

“How I Did It”

Inspiration for human capital analytics

Professor Dana Minbaeva works with a large multinational corporation to understand the impact of parent country nationals in leadership roles in subsidiaries on value alignment.

What was the question at hand?

We were trying to understand if it still makes sense for MNCs to use conventional expatriate assignments where parent country nationals (PCNs, staff from the headquarter country of an MNC) are moved to a subsidiary location. We wanted to see if assigning PCNs to lead work groups within subsidiaries could help with culture and value alignment within the MNC.

Why is this important?

For two reasons:

1) Today’s global corporations are built on shared values. More often than ever, top managers articulate, nurture and utilize values to shape employees’ behavior and to achieve desired organizational goals. However, when subsidiary employees experience a gap between values communicated by the headquarters and values in use within the subsidiary, it affects their commitment.

2) Expatriate assignments were popular in the past. However, in light of high costs and other problems associated with such assignments and the availability of alternatives, MNCs are reconsidering expatriate assignments with PCNs.

How did you approach answering it?

We used data from three sources:

- **A global survey** measuring employee commitment and perceived internalization of organizational values. From the survey, workgroup-level answers—averages of the individual responses within a team—were generated for groups with at least five people.
- **Demographic information on the workgroups** headed by PCNs, TCNs (third country nationals) and HCNs (home country nationals) from the company’s HR databases. The sampled workgroups are located in 51 different countries and 31 different business units.
- **Data on national cultural distance** based on the GLOBE (Global Leadership and Organizational Behavior Effectiveness) research project.

We first defined espoused core values from the corporate website, annual reports, mission statements, code of conduct, etc., and content-analyzed these documents. On the basis of this analysis we found five core values. We contacted several corporate executives independently to corroborate the list. We then identified questions from the corporate survey that captured the perception of the values in use. For example, responses to the question "my company is characterized by showing trust and giving empowerment" were used to measure enactment of the core value “empowerment”.

We also computed the overall national cultural distance between the MNC headquarter country and the foreign country in which the work group was located. We controlled for gender, age, and tenure of leaders and foreign country GDP

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We then conducted regression analysis to look for possible relationships between the two, controlling for employee demographics.

What did you find?

Our most general finding is that **a gap between espoused values communicated by the headquarters and values in use within the subsidiary exists, and it has a detrimental effect on the affective commitment of employees in foreign subsidiaries.**

Further, we found that cultural distance will augment the detrimental effect of perceived value gaps: the further we move away from the corporate HQs, the stronger the negative effect of the perceived value gap will be on the affective commitment of work group members.

Fortunately, our findings show that having PCNs as group leaders (as opposed to a TCN or HCN) can mitigate the negative effect of perceived value gaps on the affective commitment of workgroups. Importantly, PCN group leaders effectiveness in this role seems to increase with growing cultural differences. PCNs can act as a buffer, reducing the potentially detrimental effects of values misalignment. Because PCNs are likely to better understand the corporate culture, they can articulate the firm’s core values and provide a role model for the workgroup members.

What was the impact on the business?

- **MNCs need to ensure that PCNs develop dual organizational identification towards both the corporate HQs and the foreign subsidiary**, for instance, by selecting individuals for an international assignment who have a bi-cultural background or experience in both cultures and by preparing them for their role as culture carriers and interpreters of corporate messages.
- It seems important to **provide ongoing coaching during the early stage of the international assignment that goes beyond traditional cross-cultural training** to help the expatriate make sense of his/her experiences in the host country and effectively perform his/her complex role as a culture translator and agent of socialization.
- **Business trips and regular visits of subsidiaries can also provide senior executives with an invaluable tool to inculcate shared values** and to mitigate against the adverse effects of perceived value gaps on foreign subsidiary employees.

What advice do you have for others seeking to use analytics in their HR work?

Team up with researchers.

- We have accumulated lots of additional data (e.g. in this project the GLOBE measure of national cultural distance) that could be coupled with your corporate data.
- We are proficient in various types of analyses (e.g. in this project, content analysis and econometric models) that are necessary to handle complex MNC data.

Source: Interviews with Dana Minbaeva and draft article, Minbaeva, D., Rabbiosi, L., and Stahl, G. “The role of parent-country expatriates in mitigating the adverse effects of perceived value gaps on subsidiary employees”. Presented at the 2014 Academy of International Business in Vancouver, Canada.