



Linking international adaptation strategy, immigrant effect, and performance: The case of home–host and cross-market scenario

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ABSTRACT

Previous studies suggest that a proper fit between business strategy and human resource management can enhance a firm's financial performance. Building on prior findings, this study proposes that an ideal match could occur on the choice of international adaptation strategy and immigrant effect (IE). This match would have a significant effect on firms' financial performance. The proposed framework is examined using the experience of 121 firms operating across the Greater China region in the home–host and cross-market scenarios. It is found that the extent of adaptation strategy is positively associated with the choice of IE in both home–host and cross-market scenarios and that IE has significant direct and indirect effects on market share and profitability in the cross-market scenario. This study proposes a new strategy–human resource management–performance framework. The findings established provide some implications for researchers and managers.

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1. Introduction

In today's business management environment, there is no shortage of tools for formulating a business strategy (Hambrick & Cannella, 1989). A major challenge facing multinational corporations (MNCs) is how to convert a well-planned strategy into business success. Strategy implementation plays a key role in this process (Crittenden & Crittenden, 2008; Gupta & Govindarajan, 1984; Hambrick & Cannella, 1989). Specifically, human resource management practices can be a critical factor in strategy implementation (Bird & Beechler, 1995; Edstrom & Lorange, 1984; Gupta & Govindarajan, 1984; Hambrick & Cannella, 1989). The characteristics of the managers in charge of a strategy implementation have been linked to the success of the implementation task (Gupta & Govindarajan, 1984; Schuler, 1987; Schuler & Jackson, 1987). This stream of research suggests that human capital needs to be allocated carefully.

This study intends to follow this line of research. In order to extend existing research findings, this study will focus on the immigrant effect (IE), an effect associated with immigrant managers whose characteristics are likely to be valuable, rare, and unique. Such characteristics can create a competitive advantage that competitors are not likely to imitate (Barney & Wright, 1998; Gould, 1994; Rauch & Trindade, 2002; Saxenian, 2002a, 2002b). Some studies have classified employees with this type of capability as *core employees* (CEs) (Lopez-Cabrales, Valle, & Herrero, 2006). Specifically, this study will follow the guidance of those proposing that a proper match between strategy and human resource management will enhance a firm's

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performance (Beechler, Bird, & Raghuram, 1993; Bird & Beechler, 1995; Edstrom & Lorange, 1984; Gupta & Govindarajan, 1984; Hambrick & Mason, 1984; Schuler, 1987). This line of research has provided a useful framework for this study, despite its findings not yet being conclusive. The strategy under investigation is the standardisation/adaptation strategy (Baalbaki & Malhotra, 1993; Buzzell, 1968; Jain, 1989). The match of strategy–human resource management is determined by the effect on performance (Bird & Beechler, 1995).

In this paper, the literature of international standardisation/adaptation strategy, international human resource management and the immigrant effect are reviewed and integrated. The proposed framework will be examined using the experience of 121 firms operating in the Greater China markets (China, Taiwan, and Hong Kong), in a home–host and a cross-market scenario. The *home–host* scenario is related to the operation of transferring a product/service from the home country (e.g., Australasia {New Zealand/Australia}) to a specific host country (e.g., China), while the *cross-market* scenario is associated with shifting a product/service from a foreign host country to another host country (e.g., from China to Taiwan) (Chung, 2010). By focusing on the IE in both the home–host and cross-market scenarios, this study provides a number of new insights to the literature. First, the findings of this study provide more specific guidance on the choice of CEs (Barney & Wright, 1998; Lopez-Cabrales et al., 2006). As discussed below, immigrant managers are equipped with a number of unique advantages. These advantages are difficult for other employees in the firm, or other firms in the industry, to duplicate. Immigrant managers might assist firms to create their own competitive advantages (Barney & Wright, 1998; Saxenian, 2002a, 2002b). Therefore in this study we intend to confirm whether immigrant managers can be used as a firm's core employees (Barney & Wright, 1998; Lopez-Cabrales et al., 2006). This new guidance can help researchers and managers to narrow down CE choices.

Second, the results of this study will highlight the linkage between standardisation/adaptation strategy, IE and performance. The aspects of a multidimensional adaptation/standardisation strategy influencing IE and the consequences of IE will be highlighted. By establishing this path, the mediator role of IE in the strategy–performance framework will be revealed. These outcomes also contribute to the development of the literature concerning business strategy, human resource management and performance by presenting a new path framework (Bird & Beechler, 1995). Third, this study provides guidance on both the home–host and cross-market scenarios. As firms are likely to operate in both home–host and cross-market scenarios in today's business environment (Chung, 2010), the guidance can broaden existing research scope which tends to be partial and to only focus on one scenario within a study (home–host scenario, e.g., Katsikeas, Samiee, & Theodosiou, 2006; cross-market scenario, e.g., Chung, 2005). Lastly, the results of this study provide a newer insight to research concerning international standardisation/adaptation strategy, as existing studies tend to focus more on the formulation, than the implementation, aspect (Jain, 1989; Theodosiou & Leonidou, 2003).

In the following sections, we consider the theoretical background of the study, followed by hypotheses, and research methodology. Discussions and conclusions are presented at the end of the article.

2. Theoretical background and research hypotheses

In general, an *immigrant effect* is defined as the contributions from a firm's immigrant employee to the firm's business operation in the immigrant employee's country of origin (COO) (e.g., Taiwan, China) (Chung & Enderwick, 2001; Chung, 2004; Gould, 1994; Rauch & Trindade, 2002; Saxenian, 2002a; Wagner, Head, & Ries, 2002). In this study, immigrants are defined as those managers who have originated from a foreign host market, but have migrated permanently to Australasia (Australian Bureau of Statistics, 2008; Statistics New Zealand, 2008). This definition's appropriateness is shown in the following example experience of one respondent firm in the study – *“Take myself for example; my originality is Taiwan – where I was born and worked before migrating to New Zealand. I have completed all of my studies in Taiwan and have worked there for many years before migrating to New Zealand. During my work in Taiwan, I have also acquired my knowledge of the Chinese market via our firm's manufacturing and marketing operations in China. I was looking after both Taiwan and China market at the time. Taiwan and China are similar in many areas including culture, languages, customs, consumption behaviour, social networking, business practices and so on. Many Taiwanese businesses are operating in both Taiwan and China at the same time. My ancestor is also from southern China. Thus I have very good knowledge of Taiwan and China in terms of culture and customs, customer buying behaviour, business practices, languages, legal regulations, social networking, distribution and many other areas. I have now permanently lived in New Zealand, together with my family and here is where I am based most of the time though I do travel back to Taiwan and China frequently. New Zealand is where I am permanently based on now but I keep a very close contact with my business associates, family and friends in Taiwan and China. I have been working for a New Zealand firm for a number of years as an export marketing manager, to be in charge of the firm's operation in Taiwan and China. I am the key-decision maker of our operations in Taiwan and China due to my special knowledge of these markets. My employer trusts my decisions very much. Our firm's head office is in New Zealand (i.e., parent firm) and this is where I am based. We manufacture our products at our head office and we conduct our international businesses with Taiwan and China from here. ... I have the knowledge about the markets in Taiwan, China and New Zealand (Personal communication with one immigrant export manager, 2009).”*

As noted in this quotation, immigrant managers' knowledge about their country of origin is evident in a number of key areas of importance for conducting business, including culture, language, customers, legal issues, business contacts and networking (Gao, 2003; Gould, 1994; Rauch, 1999; Saxenian, 2002a). In comparison to other employees, immigrant managers have a special knowledge advantage in terms of business operations concerning their country of origin and their resident country (Saxenian, 2002a). Due to this advantage, immigrant managers are likely to be suited to assisting their

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