Thirdly, as multinationals increase their presence, and develop confidence in the potential of talented employees in countries around the world to transfer corporate practice embedded in their experience and knowledge beyond their country of origin, corporate management may choose to widen the source from which to assign managers and specialists transnationally. These 'third country nationals' (TCNs) may have been recruited and rewarded on terms embedded in their country of origin employment system. But if they are expected to contribute to corporate performance, working transnationally, in the same way as PCNs, again, is there a case that their reward should be synchronised with that of the PCNs?

CONVERGENT TRANSNATIONAL CAPITAL POWER – DIVERGENT BUSINESS SYSTEMS

By way of context for addressing such issues, as discussed in Chapter 1, prevailing wisdom may be to theorise a convergence between employment systems worldwide – even if this involves two capitalist 'varieties' (Hall and Soskice, 2001): a deregulated 'liberal market'-oriented variant, on the one hand, and a more politically 'co-ordinated' type, on the other hand.

In liberal market economies, the tendency is for active stock market regulation of business, with unitary boards and decentralised industrial relations: typical examples cited are the UK and USA.

In co-ordinated (sometimes 'social') market economies, stock markets may be balanced by direct engagement in business governance by banks and other long-term-oriented financial interests. Industrial relations tends to be centralised, with legislation on occupational categorisation sometimes specifying a hierarchy of pay rates; and trade unions may sit on the supervisory part of a two-tier board structure along with capital investors, overseeing top management appointments and strategy. Typical examples cited include Germany, Japan and the Scandinavian countries (albeit with variation between them, just as there are between the UK and USA, in terms of detailed business system characteristics – eg in Japan, industrial relations tends to be highly decentralised). These are very simplified descriptions, and the reader is directed to sources such as Hall and Soskice (2001) for a more comprehensive specification.

From the point of view of the multinational management wishing simply to follow a common recipe for rewarding workforce members irrespective of the operating environment, however, as Brookes *et al* (2005) argue, diverse 'business systems constitute mechanisms and structures for regulating market relations. While, at least partially, they may be backed up by coercive power, they are most visible in shaping, moulding and making possible everyday exchange relationships through imitation and network ties' (2005: 406–7). The multinational's dispositional advantage as the source of FDI capital may suggest potential on the part of the inward investor to mobilise coercive power. But although 'use of coercion as a means of backing up and enforcing practices'

FACTORS AND TRENDS IN REWARDING *EXPATRIATED* KNOWLEDGE MOBILISATION

We agree with Edwards *et al* (2005) that commentary on networked multinational organisation should not be taken at face value – organisation practice is not the same as what academics and consultants, or even practising managers, may say it is. However, following Harvery *et al*'s (2002) suggestions, mindful of Cazurra *et al*'s (2007) challenge, the idea of mobilising key capabilities to achieve organisational goals is a promising one to focus consideration of approaches to international employee reward. If we go along with the proposition that active reward management offers employers one route by which to communicate what they value (Lawler, 1995), then there is a role in getting the message across about prioritising mobilisation of employees' knowledge so as to put it to work in situations (and places) where this can create profitable outcomes. As a first step, the types of 'mobilisation' involved within multinational networks need to be identified. This may help in thinking about the implications for reward design and practice specifically applicable to the various categories of employee making up the multinational workforce. It may also assist in clarifying what is meant by 'international reward' for the multinational pursuing a strategy of purposeful knowledge mobilisation.

Lowe *et al* (2002) are critical of the 'expatriate myopia' in literature concerned with managing people in international contexts. As indicated above, when addressing reward system issues multinationals are being encouraged to pay greater attention to how they build relationships with *all* the people they employ, with a strategic focus on organising them across globally integrated networks. So when discussing international reward and recognition, a tendency in some international HRM commentary to equate 'global reward' design with considerations pertaining to the terms and conditions applicable to expatriate assignments (eg Watson and Singh, 2005) needs to be regarded critically. In practice, multinational reward considerations encompass the terms and conditions applicable to the three principal employee categories referred to earlier: HCNs, PCNs and TCNs. Commonalities and interactions between the categories in pursuit of alignment deserve attention, but there are also reasons to unscramble international reward management approaches applied in each case.

Special considerations arise in the case of expatriated PCNs and TCNs, taking account of the fact that a prevalent approach multinationals adopt to mobilise the knowledge capabilities they offer is by relocating employees (possibly accompanied by family members) across national borders. Issues follow specific to the act of relocation between employment (and residential) systems not applicable in the case of HCNs. For this reason, policies and practices specific to expatriate mobilisation have evolved, giving rise to issues that differentiate geographically mobile employees from those retained in the territory and employment system where they were recruited. Such arrangements – and accompanying costs and complexity – are not easily set aside. But the focus in corporate strategy prescription on networking knowledge implies that reward practices that have in the past isolated expatriates from co-workers, inhibiting

Table 11.1 Context-related multinational reward management factors

	Conform	**Avoid**	**Resist**
Adapters	Generally	Where possible	Rarely
Exporters	Rarely	Generally	If cost-effective
Globalisers	If necessary	Sometimes	Where feasible

Source: Perkins (2006), summarising Bloom *et al* (2003)

Again, then, the situation is dynamic and universal prescriptions require cautious interpretation (Brookes *et al*, 2005). As Perkins (2006: 11) observes:

> *The insight from the analysis is that the degree of variation in contextual factors – between and within – local host contexts rather than just the type of host contexts (cultural norms, economic conditions, regulatory pressures, etc.) may be what matters most when multinational managements consider how to balance corporate versus host influences on reward strategy design.*

An investigation by Lowe *et al* (2002), measuring the current position on various reward management approaches in 10 countries around the world (although notably excluding Europe), supplemented by managerial perspectives on what practices 'should be' applied, indicated a degree of consistency the researchers found surprising given the range of cultural and institutional contexts surveyed (from China to the USA). In terms of managerial perceptions of the extent to which reward practices were related to the employment of high performers, satisfied employees and an effective organisation:

> *Collectively, these findings suggest that there is a high degree of cross-cultural consistency in the perceived utility of compensation plans as a method for achieving organisational effectiveness. However, the mix of appropriate compensation practices is likely to vary across these same countries.* (Lowe *et al*, 2002: 69)

In the case of future-focused preferences, the researchers argued that the data set indicated 'thoughtful item-by-item responses by managers surveyed, rather than any within-country scale-anchor preferences' (Lowe *et al*, 2002: 71). Managers generally expressed a bias in favour of increasing the incidence of incentives, benefits and long-term pay focus compared with the current practice. Consistent lines between the results of 'cultural programming' variances across countries and regions and the practice and preferences of organisational managers are not in evidence from this research, therefore. The implication is that systematic 'due diligence' analysis on the part of multinational corporate reward policy architects to match reward and recognition plans for employees in countries around the world may be a worthwhile investment, when expanding their overseas operations. (The discussion of contingency theory in Chapter 2 may be helpful in thinking through this proposition.) Lowe *et al* (2002) contend that, by enhancing understanding of 'best practices' in other countries, their findings serve to challenge the extreme positions reported by Bloom *et al* (2003), whether ethnocentric exportation of reward management designs or 'locally responsive' adoption of the status quo in a given locale.

SELF-ASSESSMENT EXERCISE

Sparrow (1999) lists five groups of factors that may be influenced by national culture with possible consequences for how employees respond to reward management: (1) attitudes to what makes an 'effective' employee; (2) orientations to giving and receiving work performance feedback; (3) career anchor preferences – eg seniority versus performance; (4) expectations of manager–subordinate relationships; and (5) conceptions of what makes 'socially healthy' pay distribution between individuals and groups.

Based on the research evidence presented above regarding organisational aspirations to achieve transnational work team cohesion, some measure of pay system standardisation and the factors employees appear to deploy when making comparisons horizontally and vertically about equitable reward treatment, what priorities would you emphasise in counselling a new transnational team leader about their role?

Brown and Perkins (2007) report on recent CIPD survey findings, where HR specialists in multinationals were asked to define the level of influence that proactive components of the business strategy, such as increasing total shareholder returns and customer satisfaction, actually had on reward practices in their organisation. Respondents were also asked to rate the influence of external and less controllable factors on rewards, such as the rates of price and wage inflation, external labour markets and the activities of their competitors for staff, as well as trade unions.

According to the results obtained, a more reactive (traditional personnel administration-style) approach appears to feature in more of the organisations than those claiming to be proactive. When asked about the influence of parent country reward principles compared with local differentiators, and in turn compared with a mix-and-match approach of the kind Bloom *et al* report, the picture was almost evenly balanced 33:33:33 between responses obtained. The inference may be one of 'good old muddling through' or, by reflecting more deeply on these findings, one of sophisticated opportunity management recognising that global–local balancing will be a constant challenge to be addressed, requiring skilful handling.

The findings reported imply that multinational reward decision-takers are not simply reading from a common template at the level of specific practice. Using more in-depth interview data, Perkins (2006) reports that large multinationals do appear to be attempting to increase the degree of co-ordination in transnational reward management. The first case study below illustrates the action long-established multinationals may take to restructure business operations in ways that use employee reward interventions to emphasise accountability, beyond membership of a federation of geographically situated units to corporate brand development opportunities. Some multinationals have made a significant