International work experience: Is it really accelerating the way to the management board of MNCs?

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ARTICLE INFO

Article history:
Received 10 October 2015
Received in revised form 22 February 2017
Accepted 9 March 2017
Available online xxx

Keywords:
Internationalisation of top management
International managers
Management boards
International work experience
International career
Elite theory
Human capital theory
Upper echelons

ABSTRACT

International work experience is often claimed to be a prerequisite for managers in an MNC. This paper investigates how international work experience affects those managers who reach upper echelons. Drawing on both human capital theory and elite theory, we argue that stays abroad not only have beneficial, but also adverse effects on managers’ ascent to the top. By analysing the careers of 212 management board members from Germany, we find that once a certain threshold of international work experience is exceeded, being away from home impedes managers’ long-term career advancement. However, it is not only longer stays abroad that show a negative time effect; we are also able to reveal that being in countries with high geographic and cultural distance to the home country significantly decelerates managers’ speed of being appointed to the management board. Our findings demonstrate that conflicting interests exist between MNCs and high potentials who consider an international career. We stress that these conflicts call for being solved in managerial practice.

1. Introduction

Few positions are available within the top management of multinational corporations (MNCs), and reaching those positions is no easy task. A multitude of factors have been identified as promoters of a career to upper echelons, such as a person’s qualifications and skills (e.g., Khanna, Jones, & Boivie, 2014; Tian, Haleblian, & Rajagopalan, 2011) or his or her demographic characteristics, like age, gender or education (e.g., Cook & Glass, 2014; Hartmann, 2010). Articles in newspapers and magazines, such as Wall Street Journal, have often claimed international experience to be one of the central characteristics of managers who wish to make it to the top management in MNCs (Lublin, 1996). Approximately a decade ago, the headline of a cover story of Chief Executive magazine even stated that “overseas experience is becoming a must on top executives’ résumés” (Martin, 2004).

The decision to spend a considerable time working abroad can have major consequences for a person’s career advancement (e.g., Bossard & Peterson, 2005; Stroh, Gregersen, & Black, 1998). For a long time, scholars have made efforts to understand the benefits and pitfalls of international careers in the context of the expatriation-repatriation field (e.g., Andrews & Biemann, 2013; Black, 1992; Cole & Nesbeth, 2014; Feldman & Thomas, 1992; Sonesh & DeNisi, 2016; Stahl, Miller, & Tung, 2002). It has been shown that how long to work abroad and where (i.e., in which countries) to gain overseas experience are two of the major factors that influence employees’ career success in general (e.g., Mäkelä & Suutari, 2009; Stahl & Caligiuri, 2005; Stroh et al., 1998). But what about the career of those managers who (want to) reach the management board level?

Surprisingly, with notable exceptions (e.g., Georgakakis, Daugh, & Ruigrok, 2016; Hamori & Koyuncu, 2011), little attention has been devoted to the effects of foreign work experience on those managers who aim to ascend to the top of the pyramid, i.e. to the management board level (Nielsen, 2010a). Many existing studies focus on managers’ early or mid-career success instead (e.g., Benson & Pattie, 2008; Biemann & Braakman, 2013; Reiche, 2012; Stahl & Cerdin, 2004). In addition, in the top management context, the countries in which international work experience is gained have often been neglected (e.g., Daily, Certo, & Dalton, 2000; Hamori & Koyuncu, 2011). Whereas in IB literature in general the countries in which a firm gained experience have received considerable attention for decades (e.g., Johanson & Vahlne, 1977; see also Clarke, Tamaschke, & Liesch, 2013), international top management literature has not explored the role that location plays for an individual’s work experience. Hence, not much is known about whether and how the duration and location of stays abroad affect a manager’s late career success and in particular his or her advancement to the management board.

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http://dx.doi.org/10.1016/j.ibusrev.2017.03.006
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Please cite this article in press as: S. Schmid, D.J. Wurster, International work experience: Is it really accelerating the way to the management board of MNCs?, International Business Review (2017), http://dx.doi.org/10.1016/j.ibusrev.2017.03.006
With our paper, we aim to fill this gap and investigate if (and how) international work experience has an impact on how fast managers reach their first management board position in their home countries. To be precise, we seek to answer the following research questions which are relevant both from an academic and from a practitioner perspective:

- Is the duration of international work experience related to the speed with which managers reach the management board?
- Do the countries in which managers gain international work experience have an effect on these managers’ time to reach the management board?

To do so, we use a quantitative study analysing the careers of the management board members (i.e., members of the ‘Vorstand’) of firms listed in the German stock market index DAX. For both firms and individuals (who wish to make it to the top of these firms) our questions and the answers to these questions are vital. Hence, our paper helps better understand MNC practice in valuing international work experience when appointing management board members. With our data from Germany we follow the request by Magnusson & Boggs (2006: 121) to go beyond the findings that exist on the role international work experience has for top managers in US firms (see on US firms also Kogut & Zander, 1992; Forgues & Montes, 2017). In the German two-tier board system, the management board members (members of the ‘Vorstand’) are responsible for the strategic and operational decision making of a firm, while supervisory board members (members of the ‘Aufsichtsrat’) monitor actions of management board members and provide strategic guidance to them (Du Plessis et al., 2012). It is a typical characteristic of the German corporate governance system that a substantial proportion of supervisory board members are current or former members of management boards (of other firms). Albeit decreasing, a so-called “old boys network” is still partially in place in Germany (Welge & Eulerich, 2014). Hence, in the German context it is particularly interesting to study the time it takes to be promoted to the management board of one firm and hence to access the network. However, as “old boys networks” and other types of networks in society (that are relevant for the access to upper echelons) continue to exist in many other countries, such as France, Great-Britain, Switzerland or the US (Hartmann, 2003; Morgan, Hirsch, & Quack, 2015; Windolf, 2002), our study’s relevance is not at all limited to the German context alone.

We contribute to international top management research in the following ways. First, in line with earlier studies (e.g., Bolino, 2007; Hamori & Koyuncu, 2011) we argue that international work experience may have not only positive effects but also adverse effects on managers’ career advancement. It is by combining arguments based on human capital theory with arguments derived from elite theory that we elaborate on the consequences of international work experience for a fast ascent to the upper echelons of MNCs: Whereas international work experience can serve as a promoter for a career in top management from a human capital perspective (e.g., Khanna et al., 2014; Tian et al., 2011), it can be an inhibitor for establishing the relevant cultural capital and social capital, and hence be problematic from a corporate elite perspective (e.g., Fellman, 2003; Hurley, FAGenson-Eland, & Sonnenfeld, 1997; Maclean, Harvey, & Chia, 2010). As we will show in this paper, international work experience is an important element of human capital. However, being abroad too long a time makes it difficult for a top management candidate to still have the social and cultural connections with his or her (future) peers at home. Second, by considering the countries in which international work experience is gained, we break up the domestic/foreign dichotomy often used in top management research (e.g., Daily et al., 2000; Judge, Cable, Boudreau, & Bretz, 1995; Ng, Eby, Sorensen, & Feldman, 2005). To the best of our knowledge, our study is the first study in the field that investigates the role of geographic and cultural distance, showing that long-term career advancement in the home country depends on the location of foreign work experience. Such a novel approach is of particular relevance as many MNCs seek to fill job positions worldwide for managing their far-flung operations. Third, we take up the suggestion of Sheridan, Slocum, Buda, and Thompson (1990) as well as Cappelli and Hamori (2005) and use managers’ “time to the top” as a measure of objective career success to see how fast people are promoted to the management board (e.g., Hamori & Kakarika, 2009; Heslin, 2005). This allows us to overcome weaknesses of subjective career success measures, such as an individual’s satisfaction with his or her career or self-actualization (Cappelli & Hamori, 2005; Sheridan et al., 1990), and to examine one of management board aspirants’ major expectations in pursuing a career abroad (Bolino, 2007; Stahl et al., 2002). As far as the “time to the top” construct is concerned, we argue that this measure of objective career success is not necessarily equal to reaching the CEO position, but equal to reaching a management board position. With this approach we extend previous studies focussing on the time it takes to become CEO (e.g., Georgalakakis et al., 2016; Hamori & Koyuncu, 2011; Magnusson & Boggs, 2006), and we take into account the specific characteristics of the German corporate governance system, where the management board in its entity is collectively responsible for managing the firm (where a ‘Vorsitzender’ has not the same role as the US-American CEO). Fourth, with our study, we show that there is an important dilemma to be solved in MNC practice: While many MNCs repeatedly argue that foreign experience is a “booster for a career”, our data reveal that this is not necessarily the case – at least not in terms of a “faster way to the top”. Hence, we conclude that MNCs have to develop talent management programmes for those candidates who are expected and willing to make it to the management board. These programmes can help managers abroad to keep relationships and links to the home country elite, leading finally to a better alignment between MNC interests with individual managers’ interests.

As a result, our paper intends to make both a theoretical and a managerial contribution to IB and to upper echelons literature. The theoretical contribution stems from combining arguments from both human capital theory and elite theory, and from applying these arguments to the question whether international work experience has an impact on the time it takes a (top) manager to make it to the management board. The managerial contribution is rooted in a dilemma we are able to uncover with our empirical study: While not only the popular press but also MNCs themselves call for international work experience of (future) top managers, it is this international work experience that can become a burden for management board member candidates. Hence, our paper calls for MNCs to make sure that work experience abroad does not result in disadvantages for those individuals who wish to reach upper echelons.

2. Theory and hypotheses

2.1. International work experience and human capital theory

As early as in the 1970s, Perlmutter and Heenan (1974) encouraged a debate on the internationalisation of a firm’s upper

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1 Clearly, “time to the top” is only one out of a long list of potential measures for objective career success. Other examples include “salary/income”, “tenure in a top management/board position” or “reaching ultimately the CEO position” (Hamori & Koyuncu, 2011).
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