

# **Foreign company attractiveness to host country national professionals –**

## **An integrated model**

### **ABSTRACT**

Multinational companies (MNCs) face specific challenges when trying to attract and retain a highly qualified workforce in their respective host countries. However, while attracting local talent is important for company success, very little research is conducted on foreign company attractiveness to host country national (HCN) employees. To bridge this research gap, our study investigates foreign company attractiveness from a HCN perspective. Building on Person-Environment-Fit (P-E fit) theory, we develop an integrated model taking into account relevant organizational and individual characteristics in the foreign company context. Therefore, our model investigates the attractiveness of domestic versus foreign company origin, work environment, HR practices, and organizational culture toward HCN employees. Furthermore, we set out to define the boundary conditions of HCN attraction. Based on related research we argue that HCN demographics (age and gender), international skills (English proficiency and international experiences), and individual work values (individualism and risk aversion) interact with these organizational characteristics.

To test our hypotheses we utilized an in between subject design, presenting 16 different scenarios to 800 HCN professionals in Japan. Overall, we found domestic organizational characteristics to be more attractive toward the HCN respondents. However, our results show that company origin per se does not influence attractiveness. From an HCN perspective, internal attributes, such as HRM practices and organizational culture, were a stronger predictor of attraction than the company country of origin. HCN professionals prefer companies with internal procedures, which are congruent with dominant host country practices. Building on our results we conclude that MNCs need to consider local adaption of their internal structures to attract and retain the local workforce.

Additionally, supporting our theoretical arguments, the results show that individual characteristics moderated the relationship. Our data revealed that young, risk oriented females with high proficiency in English are most attracted to foreign companies. In consequence, our results suggest that recruiting activities should be targeted carefully and consider individual differences and preferences.

### **An integrated model of foreign company attractiveness**

Due to high cost of using expatriates and increasing availability of competent host country labor force, multinational companies (MNCs) have started to localize their staffing practices (Law, Song, Wong, & Chen 2004). However, in contrast to equivalent domestic companies, MNCs face various liabilities of foreignness in developed host countries, including challenges to attract and retain HCN talent (Newbury, Gardberg, & Belkin, 2006; Ono, 2007). Despite the importance of attracting and retaining talent for corporate success, little research is conducted on foreign company attractiveness to HCN employees.

For more comprehensive understanding, we examine foreign company attractiveness from a HCN perspective. By doing so, this study contributes to organizational attractiveness and international management research in three ways. First, building on Person-Environment-fit (PE fit) theory we develop an integrated model that focuses on the congruence of organizational and individual characteristics in the MNC context. For instance, research shows that human resource management (HRM) practices and organizational culture influence organizational attractiveness (Judge & Cable, 1997; Martins & Parsons, 2007) and vary across countries (Pudelko, 2006). In an international context, company ownership (Newbury et al., 2006) and firm familiarity (Turban et al., 2001) also affect organizational attraction. However, due the different foci of these studies, it is unclear which characteristics are salient in the MNC context. To disentangle foreign company attractiveness, we base our model on PE fit and test the effects of organizational features of domestic vs. foreign origin, work environment, HRM practices, and organizational culture. Drawing from previous studies (e.g., Newbury et al., 2006; Turban et al., 2001), we also investigate how individual level variables in terms of demographics, international skills and values affect the attractiveness perceptions.

Second, our study contributes to the global-local debate in the HRM literature. While the liability of foreignness perspective (Zaheer, 1995) suggests that foreign companies suffer

from various disadvantages in host countries, research suggests variations in foreign company attractiveness to HCNs. For example, Turban et al. (2001) found that foreign companies were more attractive towards risk-seeking HCN applicants in China. In contrast, Newburry et al. (2006) showed that foreign companies were less attractive to HCNs in the USA. These findings suggest that foreignness is not a monolithic construct and its effect is individual and context-bound. To build on these contextually different findings, we focus on the fit perspective to identify factors that influence attractiveness in an Asian, developed nation context. More specifically, we test our conceptual model with 800 HCN employees in Japan.

Third, this study investigates the organizational attractiveness from an HCN employee perspective. While several studies have been conducted regarding the attraction of university students as potential future employees (Bretz et al., 1989; Cable & Judge, 1994; Turban et al., 2001) research on HNC employees is sparse. However, because foreign companies are found to rely mainly on mid-career recruiting (Ono, 2007), research on organizational attractiveness with experienced HCN employees is warranted. Our research gives valuable insights into the characteristics of this under researched target group.

## **THEORETICAL FRAMEWORK**

Organizational attractiveness has increasingly drawn from Person-Organization (PO) fit theory (Kristof, 1996; Kristof-Brown, Zimmerman, & Johnson, 2005). PO fit is characterized as one form of Person-Environment (PE) fit, which broadly assumes that the compatibility of the work environment and the characteristics of the individual are necessary conditions for different positive employee outcomes. PE fit theories have been specified towards different types of fit, namely fit with the vocation, organization, job, work group and supervisors (Kristof, 1996). PO fit primarily focuses on the deep level congruence of values, goals, and norms. PJ fit stresses that complementary fit is required regarding the needs-supplies and

demands-abilities perspective. From the needs-supplies perspective, fit occurs when the work environment satisfies the individual desires. The demands-abilities perspective, in turn, assumes that fit is based on the ability of the employee to meet organizational or job demands based on the individual's knowledge, skills, and abilities (Kristof, 1996). Taking the perspective of prospective employees, fit theories suggest that people are attracted to companies that resemble their personal characteristics and chose jobs that are congruent with their qualifications. This perspective is based on the Attraction-Selection-Attrition framework (Schneider, 1987), maintaining that attraction is the basis for selection and retention. Perceived fit is associated with higher acceptance intentions (Chapman et al., 2005) and the strongest predictor of applicant attraction (Uggerslev et al., 2012).

In contrast to rich empirical evidence in domestic setting, research on foreign company attractiveness is limited and has generated inconsistent findings. For instance, regarding company nationality, Turban et al. (2001) have found higher HCN attraction towards foreign than domestic companies in China, whereas Newburry et al. (2006) have shown reverse effects in the USA. Turban et al. (2001) provided theoretical and empirical ground to this discussion by investigating company ownership, supervisor nationality and several individual-level factors, e.g. risk aversion, in an international context. Our research extends this knowledge by testing a holistic, integrated model of foreign companies taking account internal conditions and processes of MNCs as well as individual HCN characteristics. As for organizational characteristics, while organizational culture and HRM practices have been shown to affect individual attraction towards organizations in general (Bretz, & Judge, 1994; Judge & Cable, 1996; Martins & Parsons, 2007), they have not received considerable attention in foreign company research. However, as MNCs tend to transfer their culture and organizational practices from their country-of-origin to host countries (Pudelko, 2005), these characteristics promise new insights regarding their effect on attractiveness to local employees

from a PE fit perspective. Further, as work environment is shown to have strong effects on job-organization attraction (Chapman et al., 2005) and to vary in local and foreign companies (Ono, 2007), its effects in the MNC context are of particular interest.

Building on previous PO fit research we argue that the link between organizational characteristics and organizational attractiveness is moderated by HCNs demographics (gender and age), international skills (English proficiency and international experiences), and values (individualism and risk aversion). For example, PO fit research shows that organizational attractiveness perceptions are related to raters' demographics (Newbury et al., 2006; Chapman et al., 2005), and skills, motives and values (Turban et al. 2001; Kim, Froese, & Cox, 2012). In our model, these characteristics are categorized to surface and deep level differences. In line with Newbury et al. (2006), we test the moderating effects of age and gender, shown to affect attraction towards foreign companies as surface level differences. Further, our model takes account English proficiency (Turban et al., 2001) and international experience (Kraimer, Shaffer, Harrison, & Ren, 2012), shown to shape attractiveness and expectations toward jobs and companies. Finally, drawing on research in Asia (Kim et al., 2012; Turban et al., 2001), we expect that HCN value orientation toward individualism and risk aversion moderate the link between organizational characteristics and organizational attractiveness. The hypotheses shown in Figure 1 are discussed in the following section.

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Insert Figure 1 about here

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## **THEORETICAL MODEL AND HYPOTHESES DEVELOPMENT**

### Organizational Attractiveness: Organizational characteristics

The liability of foreignness perspective posits that foreign companies suffer from various disadvantages compared to domestic companies in host countries (Zaheer, 1995). Denk, Kaufmann, and Roesch (2012) have categorized these liabilities into unfamiliarity, relational, and discrimination hazards. Among them, discrimination hazards are the most relevant in the recruiting context. For example, Kostova and Zaheer (1999) proposed that the lack of information, use of stereotypes, and different evaluation standards influence the legitimacy and foreign company acceptance by HCNs. The process of stereotyping can lead to discrimination and less favorable evaluations of foreign companies. In support, HCN applicants are shown to evaluate foreign companies less attractive than domestic companies in the USA (Newbury et al., 2006).

Integrating the liability of foreignness and PO fit perspectives we argue that local values, customs, and corresponding organizational practices affect HCNs' organizational attractiveness perceptions. To illustrate the foreign-local distinction we use the USA and Japan as example. In general, Japanese companies favor long-term employment, group-based work, and seniority (Sekiguchi, 2006). In contrast, US companies favor individual-based performance and promotion evaluations and are subject to lower job security and high turnover (Sekiguchi, 2006). This concurs with cross-cultural research, showing that the Japanese society is characterized by a higher degree of uncertainty avoidance and a lower degree of individualism than the USA (Hofstede, 2001). These findings are relevant in the MNC context, as many MNCs standardize their organizational practices throughout the different host markets according to their home country customs. For instance, US subsidiaries in Japan are found to differ from domestic companies in terms of their HRM practices (Ono, 2007). These HRM practices had a negative effect on trust and increased turnover among HCNs (Ono, 2007).

Thus, based on the value-congruence assumption of PO-fit, we expect HCN employees in general to have more positive perceptions of companies resembling their own country and cultural heritage. This also transmits to the personal level. Linking these arguments to PS and PG fit, we assume that value congruence plays an important role in all kinds of interpersonal relationships in the workplace and leads to positive outcomes if similarity of values and norms in the working environment is ensured.

Despite these arguments, research findings regarding the attractiveness of foreign companies are inconsistent. For example, foreign companies in China were more attractive to HCN students than domestic companies (Turban et al., 2001). However, we expect different findings to occur in a developed country context. In Japan, domestic companies offer economic stability and long-term employment to their employees (Ono, 2007). In contrast, foreign companies are shown to have locally incongruent practices (Ono, 2007). PO fit suggests that in general Japanese employees prefer security and familiarity over foreignness. Taken together, we assume that HCN employees prefer local companies over foreign companies regarding all four organizational characteristics in our model.

*Hypotheses 1(a/b/c/d):* HCN employees in Japan are more attracted towards a) domestic companies, b) domestic work environment, c) domestic HRM practices, and d) domestic organizational culture than to foreign characteristics.

#### Demographics: Gender and Age

Gender is shown to affect attractiveness perceptions. For instance, highly educated women are shown to be interested in managerial careers (Powell & Butterfield, 2013) and international careers (Adler, 2002). Newburry et al. (2006), in turn, found females to be more attracted towards foreign companies than men. We expect similar findings in our study. While

having a relatively high employment rate in Japan, females in domestic companies face gender discrimination, including substantially lower wages and job security, and overrepresentation in irregular employment (Cooke, 2010). The differences are created partly by career breaks caused by marriage and maternity leaves. In the Japanese society, women are often expected to leave their companies after founding a family. In contrast, US companies tend to place more emphasis to workplace equality. For instance, Ono (2007) found in Japan that gender-based salary differences were smaller in US companies than domestic companies. Drawing on PO fit theory, we argue that the origin of a company send signals regarding appreciation towards females, which, in turn, affects the perceived attractiveness.

In Japan, ‘life-long’ employment and tenure further are important cultural anchors of individual careers and professional success in domestic companies (Sekiguchi, 2006). However, this mainly favors core male employees (Cooke, 2010). This leads us to the assumption that career-orientated Japanese females are more attracted towards companies perceived to have more equalitarian, diverse, and progressive organizational cultures. In a similar vein, Avery and McKay (2006) proposed that companies, which seek diversity, will be evaluated more positively by female applicants. Viewed through the needs and supply perspective, this suggests that the expectations of professional fulfillment and appreciation can be satisfied only in organizational cultures that do not – or at least in a lesser extent – discriminate against women, but value diversity and individual effort.

*Hypotheses 2 (a/b):* Gender moderates the relationship between organizational characteristics and organizational attractiveness; female HCN employees in Japan have a higher attraction toward a) foreign companies and b) foreign organizational culture.



In terms of age, we expect opposite moderating effects. For instance, research on personality traits suggests that openness towards new experiences decreases with age (Specht, Egloff, & Schmukle, 2011). That is, younger people tend to be more open towards new experiences; older people seek more stability and are less open to change. In addition, Lievens et al. (2001) found that openness moderated the effect of internationalization on organizational attractiveness; individuals high on openness were more attracted towards foreign companies. Integrating these findings, we expect that company foreignness sends signals that are evaluated differently between age groups. More specifically, we draw on the needs-supply perspective of PJ fit to propose that younger HCNs are more attracted towards foreign companies, which promise new experiences and change, and thus meet the specific interests of younger people.

We acknowledge that Newburry et al. (2006) found age to be positively related to foreign company attractiveness in the USA. In Japan, age has a different meaning compared to the USA and many other countries. Age and seniority in Japan are attributed to high organizational status and rank (Sekiguchi, 2006). Despite the recent introduction of individual performance management in Japanese companies (Pudelko, 2006), tenure and seniority are still the traditional characteristics of Japanese promotion policies (Cooke, 2010; Ono, 2007). Older people are thus more likely to have higher promotion and status expectations within traditional, domestic companies than in foreign companies. Interpreted through PO fit we assume that older HCNs in Japan are more attracted towards domestic companies and corporate cultures resembling their own traditional values and need for stability. Thus, we hypothesize the following:

*Hypotheses 3 (a/b):* Age moderates the relationship between organizational characteristics and organizational attractiveness; older HCN employees in Japan have a higher attraction toward a) domestic companies and b) domestic organizational culture.

#### International Skills: English Proficiency and International Experience

Demands-abilities-perspective of the PJ-fit model suggests that HCNs inclined to apply to foreign companies have high English skills (Chapman et al., 2005), as it is the common language in MNCs (Peltokorpi & Vaara, 2012). Giving support to this assumption, Turban et al. (2001) found that English proficiency is related to the attractiveness of companies in China regarding their ownership (domestic vs. foreign) and supervisor nationality; HCNs with low English proficiency were less attracted towards foreign companies with foreign supervisors. Extending this to the needs-supply perspective, we assume that HCNs with higher proficiency in English generally enjoy working in foreign companies and in an international work environment. Language policies also influence recruitment and promotion practices in MNCs (Peltokorpi & Vaara, 2012). Building on PJ fit and demands-abilities perspective, we argue that managerial careers in MNCs are highly determined by the communication skills in an international context. Turning this into needs-supplies perspective, PJ fit predicts, that people, who have high English proficiency feel a higher fit towards promotion and HRM practices in international companies. Thus, we derive the following hypotheses.

*Hypotheses 4 (a/b):* English proficiency moderates the relationship between organizational characteristics and organizational attractiveness; HCN employees in Japan with a higher English proficiency have a higher attraction toward a) foreign work environments and b) foreign HRM practices.

In addition, research shows that an increasing amount of people have international experiences, causing profound individual changes (Osland 2000). For example, international experiences are shown to change one's personal and cultural identity (Sussman, 2000), which in turn will affect the expectations and needs toward the working environment. Drawing on PG and PJ fit, we assume that HCNs with international experiences seek for a work environment that allows interaction with people with similar experiences and values. Reflecting their identity orientations (Osland, 2000), employees with international experiences can also feel a higher fit toward superiors and colleagues who share their international and foreign perspectives than to a traditional Japanese environment. In addition, Kraimer et al. (2012) argued that employees returning from international assignments (i.e., repatriates) expect that the acquired set of related skills and competencies to have positive career implications. However, they found that if these aspirations are not met and repatriates feel depreciated compared to colleagues who do not have international experience, turnover will increase due to increased identity strain. From a needs-supply perspective this implies that the needs of repatriates will be less reflected by the tenure-based promotion and compensation practices of traditional domestic companies in Japan. In contrast, we assume that they may have positive perceptions, for example, toward individual-based compensation and promotion practices. Further, due to the increase in their international experience related human capital, they need to place less emphasis on security and lifelong employment. Thus, we hypothesize:

*Hypotheses 5 (a/b):* International experience moderates the relationship between organizational characteristics and organizational attractiveness; HCN employees in Japan who have more international experience are more attracted toward a) foreign work environment and b) foreign HRM practices.

### Values: Risk Aversion and Individualism

Risk aversion is also subject to individual variation (Cable & Judge, 1994). More risk-averse people are less likely to make a choice that is perceived as involving risk than would less risk-averse people. Risk aversion is shown to affect individual preference towards certain HRM practices, especially compensation systems (Bretz et al., 1989; Cable & Judge, 1994). Specifically, individuals with low risk aversion are more attracted towards and satisfied with individual-based performance and promotion practices. In addition, Turban et al. (2001) showed that Chinese students with low risk aversion to be more attracted towards foreign than domestic companies. Students with high risk avoidance were attracted toward stability and seniority-based careers than performance-based evaluations. In terms of organizational culture, value similarity is shown further to influence the perceived fit with the organization (Cable & Judge, 1996). Since HRM practices and organizational culture in Japanese companies are often based on job security, long-term employment and seniority (Pudelko, 2006), P-O and P-J fit perspective suggests that domestic HRM practices and organizational culture better fit the values and needs of HCNs in Japan with higher risk avoidance. Thus, we formulate the following hypothesis.

*Hypotheses 6(a/b):* Risk aversion moderates the relationship between organizational characteristics and organizational attractiveness; HCN employees in Japan with higher degree of risk orientation are more attracted towards a) foreign HRM practices and b) a foreign organizational culture.

While Japan is shown to be moderately collectivist country (Hofstede, 2001), countries are subject to variation in individual value orientation towards individualism and collectivism (Kwon, 2012). People with high individualism perceive the self as being separate from

others, are concerned with achievement, and give priority to personal goals over the goals of collectives (Triandis & Gelfand, 1998). Individual orientation towards individualism and collectivism is shown to affect the perceived attractiveness to and satisfaction with HRM practices. More specifically, people high on individualistic have a lower attraction toward traditional Japanese organizational culture in Vietnam (Kim et al., 2012) and are more satisfied with individual-based performance and promotion practices (Froese & Xiao, 2012). Interpreting these research findings through the PO fit perspective, we expect more individualistic Japanese to be more attracted towards foreign organizational cultures, which are more similar to their own values. Thus, we formulate the following hypothesis.

*Hypotheses 7 (a/b):* Individualism moderates the relationship between organizational characteristics and organizational attractiveness; HCN employees in Japan with a higher degree of individualism are more attracted toward a) foreign HRM practices and b) foreign organizational culture.

## **METHOD**

### Sampling Procedure and Sample

Data was collected by a Japanese research company via online survey in the greater Tokyo area (including Chiba, Kanagawa, Tokyo, and Saitama prefectures) in 2010. Research companies provide the possibility to access a broad and diverse sample of respondents. In vocational and organizational behavior research, scholars have thus increasingly used research companies to collect data (Ng & Feldman, 2012; Piccolo & Colquitt, 2006; Triana, Garcia, & Collela, 2010). In the present study, respondents received small incentives (online shopping points) in return for their participation.

To gain representative data, we asked the research company to collect data from full-time HCN employees with a quota of 30% women and a median age of 35 in line with Ono's study (2007). The research company informed us the response rate to be approximately 50%. The average age of respondents was 35.78 years (SD 8.04). Among the respondents, 41.1 % worked for companies with less 300 employees; 58.9 % worked for companies with more than 300 employees. The majority of respondents worked as sales and administrative support (34.5%) and laborers (32.5%), followed by management (11.9%), service workers (9.1%), professionals (3.6%) and others (8.4%).

### Research Design

To test organizational attractiveness, we used an experimental 2x2x2x2 between subject design containing 16 scenarios. To ensure comparability and sufficient statistical power each scenario was presented to approximately 50 respondents. To create scenarios, we defined four organizational characteristics (company origin, HRM practices, work environment, and organizational culture), each containing either domestic (Japanese) or foreign (US) elements. For all items we used domestic parameters as base line (0) and coded foreign with 1. We provided sentences for each of the items, which were presented randomly to the respondents: Company origin was "a large Japanese company" (domestic scenario); "a large foreign company" (foreign scenario) in the same region as the current company. HRM practices were "Promotion and pay are based on tenure at the company. The company guarantees lifetime employment for all fulltime employees" (domestic scenario); "Promotion and pay are based on employee performance. The company might lay-off employees if they perform poorly and/or in times of financial difficulties" (foreign scenario). Work environment was "All your colleagues, superiors and customers would be Japanese and you would work only within Japan" (domestic scenario); "You are likely to work with foreign colleagues, superiors and cus-

tomers in Japan and overseas, including potential business trips and expatriate assignments” (foreign scenario). Organizational culture was “The corporate culture is characterized by group orientation, harmony, and consensus-based decision making” (domestic scenario); “The corporate culture is characterized by individualism, competition, and personal initiative” (foreign scenario). One of the 16 scenarios stated:

*It is a large Japanese company based in the same region as your current company.*

*All your colleagues, superiors and customers would be Japanese and you would work only within Japan. Promotion and pay are based on tenure at the company. The company guarantees lifetime employment for all fulltime employees. The corporate culture is characterized by group orientation, harmony, and consensus-based decision making.*

### Measures

*Dependent variable.* Organizational attractiveness was measured by a three-item scale adapted from (Harris & Fink, 1987) with a Likert-scale ranging from 1 (*strongly disagree*) to 6 (*strongly agree*). A sample item is “I would accept a job offer from this company”.

Cronbach’s alpha was .90.

*Moderating variables.* Risk aversion was measured by a three-item scale from Gomez and Balkin (1989) with a Likert-scale ranging from 1 (*strongly disagree*) to 6 (*strongly agree*). A sample item is “I am not willing to take risks when choosing a job or company to work for”.

Cronbach’s alpha was .80. Individualism was measured by a four-item scale from Triandis and Gelfand (1998) with a Likert-scale ranging from 1 (*strongly disagree*) to 6 (*strongly agree*). A sample is “I would rather depend on myself than on others”. Cronbach’s alpha was .77. English proficiency was measured in line with Peltokorpi (2008) by asking to indicate

the English proficiency on a Likert-scale (1 = none; 2 = basic; 3 = some; 4 = conversational; 5 = business level; 6 = fluent). Experience abroad was measured by asking the participants to indicate their experience with a scale (1 = no; 2 = < 1 year; 3 = 1-5 years; 4 = 6-10 years; 5 = > 10 years). Gender was dummy coded (0 = male; 1 = female). Age was measured in years.

*Control variables.* We included four control variables to rule out possible alternative explanation for the hypotheses. We controlled for tenure (measured in years) and education (1 = Middle school; 2 = High school; 3 = Vocational school/ applied university; 4 = University undergraduate degree; 5 = University graduate degree) on the individual level. We also controlled for company industry (manufacturing, retail, and services), which were dummy coded (e.g. 0 = manufacturing; 1 = others). Finally, we controlled for company size measured on a scale regarding number of employees (1 = 1-4; 2 = 5-19; 3 = 20-99; 4 = 100-299; 5 = 300-999; 6 = 1000-9999; 7 = > 10.000) of the company as organizational-level variables.

## RESULTS

Table 1 shows means, standard deviations (SD) and correlations of all study variables. With one exception, that is correlation between English proficiency and international experience ( $r = .53, p < .001$ ), the correlations among the variables were weak/non-significant. Of the four organizational characteristics, work environment ( $r = -.08, p < .05$ ), HRM practices ( $r = -.06, p < .1$ ), and organizational culture ( $r = -.15, p < .001$ ) were significantly correlated with organizational attractiveness. Further, international experience ( $r = .09, p < .01$ ) and English proficiency ( $r = .11, p < .001$ ) were significantly correlated with organizational attractiveness.

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We conducted ANOVAs with organizational characteristics and control variables to test if the organizational attributes a) country, b) work environment, c) HRM practices, and d) organizational culture affect respondents' organizational attraction perceptions. The ANOVA tests revealed the significant effects of work environment ( $F_{(1, 8)} = 5.34, p < .05$ ), HRM practices ( $F_{(1, 8)} = 3.23, p < .1$ ), and organizational culture ( $F_{(1, 8)} = 19.90, p < .001$ ). However, the country variable was not significant. The results show that domestic organizational culture has the highest explanatory power regarding organizational attractiveness, followed by work environment, and HRM practices.

We conducted linear hierarchical regression analyses to test hypotheses 1-7 (see Table 2). In Model 1, we included the control and the moderating variables. Following the recommendations by Aiken and West (1991), we tested the moderating effects with mean-centered variables to avoid multicollinearity (tolerance level = .99;  $VIF_{\max} = 1.842$ ). In Model 2, we included the organizational characteristics. In Models 3, 4 and 5, we step-wise added the interaction terms. Model 3 contained the demographic interactions. Model 4 covered the international skill interactions, supplemented by value interactions in Model 5. Model 6 includes all hypothesized effects. Adding the interaction terms significantly increased  $\Delta R^2$  and  $\Delta F$  of all models. Regarding the effects of the moderating variables, Model 5 showed the highest increase ( $\Delta R^2 = .05, \Delta F = 9.82, p < .001$ ) compared to Model 4 ( $\Delta R^2 = .04, \Delta F = 9.24, p < .001$ ), and Model 3 ( $\Delta R^2 = .01, \Delta F = 2.45, p < 0.5$ ) using Model 2 as reference. In Model 6, inclusion of all interaction terms improved model fit substantially ( $\Delta R^2 = .09; \Delta F = 7.05, p < .001$ ).

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Insert Table 2 about here

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Testing for Hypotheses 1 (a-d), Model 2 shows significant effects of work environment ( $\beta = -.08, p < .05$ ), HRM practices ( $\beta = -.07, p < .05$ ), and organizational culture ( $\beta = -.16, p < .001$ ) on organizational attractiveness. The results show a stronger HCN attraction towards domestic characteristics giving support for Hypothesis 1 b-d. Hypothesis 1a was not supported. In support for Hypothesis 2a, Model 3 shows that gender moderated the relationship between company origin and attractiveness ( $\beta = .08, p < .05$ ). In support for Hypothesis 3b, age moderated the relationship between organizational culture ( $\beta = -.08, p < .05$ ) and organizational attractiveness. Hypothesis 2b and Hypothesis 3a were not supported. In Model 4, Hypothesis 4a was supported because English proficiency significantly moderates between work environment and attractiveness ( $\beta = .19, p < .001$ ). However, Hypotheses 4b, 5a/b were not supported. In Model 5, Hypotheses 6 a and b were supported because risk orientation significantly interacted with HRM practices ( $\beta = -.11, p < .01$ ) and organizational culture ( $\beta = -.17, p < .001$ ). Further, Model 5 provided support for Hypothesis 7b because individualism significantly interacted with organizational culture ( $\beta = .06, p < .1$ ).

To interpret the moderated interactions, in line with Aiken and West (1991), we plotted relationships, showing the mean, and high and low levels of significant moderating variables by values 1 SD above and below the mean (see Figures 1-6). With exception of individualism, the slopes follow the predicted direction. As hypothesized, females are more attracted towards foreign companies than males. Additionally, the graph shows that males prefer domestic companies more than females. The interaction plots show similar slopes for the effect of age and culture, as well as English proficiency and work environment. Older (younger) respondents prefer domestic (foreign) organizational culture more than younger (older) respondents. Further, the respondents with high proficiency in English prefer foreign work environments stronger than the respondents with low proficiency, whereas domestic work environments appeal more strongly toward the respondents with low English proficiency. We also

found that the respondents with high risk aversion prefer domestic HRM practices and domestic organizational culture more than the respondents with low risk orientation and vice versa. Regarding individualism, the graphs show that the respondents with lower individualism are more attracted towards domestic companies than the ones who score high on individualism. However, the respondents with high individualism do not prefer foreign organizational culture more than their counterparts with low individualism.

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## **DISCUSSION**

This study investigated foreign company attractiveness from a HCN perspective in Japan. The findings show that company origin (domestic vs. foreign) per se does not affect organizational attractiveness. Instead, HCN employees in Japan prefer companies with HRM practices, work environment and organizational culture that conform to local practices. However, this general statement does not apply equally to all HCNs. Extending earlier research on PE-Fit we found that demographics, international skills and values of HCNs moderate the relationship. We discuss theoretical and practical implications in the following sections.

### Theoretical Implications

This study contributes to organizational attractiveness and international management research in several ways. First, our findings that age, gender, English proficiency, and values moderate the relationship between organizational characteristics and attractiveness contribute to PE fit research. The findings suggest that individual differences should be taken into account in

attraction research, as foreignness was not repelling for all HCNs. Our findings further support research on gender differences regarding to foreign company attractiveness (Newburry et al., 2006). Specifically, we found that foreign companies signal more equality and career opportunities to women, supporting the assumption of the needs-supplies perspective. We also found that organizational culture is evaluated differently between age groups. Yet, our results are contradictory to the finding of Newburry et al. (2006). Whereas they found a higher attraction towards foreign companies among older employees our results indicate the opposite. We assume that this is based on the amount and kind of information given about the companies. Since Newburry et al. focused on the attractiveness of foreign versus local headquarters, our scenario descriptions provided more information on the inside of the organization. Our results suggest that attraction changes when more information is given and older people feel more attached toward organizations that resemble their own, traditional value system.

Further, our findings show that HCNs with higher English proficiency were more attracted towards foreign work environments. In this respect, our findings are similar to Turban et al. (2001). However, this competence is not related to other organizational characteristics, such as HRM practices. We assume that English proficiency has no underlying relation to the values of a person, but seems to be a specific competence only related to its use in practice. Overall, we found only limited effects regarding HRM practices. One possible explanation is that Japanese companies have also started to implement individual performance management (Pudelko, 2007). Due to stronger exposure and presence of these practices in Japan, the differences between employees, who have, and employees who do not have experience with international HRM practices abroad might in general have become less univocal.

The results also show that individual values have the strongest effects on attractiveness. We found support for their moderating effect regarding organizational culture and HRM

practices with risk aversion being particularly influential. Our data revealed that the higher the risk aversion and the lower the individualism of an individual is the stronger the negative effect of foreignness. This provides further support to the PO fit approach considered that the Japanese society is characterized by high risk avoidance and a strong consensus orientation (Hofstede, 2001).

Second, extending earlier findings our research design provides further insights into the details and underlying mechanisms of PE fit. Our three-level model of individual characteristics showed that deep level characteristics, i.e. values, have a stronger impact on attractiveness evaluations than surface level characteristics. This is of specific importance as values are fundamental characteristics of individuals and relatively stable (Chatman, 1991) and have been shown to be important factors predicting commitment and performance (Froese & Xiao, 2012). This concurs with our finding that organizational culture, inhabiting the corporate values, had the strongest influence on attractiveness perceptions.

Third, our study contributes to HRM research on staffing practices (Law et al., 2009). Our findings suggest that the liability of foreignness argument does apply in a specific developed nation context in terms organizational characteristics. More specifically, our findings suggest that is not the company origin per se that affects organizational attractiveness but the internal attributes. From an HCN perspective internal attributes, such as HRM practices and organizational culture, were a stronger predictor than the company country of origin. Country-of-origin research has indicated that, when judging the image of a country, people attribute certain characteristics and stereotypes to countries, which are influenced by an underlying set of variables (Martin & Eroglu, 1993). Froese, Vo, and Garrett (2010) transferred this idea to the recruiting context and argue that the images of organizations are based on the perceptions of HRM practices or job attitudes. Our study showed that these internal proceedings have stronger effects than the idea of foreignness itself. Building on our results we conclude

that MNCs need to consider local adaption of their internal structures to attract and retain the domestic workforce. Thereby, our study supports earlier findings on the necessity of localization to increase organizational performance (Newman & Nollen, 1996; Law et al., 2009). Our findings based on P-E fit assumptions allow drawing conclusions, that localization is also a necessary condition for positive HR outcomes.

### Practical Implications

Our study has practical implications. While the results suggest that HCNs prefer domestic organizational characteristics over foreign ones, our findings also suggest that the company origin itself does not affect HCN attractiveness perceptions. This finding is important because foreign companies can change their work environment, HRM practices and organizational culture, not their country of origin. Our results suggest that MNCs seeking to attract HCN talent should consider the localization of their foreign subsidiary practices. Indeed, a recent study in Japan indicates that HCN employees often do not differentiate foreign companies with localized practices from their domestic competitors (Froese & Peltokorpi, 2010).

In recruiting, foreign companies in Japan are advised to adopt local practices and promote these features to attract local talent. If local adaption is not the preferred option, our results suggest that recruiting activities should be targeted carefully and consider individual differences and preferences. Recruiters should be aware that individuals with specific characteristics may fit in better and will be more attracted by MNCs. Our data shows, that young, risk oriented HCN females with high proficiency in English have the highest attraction towards foreign companies in Japan. However, this does not mean that they are supposed to be the only target group. Based on our findings, we assume that applicants with other characteristics might need more guidance and integration effort to familiarize with the foreign stand-

ards and operations to create PO fit. For example, specific programs for the onboarding of new HCN hires are advisable.

### Limitations and Future Research Directions

This study has limitations that can be taken into account in future research. First, the study design did not allow us to measure actual employment decisions. Limited information about the companies was also given due to the scenario technique. However, this offered the possibility to ensure the causality of each relationship. Because we focused on domestic and foreign elements, we are not able to distinguish specific country effects. Future research can add more parameters and descriptions regarding different countries-of-origin. Second, because this study was conducted in one country the generalizability of the findings is limited. We encourage further research to investigate these effects in other countries. Third, sample characteristics may have affected our findings. This is especially relevant with our hypothesis on the moderating effects of foreign experience because 78.5% of the respondents did not have any experience abroad. However, this concurs with current trends in Japan. We suggest further testing with other samples to test if young Japanese employees are in general less likely to go abroad, or if other results occur with different samples. Despite these limitations, this study takes a significant step forward and sheds interesting light on the complexity related to foreign company attractiveness to HCN employees. At the same time, this study underscores the need for more empirical work to understand the process of individual attraction in different national contexts.

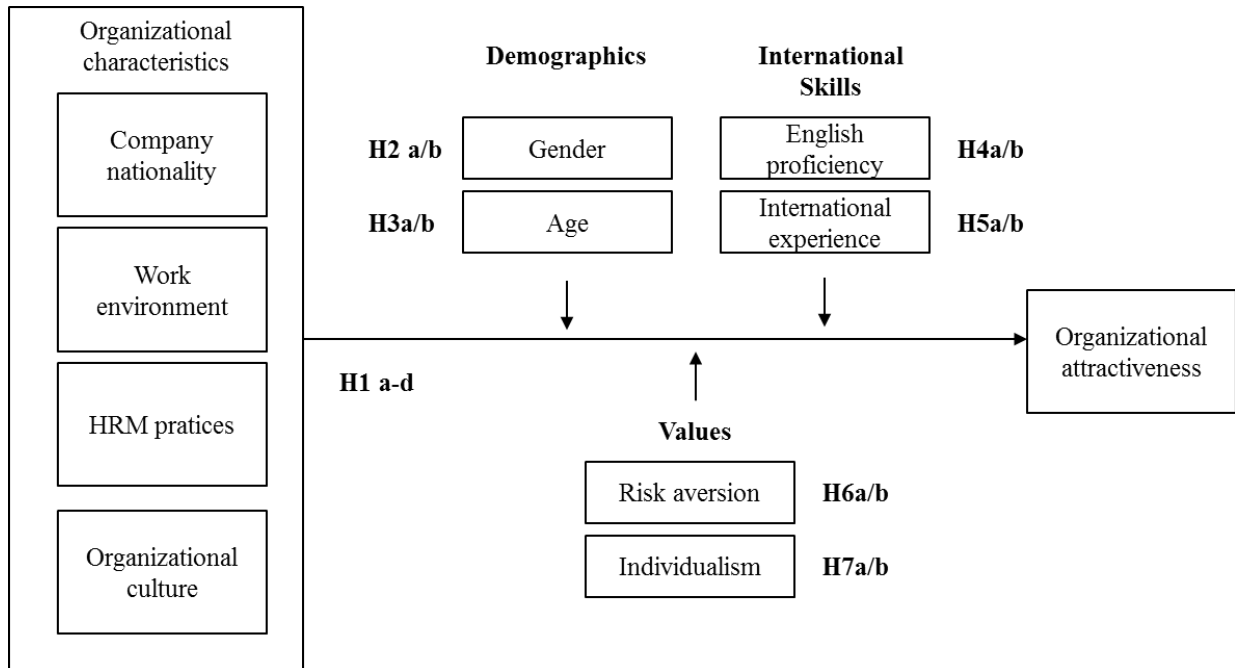
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**Figure 1:** Conceptual model

**Table 1:** Means (M), standard deviations (SD) and correlations

Variables	M	SD	1	2	3	4	5	6	7	8	9	10
1 Org. attractiveness	3.31	1.05										
2 Company origin	0.49	0.50	.01									
3 Work environment	0.50	0.50	-.08 *	.01								
4 HRM practices	0.48	0.50	-.06 †	.00	.02							
5 Organizational culture	0.49	0.50	-.15 ***	-.02	-.01	.00						
6 Risk aversion	4.15	0.89	.02	.01	.01	.05	-.04					
7 Individualism	3.94	0.83	.01	.03	.01	-.01	-.09 *	.10 **				
8 English proficiency	2.53	1.41	.11 ***	.01	.01	.04	-.01	-.10 **	.12 ***			
9 Int. experience	1.39	0.86	.09 **	-.04	-.01	.10 **	.00	-.05	.06 †	.53 ***		
10 Gender	1.30	0.46	-.03	-.02	-.02	-.01	.01	.08 *	-.02	.16 ***	.18 ***	
11 Age	35.78	8.04	-.03	.02	.00	.02	.04	-.04	.05	-.07 *	-.06	-.05

Note: \*\*\*  $p < .001$ , \*\*  $p < .01$ , \*  $p < .05$ , †  $p < .10$

**Table 2:** Results of linear regression

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Control Variables						
Tenure	-.11 *	-.12 *	-.13 *	-.11 *	-.11 *	-.11 *
Education	.06	.06	.07 †	.06 †	.06 †	.06 †
Company size	.03	.02	.02	.04	.02	.05
Industry	.03	.03	.02	.04	.03	.03
Gender	-.05	-.05	-.05	-.06 *	-.04	-.05
Age	.06	.07	.08 †	.06	.05	.06
International experience	.08 †	.08 †	.08 †	.08 *	.08 *	.10 *
English proficiency	.04	.05	.04	.05	.04	.03
Individualism	.00	-.02	-.02	-.02	-.02	-.01
Risk aversion	.04	.05	.05	.05	.03	.04
Organizational characteristics						
Company origin		.01	.01	.00	.02	.01
Work environment		-.08 *	-.08 *	-.08 *	-.08 *	-.08 *
HRM practices		-.07 *	-.07 *	-.08 *	-.07 *	-.08 *
Organizational culture		-.16 ***	-.16 ***	-.15 ***	-.16 ***	-.16 ***
Interaction terms: demographics						
C. origin X Gender			.08 *			.06 †
C. origin X Age			.00			.02
O. culture X Gender			.01			.01
O. culture X Age			-.08 *			-.09 **
Interaction terms: International skills						
W. environment X Abroad				.19 ***		.18 ***
W. environment X English				-.01		.00
HRM X Abroad				.05		.03
HRM X English				.05		.05
Interaction terms: Values						
HRM X Risk aversion					-.11 ***	-.09 **
HRM X Individualism					.05	.04
O. culture X Risk aversion					-.17 ***	-.16 ***
O. culture X Individualism					.06 †	.05
R <sup>2</sup>	.03	.07	.08	.11	.11	.16
R <sup>2</sup> Δ		.04	.01	.04	.05	.09
Adjusted R <sup>2</sup>	.02	.05	.06	.09	.09	.13
F		5.26 ***	4.32 ***	6.70 ***	7.11 ***	6.54 ***
F Δ		7.65 ***	2.48 *	9.24 ***	9.82 ***	7.05 ***

Notes: \*\*\*  $p < .001$ , \*\*  $p < .01$ , \*  $p < .05$ , †  $p < .10$

Values are standardized beta values

R Δ and F Δ of models 3-7 display the increase towards model 2

### Graphs 1-6: Effects of interaction terms

