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Changing patterns of global staffing in the multinational enterprise: Challenges to the conventional expatriate assignment and emerging alternatives

David G. Collings [a,*], Hugh Scullion [b,1], Michael J. Morley [c,2]

[a] *Sheffield University Management School, University of Sheffield, 9 Mappin Street, Sheffield S1 4DT, UK*
[b] *Strathclyde International Business Unit, Strathclyde Business School, Sternhouse Building, 173 Cathedral Street, Glasgow G4 0RQ, Scotland, UK*
[c] *Kemmy Business School, University of Limerick, Plassey Technological Park, Limerick, Ireland*

Abstract

We argue that many MNCs continue to underestimate the complexities involved in global staffing and that organisations and academics must take a more strategic view of staffing arrangements in an international context. We suggest that the context for the management and handling of the international assignment has altered significantly, leading in some quarters to a fundamental reassessment of the contribution of, and prospects for, the international assignment as conventionally understood. We explore a variety of supply side issues, cost issues, demand side issues and career issues as triggers to this reassessment. Alongside the conventional expatriate assignment, we point to the emergence of a portfolio of alternatives to the traditional international assignment including short-term assignments, commuter assignments, international business travel and virtual assignments. In the context of these developments, we argue that a standardised approach to international assignments is untenable and that it is essential to develop HR policies and procedures that reflect differences in the various forms of emerging alternative international assignments and their associated complexities. Here recruitment and selection, training, reward, and occupational health and safety issues and implications are all explored.

1. Introduction

The topic of international assignments has an established pedigree in the international management literature and has in particular dominated the research agenda of international human resource management (IHRM) for over three decades. While the research focus of those investigating the IHRM field has expanded significantly in recent years, expatriate management issues remain a critical concern (Collings & Scullion, 2006; Lazarova, 2006; Stahl & Björkman, 2006).

Staffing issues are complex in the international environment (Torbiorn, 1997), something which is attested to by a stream of research highlighting *inter alia*: the importance of effective staffing strategies for the successful implementation of international business strategies, especially strategic alliances and cross-border mergers in emerging and culturally distant markets; the decision points relating to different

* Corresponding author. Tel.: +44 1142223453; fax: +44 1142223348.
E-mail addresses: D.collings@shef.ac.uk (D.G. Collings), h.scullion@strath.ac.uk (H. Scullion), michael.morley@ul.ie (M.J. Morley).
[1] Tel.: +44 1415483165, fax: +44 1415485848.
[2] Tel.: +353 61 202273, fax: +353 61 202572.

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approaches to international staffing; the problem of shortages of international managers, particularly in emerging markets, where there is often fierce competition between MNCs and local organizations to recruit and retain high quality staff; the requisite supports necessary in order to ensure a satisfactory outcome from the organisational and individual perspective; and the management and utilisation of knowledge flows which may accrue (cf. Evans, Pucik, & Barsoux, 2002; Minbaeva & Michailova, 2004; Schuler, Jackson, & Luo, 2004).

However research suggests that many MNCs continue to underestimate the complexities involved in global staffing (Tung, 1998). Concomitantly, the context for the managing of the international assignment has altered significantly, leading in some quarters to a fundamental reassessment of the contribution of, and prospects for, the international assignment as conventionally understood. The importance of this reassessment has been signalled by those who have questioned why multinationals continue to use conventional expatriate assignments to the extent that they do due to the high costs and continuing problems associated with such assignments (Morley & Heraty, 2004; Scullion & Brewster, 2001), and by the increasing prominence of alternative forms of international assignments and the emergence of a portfolio of assignments within the international firm (Fenwick, 2004; Roberts, Kossek, & Ozeki, 1998).

We build on this emerging body of literature through exploring the issues surrounding the ongoing utility of the conventional expatriate assignment and the key issues around alternative forms of international assignments. The paper contributes to our understanding of international assignments by critically exploring the current context for international assignments in MNCs. First, we critically re-examine the reasons advanced for the utilisation of expatriates in the traditional assignment (usually three to five years and involving the relocation of the expatriate and their family) in view of changing patterns of global staffing. Much of the research on the management of expatriates available in the international literature until fairly recently has been drawn from research focused on North American MNCs. In this journal Scullion and Brewster (2001) advocated that research be conducted on countries other than in the US in order to develop a broader understanding of expatriation. This is reflected in our paper which draws heavily on recent research in Europe and elsewhere and we take up the challenge of developing this broader understanding by contributing to a deeper appreciation of the importance of the context in which staffing takes place. Finally, our paper critically examines the growing importance of alternative forms of international assignments in the light of recent research which suggests that long-term assignments may become less dominant as new patterns of global staffing emerge (Scullion & Collings, 2006a). In particular we focus on four key questions with regard to these assignments, namely: (1) how can we classify alternative forms of international assignments; (2) in what circumstances are alternative forms of international assignments considered appropriate; (3) What evidence is there on levels of use of alternative forms of international assignments; (4) What operational issues emerge in the context of managing these assignments.

2. Why do organisations use expatriates?

Before considering the challenges associated with the traditional expatriate assignment it is important to briefly outline the key strategic reasons why MNCs use expatriates, as the literature is characterised by a number of well-articulated advantages associated with the deployment of expatriates in the staffing of international subsidiaries and operations.

Indeed, it has been argued that entrepreneurs have recognised the importance of physically relocating managers to foreign locations where business operations are based since approximately 1900 B.C. Indeed, even at this stage, locals were viewed as inferior and restricted to lower level jobs while parent country nationals (PCNs) were afforded superior conditions, similar to modern day expatriates (Moore & Lewis, 1999:66–67). Owners of international organisations thus realised the benefits of utilising people known to them and socialised into the organisation in minimising the agency problems (Jensen & Meckling, 1976) associated with managing spatially diverse organisations from an early stage. This is because these individuals had built a level of trust with their superiors and thus were considered to be more likely to act in the best interests of the organisation, relative to local managers from the host country who were largely an unknown quantity. Thus, expatriates were used as a means of addressing agency issues as a result of the separation of ownership and management and their amplification through distance.

In their landmark study, Edström and Galbraith (1977) proposed three motives for using expatriates. Firstly, as *position fillers* when suitably qualified host country nationals (HCNs) were not available. Secondly, as a means of *management development,* aimed at developing the competence of the individual manager.