



Expatriate performance management from MNEs of different national origins

Expatriate
performance
management

157

Hsi-An Shih

*Institute of International Business, National Cheng Kung University,
Tainan, Taiwan*

Yun-Hwa Chiang

Ming-Chuan University, Taipei, Taiwan, and

In-Sook Kim

*Institute of International Business, National Cheng Kung University,
Tainan, Taiwan*

Received August 2003
Revised June 2004
Accepted August 2004

Abstract

Purpose – This study tries to explore through multiple case studies how expatriate performance management is conducted in multinational enterprises (MNEs) of different national origins.

Design/methodology/approach – Multiple interviews were conducted with expatriate employees and human resource managers of five MNE subsidiaries operating in the information technology industry, namely, Applied Material (American), Philips (Dutch), Hitachi (Japanese), Samsung (Korean), and Winbond (Taiwan).

Findings – The findings show that all of the firms surveyed use standardized performance forms set by headquarters, which are not tailored to local operating environments. Also, lack of on-the-job training for expatriates was found to be prevalent among the five MNE subsidiaries. Divergent practices in goal setting, performance appraisal, and performance-related pay were largely attributed to the parent company's culture. The nature of the expatriate mission was another reason for different arrangements in expatriate performance management.

Originality/value – This study is one of the first to explore expatriate performance management practices of multinational firms. There does not seem to exist a prevalent form of expatriate performance management and such a practice is to some extent more strongly subjected to the influence of the parent company's culture.

Keywords Expatriates, Performance management, Performance appraisal, Multinational companies

Paper type Case study

Introduction

Expatriate management has attracted much attention in the field of international human resource management (IHRM), given that expatriate employees play a critical role in the success of multinational enterprises (MNEs) (Black *et al.*, 1998; Dowling *et al.*, 1999). They are also among the most expensive personnel in any organization operating internationally (Dowling *et al.*, 1999). Expatriate management involves issues and problems that go beyond those of most other types of employees. Yet our understanding of expatriates and their management is notably less than that of other



employees. Indeed, expatriates are often far from being the best-managed employees (Dowling *et al.*, 1999; Tung, 1998).

Performance management (PM) has traditionally been used as a guide for employee performance. Over the past 20 years, PM has expanded from evaluating employee performance to more comprehensive functions such as goal setting, training, feedback and development, and motivation (Mabey and Salaman, 1995). Through effective coordination of individual objectives and corporate strategy, as well as clearer communication and appropriate incentives, PM can help companies to induce desired employee behavior and better firm performance (Tahvanainen, 2000; Jackson and Schuler, 2003).

With regard to expatriate performance management (EPM), however, there is scant empirical literature. Previous studies largely focused on PM issues concerning domestic employees (see Schneider, 1988; McEvoy and Cascio, 1990; Milliman *et al.*, 1995; Paik *et al.*, 1996; Armstrong and Baron, 1998; Snape *et al.*, 1998). Only a few have looked at how MNEs conduct EPM in practice (e.g. Gregersen *et al.*, 1996; Caligiuri and Day, 2000; Tahvanainen, 2000; Suutari and Tahvanainen, 2002). Even then, these researches focused on just one company (Nokia) or a single country culture (American or Finnish MNEs). Although scholars contend that national culture is an important contextual variable that influences EPM (Tahvanainen, 1998), there has been little research done on how MNEs of different national origins manage their EPM in practice. These facts reveal that we presently know very little about expatriate management. Do MNEs of different national origins manage their EPM differently? In what respects do they differ? What are the factors causing their similarities and differences? Under such circumstances, a proper research strategy will be to conduct in-depth interviews with practical managers and obtain first-hand information. Only through a better understanding concerning EPM practices in various MNEs can we build sound foundation for latter empirical research.

Hence, in this study, we conducted interviews with expatriates and human resource managers of five MNEs in the information technology (IT) industry. These firms are: Applied Materials Taiwan (hereafter called AMT), Philips Taiwan (Philips), Hitachi Taiwan (Hitachi), Samsung Taiwan (Samsung), and Winbond (see Table I for company profiles). Our purpose was to obtain detailed information on EPM practices, including goal setting, performance appraisal, training and development, and performance-related pay, and to explore the reasons for any perceived convergence or divergence found.

EPM context in this study

EPM is very context related. Tahvanainen (1998) indicates that EPM is affected by three layers of contextual factors: within organization context, within domestic context, and within international context. Level of internationalization is a major concern in the international context. Suutari and Tahvanainen (2002) find that home country managers are more likely to participate in goal setting in less internationalized companies, while host country managers in highly internationalized MNEs are more involved in EPM and establish formal performance goals and adopt an evaluation process. National culture is the most important variable involved in the domestic context (Schuler *et al.*, 1996). McEvoy and Cascio (1990) compared American and Taiwanese performance appraisal practices and found that the latter react in a more

Company	Nationality	Industry	Established	Expatriate information	Main business	Home base	Global spread
Applied Materials, Taiwan	American	Semiconductor	1990	30 technical engineers in both ordinary and managerial positions; (ten informants are randomly selected to participate in our study)	Provide IT infrastructure and services to Taiwanese semiconductor customers	Santa Clara, USA	16,000 employees in 13 countries
Hitachi High Technologies, Taiwan	Japanese	Semiconductor	1970	Six mid- to high-level managerial positions and two technical engineers; (two managers and one engineer are randomly selected to participate in our study)	Buy and sell semiconductor products and electronic components	Tokyo, Japan	470,000 employees in 23 countries
Philips Electronics Industries, Taiwan	Dutch	Semiconductor and TFT-LCD	1966	11 top managerial positions; (four managers are randomly selected to participate in our study)	Manufacture and sell semiconductor and electronic components and TFT-LCDs	Eindhoven, Holland	192,000 employees in 60 countries
Samsung Electronics Industries, Taiwan	Korean	Semiconductor	1966	Four mid- to high-level managerial positions and 50 technical engineers; (two managers and 13 engineers are randomly selected to participate in our study)	Buy and sell semiconductor and electronic components and TFT-LCDs	Suwon, Korea	173,000 employees in 20 countries
Winbond Electronics Corporation, China	Taiwanese	Semiconductor	1997	Seven mid- to high-level managerial positions and three R&D technicians; (three managers and one technician are randomly selected to participate in our study)	Buy and sell semiconductor products	Hsinchu, Taiwan	47,000 employees in six countries

Table I.
Company profiles

conservative manner and avoid open confrontation. Snape *et al.* (1998) also reported differences between Britain and Hong Kong regarding employee participation in goal setting and appraisal feedback. The five firms studied in our research are quite homogenous in the domestic and international context. They are all highly internationalized MNEs with many operational units around the world. Expatriates personnel interviewed are all stationed in Taiwan or China. Many MNEs refer this area as “the Greater-China-Territory” and regard these places possess very similar Chinese national culture. Hence, the contextual factors in our study mainly involve variables within the organizational context.

Company size, organization structure, and the nature of the expatriate job are the most mentioned contextual variables within the organizational realm. Company size is found positively related to the adoption of formal management processes (Milliman *et al.*, 1998). The study on Finnish MNEs by Suutari and Tahvanainen (2002) confirms this assertion. While expatriates usually have multiple superiors who may have different performance expectations (Gregersen *et al.*, 1996), organizational structure, whether a matrix, project, or line organization, is related to similarities and differences in EPM practices (Suutari and Tahvanainen, 2002). The nature of expatriate job is also related to EPM. In her investigation of IHRM practice, Tung (1981) indicated that job categories and the duration of expatriation could affect expatriate selection criteria. Tahvanainen (2000) also emphasized that the nature of the expatriate job is one of the crucial factors that influence the content of EPM systems. Where the expatriate job is long-term and managerial in nature, the host country manager is generally more involved in goal setting, performance appraisal and review feedback (Suutari and Tahvanainen, 2000).

The five companies in our study all adopt functional organizational structure. All five subsidiaries belong to MNEs that are significant players in the global IT industry. The Taiwanese subsidiaries of Samsung employ about 150 workers, while the rest employs around 500. Nevertheless, we did not find any differences in terms of EPM arrangements because of the differences in company size. Also, we coin the term “nature of expatriate mission” to mean whether the expatriate has been assigned overseas as a short-term engineer to solve particular technical problems (troubleshooter) or whether they are engineers or managers that are stationed in the host country for several years to disseminate technical and management know-how.

Based on the different nature of their mission, expatriates are expected to accomplish different tasks and their performance is likely to be evaluated according to the parameters of their assignment. The performance appraisal system influences the behavior and performance of individuals (McGregor, 1972), which is important for the organization’s development of future human resources, and can help employees grow and develop the competencies needed now and in the future (Beer, 1997). It follows that expatriate performance appraisal should be tailored according to the nature of the expatriate’s mission. Hence, the nature of the expatriate mission becomes the key variable examined in this study.

In the following paragraphs, we first report our research methodology and review relevant literature concerning each aspect in PM, including goal setting, performance appraisal, training and development, and performance-related pay. Interview findings immediately follow the literatures under each topic of EPM. Implications for practitioners and for further theory developments are discussed in the last section.

Research methodology

Between August 2001 and January 2002 we conducted semi-structured interviews with 31 randomly selected expatriate employees and five human resource managers of those above-mentioned five MNE subsidiaries. The participating expatriates are technical engineers and mid- to high-level executives stationed in Taiwan or China. Their companies operate in the semiconductor and TFT-LCD segments of the highly competitive IT industry.

Interview questions were adapted from relevant studies (e.g. Gregersen *et al.*, 1996; Lindholm *et al.*, 1999; Tahvanainen, 2000) and are listed in the Appendix. We then consulted experienced researchers in this field as well as practical managers to ascertain the appropriateness of the wording of our questions. During the subsequent interviews, which took around one-and-a-half to two hours, the expatriate respondents were asked to describe in detail their own company's EPM systems. The interview answers were tape-recorded and later transcribed into a summary that was subsequently confirmed with the interviewee to correct for any errors. This information was then cross-checked with the relevant company's human resource manager to correct for any inconsistencies or discrepancies. Interview findings are summarized in Table II.

Goal setting and EPM

Corporate goals are the practical expression of tactical and strategic directions to which any company aspires. Since such goals can affect business by directing attention and action, mobilizing effort and motivating individuals to develop goal attainment strategies (Locke and Latham, 1984), the prerequisite condition for better employee performance is to include them in the objective-setting process (Lindholm, 2000). Research on the benefits of involving employees in setting specific performance goals found that targets were attained more often when employees participated in the process than when they were assigned by supervisors (Meyer *et al.*, 1965).

In a domestic setting, the first-level supervisor and employee are the main participants in communicating and then establishing the expected target. However, the situation becomes more complicated in an international context (Ilgen *et al.*, 1993). Both the home and host country's managers may get involved in the process due to the possible close relationship between the expatriate's performance and that of his operating unit (Oddou and Mendenhall, 2000). In their investigation of Finnish expatriates, Suutari and Tahvanainen (2002) found that the host and home country's managers were the main participants in the goal-setting process. However, the extent of their involvement in deciding the expatriate's goals depends on his position, task characteristics and duration of assignment (Tahvanainen, 1998). When the expatriate is in charge of important managerial tasks and stays on longer, such as a mid-level manager, the host country manager will get more involved in deciding the expatriate's objectives (Tahvanainen, 2000). Conversely, if the assignment is specific and short-term oriented, such as that of a troubleshooter, the home country manager will engage in the goal-setting process.

From our interviews, differences in goal-setting arrangements were found to coincide with the different nature of the expatriate's mission. Expatriates in Hitachi, Philips, Samsung, and Winbond are to served terms of more than a year. These firms

Table II.
Key characteristics of
MNE performance
management systems

Company	Goal setting	Performance appraisal	Training and development	Performance-related pay
AMT (American)	Short-term: sending unit's general manager Long term: host country's general manager	Annual performance appraisal Short-term, ordinary position engineer: – 1st self rater – 2nd departmental general manager in home country Long-term, managerial position engineer: – 1st self rater – 2nd product line general manager in host country as well as client – 3rd department general manager in home country Open feedback interview exist	Applied global university Seldom take training programs while on assignment No clear connection between performance result and career development	Clear link between performance and compensation Cash bonuses and stock options
Hitachi (Japanese)	Self-setting, then finalized by host country manager	Annually for managerial purposes, biannually for development purposes: – 1st self rater – 2nd immediate supervisor in host country – 3rd departmental general manager in home country – 4th final, jointly decided by host country supervisor and departmental general manager in home country One way feedback discussion	Orientation Language training Seldom take training programs while on assignment Can apply to host location supervisor No clear connection between performance result and career development	Link between performance and compensation not clear Seniority-based pay system Cash bonuses

(continued)

Company	Goal setting	Performance appraisal	Training and development	Performance-related pay
Philips (Dutch)	Self-setting, then finalized by host country manager	Biannual performance appraisal: – 1st self-rater – 2nd immediate supervisor in home country Open feedback in interview	Orientation Seldom take training programs while on assignment No clear connection between performance result and career development	Clear link between performance and compensation Cash bonuses and stock options
Samsung (Korean)	Self-setting, then finalized by host country manager	Biannually for managerial purposes, annually for development purposes: – 1st self-rater – 2nd immediate supervisor in host country – 3rd departmental general manager in home country Open feedback in interview	Orientation Language training Can apply to host location supervisor No clear connection between performance result and career development	Clear link between performance and compensation Senior managers: cash bonuses and stock options Ordinary expatriates: cash bonuses
Winbond (Taiwanese)	Self-setting, then finalized by host country manager	Biannual performance appraisal: – 1st self-rater – 2nd immediate supervisor in host country – 3rd next level supervisor (usually host country general manager) – 4th divisional general manager in home country Feedback depends on manager	Orientation Seldom take training programs while on assignment Can apply to host location supervisor No clear connection between performance result and career development	Clear link between performance and compensation Cash bonuses and stock options

Table II.

all adopt similar goal setting process: their expatriates set personal performance goals to be approved by host country manager:

I need to set my own work goals every six months and discuss them with my direct supervisor here (Philips).

We have to set our own performance goals and get our [Taiwan] manager's approval (Samsung).

The goals for AMT's expatriates were set in a different way, depending on the nature of the expatriate's mission. The sending unit's general manager sets the goals for short-term expatriates, who are all technical engineers:

My boss in the US tells me what to do, he sets my performance goals (AMT engineer, expatriate duration less than three months).

For long-term expatriates who stay in the host country for more than three months, the subsidiary's product line manager sets their performance goals after the needs of AMT's clients have been checked:

We are also evaluated by our clients. For instance, part of my performance goals is decided jointly by my boss and my client firm's executives (AMT).

Based on the above, we think the difference observed in goal setting arrangements is based on the unique demands of the expatriate's mission. These facts indicate that MNEs are very practical in terms of the goal setting process in EPM practices.

Performance appraisal and EPM

To locate and highlight the link between individual performance and organizational goals, improve workplace communications, and identify additional training needs of employees, companies have to implement performance evaluation periodically (Murphy and Cleveland, 1995; Jackson and Schuler, 2003). That begs the question as to how often such an appraisal should be held. Since the nature of performance appraisal for managerial and development purposes are quite different and even contradictory (McGregor, 1972), scholars recommend companies to divide these evaluations into separate sessions (Kindall and Gatza, 1963). Frequent meetings between supervisor and subordinate can produce intensive interaction and feedback. However, the time and cost for preparation and implementation is a negative factor that also needs to be considered.

In an EPM survey of American expatriates, Gregersen *et al.* (1996) found that annual evaluation is most popular in MNEs (82 percent), followed by biannual or quarterly intervals (9 percent). Suutari and Tahvanainen (2002) reported similar findings. However, neither was able to show whether MNEs arrange performance appraisal for different purposes at specific time periods.

Appraisal frequency

From our interviews, we found that divergent arrangements in appraisal frequency relate to differences in the nature of the expatriate's mission. Philips, Winbond, Hitachi, and Samsung all conduct biannual performance appraisals. AMT is the only company that conducts an annual evaluation, which involves only persons who are stationed in Taiwan for several years:

Many of our expatriate engineers get their jobs done within three months. We can see their results immediately. These expatriate engineers are not involved in our annual performance appraisal (AMT HR manager).

It seems that AMT's different arrangements in appraisal frequency are based on sound reasons that reflect the nature of their expatriates' missions.

Appraisal rater

The immediate supervisor is typically regarded as the person in charge of evaluating an employee's performance (Murphy and Cleveland, 1995). To help enhance the fairness, objectivity, and credibility of the PM system, scholars contend that performance appraisal can be carried by multi-raters, such as supervisors, peers, subordinates, self-appraisal, and customers (Jackson and Schuler, 2003). Using multiple resources is seen as a good idea since different individuals can see different facets of an employee's performance.

Owing to geographic and temporal limits, the international environment produces additional challenges for MNEs to evaluate expatriate performance accurately. Therefore, multi-evaluators are recommended as an appropriate method for EPM (Dowling *et al.*, 1999; Suutari and Tahvanainen, 2002). In their study of US-based international consulting firms, Gregersen *et al.* (1996) found the expatriate's chief appraisal rater to be his immediate supervisor in either the host or home country. Some MNEs also allowed expatriates to review their own performances. In their survey of Finnish expatriate engineers, Suutari and Tahvanainen (2002) likewise found that Finnish companies favor the host country manager (54 percent) and the home country manager (35 percent) as the main evaluators. Self-assessment ranked third, but peer and customer reviews were found to be less common. Tahvanainen (2000) and Suutari and Tahvanainen (2002) also showed that the expatriate's organizational position influences whether the home country manager participates in the performance review. The higher the position, the more likely the home country manager will become involved.

All our five MNE subsidiaries were found to use multiple raters; they adopt self-rating, immediate supervisor's rating in the host country, and home country executive's rating to evaluate expatriate performance:

I need to conduct a self-appraisal on how well I meet my goals since the previous evaluation period (Winbond).

My self-evaluation will be reviewed by my immediate supervisor here and then sent to the divisional general manager in the home office, who writes my final performance appraisal report (Samsung).

Still, some minor differences can be found in Philips, AMT, and Hitachi. Since Philips Taiwan is one of the company's designated global research and development (R&D) centers, performance evaluation is finalized in Taiwan and the results are sent directly to the headquarters in Eindhoven, Holland for reference, without any further review:

Under our company's organization structure, we enjoy certain autonomy here (Philip Taiwan's HR manager).

Philips' different arrangements in performance rater seem to relate to its organizational structure. In our survey, AMT is the only company that uses its clients as rater:

Doing so is necessary, I spend over half of my working time in my client's factory during my expatriate assignment (AMT engineer).

It seems this minor difference is logical adjustment based on the nature of the expatriate mission.

Hitachi, on the other hand, emphasizes joint decision making between host and home country supervisors in assessing expatriate performance:

After my supervisor has completed my performance evaluation, the report is sent to the headquarters to be reviewed by our divisional general manager (Hitachi expatriate engineer).

My final evaluation result will be jointly decided by my local superior and the headquarters' general manager (Hitachi's expatriate manager).

It is typical in a Japanese company to make decisions in a collective manner. This way, we save a lot of trouble in avoiding conflicts and promote harmony among colleagues (Hitachi Taiwan's HR manager).

Previous research indicates that Japanese companies in general possess a culture that emphasizes collectivism and a desire to maintain harmony (Morishima, 1995). It seems that Hitachi's special arrangements are related to cultural factors derived from the MNE's home country.

To sum, the above-mentioned minor differences in the arrangements of performance raters appear to be based on practical reasons and are decided by the nature of the expatriate's mission, organizational structure, and, to some extent, by the parent firm's culture.

Performance form and EPM

The decision of whether to adopt a standardized or customized performance form and criteria in evaluating an expatriate may significantly influence the accuracy and fairness of the EPM. The standardized performance form can make comparisons between expatriates at different sites much easier for subsequent managerial decision making. The available empirical evidence appears to support this assumption. Gregersen *et al.* (1996) reported that over three-quarters of their survey sample used a standardized performance form. However, this practice may sacrifice the validity of the performance review since local situational contexts are neglected in the appraisal process (Murphy and Cleveland, 1995). Scholars argue that the performance criteria should be adjusted as appropriate to reflect the expatriate's organizational position, assignment site characteristics and even his knowledge about the company's foreign operations (Oddou and Mendenhall, 2000).

From our interviews, we found that all the five MNE subsidiaries use the same appraisal form used by their headquarters. AMT, Philips, and Samsung all have formally established criteria and use the same performance appraisal form used by their headquarters:

Before my assignment here [in Taiwan], I had another expatriate experience in Singapore. They used the same performance appraisal form to evaluate my performance (AMT).

In our company, the performance appraisal procedure for expatriates is largely the same as that used in our headquarters (Samsung).

Hitachi and Winbond's performance measurement criteria were also the same as used by their headquarters. These two companies, however, did not establish formal performance measurement criteria or objective measurement standards. Their appraisal procedures consist mainly of filling out narrative reports:

In my report, I state the reasons why I am assigned here, list all the jobs that my boss and I have agreed that I should do, and tell him how much I have accomplished with my works (Hitachi).

I need to summarize my progress and give by boss a very clear picture of what's going on here.

Such rich information can not be adequately conveyed by just a series of numbers (Winbond).

It seems that both Western and Asian companies (AMT, Philips, and Samsung) may use standardized appraisal forms in EPM. Moreover, all companies surveyed adopt the same performance appraisal criteria as those used by their headquarters, without any adjustments to reflect host country status.

Feedback interview and EPM

Once the appraisal has been completed, organizations normally require supervisors to discuss the appraisal results with their subordinates. Feedback provides a communication channel to help clarify and improve work processes, workplace conditions, expected performance, and staff training and developmental needs on a regular basis (Murphy and Cleveland, 1995).

Despite the benefits of feedback interviews, there are some costs involved. Many supervisors claim they do not have the time to do detailed staff appraisals. They also face considerable work pressures that constrain their ability to provide staff with regular feedback. With regard to the EPM, the geographic distance between the evaluator and the expatriate may make it difficult to provide regular feedback and so undermine the effectiveness of the performance interview. Tahvanainen (2000) found that mid-level expatriates were generally satisfied with feedback when their host country managers were in charge of the interviews.

In our study, we found that executives in AMT, Philips, Samsung, and Winbond all offer open, two-way feedback interviews to expatriates. Hitachi's managers, on the other hand, provide only one-way feedback:

It is largely my boss telling me what he thinks of me; I don't argue with what he says (Hitachi).

In our company, and in Japanese companies in general, it is important to maintain a harmonious atmosphere with one's associates (Hitachi Taiwan's HR manager).

Harmonious human relations, lifetime employment, and respect for seniors are key characteristics of Japanese culture (Takahashi, 1990; Morishima, 1995; Huo *et al.*, 2002). It follows that Hitachi's parent company culture, and even Japanese national culture in general, is related to Hitachi's different arrangements in EPM practices.

All expatriates interviewed unanimously said that they fail to see any clear connection between their performance appraisal results and future career development path:

After this assignment, I shall be called back to the main office; I have no idea about my next assignment (AMT).

I shall go to any position where my superiors and my colleagues seem fit (Hitachi).

I have no idea about my next assignment. What is important, I think, is to do a good job, here, right now! (Philips).

I don't know where I will end up after this assignment (Samsung).

Basically, all the expatriates interviewed are pragmatic about their work situation, but they do not see clear connections between expatriate performance results and their future career development.

Training and development and EPM

This section focuses on pre-departure training, on-the-job training, and development programs. Based on past experience, MNEs are aware that most expatriates face significant problems in adapting to their new environment, making it difficult for them to operate effectively (Brewster and Harris, 1999). To improve their cultural awareness and cross-cultural suitability, MNEs tend to provide expatriates with pre-departure training, such as language and sensitivity training (Dowling *et al.*, 1999). However, this is not a universal phenomenon, as American MNEs are less likely to carry out this training compared to their global counterparts (Black and Mendenhall, 1990; Dowling *et al.*, 1999).

One potential benefit of integrating the EPM within the PM system is that it helps improve the expatriate's competence and ability because of the close link between feedback review and training and development courses. In light of the expatriate's appraisal results, the supervisor can determine his deficiencies and arrange for appropriate training program to improve his job performance (DeGregorio and Fisher, 1988). The performance appraisal can also highlight expatriate's potential for a loftier role within the MNE and offer long-term career planning advice. This provides a clear picture for expatriates and offers intrinsic motivation for better performance, and also alleviates their potential anxiety over an uncertain future (Tahvanainen, 1998; Stahl *et al.*, 2002).

From our interviews, we found that Hitachi, Philips, Samsung, and Winbond all offer extensive pre-departure training, such as orientation or culture awareness programs:

I attend Chinese classes three months before my assignment here (Samsung manager).

Even though we speak the same language, I still attended the company's orientation before I was expatriated to China. I found the class quite useful (Winbond manager).

AMT is the exception:

My mission is to solve technical problems for industrial clients all over the world. Since all our clients' engineers speak English, and my job is mostly technical in nature, I don't find cultural orientation classes before assignments necessary (AMT engineer).

In contrast to the provision of pre-departure training, none of the MNEs in our study offer systematic on-the-job training to their expatriates:

Since I already occupy a management post, the company thinks I should be able to handle the situation from my experience (Winbond).

We do not offer on-the-job trainings for our expatriates here (Hitachi Taiwan's HR manager).

Performance-related pay and EPM

In addition to potential improvements in human capital provided by the experience of an overseas posting, the expatriate also cares about monetary rewards. Performance-related pay (PRP) is one of the main rewards that MNEs offer expatriates (Dowling *et al.*, 1999). PRP is a compensation scheme that encourages expatriates to put in more effort to complete their assigned job tasks (Jackson and Schuler, 2003). It also provides a relatively objective and logical way to allocate financial rewards among employees (Mobley, 1974). Thus, the system provides real motivation that produces important employee and organizational gains (Jackson and Schuler, 2003). Furthermore, PRP introduces a flexible element into the expatriate's compensation package that could help alleviate the high costs of expatriate management to some extent.

Regarding the different types of PRP, the literature on domestic companies suggests that cash bonuses and equity incentives, such as stock and stock options, are widely used (Milkovich and Newman, 2002). Compared to equity-based rewards, the motivational effect of a cash bonus is direct and immediate. Nevertheless, the execution of stock sales and stock options offer employees much more profit potential. Besides, a PRP compensation arrangement can convey a sense of employee ownership (Pierce *et al.*, 1991).

From our interviews, we found that AMT, Philips, Samsung, and Winbond all offer cash bonus as well as stock options to their expatriate managers. These four companies also maintain a clear connection between expatriate performance and pay, with the performance evaluation result underpinning managerial decisions on promotion, profit sharing and salary adjustments. In particular, Samsung places greater emphasis on merit pay, which is based on an individual's performance and competence:

If I can create a brilliant sales record this year, my annual income may exceed my boss's salary (Samsung).

My annual compensation package contains both cash bonus and stock option plan (Winbond).

In our company, expatriate compensations include cash bonus and stock option plan, managers and engineers alike (AMT).

A considerable portion of my income is decided by my performance on this job (Philips).

Hitachi, on the other hand, only offer a cash bonus to expatriates managers and technical engineers. The linkage between employee performance and compensation in Hitachi is vague, with compensation essentially based on seniority and job tenure:

In our company, all expatriate personnel receive cash bonus, with no stock option (Hitachi's HR manager).

My performance evaluation this year is marginally related to my income (Hitachi engineer).

One's salary level is basically decided upon length of company service but not on short-term performance. It is different from western company's methods (Hitachi manager).

Many Japanese companies believe that not deciding employee compensation by short-term performance record is helpful in nurturing stable and long-term employment relationship, and we certainly believe so here (Hitachi's HR manager).

Prior research emphasizes that harmonious human relations, lifetime employment, and respect for seniors are the key characteristics of Japanese culture (Takahashi, 1990; Morishima, 1995; Huo *et al.*, 2002). Therefore, Hitachi's particularities in PRP arrangements can be attributed to its corporate culture and typical Japanese management style in general.

Summary and discussions

Here we summarize the similarities and differences in EPM practices that emerged from our interview process, followed by some tentative conclusions.

Same criteria for appraising expatriate performance as used by headquarters

As noted above, the MNEs surveyed do not make adjustments to take account of host country conditions. This provides some support to the argument that MNEs use expatriate personnel as informal and subtle control mechanisms to coordinate business action between headquarters and subsidiaries (Edstrom and Galbraith, 1977). Some of the EPM practices we observed comply with the MNE headquarters' way of doing, and hence are not adjusted to reflect local operating conditions. Since PM practices can significantly influence employee behavior, MNEs tend to use expatriates as a vehicle to convey corporate cultural messages. Local adjustment, therefore, may not be necessary for these MNEs. Under such circumstances, the MNE home country's influence will become apparent in EPM practices.

Some EPM practices influenced by parent company cultural factor

We found that Hitachi differs from other companies in appraisal raters, in feedback interviews, in PRP arrangements, and in the connection between performance results and compensation. As the previous quotations indicated, Hitachi's different arrangements, such as joint decision making in appraisal rating, one-way feedback interview, and compensation decided on job tenure, may be related to Japanese companies' characteristics of high collectivism, desire to maintain harmony (Morishima, 1995), and long-term and stable employment relationship (Takahashi, 1990). This supports the view highlighted above MNEs tend to exert corporate subtle influence on subsidiaries through international transfer of managers, that is, MNE headquarters' cultural factors affect certain aspects of EPM practices. However, because of our study design, we have only conducted cross-sectional, in-depth interviews with expatriates in the MNE subsidiaries. In order to confirm our preliminary findings, it is suggested that surveys using larger samples should be conducted to explore the cultural influences that MNE headquarters exert on their subsidiaries concerning EPM practices.

Loose linkage between performance results and career development

The findings point to a loose linkage between performance results and career development that has certain implications. If MNEs transfer international managers to

nurture global management talents (Edstrom and Galbraith, 1977), one may expect that these companies will have an integrated plan for the training and development of these overseas personnel. However, from our interviews, all the expatriates surveyed did not have a clear picture of their future career development path. Such a loose linkage may have negative consequences for the MNE. Prior research indicates that corporate expatriate management systems tend to be insufficient, haphazard, and irrelevant (Selmer, 1999). A substantial percentage of repatriates feel dissatisfied because their companies fail to capitalize on their overseas experience (Black *et al.*, 1999). It is easy for such dissatisfied workers to find jobs in other companies, sometimes in competing firms within the same business (Stahl *et al.*, 2002). Hence, companies that do not provide adequate opportunities for professional growth and career advancement upon repatriation may lose valuable human capital to competitors (Stahl *et al.*, 2002). It seems that MNEs need to do a better job in effectively capitalizing on their international management talents.

EPM practices differ according to different nature of expatriate mission

Some MNEs involved in our study adopt different arrangements in the goal setting process, in appraisal frequency, in performance raters, and in the provision of pre-departure training. From our interviews, we learned that these different arrangements are based on sound reasons that can be traced to the different nature of expatriate missions. These findings have two implications. First, it provides tentative support to Tahvanainen's (1998) EPM model, which asserts that contextual factors of EPM are composed of three layers. In a later survey, Suutari and Tahvanainen (2002) studied 301 Finnish expatriates within a corporate context and found that EPM practices as significantly affected by the host country location.

In our study, we looked into the EPM practices in the subsidiaries of five MNEs with different national origins. Since all the MNEs in our study are highly internationalized and all the expatriates are stationed in Taiwan or China (controlling for the international and domestic context), host country location ceases to be a differentiating factor. Instead, cultural influence from the MNE home country stands out as relevant. Later research on EPM should first decide at what contextual altitude to explore this problem. The research design may significantly influence what is found. If the layer of the context concept is forgotten, one may find the MNE's home country influence to be a significant factor in one survey but missing from another.

The second implication is a comprehensive model of strategic EPM should be proposed. From the extant literature of global MNEs strategy (Bird and Beechler, 1995), it is possible for scholars to develop a theory delineating when MNEs pursue a certain global operating strategy, certain kinds of human resource capacity will be needed. According to strategic HRM scholars' assertions (Schuler *et al.*, 1996), certain sets of HRM practices should be adopted to nurture the needed human capacity. HRM arrangements are to be dictated under this kind of strategic expatriate management model. For instance, Milkovich and Bloom (1998) proposed a strategic flexibility model of international compensation, linking company strategy with expatriate compensation practice. Similar efforts should be done on EPM. Such a model will be instrumental in helping MNEs nurture their global management talents in obtaining a competitive advantage.

Lack of on-the-job training during expatriate mission

From our interviews, we found that all five selected MNEs do not provide on-the-job training for expatriates on their overseas missions. This may be because some expatriates are at the management level, and their companies find less need for these managers to receive on-the-job training. On the other hand, the lack of on-the-job training may be because these MNEs do not have a comprehensive plan for capitalizing on their global management capital. Participating expatriates are mostly engineers and middle level managers aged 30 to 45. They should have many years ahead in their professional careers. If MNEs send managers overseas to nurture their global administrative ability (Edstrom and Galbraith 1977), do these firms have clearly delineated plans for these expatriates now and after their foreign assignment? All the participants in our study know nothing about the linkage between their present position and future career development paths. Such finding may indicate that MNEs may not have comprehensive plans in nurturing their global management talents. If so, it is no wonder that MNEs do not provide any on-the-job training to expatriates during their overseas missions. They do not have a clear idea of what to do with these people after their repatriation, so they do not know what kind of training to provide in the host country that will nurture their future capabilities. Expatriate personnel have to improvise in this process to overcome their own challenges.

We believe that, if scholars can come out with a more complete EPM model as mentioned in the above paragraph, MNEs shall have a comprehensive understanding of what to do with their global management talent pool. Our findings suggest that some EPM practices are influenced by MNE parent company's cultural factors and that EPM practices differ according to different expatriate missions. The former finding tends to indicate that MNEs use expatriates as a vehicle to exert subtle control over subsidiaries. Later researchers can explore the strategic purposes of expatriate missions and their impact on EPM practices. If the purposes for international transfer of management talents are based on technical necessity, nurture of global management talents, and head quarters' exertion of subtle control (Edstrom and Galbraith, 1977), then, do these purposes differ in importance under different circumstances? Will MNEs' EPM practices differ under different emphasis of expatriate strategic missions? How do different EPM arrangements affect expatriates' satisfaction and job performances? Our findings also bear meaningful implications to practical managers. For instance, we find expatriates' performance results are marginally related to their later career developments. If MNEs want to nurture global management talents through international transfer of management personnel, and if the purposes of PM involve the induction of expected employee behavior (Tahvanainen, 2000), then MNEs high-level executives may want to examine if their EPM practices are encouraging the wanted behaviors. Only then will they be able to capitalize better and systematically on their international human resources.

Some inherent limitations of our survey have to be considered. First, since our research purpose is to obtain a detailed understanding on EPM through exploratory study, we can only observe small number of firms in one industry. Some of our findings may be caused by specific industry factors. Later research involving large number of firms from multiple industries should be conducted. Second, most of the participants in our study are expatriates stationed in the MNE's Taiwanese subsidiary. Opinions from headquarter personnel are largely neglected. This has somewhat

restricted the validity of our findings. Future research should also explore EPM practices from the headquarters perspective as well as from that of the subsidiary. For instance, our study finds that Hitachi's parent company culture affect some EPM practices. Later research should collect data on how MNE headquarters influence affect the EPM practices of their subsidiaries. Specific hypotheses may be developed and empirically tested.

Nevertheless, this study was one of the first to explore EPM practices of multinational firms. The conclusion is that there does not appear to be a universally accepted form of EPM and that EPM practices are to some extent more strongly subjected to the influence of the parent company's culture. This study also found that MNEs tend to neglect the expatriate's future career development. If the overseas posting of expatriates is crucial to the MNE's success, it is important to understand more about how to measure and manage their performance.

References

- Armstrong, M. and Baron, A. (1998), *Performance Management: The New Realities*, The Cromwell Press, Trowbridge.
- Beer, M. (1997), "The transformation of the human resource function: resolving the tension between a traditional administrative and a new strategic role", *Human Resource Management*, Vol. 36 No. 1, pp. 49-56.
- Bird, A. and Beechler, S. (1995), "Links between strategy and human resource management strategy in US-based Japanese subsidiaries: an empirical investigation", *Journal of International Business Studies*, March 1, pp. 23-46.
- Black, J.S. and Mendenhall, M.E. (1990), "Cross-cultural training effectiveness: a review and a theoretical framework for future research", *Academy of Management Review*, Vol. 15 No. 1, pp. 113-36.
- Black, J.S., Stroh, L.K. and Gregersen, H.B. (1998), "Closing the gap: expectations versus reality among repatriates", *Journal of World Business*, Vol. 33 No. 2, pp. 111-24.
- Black, J.S., Gregersen, H.B., Mendenhall, M.E. and Stroh, L.K. (1999), *Globalizing People through International Assignment*, Addison-Wesley, Longman, New York, NY.
- Brewster, C. and Harris, H. (1999), *International HRM: Contemporary Issues in Europe*, Routledge, London.
- Caligiuri, P.M. and Day, D.V. (2000), "Effects of self-monitoring on technical, contextual, and assignment-specific performance", *Group and Organization Management*, Vol. 25 No. 2, pp. 154-74.
- DeGregorio, M. and Fisher, C.D. (1988), "Providing performance feedback: reactions to alternate methods", *Journal of Management*, Vol. 14 No. 4, pp. 605-16.
- Dowling, P.J., Welch, D.E. and Schuler, R.S. (1999), *International Human Resource Management*, South-Western, Cincinnati, OH.
- Edstrom, A. and Galbraith, J.R. (1977), "Transfer of managers as a coordination and control strategy in multinational organizations", *Administrative Science Quarterly*, Vol. 22, pp. 248-63.
- Gregersen, H.B., Hite, J.M. and Black, J.S. (1996), "Expatriate performance appraisal in US multinational firms", *Journal of International Business Studies*, Vol. 27 No. 4, pp. 711-38.
- Huo, Y.P., Huang, H.J. and Napier, N.K. (2002), "Divergence or convergence: a cross-national comparison of personnel selection practices", *Human Resource Management*, Vol. 41 No. 1, pp. 31-44.

- Ilgén, D.R., Barnes-Farrell, J.L. and McKellin, D.B. (1993), "Performance appraisal process research in the 1980s: what has it contributed to appraisals in use?", *Organizational Behavior and Human Decision Processes*, Vol. 54 No. 3, pp. 321-68.
- Jackson, S.E. and Schuler, R.S. (2003), *Managing Human Resources through Strategic Partnerships*, 8th ed., South-Western, Cincinnati, OH.
- Kindall, A.F. and Gatzka, J. (1963), "Positive program for performance appraisal", *Harvard Business Review*, November-December, pp. 153-60.
- Lindholm, N. (2000), "National culture and performance management in MNC subsidiaries", *International Studies of Management and Organization*, Vol. 29 No. 4, pp. 45-66.
- Lindholm, N., Tahvanainen, M. and Bjorkman, I. (1999), "Performance appraisal of host country employees: Western MNEs in China", in Brewster, C. and Harris, H. (Eds), *International HRM: Contemporary Issues in Europe*, Routledge, London, pp. 143-59.
- Locke, E.A. and Latham, G.P. (1984), *Goal Setting: A Motivational Technique that Works*, Prentice-Hall, Englewood Cliffs, NJ.
- McEvoy, G.M. and Cascio, W.F. (1990), "The United States and Taiwan: two different cultures look at performance appraisal", in Ferris, G. and Rowland, R.M. (Eds), *Research in Personnel and Human Resource Management*, Suppl.2, JAI Press, Greenwich, CT, pp. 201-19.
- McGregor, D. (1972), "An uneasy look at performance appraisal", *Harvard Business Review*, Vol. 50 No. 5, pp. 1-7.
- Mabey, C. and Salaman, G. (1995), *Strategic Human Resource Management*, Blackwell, Oxford.
- Meyer, H.H., Kay, E.A. and French, J.P.R. (1965), "Split roles in performance appraisal", *Harvard Business Review*, Vol. 43, pp. 123-9.
- Milkovich, G. and Bloom, M. (1998), "Rethinking international compensation", *Compensation and Benefits Review*, Vol. 30, pp. 15-23.
- Milkovich, G.T. and Newman, J.M. (2002), *Compensation*, 7th ed., McGraw-Hill, New York, NY.
- Milliman, J.F., Nason, S., Lowe, K., Kim, N.H. and Huo, P. (1995), "An empirical study of performance appraisal practices in Japan, Korea, Taiwan and the US", *Academy of Management Journal, Best Papers Proceedings*, pp. 182-6.
- Milliman, J., Nason, S., Gallagher, E., Huo, P., Von Glinow, M.A. and Lowe, K.B. (1998), "The impact of national culture of human resource management practices: the case of performance appraisal", *Advances in International Comparative Management*, Vol. 12, pp. 157-83.
- Mobley, W.H. (1974), "The link between MBO and merit compensation", *Personnel Journal*, Vol. 53, pp. 423-7.
- Morishima, M. (1995), "The Japanese human resource management system: a learning bureaucracy", in Moore, L.F. and Jennings, P.D. (Eds), *Human Resource Management on the Pacific Rim: Institutions, Practices, and Attitudes*, de Gruyter, Berlin.
- Murphy, K.R. and Cleveland, J.N. (1995), *Understanding Performance Appraisal*, Sage, London.
- Oddou, G. and Mendenhall, M. (2000), "Expatriate performance appraisal: problems and solutions", in Mendenhall, M. and Oddou, G. (Eds), *Readings and Cases in International Human Resource Management*, South-Western College Publishing, Cincinnati, OH.
- Paik, Y.V., Charles, M.S. and Daniel, H. (1996), "The extent of divergence in human resource practice across three Chinese national cultures: Hong Kong, Taiwan and Singapore", *Human Resource Management Journal*, Vol. 6 No. 2, pp. 20-31.

-
- Pierce, J.L., Rubinfeld, S.A. and Morgan, S. (1991), "Employee ownership: a conceptual model of process and effects", *Academy of Management Review*, Vol. 16 No. 1, pp. 121-44.
- Schneider, S.C. (1988), "National vs corporate culture: implications for human resource management", *Human Resource Management*, Vol. 27 No. 2, pp. 231-46.
- Schuler, R.S., Jackson, S.E., Jackofsky, E. and Slocum, J.W. Jr (1996), "Managing human resources in Mexico: a cultural understanding", *Business Horizons*, Vol. 39 No. 3, pp. 55-61.
- Selmer, J. (1999), "Corporate expatriate career development", *Journal of International Management*, Vol. 5 No. 1, pp. 55-71.
- Snape, E., Thompson, D., Yan, F.K. and Redman, T. (1998), "Performance appraisal and culture: practice and attitudes in Hong Kong and Great Britain", *International Journal of Human Resource Management*, Vol. 9 No. 5, pp. 841-61.
- Stahl, G.K., Miller, E.L. and Tung, R.L. (2002), "Toward the boundaryless career: a closer look at the expatriate career concept and the perceived implications of an international assignment", *Journal of World Business*, Vol. 37, pp. 216-27.
- Suutari, V. and Tahvanainen, M. (2002), "The antecedents of performance management among Finnish expatriates", *International Journal of Human Resource Management*, Vol. 13 No. 1, pp. 55-75.
- Tahvanainen, M. (1998), *Expatriate Performance Management*, Helsinki School of Economics Press, Helsinki.
- Tahvanainen, M. (2000), "Expatriate performance management: the case of Nokia Telecommunications", *Human Resource Management*, Vol. 37 No. 4, pp. 267-75.
- Takahashi, Y. (1990), "Human resource management in Japan", in Pieper, R. (Ed.), *Human Resource Management: An International Comparison*, de Gruyter, Berlin.
- Tung, R.L. (1981), "Selection and training of personnel for overseas assignments", *Columbia Journal of World Business*, Vol. 16 No. 1, pp. 68-78.
- Tung, R.L. (1998), "A contingency work of selection and training of expatriate revisited", *Human Resource Management Review*, Vol. 8 No. 1, pp. 23-37.

Further reading

- Guest, D.E. (1997), "Human resource management and performance: a review and research agenda", *International Journal of Human Resource Management*, Vol. 8 No. 3, pp. 263-76.

Appendix. Interview questions

Performance management systems

- Q1) Do the management of expatriates in your firm follow the HQs' standardized system, or are there any local adaptations?
- Q2) Are there different performance management systems for different types or levels of employees (top manager, middle manager, R&D employees, and normal employees)?

Goal setting

- Q1) Where are the performance goals set (in the host or home country)?
- Q2) Who set the goals (e.g. top manager, immediate supervisor)?
- Q3) What kinds of goals (e.g. financial, operational)?

Evaluation

- Q1) Who conduct the evaluation (supervisor, peers, subordinates, self-appraisal and customers)?
- Q2) How often does the company do performance evaluation?
- Q3) Does the company do a feedback interview after finishing the performance evaluation?

Training and development

What kinds of training and development programs have been provided to expatriates?

Performance-related pay

- Q1) Are expatriates' performance and their pay closely connected?
- Q2) What kind of performance-related pay does the company provide (stock, options, bonus)?