

# **Transferring Inpatriates from the Subsidiary to the Headquarter:**

## **Expectations and Reality**

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### **Abstract**

International assignments of employees become more and more important. As a fundamental contribution to building networks between companies and their foreign subsidiaries Multinational Companies used to transfer their employees from the corporate headquarter to the subsidiaries whereas the opposite transferring direction, from the periphery to the headquarter, is more and more practised only in recent years. Only little research focuses on this group of people: inpatriates. One of the major goals for this international transfer practice is to use the inpatriates' knowledge and their potential as mediators, linking pins and change agents - not only during their assignment abroad, but also after their return to the subsidiaries in their home country. This study wants to contribute empirical data to this research topic concerning the fulfilled and unfulfilled expectations and focuses on US-American and Japanese inpatriates in German companies.

### **Keywords:**

*Headquarter-subsidiary Relations, Inpatriation, International Assignments, International Human Resources Management, Culture and Multinational Companies*

## 1. Introduction

Existing research in the field of globalization predicted a changing world, confronting mankind with new challenges (NAISBITT 1995, KOTTER 1997). In order to act and react successfully in the global age humanity has to keep up the cross-cultural dialogue with culturally diverse people (ANNAN 2001). The so called intercultural competence is especially important in Multinational Companies helping to persist in a trans-culturally "cross-linked" environment. Particularly those companies whose organisational behaviour is based on the "new management mentality" (GHOSHAL / BARTLETT 1998) and whose employees have a "global mindset" (JEANNET 2000) and "global literacy" (ROSEN 2000) can be the winner in a global competition.

Due to the continuing internationalisation of worldwide markets in the last decades there is an increasing need for transferring employees. The meaning of international assignments within multinational companies is continually increasing (ADLER 2007). The "classic" direction of transfer of expatriates, from the headquarter to the subsidiary, is replaced respectively completed by inpatriates who take the opposite transfer direction: managers and skilled employees of foreign subsidiaries who are moved to the headquarter for several months or years (HARVEY 2000, REICHE 2006).

Concentrating on the basic meaning of the human being in the process of internationalisation of Multinational Companies (SENNETT 1998) the focus of this paper is on inpatriates and the expectations towards their assignment abroad: meeting the corporate organisations' demand. From a corporate perspective this study presents the expectations towards an inpatriation assignment and what the reality reveals about the experiences.

## **2. Theoretical framework**

Existing research has so far mainly focused on the group of expatriates (KÜHLMANN 1995, TUNG 1982, 1988) due to a centralistic world view within the headquarters and the hardly practised transfer direction towards the headquarter. In the last decades more and more importance is ascribed to this group of persons, the inpatriates (HARVEY ET AL. 2000).

In previous research there is a tendency to regard expatriates and inpatriates as one homogenous group of people, the term expatriate was used for any employee working for his company abroad for a certain period of time (KAMMEL / TEICHELMANN 1994, BERGEMANN / SOURISSEAU 1992, ROSENSTIEL / REGNET / DOMSCH 1995). It would be fatal to treat these two similar, but by far not identical group of people as one.

Generally spoken, the original need behind international transfers was the need for specific skills that local labour markets did not supply, complemented by control reasons: sending expatriates abroad meant coordination and control in order to keep up a consistent management within the organisation (MURRAY ET AL. 1986).

To this was added the need to find career opportunities for a new generation of bright and ambitious managers, no longer content to remain in their jobs until their bosses moved on or retired (DJARRAHZADEH 1993).

The fact that expatriates are often seen as headquarter representatives grants them in some terms more respect but at the same time more mistrust and suspiciousness by the subsidiaries employees, because they might feel scrutinized. Their power and

competences abroad are to a certain extent higher than in the headquarter, having a greater budget authority and personnel responsibilities.

Exactly the opposite is the case for inpatriates: they complain about lacking competences. This unknown and unaccustomed retrenchment makes some inpatriates feel like second class headquarter co-workers.

In order to act as a marquee figure in the transnational networks they have to deal with manifold risk situations: first, facing another culture in the headquarter: not only corporate culture, but also a new national culture of a foreign country (TORBIÖRN 1982, THOMAS 1996). Second, organising a smooth reintegration after their return.

By demonstrating some differences between inpatriates compared to expatriates it makes a separate examination necessary, showing that existent research that neglected their special situation can not be applied to inpatriates.

### **3. Objective target**

This research seeks to contribute to the specific role of inpatriates. Can they fulfil their role as linking pin between subsidiary and headquarter? Is their potential perceived and adequately applied? What attempts the organisation - both in the host, but also parent country - in order to realise an effective assignment of his employees and what kind of networks do the companies provide their inpatriates with? How can the inpatriates take advantage of their networks after their return to the subsidiary? What kind of support do the inpatriates get for the establishing of cross cultural networks? What kind of intercultural risks do they face? Could the cultural risks that the individual encounters can become a serious economic risk for the company?

This research study wants not only to close this gap in existing research, but also provide multinational companies and their employees with applicable knowledge about a not yet profoundly researched, but strategically very important field of action. Based on the analysed data some recommendations will be prepared in order to support companies and their inpatriates to recognise and master the risks that could arise in the context of inpatriation.

This study is still in the data collecting process, the above mentioned will be systematically answered after the study's completion. This working paper presents the starting point of the study: the expectations towards inpatriate assignments.

#### **4. Inpatriates Assignments: Expectations, motives and reality**

The expectations towards the inpatriates in the headquarter and after their return are manifold. Generally spoken inpatriate assignments should contribute to the realization of organisational goals. In the following the main expectations towards an inpatriates' assignment, described from the corporate perspective, combined with some empirical findings are specified.

##### **Knowledge transfer**

The main motivation behind transferring employees from the subsidiaries to the headquarter is being competitive in the process of internationalisation through know how transfer in terms of technical and economic knowledge. Transferring inpatriates to the headquarter means transferring not only people but also knowledge (GHOSHAL / BARTLETT 1998). Inpatriates should act as knowledge senders and receivers and share their knowledge first with the local headquarter staff, and then,

after their return, with the subsidiary staff by balancing the different levels of knowledge between home and host country corporation. Due to the process knowledge that returned inpatriates disseminate within the subsidiary the colleagues are trained and exercised which aims for creating a global mindset amongst the staff.

One of the most frequently cited "homework" for an inpatriate to do in the headquarter is to create an understanding for the local rules, for example customer needs in the inpatriates' home country. Knowing how to satisfy the customers' requirements can be a crucial benefit in today's world business (e.g. intense contact frequency, availability). This is already hard to implement when the inpatriate, who knows the local customers specifications in detail, is located in the headquarter, it is even harder once he has returned. Empirical data shows that there is a significant lack of understanding for the intercultural particularities and culturally specific topics that also apply to the customers.

### **Social capital through network building**

The best way to diffuse knowledge is through a wide network which leads us to the next expectation towards inpatriation. Inpatriates should provide their social capital in form of network activities in order to diffuse their contextual knowledge (BOURDIEU 1987, KOSTOVA / ROTH 2003). Building transnational network ties (GRANOVETTER 1973) is an essential tool for an effective headquarter-subsidary communication (SCHMID ET AL. 2002). Empirical data shows that by using informal network ties communication could be intensified.

This motive contains also issues of the expectation that due to inpatriation communication processes between headquarter and subsidiary will be strengthened

and lines of communication will be enhanced through a person related coordination using networks.

Beside the chances that opens up through strong network ties there might also come up some risks as a result of unnoticed intercultural problems: Cross cultural networks can reduce especially intercultural risks (HOFSTEDE 1993, HOFSTEDE 2001) or contribute to avoid them. But, also the opposite could happen:

under certain circumstances these cross cultural networks could turn into a risk, for example because of unsolved or unnoticed intercultural problems and their counterproductive effects (BLACK ET AL. 1991). Empirical data showed that returned inpatriates could act as negative multiplier if they had difficulties during their stay in the headquarter. Especially if these problems were not detected by the headquarter representatives inpatriates might use their network in a negative way for example by discouraging colleagues who are asked to accept an assignment abroad. Some scenarios showed that inpatriates had the feeling that career wise it was the worst decision they could have made.

### **Boundary spanners and linking pins**

Building up an informal knowledge reservoir within the Multinational Company means at the same time for the inpatriates to act as boundary spanners (PETERSON 2003). They are supposed to represent the linking pin between the subunits and the headquarter. In addition to that role they are expected to use their potential as change agents and mediators - not only during their assignment abroad, but also after their return to the subsidiaries in their home country because it is assumed that there is one essential inherent advantage of inpatriates: due to their transnational

networked skills they are accepted by both sides - the headquarter and the subsidiaries.

Looking at empirical data an ideal case proves that this potential is a crucial benefit: two corporate departments, one in the headquarter and the corresponding one in the subsidiary, who were meant to cooperate but had severe difficulties communicating (the reason might be an intercultural issue), could be helped by installing an inpatriate who has transnational informal networks on both sides and is accepted by both parties. In this concrete case the inpatriate was a "model knowledge carrier" and a good example of a mediator who was familiar with intercultural issues and the corporate culture, moderating critical issues and solving intercultural misunderstandings.

But not always the principal idea of a change agent can be realised. A clearly defined expectation towards inpatriation is that the corporate culture is implemented and that the inpatriate transfers the headquarters' way of thinking and mindset to the subsidiary. Apart of the general knowledge transfer returned inpatriates (especially when working for producing industries) should strengthen the confidence in the headquarters' national products and the trust in their quality. There is a risk that the inpatriates, once they are back in their former surrounding, can not keep up the headquarters' idea, a switch towards the previous technology asked by the former colleagues, results in "me too products" and does not fulfil the headquarters' idea of an innovative competitive distinct solution and to implement a sustainable understanding for the headquarters' products and quality.

This example showed that inpatriates are in the stress field of satisfying the subsidiary's expectations, but also the headquarter's prospects.



## **Corporate Socialisation**

With the overall goal to create a common corporate culture and common values as a minimum basis for an aligned performance the companies look for a harmonisation of a consistent planning strategy. Inpatriates sent out to soak up the corporate culture in the headquarter need special projects and clearly defined guidelines. Some real cases showed a too vague job description by indicating "learning the corporate culture in the headquarter", that means that this task can't be detached and must be combined with other issues, which helps avoiding the inpatriates' impression as if there was no plan for them.

## **Personnel Development**

Finally, inpatriation is a step to a corporations' strategy to create a pool of high potentials by sending them to the headquarter. Most inpatriates are designated to be a future executive within the subsidiary, so the inpatriate assignment can be a stepping stone to a senior position in the corporate structure.

## **5. Contribution**

Subsidiaries adhere to the above mentioned expectations, even if the inpatriates had other plans for their career. It is rarely possible that inpatriates can extend their assignment and switch over to the headquarters' payroll if they prefer continuing working abroad because of professional or personal reasons. The driving force making sure that the inpatriates return to the subsidiary is rather the subsidiary's order than the headquarters' refuse to employ them on a permanent basis. Giving an

employee the chance to work abroad in the headquarter and building him up as a high potential means at the same time that the inpatriate has to work off a debt.

In order to avoid disappointment (on both sides) or that repatriates quit the company - a severe problem that occurs especially with expatriates and inpatriates - expectations should be clearly communicated. Empirical data showed that without a detailed job description and profound involvement of all concerned parties in the home and in the host country a failure is more likely.

Some experts in subsidiaries recommend that it has to hurt the company when the inpatriate is gone for some years, otherwise they would not guarantee to bring him back. There is always a fear of losing good people in case they quit. They even say only "heavy weights" should be chosen to be sent abroad, to reduce from the beginning the potential danger of missing acceptance amongst the headquarters colleagues. In case a manager has not yet the right level it might be helpful for all parties to promote him for the purpose of being equal with his counterparts in the headquarter, guaranteeing him a communication with equal weight.

"Not being able to order a single pen without two additional signatures" represents the lack of standing that many inpatriates feel in the headquarter.

In addition to that surprisingly little institutionalised knowledge transfer attempts do exist for returning inpatriates who want to share their knowledge. Even if repatriates carry specific knowledge inside, it exists only as implicit knowledge without the chance to explicit it. This source is often unintentionally ignored.

Respondents in the subsidiaries mentioned that the most important thing for a returning employee is that he finishes the inpatriate assignment with a sense of achievement, even if the original goal has to be modified. Without any feeling of success the restart in the subsidiary is significantly harder to manage plus the former colleagues have more difficulties to accept the inpatriate.

## **6. Methodology**

For this project elements of the qualitative social research methodology are applied. This study's data and findings are based on direct researcher-to-respondent conversations in person, using a problem centred interview guide.

Dealing with sensitive data makes the qualitative approach necessary (DANIELS / CANNICE 2004, MARSCHAN-PIEKKARI 2004). In some cases it took several meetings to build up a trustful relationship with the interview partners. The so gained data could have hardly been collected through quantitative questionnaires as the topics of the interviews were touching personal experiences, positive and negative ones, that some interview partners talked about for the first time, for example unfulfilled expectations, regrets of having accepted the assignment abroad or thinking of leaving the company.

Compared to the quantitative way of collecting data the advantage of personal interviews is that there could also implicit knowledge be revealed (BEHLING / LAW 2000). In the previous interviews with US-Americans and Japanese in Germany this method was proved and tested.

The face-to-face interaction gives the interviewer a chance to learn more about the tacit knowledge of the interview partners when they used metaphors to answer the questions which can be a rich source of information.

In addition to that misunderstandings, linguistic unclear or seemingly illogic points can be studied further, making it easier to clear the ideas of both parties. That was particularly important because half of the interviews were conducted in a non-mother tongue language for both parties, interviewer and interviewee.

Finally, the interview guide of the first phase could be constantly completed by newly raised questions of the interview partners.

The Interview guide was pre-tested with representatives of the target group to eliminate ambiguous and incomprehensible questions.

The interviews took on average one hour. Most of the interviews were held in English, some with an interpreter if the interview partner asked for.

Concentrating on German companies whose headquarter is based in Germany, interviews had been conducted in German companies with subsidiaries in the US and / or Japan who are the two target countries that allow (at the end of the research project) a triadic culture comparison.

The focal group of this research are US-American and Japanese employees in German companies, working for the foreign subsidiaries in the US respectively in Japan, who are transferred to the headquarter in Germany, for at least six months, at most five years of time. In addition to these inpatriates so called experts are interviewed. Experts in this context are defined as people who are dealing with inpatriates and who are in charge of them or decide the companies strategy about inpatriation, like for example HR managers, project leaders, CEO's or presidents of

the subsidiaries. They influence or decide about the inpatriation's policies and have a deep insight into the inpatriates' concerns.

The project includes field trips to Japan (Greater area of Tokyo and Yokohama) and to the US (Michigan), but are not yet finally completed (completion of field trips: in September 2007). Only by contacting the inpatriates on site, after their return, it was possible to collect the relevant data. The target was not only to meet them while they were working in Germany, but also when they returned to see how they could fulfil the objectives.

The selected industry sector of German companies was the automotive and automotive supplier industry (in the US and in Japan) and pharmaceutical industries (in Japan). The sample of automotive companies had to be enlarged for Japan, because concentrating only on the field of automotive industries would have made the sample too small as there are not enough German automotive companies located in Japan transferring Japanese inpatriates to Germany. Only companies were chosen that had not only sales offices abroad but also production plants because they had sent enough employees to the headquarter.

Until today 22 Japanese and 24 US American inpatriates were interviewed by the author, including interviews during the assignment and after the return to Japan respectively the US, plus 17 experts in Germany, in Japan and in the US, most of them were Germans, working as expatriates in the US or in Japan.

The contact to the companies' representatives in Germany was established through the HR departments in Germany, the access to the companies in the US was realised through the German American Chamber of Commerce and the German Embassy in Tokyo supported contacting the companies in Japan.

The interview guide for the inpatriates while in Germany includes the following topics: demographic data of the inpatriate, motivation for accepting an assignment abroad (push or pull factors), expectations in general, specific expectations towards the career development, previous and newly built networks between the superior in the subsidiary and in the headquarter, who have a significant influence on the success of the assignment, contacts to the subsidiary back home during the assignment abroad, and eventually supporting programs for the inpatriates, for example mentoring programs, and finally intercultural issues.

After their return the interview guide is complemented by the following questions: the special situation after the return, the impact on the career, knowledge transfer (in both directions), use of the newly gained knowledge and the networks ties, how to keep up the contact with the headquarter after the return and the question how and if the inpatriates could act as linking pin between subsidiary and headquarter due to their networks.

The interviews with the experts were dealing with the expectations towards inpatriation, its benefit and value, repatriation measures, potential risks and how to avoid them, support through active network integration, knowledge transfer, critical incidents in the context of inpatriation, and recommendations for improvement.

## **7. Next Steps and Future Research**

In a next step the interviews, that were all recorded and transcribed, will be analysed and evaluated, focusing on the above mentioned research questions and the cultural differences between Japanese and US-American inpatriates. The interviews will be analysed with MAX QDA, a computer based tool to evaluate qualitative data.

In the end this research project wants to add value to the understanding of the special situation of the inpatriates in order to guarantee a successful transfer strategy and also wants to provide companies, sending inpatriates from the subsidiaries to the headquarter, with detailed applicable information.

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