLR this includes other companies within the home-host organisation in addition to other stakeholders and the assignee. This relational aspect extends to the context within which they sit, including their internal structural characteristics, such as ownership structure, and the external context within which they operate, for example the markets, clients or sister organisations.

The use of the DCV as a lens to investigate the public sector CSO also identified how this affects different parties across a meta-organisation such as the EU.

Whilst McNulty et al. (2009) took an HR Systems approach and McNulty and De Cieri (2011a) took a systems theory approach to identify and question the different organizational aspects potentially affecting the ROI of IAs, both did so based on the assumption that the organization involved in an MNC is a single entity. This thesis adds to their work by identifying the importance of distinguishing between the home and the host at the core of the IA relationship when explicating the organisational value of IAs.

Finally, the real-options-reasoning approach explicates the complexity of the potential organisational value derived from IAs given that different parties (the home, host and assignee) have a real option over the same underlying asset and hence the exercise of one party's option directly affects the value of the other parties' options.

#### **6.1.1.4 IA Organisational Value Definitions**

In recognition of the system of relationships within which an IA sits, I have extended existing definitions for the organisational value of IAs beyond their inherent assumption that the value be considered as sitting within a single (MNC) organisation (see paper 2). This challenges and goes beyond the important work of McNulty and Tharenou (2004) and McNulty and de Cieri (2016). These definitions are also extended by recognising the temporal nature of this value and hence the importance of determining the impact of the time value of money in any such measurement of IA organisational value. Finally I have sought to adjust the terminology of expatriate 'ROI', given the acknowledged confusion it creates as both an umbrella term and as a singular definition (Doherty and Dickmann, 2012; McNulty, Hutchings and De Cieri, 2011; McNulty and De Cieri, 2013) to that of 'value'. Whilst the practitioner world continues to use the ROI term, hopefully this is a small step to enabling greater clarity going forward (see for example my contribution to Renshaw and Rason, 2018).

#### **6.1.2 Theoretical Contributions Outside the Field of IAs**

I have also made contributions beyond the specifics of the IA field. I have extended the Lepak et al. (2007) value framework in several ways as noted in

Table 6-1. For example, Lepak et al. (2007) focus on the creation and capture of value with limited discussion of defining and identifying the underlying value itself. Furthermore my paper conceptualises the importance of extending the organisational level of analysis to recognise the different potential levels of the organisation itself in addition to extending the definitions of the isolating mechanisms of value and the competition for value. The latter were previously theorised with respect to organisational level business competitors as distinct to the competition for talent, i.e. to poach employees. These issues have relevance to other fields of study considering value creation questions.

My use of the DCV demonstrates how the microfoundations construct can be applied outside the classic strategic business landscape into a micro level of HR practices, i.e. that of IAs. It is very difficult to generalise given the huge volume of work on the DCV and the ongoing debates regarding its definitional inconsistencies and its theoretical limitations (Nayak, Chia and Canales, 2018). Nonetheless, DCV research appears to look to identify ranges of practices that may indicate the microfoundations of specific dynamic capabilities such as marketing or innovation. Whereas I have applied the DCV to identify the microfoundational impacts of an HR practice and the value of that practice. This extends the work of Harvey, Novicevic and Speier (2000) who considered how the DCV could explain the use of inpatriation conceptualising that inpatriation may be a form of dynamic capability.

Similarly, real-options-reasoning has rarely been used outside the realms of major strategic decision-making. Hence showing its theoretical and practical utility when applied at the micro level, in this case of human capital and IAs, demonstrates how real options theory may have usefulness and explanatory power in other new domains. This responds to calls for such application to human capital, see for example, the seminal work of McGrath (1999). Furthermore it extends Barnett's (2003) ideas that real-options-reasoning may be more appropriately applied at the project level rather than at the strategic decision-making level. Real options theory and real-options-reasoning may have important

implications in understanding numerous business decisions at the micro level rather than the more significant acts such as internationalisation of the firm.

### **6.1.3 Methodological and Empirical Contributions**

Whilst the underlying rubric of the accepted systematic literature review process (Tranfield, Denyer and Smart, 2003) is used in my SLR paper, a novel application has been created. The traditional SLR approach starts with an in-depth investigation of database records of relevant literature using multiple search-strings. This process aims to identify the core set of literature from which to then expand, as required, through snowballing. However, in some circumstances this can produce many tens of thousands of articles for abstract and full content review raising questions as to the reliability of such an approach given 'reviewer fatigue'. This issue of finding many thousands of potential articles happened for my SLR given that the core search terms, namely 'organisation', 'value' and 'IAs' (and their synonyms) have insufficient uniqueness. As a result I applied citation analysis of seminal papers that would likely be referenced by any papers related to my topic, combined with approaching an expert panel for their suggestions. Evidence, supported by network analysis, suggests that this approach was effective and offers a different method for future SLRs faced with similar problems.

The academic field of expatriation and Global Mobility literature in general has limited research outside the MNC (McNulty, Vance and Fisher, 2017). Literature within the public sector is also limited (Selmer and Fenner, 2009). Furthermore, no literature outside the MNC was identified through my SLR process evaluating extant knowledge of the organisational value of IAs (see Chapter 2). As such, investigating IAs in a case study organisation within the public sector is a contribution to the field in its own right. Indeed, the SNE does not fit neatly within previous taxonomies of the IA phenomenon (Renshaw, Parry and Dickmann, 2018). Notable differences include the funding of SNEs, the complex relationship between the organisations compared to the predominant HQ-subsidary arrangement and job guarantees to the SNE post assignment by the Home.



These factors may be extremes of normally expected IA circumstances however they assisted in identifying the importance of separating the value to each of the home and host as reviewed in both the Dynamic Capabilities and real-options-reasoning papers.

#### **6.1.4 Contributions to Practice**

Building on the comments in each of Chapters 2 to 5, I now provide further details of the potential implications and contributions to the field of practitioners working in Global Mobility and HR.

As identified in Table 1-2 Research Dissemination (see Section 1.6), I have published several articles in practitioner journals and contributed to the Santa Fe Relocation 2019 annual survey on Global Mobility, all of which has been influenced by my research during this doctorate. I have also been interviewed as an expert on the value of IAs in corporate webinars.

I see a single over-riding outcome from my research to assist Global Mobility practitioners, namely the ability to create and to improve their business case evaluations for IAs. McGrath (1999) specifically commented on how a real options approach encourages the identification of assumptions to inform investments such that deviations from plan can be investigated more effectively. This has numerous potential consequences including the design of IAs. Furthermore, there is the potential for a virtuous circle of improvement through measuring the post hoc value of IAs and then feeding this back into future business case decision-making. I have already shared these ideas in Global Mobility discussion forums and my intention, post PhD, is to continue to share these underlying learnings to help Global Mobility professionals improve how they manage IAs to greater benefit and their strategic positioning and influencing capabilities in HR and the business as a whole.

Global Mobility practitioners currently lament the lack of business case decision-making that applies to implementing IAs (see, for example, Santa Fe Relocation Services, 2019). Nonetheless even where they do take place there is a significant

risk that the decision is based solely with a focus on the host in isolation or the organisation as a single entity. Each of my papers support the argument that these business case decisions need to look at all the relevant parties and both the timing and type of value that may be created for them. Indeed this should extend to the potential conflict between the parties and the value to the assignee. My formulaic definition of IA value can enable practitioners to understand these issues.

The findings that the organisational value of IAs is through the microfoundations of DCs that they generate and hence the importance of IAs for organisational strategy, provides an opportunity for HR and business practitioners to assess which of these microfoundations can be promoted as objectives of their IAs. In other words, when assessing the business case for a new IA they can identify goals that specifically add to these microfoundations for both the home and the host. For example, they may choose to allocate a goal to an assignee to apply new perspectives in their work or to build their networks and contacts. If an assignee already has a large well recognised professional network however, the latter goal may be less relevant. Taking this approach can give businesses greater confidence that their IAs should generate increased value to their organisations and that it should do so to both the home and the host as designated when they create these goals. As with all goal setting constructs taking such an approach within the initial business case decision enables all the parties to monitor the success or otherwise of achieving these goals and hence promoting the likelihood of greater overall value.

Through applying the above ideas to the design of IAs this has the potential to focus investment on those IAs which generate the greatest return to the organisation. Whether task-based IAs, developmental IAs or a combination of both. It also has the potential to improve the ongoing management of IAs, especially through the application of real-options-reasoning.

The real-options-reasoning heuristic provides a useful tool for organisations to use to manage their IAs more effectively. The context of the CSO within the

financial regulatory sector meant that all interviewees had familiarity with financial terminology. With only one exception the interviewees within the HR departments also had prior operational experience. This suggests that the use of the real-options-reasoning heuristic may be more accessible to businesses and global mobility professionals in some circumstances. However, practitioners need not concern themselves with the underlying complexity of real options modelling nor indeed with the terminology of these being 'real' as distinct to financial options. The heuristic can be used to explain the underlying dynamics of IAs, the relationships between the different optionality that exists over the same 'asset' (the assignee or the assignment) and what factors impact upon the value of the IAs when understood as options. Usefully, perhaps, the word 'option' appears to be generally understood by practitioners to mean the same thing as it does in real option theory. The heuristic explains, for example, the importance of managing IAs on a portfolio basis and maintaining flexibility in order to keep open the investment upside whilst protecting downside risk. This should improve both the HR department's and the relevant host and home business units' understanding of how best to manage the value involved on an active basis and hence to retain the highest appropriate levels of benefit – rather than losing part of it as a result of the assignee exercising their option to leave to work for a new employer.

The real-options-reasoning approach draws attention to the question, who owns the IA Option – is it 'the business' or is it HR? Global Mobility professionals often complain that they do not have the appropriate level of strategic influence and act mostly as administrators of the IA process (see, for example RES Forum, 2018) as IA business decisions are made at the coffee machine (Harris and Brewster, 1999). Having the ability to explore the uncertainties affecting IAs and their impact on the long term value of IAs may provide Global Mobility practitioners with the ability to speak the language of business and hence change this dynamic (Renshaw and Rason, 2018). This also improves the potential to generate greater intra-unit evaluation between the home and the host as Global Mobility draws attention to how both business units should strive to generate value from an IA. Indeed, demonstrating that IAs can generate strategic value to each of the home

and the host may increase intra-unit cooperation rather than having an assignee simply address a task related project through an IA.

## 6.2 Limitations

Limitations of my research are discussed in each of the specific papers in chapters 2 to 4 and are also considered in Appendix C Research Design (see Appendix C section 10). Given that these papers all relate to a single stream of research the limitations are in many cases overlapping issues and I discuss the key ones here.

The limitations with respect to focusing the research on a single case study organisation with less than 300 employees in the EU public sector administrative system using a distinct form of SNE assignment are acknowledged. However, as described in paper 3 (chapter 4) this provided characteristics such as the home-host relationship and salary contributions by the home, to draw attention to similar issues that may have wider implications, i.e. home-host conflict, and are hence worthy of further research.

All my research was subject to my own personal biases and interpretations as with any research project (unless perhaps, you are a positivist of the older traditions (Blaikie, 2007)). As discussed in Appendix C various steps were taken to protect the methodological rigour throughout this research. In no particular order these were:

1. During the interview process, all interviewees were advised as to my personal background, beliefs and broad research intentions prior to each interview. This was included in the individual confidentiality and interview permission documents as well as described verbally.
2. All interviews were recorded and, with the exception of the four pilot study interviews (see paper 4) and the first three of the CSO interviews, these were professionally transcribed. The data was coded in NVIVO first to an *a priori* system based on Lepak et al.'s (2007) concept of value, value creation and value capture. These were then re-coded to the sensing,

seizing and reconfiguring capabilities DC microfoundations construct. In each case the interviews were re-read with all coding double-checked and adjusted as appropriate. This process was spread over several months during which potential issues such as conflicting codes and unclear codes were noted in a reflective journal recorded within each NVIVO file. These issues were regularly reviewed and resolved through the process. This method was then repeated for the real options theory coding, starting with *a priori* coding to real-options-reasoning constructs, thereby inviting reassessment of the DC coding again. Finally, tables of example quotations supporting all the different mechanisms and constructs were created and interrogated by my supervisors to validate the coding.

3. My work was regularly reviewed and challenged by highly respected supervisors on at least a monthly basis (usually once every three weeks) and also annually by a panel chair plus, in the final 12 months, by an additional expert with specific experience of strategic theories.
4. Each of the four papers underwent 'friendly' reviews by IA domain, DC domain and real-options-reasoning domain academic experts prior to submission to journals for publication
5. An initial version of the SLR paper, (a combination of papers 1 and 2 prior to its deconstruction into two papers), the DC paper and the real-options-reasoning paper were submitted and accepted by the annual EURAM conference between 2017 and 2019. These received written reviews and verbal responses when I presented them at conference.
6. The broad demographic range of interviewees reduced the possibility that my personal bias could override their opinions.

In both the DC and ROR papers (chapters 4 and 5 respectively) I did not undertake detailed analysis of differences at the individual level of the interviewee. For example I might have investigated whether the younger interviewees held different views to older interviewees or whether interviewees from certain countries gave different responses to others. I did undertake a holistic assessment of the data looking for any variations at a broad level,

however this did not extend to drilling down into these individual interpretations. The primary justification for this approach is that whilst I am undertaking meso level research through interviewing individuals to determine an organisational perspective (Rousseau and House, 1994), my research questions focus on the organisational level of analysis.

With respect to the analysis of the microfoundations of DCs, I identified that the greater contributions both by number and type of mechanism arose from those who were currently international assignees at the time of the interview or who had experienced such IAs. This may raise questions given that fewer responses came from the other interviewees. However, supportive contributions for a variety of mechanisms across each of the sensing, seizing and reconfiguring capabilities were identified by all interviewees. Furthermore, the concentration effect would seem unsurprising as the SNEs/ex-SNEs are in the middle of or closest to the very value creation I was seeking to identify – on a daily basis. Whereas other interviewees such as line-managers or HR managers have broader responsibilities.

### **6.3 Future Research Directions**

Research propositions are offered in papers 1, 3 and 4 (chapters 2, 4 and 5 respectively). As such there are several different opportunities to extend IA organisational value theory and our knowledge and understanding of the issues arising. Building on these research opportunities already identified there are some broad areas for further research to consider.

#### **6.3.1 The Organisational Value of Different Types of IA**

This thesis defined IAs by reference to 'business expatriates' (McNulty and Brewster, 2017) excluding SIEs. There are several other specific variations that could be focussed on for example short term or commuter assignees as well as SIEs.

Whilst conceptually the value derived from other types of IA may be similar and potentially covered by the same overarching definitions that I have offered in my

papers , the empirical outcomes may be different. Project-based organisations moving employees through a series of assignments, potentially switching between domestic and international assignments, have very different short term implications and different cost dynamics. The potential for research in the field of short term IAs is considerable given a relatively low application to date despite the seemingly high use of such IAs especially in management consultancies and project driven environments (Tahvanainen, Welch and Worm, 2005).

### **6.3.2 The IA Organisational Value in Different Types of Organisation**

My research used a public sector case study for its empirical evidence. The research can be extended into the traditional MNC but also into NGOs, charities and other types of organisation. The latter might extend to the different environments that organisations operate in such as hostile environments (Faeth and Kittler, 2017). These latter situations indicate different factors at play in comparison to traditional MNC-based IAs. For example, the willingness of assignees to work for low pay in some circumstances and yet receiving considerably higher pay in others. Furthermore, the desired outcomes may be much harder to assess over the long term where societal change is sought. Impacts on overall value, and the balance of value between the affected parties, may be different. This offers considerable opportunity to understand organisational value issues in such distinct circumstances and may enable further extension of the Lepak et al. (2007) value framework given its consideration of the societal impact of organisational value creation and capture.

In considering different types of organisation, this new research stream might also consider the different types and levels of value to different parts of an organisations such as at the unit or functional level. For example, might IAs in central functions such as finance achieve different types and levels of value to operational units?

### **6.3.3 Real Options Valuation of IAs**

Whilst the real options valuation/modelling approach has a greater conceptual focus to that of real-options-reasoning, theoretical understanding could still be extended by applying this different approach and its techniques to IAs. It might also extend knowledge by applying the valuation techniques to different types of IA noted in 6.3.1 above. This could build on the formulaic approach of the recent work in the IA field by Nowak and Linder (2016) who considered the cost implications of IAs in formulaic detail.

Taking such an approach would offer opportunities to draw on expertise traditionally applied in other academic fields such as economics, into IA literature.

### **6.3.4 Longitudinal Studies**

It is not unusual for academic papers to propose longitudinal studies to extend research, especially given that it may be a complex and expensive method which is not easily available to all researchers. However, as organisations start to use business case assessments of their IAs more, this offers the potential to compare pre and post circumstances and the resultant learning. This could offer an understanding of the differences between expected and actual organisational value. And this could identify differences between the different types of IA or between different organisational types. The first and potentially easier step may be to investigate the learning and changes in IA implementation through having pre and post IA value assessments. This would take forward our knowledge considerably and offer the opportunity to draw on other theoretical areas such as learning theory or change management.

### **6.3.5 Quantitative Studies**

By drawing on my microfoundational paper, a survey instrument could be created to test levels and variations in IA organisational value achieved by different parties to the assignment. This could test the issues from a number of different viewpoints, for example cultural or sectoral distinctions. It could be applied in combination with some of the research areas noted above. This would also align



well with a critical realist approach in which the first step is the identification and exploration of mechanisms prior to a quantitative approach to understanding the application of those mechanisms.

## **6.4 Final Conclusions**

Each of the four papers in chapters 2 to 5 offers a range of theoretical, methodological and practitioner contributions. Furthermore, the body of research taken as a whole contributes to a clearer understanding of the organisational value of IAs. I remain convinced this is a critical issue for continuing research in order to theorise more effectively and improve our understanding of IA practices that might be considered normative in business despite the lack of understanding as to their true value.

Overall, I hope my research will stimulate others to progress these lines of investigation to enable a continuing improvement in the theoretical understanding of the organisational value of IAs. And ultimately to improve business and organisational outcomes for all of those involved. I hope to remain part of this journey.

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## **APPENDICES**

### **Appendix A Personal Reflections**

An important part of any critical realist researcher's perspective is the reflection process for the researcher given their impact upon the research process. This is also an important activity for me outside my specific PhD realm as a professional management and executive coach. As a result reflection is an every day activity in my practice. For example, in my NVIVO coding I followed the advice of keeping a reflective diary within the relevant files. In this section I limit my reflections to one key unexpected and yet critical part of my learning process in this thesis. Namely the identification of my philosophical perspective and hence the reason for an extensive discussion of this within the Research Design Appendix C.

My experience of travelling the doctoral journey and identifying one's own philosophical perspective was probably not unusual given what I now know from delivering several workshops to fellow doctoral students on the subject. However, I hope that my journey is having a positive impact changing the journeys of others. I found the issue of one's philosophical perspective extremely challenging given the enormity of possibilities, the seeming contradictions and, frankly, the never-ending use of new and long words with complex definitions. Whilst there were many lectures and references to the topic during my first year at Cranfield I found this generally added to my confusion rather than resolving it. Accordingly I decided to take action.

My first critical step was to read Blaikie (2007) and create a summary table of the ten philosophical perspectives that he reviews. This generated several important learnings both in terms of comparisons between ideas and also the realisation that constructs in one philosophical perspective (or paradigm in Blaikie's terms) do not necessarily have a comparable viewpoint in another. I then shared my summary table with a doctoral colleague (Jenny Robinson) and asked her to critique it. The subsequent discussion started to bring clarity to the importance of the topic – although not yet the answers. For example, the significant realisation that one's very research question could change with a different perspective –

fascinating given that most doctoral students, including me, start with some form of research question in mind before becoming aware of these issues. For me it triggered the process of investigating critical realism in more depth, given its potential representation of my views in addition to broader reading around the issues including, for example, the paradigm wars and paradigm incommensurability.

My next step, jointly with my colleague, was the aim to offer a new route through this maze of philosophical perspectives to future doctoral students. We investigated extant literature on the andragogy in this field and then created a teaching case-study using gamification techniques. We have since run over ten workshops using this approach. This started with running a Personal Development Workshop (PDW) at the British Academy of Management (BAM) Conference 2017, followed by workshops at several universities and at the BAM Doctoral Symposium in 2018 (with BAM 2019 in the diary). This has included over 200 doctoral students to date. The positive feedback has been powerful and inspiring, and the delivery continues to teach me new content about this challenging subject. I learn every time.

Jenny Robinson and I also wrote a paper based on our journey which was accepted at BAM 2018 (Renshaw et al., 2018). The paper's contributions to theory and practice included a first comprehensive review of literature concerned with the teaching of research philosophy, the teaching case-study built on the findings of this review which other educators may adopt or adapt, and a model for the andragogy of research philosophy. Our aim is for an updated version of this to be submitted and published in an appropriate journal in Higher Education post completion of my PhD.

Hence this process of learning continues each time we deliver the workshop. Both in the moment and as we discuss and reflect upon the different reactions and thinking of the participants afterwards. The very idea that I would find the concept of philosophy interesting in this way has been a true eye-opener for me. Prior to my doctoral studies I was worried about how I might cope with the philosophical

aspects given the potential, at least from a perspective of naivety, to find myself discussing angel numbers on pinheads! And so I hope the process through which I have learned can help others to achieve similar levels of change.

## Appendix B Theoretical Lenses Investigating the Organisational Value of IAs in the SLR

Main theoretical lens	Papers	CEO/ TMT Impact	Subsidiary Performance	ROI	Other	Total
RBV	(Hemmasi, Downes and Varner, 2010); (Carpenter, Sanders and Gregersen, 2001); (Roth, 1995); (Gong, 2003a); (Tan and Mahoney, 2006); (Dutta and Beamish, 2013); (Wang et al., 2009); (Colakoglu, Tarique and Caligiuri, 2009); (Gonzalez and Chakraborty, 2014); (Hyun, Oh and Paik, 2015); (Carpenter, Sanders and Gregersen, 2000)	3	7	1		11
The Penrosian Perspective	(Goerzen and Beamish, 2007; Riaz, Glenn Rowe and Beamish, 2014)		2			2
Dynamic capabilities	(Carpenter, Sanders and Gregersen, 2001; Chung and Beamish, 2005);	1	1			2
Knowledge management/ transfer/ acquisition	(Oddou, Osland and Blakeney, 2009); (Hebert, Very and Beamish, 2005); (Chang, Gong and Peng, 2012); (Lyles and Salk, 1996)		3		1	4
KBV	(Fang et al., 2010); (Sekiguchi, Bebenroth and Li, 2011); (Dutta and Beamish, 2013)		3			3
Psychological contract	(Yan, Zhu and Hall, 2002); (McNulty, Hutchings and De Cieri, 2011); (McNulty, De Cieri and Hutchings, 2013); (McNulty, 2014); (McNulty and De Cieri, 2016)			5		5
Transaction Cost economics	(McNulty and Tharenou, 2004); (Tan and Mahoney, 2006); (Bonache Pérez and Pla-Barber, 2005); (Colakoglu and Caligiuri, 2008)		3	1		4



Agency theory	(Yan, Zhu and Hall, 2002); (Gong, 2003a); (Tan and Mahoney, 2006)		2	1		3
Real Options	(Chung and Beamish, 2005)		1			1
Systems theory	(McNulty, De Cieri and Hutchings, 2009); (McNulty, Hutchings and De Cieri, 2011); (McNulty and De Cieri, 2011a)			3		3
Absorptive capacity	(Chang, Gong and Peng, 2012); (Gonzalez and Chakraborty, 2014)		2			2
Organizational learning	(Oddou, Osland and Blakeney, 2009); (Gong, 2003b)		1		1	2
Upper echelons	(Sekiguchi, Bebenroth and Li, 2011); (Hyun, Oh and Paik, 2015)		2			2
Intellectual capital	(Welch, Steen and Tahvanainen, 2009)			1		1
Human capital	(Nowak and Linder, 2016)			1		1
Symbolic capital	(Doherty and Dickmann, 2009)				1	1
The intelligent careers framework	(Dickmann and Doherty, 2010)				1	1
Career Development	(Yan, Zhu and Hall, 2002)			1		1
Cultural distance	(Colakoglu and Caligiuri, 2008)		1			1
Institutional theory	(Gaur, Delios and Singh, 2007)		1			1
Action Research	(Doherty and Dickmann, 2012)			1		1
Industrial Organisation	(Hemmasi, Downes and Varner, 2010)			1		1
Information processing	(Roth, 1995)	1				1
International attention	(Bouquet, Morrison and Birkinshaw, 2008)	1				1
Job demands	(Sekiguchi, Bebenroth and Li, 2011)		1			1
Management accounting	(Nowak and Linder, 2016)			1		1
Organisational behaviour	(Oddou, Osland and Blakeney, 2009)				1	1
Organisational sociology	(Schmidt and Minssen, 2007)			1		1
Social Categorisation	(Oddou, Osland and Blakeney, 2009)				1	1

Social identification	(Gong, 2003b)		1			1
		<b>TOTALS</b>	<b>5</b>	<b>31</b>	<b>18</b>	<b>6</b>
						<b>60</b>

For full reference details see Chapter 2 Section 2.9 References to Chapter 2

## **Appendix C Research Design**

### **C.1 Introduction**

In this appendix the research design is explained incorporating details of the research strategy and methodology. I believe in and apply critical realism in researching the organisational value of IAs. This is a useful philosophical perspective when exploring the underlying causation of events and its use in case studies seeking to explore nascent or unusual outcomes is advocated (Easton, 2010; Reed, 2001). Such nascent and unusual circumstances fit with the focal public sector organisation in this thesis (referred to as the CSO, Case Study Organisation) and to seek to explain the conundrum as to the high use of IAs despite their high cost (Doherty and Dickmann, 2012).

In summary, taking a critical realist case study approach in this thesis, a host organisation, the CSO, (receiving assignees) is the focal organisation (or object) with several homes (sending assignees). This combination of entities represents the structure in which the IAs are used. These IA entities possess causal powers and liabilities to trigger events which, whilst constrained by intrinsic and extrinsic conditions, take place through generative mechanisms.

A retroductive/abductive research strategy is applied including the detailed and deliberate process of the Systematic Literature Review, see paper 1. The SLR is an important step given its identification and analysis of existing theoretical perspectives used to analyse the underlying phenomena of interest. This provided relevant material and perspectives for me to consider when seeking to evaluate the findings of the subsequent research.

In order to demonstrate that the research design is internally consistent I commence with an explanation and justification of my critical realist stance. As this philosophical perspective is considered complex with inconsistencies of terminology between and within its exponents (Sayer, 2004) I provide a detailed explanation of critical realism and the interpretations that I have drawn upon to explain the importance and impacts of these choices.

## **C.2 Philosophical Approach**

Whilst the paradigm wars appear to continue in earnest for some scholars (Shepherd and Challenger, 2013). I do not proscribe to the view that a single paradigm is the best and most appropriate for social sciences. Nor do I proscribe to the incommensurability of paradigms (Burrell and Morgan, 1979). I take the view that different paradigmatic approaches lend themselves to different types of research, different intended outcomes and different styles of explanation. This builds on the work of Hassard (1991) in addition to those who believe you can draw on elements of different paradigm families, for example applying interplay (Schultz and Hatch, 1996) and other similar techniques (Calas and Smircich, 1999). Indeed as evidenced in my own work (Renshaw et al., 2018) I believe there is considerable insight to be gained from taking different perspectives and questioning how this may affect the research process in front of you as acknowledged by Guba and Lincoln's (2005) view that research completed taking different perspectives can inform each other's work. Within this pluralist approach however, I am a critical realist.

In this thesis, the underlying interest is in understanding **what** the value of IAs is to organisations and **how** that might manifest itself, within a practitioners' (global mobility) field in which an almost insignificant number of organisations claim to assess this value despite decades of implementation (Brookfield Global Relocation Services, 2016; Santa Fe Relocation Services, 2018). The following sections explain how answering these questions benefits from a critical realist approach which seeks to uncover and explicate the underlying mechanisms involved.

## **C.3 Critical Realism**

Critical realism is a philosophical approach in which Roy Bhaskar and Rom Harré are generally acknowledged as key influencers (Blaikie, 2007). Whilst Harré (supervisor to Bhaskar's PhD) and Bhaskar subsequently had different

interpretations of the detail of this philosophy, it was developed as an alternative to both traditional positivism and constructionism, especially in the case of causation (Tsoukas, 1989). This philosophy has been adopted in a variety of scholarly disciplines, such as general management research (e.g. Easton, 2000; Mingers, 2004; Tsoukas, 1989), economics (e.g. Fleetwood, 2016), marketing (e.g. Easton, 2010; Perry, 1998), information systems (e.g. Wynn and Williams, 2012), and international business more broadly (e.g. Madureira, 2007). Despite this variability I have been unable to identify global mobility research taking an explicitly critical realist approach. A recent study questioning the analytical rigour of published articles in the field of global mobility by Tharenou (2015) provides evidence of a field that, whether intentionally or otherwise, takes a predominantly positivistic stance and yet Tharenou does not explicitly declare her philosophical perspective nor directly assess this issue in her research analysis:

*'The methodological component [in global mobility research] usually focuses on traditional scientific elements (e.g. strong research design, generalisability, lack of sampling error, validity, low measurement error, sound transparent analytic methods, contextual interaction, replication)'* (Tharenou, 2015, p.156).

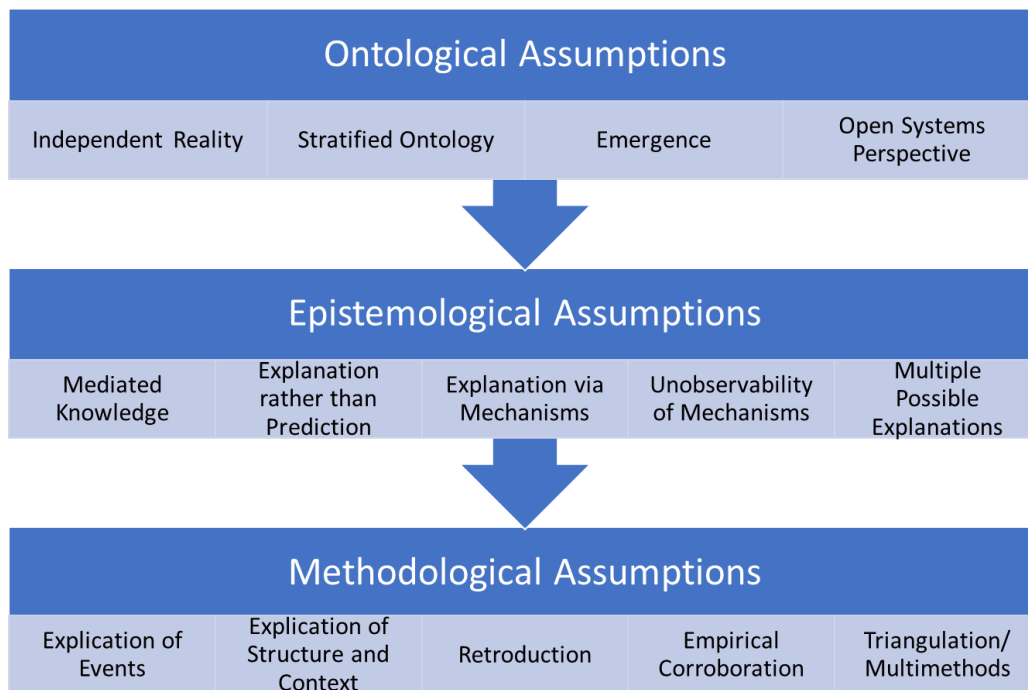
Hence taking a critical realist perspective may be a methodological contribution of my thesis, but this is difficult to demonstrate given the lack of evidence in journal articles.

Critical realists assume a realist ontology, i.e. that there is a real world out there independent of social actors. However, such an assumption cannot be proved or disproved, as social constructivists, pragmatists and even positivists might argue. Nonetheless this assumption is performative meaning that social actors behave as if it were true, i.e. as if the world was real. Whilst this may work in general, especially for the physical world, we need to acknowledge the role of social constructionism to understand and research it (Easton, 2010). There's an objective world beyond our cognition and yet part of that consists of subjective interpretations inside our minds which influences how we perceive and

experience that world (O'Mahoney and Vincent, 2014). This is the ontological gap (Bhaskar, 2008).

Data in the empirical world is always mediated by our theoretical conceptions. Hence it is theory-impregnated or theory-laden. Whereas the objects and events being researched in the natural sciences are naturally produced but socially defined, the social scientist interacts with objects and events which are both socially produced and socially defined. This double hermeneutic creates Bhaskar's epistemic fallacy in positivism where the 'empirical world' sees different levels or strata of reality as one and ignores this mediation effect (Bhaskar, 2008).

Figure C-1, drawn from Wynn and Williams (2012) provides a useful overview of critical realism and the issues to consider in its application. Fundamental to this is that the epistemological explanation of events and outcomes we experience is achieved through the identification of potentially hidden generative mechanisms with a stratified reality which is considered next.

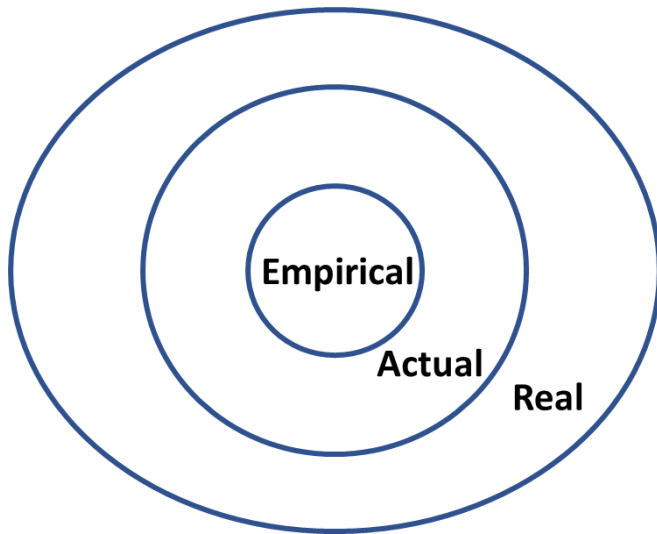


**Figure C-1 Ontological and Epistemological Assumptions of Critical Realism and the Methodological Principles. (Wynn and Williams, 2012, p.797)**

### C.3.1 Stratified Reality

What differentiates critical realism from other forms of realism is the deep level of reality in which generative mechanisms exist. The world is stratified. In other words it is divided into separate strata each of which possesses its own mechanisms. One might think of these strata as the physical, chemical, biological, psychological and social strata (Danermark et al., 2002). Critical realism assumes three levels of reality as shown in Figure C-2 (Bhaskar, 2008):

1. **The Empirical domain.** This is the surface level of reality, observable via our senses, e.g. the physical movements of assignees or the written HR processes of IA implementation. Whilst we can count IAs we cannot see what causes the numbers. The empirical domain is a subset of the Actual and, in turn Real domains;
2. **The Actual domain.** This level of reality may be observable, but has not (yet) been observed, incorporating invisible laws and structures where mechanisms exist, e.g. a tacit relationship between a home (sending) and a host (receiving) organisation. An unobserved element in the actual would become part of the empirical once observed. However, some elements may never be observed due to counteracting and neutralising mechanisms. The Actual is a subset of the Real domain;
3. **The Real domain.** This is where the causal mechanisms sit which generate events in the empirical. These cannot be observed. Rather researchers can theorise or actualise as to the content of the real level of reality, thereby operating in the actual layer. In the same way that something within the actual layer may be observed and hence moves to the empirical layer, so may mechanisms in the real layer be ‘postulated, tested and ‘revealed’ (Blaikie, 2007, p.83).



**Figure C-2 Depths of Reality Based on Bhaskar (2008)**

In this thesis it was theorised that IA's causal mechanisms affect the microfoundations of dynamic capabilities and that real-options-reasoning may provide the most appropriate theoretical explanation of the organisational value of IAs. The research seeks to uncover the hidden mechanisms that explain the organisational value of IAs and hence the reasoning behind the continuing use of IAs. It seeks to go beyond the known realm of the empirical.

### **C.3.2 Mechanisms**

Entities (for example the IAs and SNEs in my research) possess causal powers and liabilities to trigger events. These causal powers are entirely contextual (Reed, 2001) and this context is intrinsic such that it cannot be separated as a variable in the positivistic sense. Pawson and Tilley suggested that 'a mechanism is thus not a variable but an account' (1997, p.68). A mechanism represents a way through which entities cause particular events (Easton, 2010). Fleetwood originally considered that a mechanism might be construed as a combination of structures and relations, but adjusted his thinking to offer that a mechanism is more easily thought of as one factor among several and that a combination of these mechanisms may be needed to have an ascribed tendency to create an outcome (Fleetwood, 2004). The powers and liabilities of entities can be interpreted as tendencies to activate or inhibit such an outcome (Danermark et



al., 2002), given certain intrinsic and extrinsic conditions. These intrinsic and extrinsic conditions are the features or properties of entities which affect the certainty of the outcomes (Bhaskar, 2008).

Whilst the causal mechanisms of an entity may be activated it is possible that no change occurs in the actual and empirical domains. This arises due to the counteracting effect of another mechanism or combination of mechanisms (Miller and Tsang, 2010; Tsoukas, 1989). This hidden activity in the domain of the real inhibits researchers' abilities to theorise. As Sayer notes 'Observability may make us more confident about what we think exists, but existence itself is not dependent on it' (2000, p.12). For example, in my research it is possible that IAs establish strong sensing capabilities in the host that are counteracted by other EU entities' refusal to engage in joint collaborative activities with the host. Furthermore, for a causal mechanism to produce regular observable effects requires a closed system, such as a laboratory-style experiment where researchers can seek to isolate one causal mechanism from others affecting the same events and structure (Bhaskar, 2008; Danermark et al., 2002). This is inconsistent with the domain of social science.

Kowalczyk (2004), draws attention to the further complexity involved in the research of mechanisms and questions the potentially simplistic view of Pawson and Tilley (1997). She argues that it is infeasible to study a 'context that appears to subsume everything apart from one particular mechanism and its outcome, and hence subsumes the interaction of other mechanisms with the prime object of study.' (Kowalczyk, 2004, p.298). She offers a more complex relationship as shown in Figure C-3. She notes how structure and agency together have powers and relationships which affect mechanisms which then in combination have an ultimate mechanistic effect. This then feeds back onto the original structure which may change the original mechanism. This model has considerable merit given the complex inter-relationships between the mechanisms and conditions which became evident in the findings, for example the intra-organisational aspects of the microfoundation mechanisms of dynamic capabilities or the dynamic

relationship between the shared real options held by the home, the host and the assignee over the IA.

The Kowalczyk model is also helpful recognising differences of opinion in what constitutes a mechanism. An important question when evaluating interview participants' answers is: 'what do critical realists mean by the term 'real'?' Given the critical realist supposition that reality is 'out there', I draw upon Fleetwood's interpretation that 'Something is real if it has an effect or makes a difference.' (2004, p.24). Hence ghosts are (generally accepted as) not real, but the discourse about them or the belief in them is real. Discourse can be considered causal (Sayer, 2004) and a generative mechanism (Reed, 2000). Hence the interpretations and descriptions offered by interviewees are accepted as to what they believe to be the value implications of IAs and I take a broad view on the form that a mechanism may take.

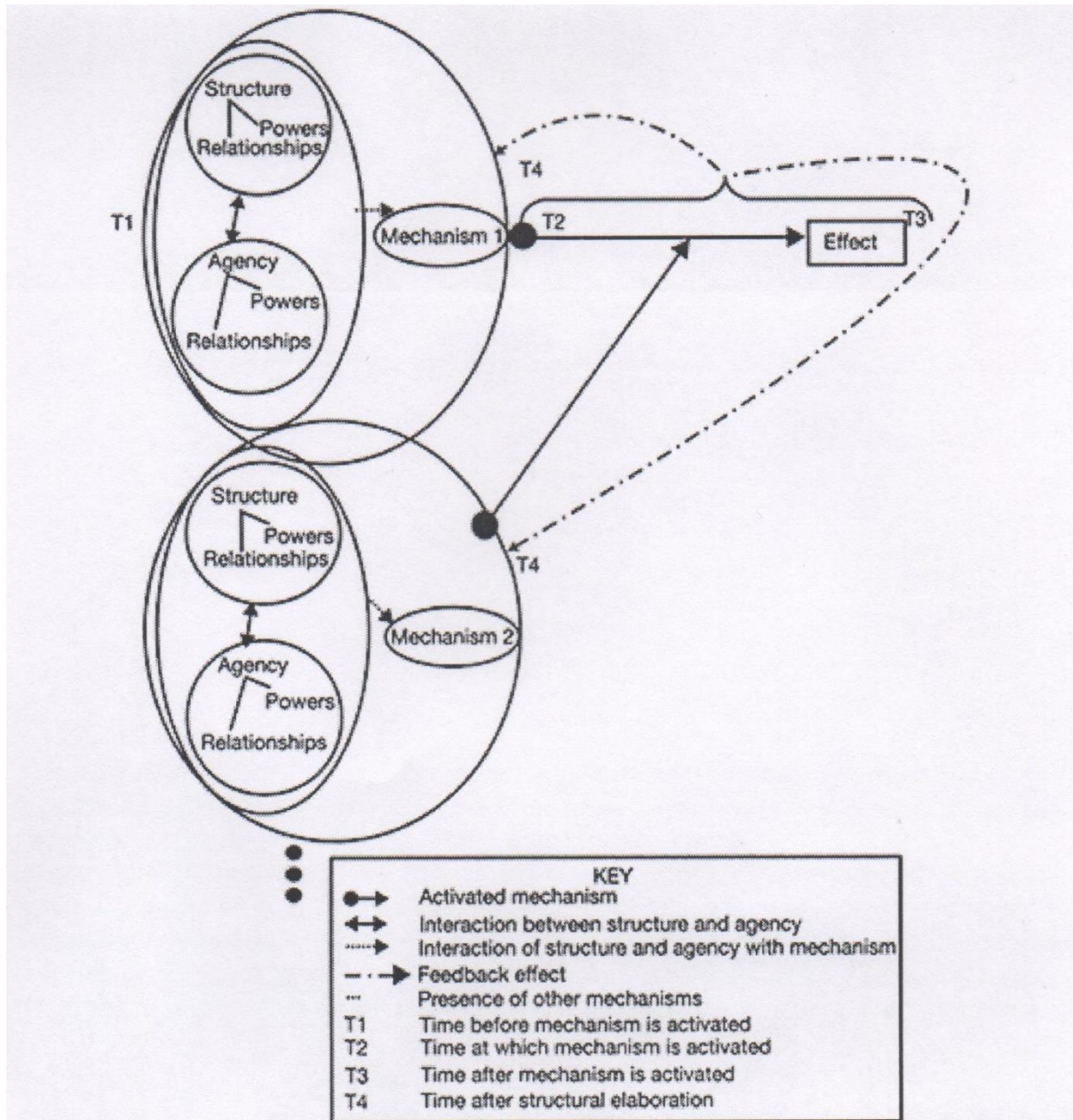


Figure C-3 A Practical Realist Approach to Research (Kowalczyk, 2004, p.273)

### C.3.3 Stratification, mechanisms and the research question

Taken together the above factors demonstrate the need to take a qualitative or intensive (see section C.5 below) approach to answering my initial research question (what is the organisational value of IAs?) in order to uncover not simply the explanatory mechanisms, but also the contextual conditions within which they apply.

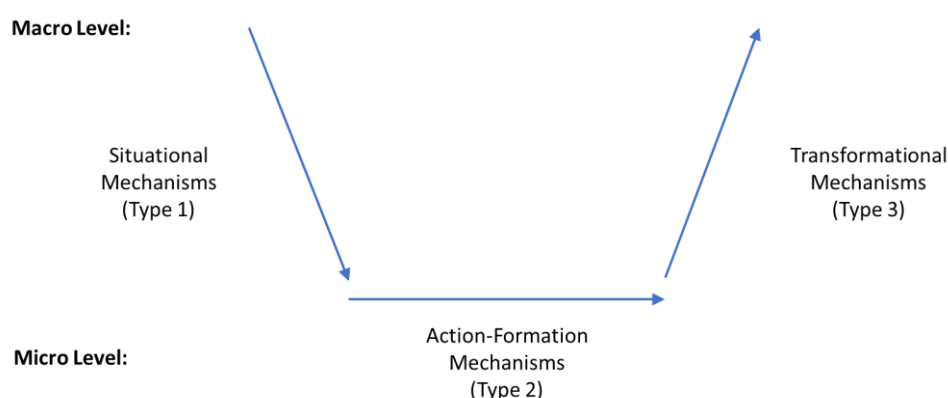
Consistent with Bhaskar's transcendental realism, (Danermark et al., 2002) and existing IA research (Renshaw, Dickmann and Parry, 2017) there is no (as yet) constant explanation of the relationships between the observable events of IA programmes and the value these programmes generate for organisations. There are many potential complexities involved derived from human instinct, much of which may be unobservable. Consistent with other 'complex, emergent, multilevelled, multi formed, interactive and contextualised' (Reed, 2001, p.213) constructs, value lends itself to a critical realist analysis. Accordingly, the research aim is to investigate a specific complex case to explicate the organisational value of IAs. Usable knowledge requires an understanding of the respective generative mechanisms even if that knowledge may be fallible due to the theory-laden interpretations of the researchers (Danermark et al., 2002). It is not purely about explicating the mechanisms, but about acknowledging their existence, interactions and impacts. As Easton (2010) points out, critical realists pay particular attention to processes which produce and reproduce events – an IA and a programme thereof, are such processes.

In this research the causal powers of IAs are actualised as generating organisational value by improving organisations' sensing, seizing and reconfiguring capabilities. For example, IAs may have the causal power to increase reconfiguring capabilities when triggered by the generative mechanism of knowledge transfer, and yet the confidentiality restrictions placed on assignees (an intrinsic condition) and the willingness of the host organisation's employees to listen and learn (an extrinsic condition) affect the extent to which knowledge transfer takes effect. Hence it may be argued that there is a tendency for this outcome to take place depending upon those conditions and the generative mechanism itself (Danermark et al., 2002) and thus this represents a form of emergence (O'Mahoney and Vincent, 2014).

#### **C.4 Mechanisms – Looking Beyond Critical Realism**

From outside the critical realist conversation, Hedstrom and Swedberg (2005) provides a useful alternative perspective on mechanisms in social sciences for

this research (within an Input-Mechanism-Output model) where mechanisms are usually unobserved analytical constructs such as intentions or preferences of individuals. Hence it broadens out the interpretation of what represents a mechanism. Hedstrom and Swedberg draw on Coleman’s micro-macro-micro model and support the idea that mechanisms are individual psychological (internal) and/or collective social (external) kinds of behaviour of three types as shown below in Figure C-4:



**Figure C-4 A Typology of Social Mechanisms (Hedstrom and Swedberg, 2005, p.22).**

**Type 1 – Situational Mechanisms.** Where macro level events affect the individual. For example, in my case study how the culture of the CSO and EU decisions affect the micro level IA activities.

**Type 2 – Action-Formation Mechanisms.** Where a group of individuals combine to create a specific action, for example the collective actions of the SNEs in meetings back at their homes during the IA.

**Type 3 – Transformational Mechanisms.** Whereby a combined action generates an outcome resulting back at the macro level. For example, the overall impact on the sensing, seizing and reconfiguring capabilities of the Home and Host organisations which may encourage further SNE placements.

This is consistent with the stratification of mechanisms involving both macro and micro processes (Pawson and Tilley, 1997, p.75) and hence a meso level of

analysis (Rousseau and House, 1994). It also supports the agential nature of mechanisms:

*‘The causal powers of any social mechanism only become enabled when enacted by human agents. When, therefore, we refer to a mechanism causing this or that, we always have in mind an agentially enacted mechanism.’* (Brannan et al., 2017, p.15).

And finally there is consistency with the critical realists’ emphasis on the transformational nature of the social world, in other words how agents draw upon social structures and hence reproduce and transform these same structures (Hesketh and Fleetwood, 2006). If the model is interpreted such that the Type 3 mechanisms impact subsequent Type 1 mechanisms, this aligns with the Kowalczyk approach to critical realist mechanisms (see Figure C-3 above). Again, this provides a useful schematic to understand the factors involved in IA organisational value alongside broadening the construct of a mechanism.

## **C.5 Research Strategy**

In contrast to the traditional dichotomy between qualitative and quantitative research methods, or the mixed methods approach, critical realism has a preference for distinguishing between intensive (processes in specific situations) and extensive (large scale patterns and regularities) research designs (Maxwell and Mittapalli, 2010). As Sayer reports: *‘extensive research shows us mainly how extensive certain phenomena and patterns are in a population, while intensive research is primarily concerned with what makes things happen in specific cases’* (2000, p.20). These distinctions do not correlate with cross-phenomena statistical analysis versus a single case study. However intensive research focuses on identifying causal explanations and meanings which necessitates a depth of investigation which lends itself to a smaller number of cases and the vital role of retrodution (Danermark et al., 2002). This aligns with this thesis’s detailed research of a single central organisation (see section C-7).

Critical realism anticipates the use of retroductive and/or abductive research strategies, (Blaikie, 2007; Easton, 2010). The distinction between these

strategies is disputed with some authors regarding them as similar enough to warrant no major distinction (O'Mahoney and Vincent, 2014). Indeed Sayer simply defines the critical realist process of identifying the causal powers in a given context as being retroduction (Sayer, 2004). Similarly, Wynn and Williams (2012) describe retroduction as the logical process of theorising what mechanisms exist in order for the witnessed outcomes to arise. Induction and deduction have their roots in positivistic natural science investigation. Whilst induction seeks to determine a rule that has some probabilistic certainty based on empirical evidence, deduction seeks to prove a pre-determined rule as a logical consequence of empirical investigation (Danermark et al., 2002). Hence both rely on observation with insufficient acknowledgement of the impacts of the hidden elements in the domains of the actual and the real. Abduction/retroductio, draws on induction and deduction, addresses the ontological gap, and hence is the appropriate technique in critical realism research.

The research strategy in this investigation aims to identify participants' understanding of what the organisational value of IAs is. Investigating different theoretical perspectives whilst analysing the data generated from the research interviews was intended to retroductively generate a spiral (as distinct to linear) logic with which to generate a new or enhanced theoretical model to explain the situation. Brannan et al. (2017) provide powerful support for the use of retroduction in my research design given that:

*'Retroduction is used when we are relatively ignorant about the mechanisms in operation that are causing the phenomena under investigation. When there is little or no existing theory to act as a guide, we must take a voyage of discovery, make hypothetical conjectures, requiring the 'scientific imagination' (Brannan et al., 2017, p.24).*

The abductive and retroductive forms of inference require a reflective form of inquiry in which the data are interpreted through a search for appropriate theory, existing or new, and a continuous iterative and creative process (Easton, 2010).

This can be considered as the process within which the researcher moves between the empirical and real domains through abstraction to theorise an explanation of the events (O'Mahoney and Vincent, 2014). Blaikie's assertion that an abductive strategy demands a more interpretive stance recognising the significance of social actors within the research domain is consistent with this research given the reliance on the SNEs and related parties' interpretations of the organisational value of IAs.

In this thesis a high-level construct or model to explain the increasing use of IAs was identified, namely that it is a function of the value derived by organisations using IAs. The data provided through participant interviews was initially coded in NVIVO in line with Lepak et al.'s (2007) model of value (see paper 2). This did not provide or adequately extend our knowledge or theoretical understanding of the research question. Hence other potential theoretical interpretations were searched for, drawing on those identified in the SLR (see paper 1) and also interviewee responses. Dynamic capabilities and real-options-reasoning provided suitable avenues to explore and the subsequent coding demonstrated how this enabled theoretical and practical contributions to knowledge. Such a process is one of retroductive analysis.

## **C.6 The Role of the Researcher**

A critical realist perspective considers positivists as ignoring context, personal meaning and individual interpretations and social constructionists as overly subjective and relativist. Fleetwood (2005, p.199) argues that critical realists believe there is 'no unmediated access to the world: access is always mediated .... by a pre-existing stock of conceptual resources, which we use to interpret, make sense of, understand .... and take appropriate action'. Hence critical realists see many things as real and researchers need to be aware of these different perspectives and mediators affecting research participants.

Pawson and Tilley (1997) argue that those affected by the mechanisms we are investigating are likely to have the best understanding of them as they are the subject of them. Whereas they are less likely to be aware of the context because



that is normal for them. Furthermore institutions are habit-forming and as such it may be difficult to spot change and understand real impacts from the inside. Hence it needs an external researcher playing an evaluative role, drawing on different perspectives and theory to help to interpret the possible mechanisms. They advocate a need for the researcher to share their intentions and research aims openly within the realist interview in a form of teacher-learner relationship. This is the approach undertaken in presenting my personal background and the purpose of the research first in an open presentation offered to all SNEs and related staff at the CSO (Case Study Organisation) and second, as part of the confidentiality and anonymity sign-off process with each interviewee when requesting the interview and at the start of each interview itself.

Data production, i.e. the process of observation, inevitably has an impact on the results of critical realist research (Mingers, 2004) and, according to Alinaghian (2012), critical realist scholars have identified the need for researchers following this philosophy to consider techniques to help decipher the meaning given to interviewees' explanations. This draws attention to the significance of my own reflexivity as regards my impact on both the interviewees' responses and its interpretation over the extended period of the research process. The impact of this reflexivity is considered further in section C-10.2.

## **C.7 Case Study Design**

The idea that the ultimate objects of knowledge are atomistic is not accepted in critical realism because sense experience may not be enough to determine what mechanisms are having effect and event conjunctions are not the primary raw materials for theory building. Hence the lack of utility of standalone research solely taking a statistical approach to analysis. On the contrary, the purpose of the researcher is to explain a pattern of events by reference to the context, i.e. an account of the interactions between the entities, their powers, and the mechanisms through which those powers take effect (O'Mahoney and Vincent, 2014). This aligns with the use of case studies which are designed to clarify the structures and mechanisms capable of generating an observed phenomena

(Tsoukas, 1989). Case studies have been widely supported as an appropriate tool for critical realist studies (Easton, 2010; Fairclough, 2005) if not the best approach (Wynn and Williams, 2012).

Case studies can be effective from which to generalise, based on a replication logic rather than the hypothetico-deductive predictive logic of the experiment which generalises statistically (Yin, 2014). This analytical generalisation can be said to exist when making claims based on theory about the real domain and revealing it as anticipated – acknowledging the retroductive nature of the process. Furthermore, critical realists aim to explicate social phenomena through the theorising of mechanisms that generalise whilst acknowledging that the empirical effects remain contingent (Miller and Tsang, 2010). A single case study may be sufficient to generalise if it is a critical, extreme, unique or revelatory case (Yin, 2014). This question as to how many cases are needed to generalise is explicitly addressed and reinforced from a realist perspective by Easton:

*'if one accepts a realist view, one case is enough to generalise: not generalising to any population but to a real world that has been discovered [...] One case can create and/or test a theory to the extent that it uncovers reality.'* (Easton (2000) quoted in Aastrup and Halldórsson, 2008, p.758)

The choice of case study or studies in critical realism is a strategic choice (Danermark et al., 2002; Easton, 2010). In contrast to normal cases, Danermark et al. (2002) identify i) the pathological (or critical) case where a period of transition or crisis makes it more likely that the generative structures the researcher hopes to identify are more visible, and ii) the extreme case where unusual circumstances bring attention to the generative structures. My case study tends towards the latter. The CSO has unusual circumstances with respect to the home organisations paying for the principal remuneration of the international assignee during the assignment the guarantee of a job for the SNE at the home at the end of the assignment period and the meta-organisational structure of the EU and the CSO. This supports the premise that the question of the value of the IAs and its generative and causal mechanisms might be more

identifiable within the CSO as compared to other cases and hence might represent an extreme case (Danermark et al., 2002). It is also an unusual case as the vast majority of IA research focuses on MNCs with only a very tiny proportion concerning alternatives - for which growing calls for research exist (McNulty, Vance and Fisher, 2017).

## **C.8 Data Collection Approach and Procedures**

The individual papers in this thesis describe the relevant data collection processes in each case. The pilot study is described briefly in Chapter 5.

## **C.9 Data Analysis Procedures**

The individual papers in this thesis describe the relevant data collection processes in each case.

## **C.10 Methodological Rigour**

From a critical realist perspective there are two types of generalisability: an empirical type where researchers seek to extrapolate or generalise to a large empirical population (inductive positivistic research); and a realist type, assessing the deep hidden structures of reality to identify what is fundamental or constituent to a situation or context (Danermark et al., 2002). The critical realist seeks to generalise by looking for 'characteristically similar circumstances' (Wynn and Williams, 2012, p.794) not to predict but to explore and gain insights based on the prior set of findings. Indeed, given the interactive effect of mechanisms described above and the non-atomistic nature of reality, critical realism rejects the absolute capability to predict outcomes in social science (Bhaskar, 2008; Tsoukas, 1989). Conclusive outcomes from critical realist research are expected to be a rare phenomenon (Ackroyd, 2004). Rather the purpose of research is to create an ever-growing body of information from which greater levels of generalisability arise through their cumulative effect (Mingers, 2004).

Hence the aim of critical realist research is to identify the tendencies rather than causal laws of events and structures (Hesketh and Fleetwood, 2006). A tendency

points to the possibility of something in the future even if it has not occurred in the past (Brannan et al., 2017) and does not allow certainty given its origins in the real domain (Lawson, 2004). Hence critical realist research does not aim to control or specify the exact structure of events to study mechanisms with a predicted outcome. Rather it aims to use the knowledge gained through the experience of events by those involved to describe the combination, or in critical realist terms configuration, of mechanisms and conditions within the structure of events which need to exist in order to explain the outcomes empirically witnessed (Mingers, 2004). Pawson and Tilley (1997) describe this as the identification of regularities which are a consequence of the relationship between mechanisms and the context within which they operate. I ascribe to Hesketh and Fleetwood's (2006) notion of 'tendential prediction' and Pawson and Tilley's (1997) concept of 'transferable lessons', i.e. we can establish advice for practical managerial consideration as a result of our research whilst acknowledging the contextual complexities and limitations of generalisability beyond the underlying theory.

To evaluate the quality of research quantitative researchers tend to look to the issues of reliability and validity, however these rest predominantly upon questions of measurement (Bryman and Bell, 2011). This has limited relevance to the critical realist research seeking to generalise as described here. An alternative approach suggested for qualitative scholars more broadly is that of Lincoln and Guba (1985) which they considered appropriate for an epistemological view where multiple possible explanations of a phenomenon are feasible (Bryman and Bell, 2011). This is consistent with critical realism. They proposed the concepts of trustworthiness and authenticity. However, before I explain these and evaluate them with respect to the method and papers in this thesis, I dedicate a section to support the argument that data saturation is achieved in my papers. This concept is inconsistent with critical realism and yet is widely cited in global mobility research to justify its generalisability (Tharenou, 2015) and hence warrants this review.

### **C.10.1 Data Saturation**

Having validated the choice of a single case study research design, there is also a discussion as to what data are appropriate for collection. Critical realists are open-minded if not agnostic as to the potential sources of data (Easton, 2010). As to the question of the number of appropriate interviews in an organisation this is a seemingly complex issue given the methodological and philosophical pluralism across the social sciences (Easterby-Smith, Golden-Biddle and Locke, 2008).

Saunders and Townsend (2016) explore the question of interview numbers in organisation and workplace research. They identified that the very question of justifying the number of interview participants in published research is rare (under 10% in their study of just under 250 articles). That may, of course, be a consequence of journal editors' predilections. And yet this lack of justification has been reported elsewhere, as has the significance of the issue to journal article reviewers (Boddy, 2016). Both Saunders and Townsend (2016) and Boddy (2016) also identify a wide variety of respected sources reporting different opinions on the appropriate number of interviewees, always caveated with an 'it depends' assertion – it depends upon the methodological, philosophical and especially axiological perspectives...in addition to the practicalities of cost and research access.

Considering the wide range of numbers considered appropriate for interview participants in qualitative academic research (Saunders and Townsend, 2016) this thesis would seem to have more than the requisite number with 39 interviews, in addition to the four pilot study interviews and email correspondence regarding real options (see paper 5). 39 interviews exceeds the number (of 30) that has been suggested as a minimum determinant of quality (without supportive explanation) for qualitative research within the field of global mobility research (Tharenou, 2015). This is critical given the importance of peer reviewers' expectations within a given community of research practice (Easterby-Smith,

Golden-Biddle and Locke, 2008). Furthermore, the total amount of directly-relevant interview material, i.e. excluding rapport building introductions, exceeded 35 hours.

The primary justification given to support the number of interviews undertaken and the findings' content validity is one or more of saturation, citing expert opinion, or citing precedence (Saunders and Townsend, 2016). As Francis et al. (2010) state, there is no agreed method of establishing data saturation. And whilst they offer principles to follow, this presumes that the conceptual categories or codes that the research is aiming to establish are pre-determined by existing theory – which is not relevant to critical realist retroductive research. The idea of data saturation also suffers from the problem that it cannot be predicted with certainty how many interviews will be needed prior to the research and yet practical limits will exist (Boddy, 2016). This question of prediction is consistent with the critical realist concept of tendencies and the consideration that prediction *per se* does not fit with a critical realist philosophical perspective as described above.

The stance in critical realism regarding the number of appropriate interviewees is similar to that regarding the number of case organisations per se:

*'the choice [of data collection, including semi-structured interviews] will be governed by what is thought to be required to establish a plausible causal mechanism, constrained by what data can actually be collected in the research context'* (Easton, 2010, p.124).

This approach has some similarity to the grounded theory view in which the construct of saturation refers to when a set of theorised categories are fully accounted for, the distinctions between them explained and the relationships sufficiently considered for a theory to emerge, (O'Reilly and Parker, 2013). This approach to data saturation was introduced into qualitative research by Glaser and Strauss in their 1967 explication of grounded theory.

The construct of saturation is derived from the positivistic approach to generalisability in the natural sciences which raises questions for qualitative research following other philosophical perspectives (Boddy, 2016). O'Reilly and Parker (2013) propose that a lack of saturation does not invalidate the findings of research, rather it indicates that the phenomena is yet to be completely explored and understood. They note how other authors in health research have questioned the very relevance of saturation given that emergent themes are potentially limitless and there will always be new things to discover (Green and Thorogood (2004) and Wray et al (2007) referenced in O'Reilly and Parker, 2013). This chimes neatly with the critical realist perspective that the ultimate truth is unlikely ever to be found given the nature of hidden layers of reality (Bhaskar, 2008).

Alvesson and Ashcraft (2012) argue for avoiding the homogeneity of interviewees indicating that successful heterogeneity strongly affects the validity of saturation. The implication is that greater heterogeneity reduces the number of interviewees required to support the findings, i.e. if a large number within a small heterogeneous group report the same construct, that has greater validity compared to a large number within a small homogenous group. However, others consider the opposite to be true (Kuzel (1992) reported in Saunders and Townsend, 2016). The underlying issue is whether the small homogenous group may be a subset of a larger heterogeneous or homogeneous group and hence the community to which one aims to generalise.

Empirical saturation, whilst inconsistent with critical realism, can also be supported in my research through only reporting the microfoundations and conditions of dynamic capabilities referenced by at least five interviewees in the NVIVO coding process (see paper 3). Furthermore, the combined responses demonstrate considerable support for each of the three sub-capabilities of dynamic capabilities. Similarly in the real-options-reasoning analysis the survey responses all agreed with each other providing consistent descriptions of the underlying real options present. Nonetheless, using the dynamic capabilities example, additional mechanisms may be identifiable with a larger data source and other cases, indicating that the research process is ongoing rather than

invalid (Alvesson and Ashcraft, 2012) consistent with the critical realist philosophy (Bhaskar, 2008).

I now return to the more appropriate constructs for critical realist research of trustworthiness and authenticity (Lincoln and Guba, 1985) as they apply to my thesis.

### **C.10.2 Trustworthiness**

Trustworthiness has four components and I now discuss each in turn.

#### **Credibility**

Credibility refers to the extent to which the causal relationships identified by the researcher are justified combined with the pursuance of good research practice (Bryman and Bell, 2011). Following the canons of good practice within the field of management research and particularly that of global mobility research, supports the credibility of my work. This is demonstrated through review and appropriate adjustment through supervisory discussion, 'friendly reviews' of journal articles prior to submission, and conference presentations. Factual accuracy, through the process of verbatim independent transcriptions of all interviews, along with the multiple coding steps in NVIVO (see papers 3 and 4) further supports the credibility of this research.

Credibility is also supported given the depths of data and variations of the interview sources used to identify the causal relationships (see, for example, papers 3 and 4).

#### **Transferability**

Providing details of the context and conditions (thick descriptions) which others can refer to in order to make judgements about their possible relevance to other situations indicates the strength of a research project's transferability. The combination of papers within this thesis provide considerable configurational details with respect to the intrinsic and extrinsic conditions and the generative mechanisms of dynamic capabilities through tabulated example quotations and



descriptive accounts. Similarly the real-options-reasoning paper 4 includes multiple interview and email correspondence quotes from a wide range of interviewees. Whilst the CSO is anonymised there is considerable detail and distinction from which the theoretical contributions can be used as a starting point to transfer the learnings to new situations consistent with a critical realist perspective of generalisability (see above).

### **Dependability**

Dependability is achieved through appropriate record keeping and auditing by peers (Bryman and Bell, 2011). This is also supported by regular personal reflections on interpretations and representations of the findings offered throughout the process. Following normal research procedures records have been kept of each step in the full research and the overall data management process. Separate files have been maintained of all interviews, transcriptions and NVIVO analyses. Furthermore, two sets of back-ups of all documentation have been maintained. Full independent auditing has not been possible due to cost implications in line with current research practices, however the supervisory process enables regular checks and balances to challenge the reported findings and analyses. Conference presentations similarly help to test this dependability.

### **Confirmability**

Confirmability seeks to demonstrate that the researcher has not allowed personal values to sway the conduct of the research (Bryman and Bell, 2011). Whilst I do not believe that it is possible to disconnect personal values from any research I have sought not to influence interviewees inappropriately whilst maintaining appropriate professional distance. As described above, the supervisory process enables regular challenge from difference perspectives to uncover the potential for inappropriate conclusions. Spreading the NVIVO analysis process over several months and repeating the coding multiple times (see papers 3 and 4) also assists in providing time for reflection supported by detailed note-taking in NVIVO and hence the identification of unintended assertions.

### **C.10.3 Authenticity**

Authenticity refers to demonstrating 'fairness' with respect to the findings and their impacts on research participants (Bryman and Bell, 2011). Authenticity in my research is primarily achieved through interviewing all key stakeholders connected with the phenomenon of interest, namely current SNEs, ex SNEs, line-managers at the homes and the host as well as HR professionals at the homes and the host. This range of perspectives including those with multiple experiences, those with historic experiences and those with 'live' experiences helps the researcher to find fairness in the findings. In addition, the CSO organisation has less than 300 employees and over 90% of its historic total of incoming SNEs were interviewed as part of my research. There is also a level of heterogeneity from several other perspectives:

- 13 different nationalities
- Differences in age
- Differences in experience on IA
- Differences in gender

Further considerations of authenticity consider the research's impetus for change within the participant community. This was not an objective of the study, although a number of participants have requested a summary of the relevant findings from a practical perspective post research completion. My intention post thesis is to present the practical implications drawn from the various papers to trade forums and similar practitioner environments. This has already taken place through White Papers and webinar interviews with Santa Fe, a consultancy in the global mobility field.

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## Appendix D Interview Protocol

### Introduction

I'm seeking to learn about and understand the value that is created by SNEs for both the CSO and the organisations which send SNEs to the CSO – referred to here as the Home organisations. I am interested in the outcomes as distinct to what was intended. I am interested in your direct experience of the impact across these organisations and specific examples you can share.

You may find it useful to think about value in four different dimensions:

- What is the value for the organisations involved?
- How is that value created?
- What characteristics enable the organisations to capture this value?
- How is the value assessed by those involved?

I am interested to hear examples you can share which support your views.

*NOTE: Requests for examples are not embedded in the questions below as they will be sought whenever it seems appropriate to prompt further thinking*

*NOTE: Capturing value refers to the concept that one may create value, say by an SNE writing new policies and yet that value not be captured because the policies are not implemented. Similarly, value may be created because an SNE learns new skills and knowledge, yet when the SNE returns to their Home their new role does not require the use of any of those skills and knowledge hence the value is not captured by the organisation.*

## **RAPPORT BUILDING – AND BRINGING EXPERIENCE TO MIND**

1. Please could you give me a brief overview of your experience of SNEs here in/with the EBA/[Home organisation]?

### **VALUE**

2. On a scale of 0 to 10, to what extent do you think the (your) Home organisation(s) gains overall long term value (net of cost) out of sending staff (you) on SNE placements?
  - a) How would you describe this value?
  - b) What are the component parts of this value?
  - c) How does the relationship between the (your) Home organisation and the CSO affect this value?
  - d) What would increase the value (from X out of 10 that you just gave it)?
3. On a scale of 0 to 10, to what extent do you think the CSO gains overall long term value (net of cost) out of having staff on SNE placements?
  - a) How would you describe this value?
  - b) What are the component parts of this value?
  - c) How does the relationship between the (your) Home organisation and the CSO affect this value?
  - d) What would increase the value (from X out of 10 that you just gave it)?

### **VALUE CREATION**

4. How do SNEs generate value in the Home organisations?
  - a) How does this happen?
  - b) For whom are these benefits generated?
  - c) How do the different parties involved (sending/receiving line-managers/HR, assignees) view the different benefits generated for the Home organisations?
  - d) What do you think affects the creation of this value?
  - e) What is it about the Home organisations' history/context that enables the generation of this value?
  - f) How does the relationship between the (your) Home organisation and the CSO affect this value?
  - g) How do the processes and procedures in the Home organisation(s) affect the value of SNEs and its creation?

- h) Does the value generated from SNEs for the Home organisation(s) change over time?
5. How do SNEs generate value in the CSO?
- a) How does this happen?
  - b) For whom are these benefits generated?
  - c) How do the different parties involved (sending/receiving line-managers/HR, assignees) view the different benefits generated for the CSO?
  - d) What do you think affects the creation of this value?
  - e) What is it about the CSO's history/context that enables the generation of this value?
  - f) How does the relationship between the (your) Home organisation and the CSO affect this value?
  - g) How do the processes and procedures in the CSO affect the value of SNEs and its creation?
  - h) How does the passage of time affect the value generated from SNEs for the Home organisation(s)?

## **VALUE CAPTURE**

6. How does the (your) Home organisation capture the value from SNEs?
7. What characteristics at the (your) Home organisation enable it to maximise the value it captures from SNEs?
- a) How unusual are these characteristics?
  - b) Do these characteristics change over time?
  - c) How does this compare to other organisations sending SNEs to the CSO?
  - d) What could be done differently to enable (your) Home organisation to capture more value?
8. How does the CSO capture the value from SNEs?
9. What characteristics at the CSO enable it to maximise the value it captures from SNEs?
- a) How unusual are these characteristics?
  - b) Do these characteristics change over time?
  - c) How do these characteristics compare to other organisations which employ SNEs?
  - d) What could be done differently to enable the CSO to capture more value?

## **CLOSING OUT YET ENABLING FURTHER REFLECTION**

10. What questions would you recommend I ask in order to identify the value of SNEs?
11. Do you have any other thoughts that you would like to share with me about this topic?

## **ADDITIONAL QUESTIONS IF TIME PERMITS**

12. What is the most significant value you have seen generated by an SNE?
  - a) What were the organisational circumstances?
13. How could the CSO use SNEs to generate more value for itself and the Home organisations?
14. To what extent do you think that the value to you personally of being an SNE affects the value you generate for the CSO and your Home organisation?
15. You have described several factors that generate value for the CSO and the Home organisations, to what extent do these have financial consequences versus being non-financial in nature?

## Appendix E Real Options Questionnaire

Dear colleague,

By taking part in a recorded interview, you were kind enough to support my research investigating the organisational value of SNE placements with the CSO. Could you offer me a little more of your time to answer the following questions resulting from the analysis of the interviews. Whilst the questions rely on an understanding of financial terminology, you work in such a field of expertise.

Please would you reply by email or let me know if you would prefer to do this by phone. If you have any questions, please do not hesitate to contact me.

Many thanks in advance

### QUESTIONS

*The use and value of SNEs could be managed as **real options** (definition below). Each of the Home (sending organisation), Host (the CSO) and the SNE themselves can be considered to hold a real option over the secondment with potentially aligned or conflicting implications. For example,*

- *The ‘Home SNE option’ is an investment designed to increase certain skills or generate new knowledge of the CSO’s operations. The value of the option may fluctuate based on the type of skills gained and the opportunity to use them. The option is exercised when the SNE repatriates to an appropriate new role.*
- *The ‘CSO SNE option’ is an investment in technical skills. The value of the option might be increased through extending the contract’s length. The option might be exercised through offering a Temporary Agent position. Alternatively, the option might be allowed to lapse.*

1. What reactions or ideas do you have that might support or refute this conceptualisation?
2. To what extent do you think that your Home and Host organisations might derive a different level of value from SNEs if they treated them as real options? Please provide examples.
3. How might the holders of these different options determine the most effective exercise dates? What is the strike price?
4. To what extent might the application of real options logic to SNEs explain which countries send them and which do not send them to the CSO?