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# Developing effective global relationships through staffing with inpatriate managers: The role of interpersonal trust

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## ABSTRACT

International human resource managers are progressively encountering new challenges pertinent to the manageability of multiculturalism when staffing global positions. The literature indicates that trust in the global organization context increases subsidiary acquiescence to and cooperation with the headquarters, making this concept an important component in developing inpatriates' relationships with the headquarters organization. The purpose of this article is to examine a range of antecedents to trust building, distinguish between two different types of trust, affective vs. competence-based, and examine key outcomes of inpatriates' trust building in global organizations. Reference point theory is used as the foundation for an analysis of the deliberate choice of the inpatriate manager and parent organization alike to adjust to new organizational conditions. In addition, it provides guidance in examining the effects of assignment longevity. The authors propose that through the development of competencies such as trust building, an organization is better able to implement global learning and talent management and in turn develop more effective and ongoing global relationships based on trust.

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## 1. Introduction

Effective global relationships rest on the ability of two or more organizations to share resources candidly. Global relationships, also known as inter-organizational relationships, include but are not limited to relational contracting, strategic alliances, joint ventures, and research and development consortia, serving purposes such as information processing, resource exchange, power relations, boundary penetrations, and sentimental attachments (Kenis and Knoke, 2002). The intricacy of global staffing unquestionably heightens the complexity of interaction and thus the difficulty in effectively socializing employees in global organizations. Harvey et al. (1999a) suggest that among other concerns, the issue of trust in inpatriate staffing (i.e., the relocation of foreign employees/managers to the parent country of the organization) must be examined to further our understanding of effective global relationship management (Harvey et al., 2000a, 2005).

Despite the identification and development of inpatriates as a viable staffing alternative in global organizations, there are limited theoretical and/or empirical findings of the processes, determinants and perceptions of trust formation between inpatriate managers and parent country/headquarters (HQ) management (Foss and Pedersen, 2004; Gupta and Govindarajan, 2000). Robinson and Rousseau (1994) suggest that variation in the psychological contract on the part of the parent-country organization will decrease inpatriates' trust, satisfaction, performance and likely success in their critical dimension of global management. This leads to the question of how a global organization can be staffed with inpatriate managers while retaining diversity of perspective

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and at the same time integrating the inpatriate managers into the management team to proactively enhance the effectiveness of the global organization.

In recent years, there has been a shift from simple to binary considerations of networking relationships, whereby the focus of researchers has shifted from the existence vs. non-existence of relationships to a deliberation of attributes such as the strength, longevity, commitment and content of any given relationship (Brass et al., 2004). Adding to it the issue of labor migration, research on effectively managing global relationships reaches a new level of complexity. Thus far, researchers have found strong support for four factors that contribute to the impact of the perception of trust and credibility of employees when staffing global organizations. They include: (1) the perceptions of knowledge and expertise, (2) openness, (3) honesty, and (4) concern and care within the relationship (Peters et al., 1997; Wong and Boh, 2010). Despite these recent findings, the issue of trust within organizations with regard to inpatriates has been neglected. This creates a level of concern given global organizations' increased needs to staff and continuously manage inpatriate talent and calls for a detailed investigation of the phenomenon of trust among individual inpatriate constituents and their parent country counterparts.

The dialog about the temporal perspectives of inpatriate staffing (i.e., short-term vs. long-term inpatriation) can shed further light on the issues of trust when staffing global organizations (for example, see Harvey, 1997; Harvey and Buckley, 1997; Reiche, 2006). Comparing traditional (i.e., long-term) staffing with the more recent investigation of short-term staffing (Tahvanainen et al., 2005), we attempt to explore an organization's ability to manage multicultural diversity when staffing global organizations. Aside from considering longevity of the assignment, we will analyze the trust-building processes that occur in short-term vis-à-vis long-term inpatriation staffing options. Specifically, building on Whitener et al. (1998) we identify four antecedents of inpatriates' trust building with HQ staff, which include their initial interactions, expectations for reciprocation, perceived costs of unreciprocated exchanges, and perceived cultural novelty. We also discuss both affective and competence-based types of trust that inpatriates may develop (McAllister, 1995). Finally, we derive three distinct outcomes of inpatriates' trust building that may benefit both the organization (e.g., Hewett and Bearden, 2001) and the individual inpatriate (e.g., Bouty, 2000): organizational ability to better manage talent globally, inpatriates' ongoing commitment and loyalty, and inpatriates' career progression.

The manuscript is divided into the following sections. First, the paper examines the shift from multinational to global strategy orientation and the resulting impact on staffing. Second, reference point theory is introduced, acting as a foundation for an analysis of the development of trust in/for inpatriate managers. Third, we theorize about how short- and long-term inpatriate staffing alternatives differ with regard to their trust-building processes at the HQ and we derive testable propositions. The key argument is that through staffing with inpatriate managers competencies such as trust building are developed. Moreover, global organizations are better able to implement global talent management and in turn develop more effective and ongoing global relationships based on trust.

## 2. The shift from a multinational to a global management perspective

As organizations continue to globalize their operations, staffing with highly skilled global managers will increase. This leads to additional adaptations for international human resource managers. Taylor et al. (1996) define international human resource management (IHRM) as “the set of distinct activities, functions, and processes that are directed at attracting, developing, and maintaining global organizations human resources” (p. 967). It thus entails the combination of the various HRM systems used to manage employees in the global context. According to a global relocation survey, the trend of international relocations is expected to continue to increase (Windham International, 2000), making the staffing of global organizations of particular interest and a pressing issue in terms of the manageability of multiculturalism.

In a survey to executives asking them to identify the major challenge the HR function is facing in terms of globalization, the following five issues emerged: 1.) enhancing global business strategy; 2.) aligning HR issues with business strategy; 3.) designing and leading change; 4.) building global corporate cultures; and 5.) staffing organizations with global leaders (Mendenhall et al., 2003). Implementing global HR change initiatives, for instance, requires acceptance of cultural sensitivity and an allowance for local preferences when staffing global businesses. It is thus important for organizations to select global managers and to enable managers to change and adapt to a global environment and achieve improved organizational performance.

Offering a supplementary perspective to the management of human resources in the global context (Harvey, 1997; Harvey and Buckley, 1997), a new type of manager, the inpatriate, was introduced to augment staffing options and to provide a ‘linking-pin’ between their home-country organization and the host-country organization (Harvey et al., 1999b). These managers have the potential to contribute to a global organization's attempt to develop a globally competitive advantage through creative/effective staffing.

### 2.1. Inpatriate managers in global organizations

Whereas corporations have traditionally attempted to develop a global state-of-mind through the use of expatriates, the recent emergence of inpatriation as a creative staffing option has had a great impact on developing effective global relationships. Expatriates, employees from the parent-country organizations, are sent from developed economies to host-country organizations in emerging and transitional economies typically for a term of 3 to 5 years. Inpatriates, in contrast, represent a group of global managers who are transferred to the parent country of the global organization on a permanent or semi-permanent basis (Harvey, 1997; Harvey and Buckley, 1997). Through staffing organizations with these managers, the host organization can use the diverse cultural backgrounds (Harvey, 1997; Reiche, 2006) to link home- and host-country organizations and at the same time enhance inter-organizational relationships.

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